

FIFTY-SECOND DAY

St. Paul, Minnesota, Wednesday, May 10, 2017

The Senate met at 12:00 noon and was called to order by the President.

CALL OF THE SENATE

Senator Gazelka imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Jennifer McNally.

The members of the Senate gave the pledge of allegiance to the flag of the United States of America.

The roll was called, and the following Senators answered to their names:

Abeler	Draheim	Housley	Limmer	Rosen
Anderson, B.	Dziedzic	Ingebrigtsen	Little	Ruud
Anderson, P.	Eaton	Isaacson	Lourey	Schoen
Bakk	Eichorn	Jasinski	Marty	Senjem
Benson	Eken	Jensen	Mathews	Simonson
Carlson	Fischbach	Johnson	Miller	Sparks
Chamberlain	Franzen	Kent	Newman	Tomassoni
Champion	Frentz	Kiffmeyer	Newton	Torres Ray
Clausen	Gazelka	Klein	Osmek	Utke
Cohen	Goggin	Koran	Pappas	Weber
Cwodzinski	Hall	Laine	Pratt	Westrom
Dahms	Hayden	Lang	Relph	Wiger
Dibble	Hoffman	Latz	Rest	Wiklund

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce the passage by the House of the following Senate File, herewith returned: S.F. No. 1654.

Patrick D. Murphy, Chief Clerk, House of Representatives

Returned May 9, 2017

Madam President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 1542:

H.F. No. 1542: A bill for an act relating to human rights; amending notice provisions for actions involving architectural barriers; amending Minnesota Statutes 2016, section 363A.331, subdivisions 2, 5.

The House respectfully requests that a Conference Committee of 3 members be appointed thereon.

Smith, Swedzinski and Fischer have been appointed as such committee on the part of the House.

House File No. 1542 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Patrick D. Murphy, Chief Clerk, House of Representatives

Transmitted May 9, 2017

Senator Relph moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 1542, and that a Conference Committee of 3 members be appointed by the Subcommittee on Conference Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Madam President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 326 and 745.

Patrick D. Murphy, Chief Clerk, House of Representatives

Transmitted May 9, 2017

FIRST READING OF HOUSE BILLS

The following bills were read the first time.

H.F. No. 326: A bill for an act relating to transportation; designating a segment of marked Trunk Highway 23 in the city and town of Paynesville as Medal of Honor recipient Kenneth L. Olson Highway; amending Minnesota Statutes 2016, section 161.14, by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 232, now on General Orders.

H.F. No. 745: A bill for an act relating to transportation; designating the bridge over U.S. Highway 52 in the city of Coates as Corporal Benjamin S. Kopp Bridge; amending Minnesota Statutes 2016, section 161.14, by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 589, now on General Orders.

REPORTS OF COMMITTEES

Senator Gazelka moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Senator Gazelka, from the Committee on Rules and Administration, to which was referred

H.F. No. 740 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
740	638				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 740 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 740, the second engrossment; and insert the language after the enacting clause of S.F. No. 638, the first engrossment; further, delete the title of H.F. No. 740, the second engrossment; and insert the title of S.F. No. 638, the first engrossment.

And when so amended H.F. No. 740 will be identical to S.F. No. 638, and further recommends that H.F. No. 740 be given its second reading and substituted for S.F. No. 638, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Senator Gazelka, from the Committee on Rules and Administration, to which was referred

H.F. No. 1443 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1443	1344				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 1443 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1443, the first engrossment; and insert the language after the enacting clause of S.F. No. 1344, the second engrossment; further, delete the title of H.F. No. 1443, the first engrossment; and insert the title of S.F. No. 1344, the second engrossment.

And when so amended H.F. No. 1443 will be identical to S.F. No. 1344, and further recommends that H.F. No. 1443 be given its second reading and substituted for S.F. No. 1344, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Senator Gazelka, from the Committee on Rules and Administration, to which was referred

H.F. No. 1418 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1418	1573				

and that the above Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Report adopted.

SECOND READING OF HOUSE BILLS

H.F. Nos. 740, 1443, and 1418 were read the second time.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

Senators Limmer and Latz introduced--

S.F. No. 2384: A bill for an act relating to legislative enactments; correcting miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors.

Referred to the Committee on Rules and Administration.

Senators Dibble, Kent, Simonson, Eaton, and Hayden introduced--

S.F. No. 2385: A resolution urging action to halt the persecution of gay men in Chechnya.

Referred to the Committee on Judiciary and Public Safety Finance and Policy.

MOTIONS AND RESOLUTIONS

Senator Laine moved that the name of Senator Dibble be added as a co-author to S.F. No. 324. The motion prevailed.

Senator Gazelka moved that H.F. No. 678 be taken from the table and given a second reading. The motion prevailed.

H.F. No. 678: A bill for an act relating to motor vehicles; establishing law enforcement memorial special license plates; proposing coding for new law in Minnesota Statutes, chapter 168.

H.F. No. 678 was read the second time.

Senator Gazelka moved that H.F. No. 678 be laid on the table. The motion prevailed.

RECESS

Senator Gazelka moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Senator Gazelka moved that the Committee Reports at the Desk be now adopted, with the exception of the reports on S.F. Nos. 2379, 1384, and 545. The motion prevailed.

Senator Rosen from the Committee on Finance, to which was re-referred

S.F. No. 751: A bill for an act relating to health; requiring that additional information be provided with dispensed prescriptions; proposing coding for new law in Minnesota Statutes, chapter 152.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2016, section 151.212, subdivision 2, is amended to read:

Subd. 2. **Controlled substances.** (a) In addition to the requirements of subdivision 1, when the use of any drug containing a controlled substance, as defined in chapter 152, or any other drug determined by the board, either alone or in conjunction with alcoholic beverages, may impair the ability of the user to operate a motor vehicle, the board shall require by rule that notice be prominently set forth on the label or container. Rules promulgated by the board shall specify exemptions from

this requirement when there is evidence that the user will not operate a motor vehicle while using the drug.

(b) In addition to the requirements of subdivision 1, whenever a prescription drug containing an opiate is dispensed to a patient for outpatient use, the pharmacy or practitioner dispensing the drug must prominently display on the label or container a notice that states "Caution: Opioid. Risk of overdose and addiction."

Renumber the sections in sequence

Amend the title numbers accordingly

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Rosen from the Committee on Finance, to which was re-referred

S.F. No. 550: A bill for an act relating to natural resources; appropriating money from environment and natural resources trust fund; modifying requirements for receipt of fund money; amending Minnesota Statutes 2016, sections 116P.05, subdivision 2; 116P.17, subdivision 1.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 22, delete "50,732,500" and insert "50,733,000" and delete "-0-" and insert "5,089,000"

Page 2, line 22, delete "-0-" and insert "89,000"

Page 7, delete lines 8 to 19 and insert:

(n) Pollinator Research and Outreach

\$411,000 the first year and \$89,000 the second year are from the trust fund to the Board of Regents of the University of Minnesota for pollinator research and outreach, including, but not limited to, science-based best practices and the identification and establishment of habitat beneficial to pollinators. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

Page 18, line 27, delete the second "-0-" and insert "5,000,000"

Page 23, line 11, delete "\$6,000,000" and insert "\$1,000,000" and delete "is" and insert "and \$5,000,000 the second year are"

Page 23, after line 21, insert:

(m) Riparian Protection Aid

\$5,000,000 the first year is from the trust fund to the commissioner of revenue for riparian protection aid payments under Minnesota Statutes, section 477A.21."

Page 27, line 23, delete "1,339,500" and insert "1,340,000"

Page 28, line 9, delete "\$4,500 the second" and insert "\$5,000 the first"

Page 36, after line 12, insert:

"(2) Laws 2014, chapter 226, section 2, subdivision 4, paragraph (b), Bioacoustics to Detect, Deter, and Eliminate Silver Carp;"

Page 36, line 13, delete "(2)" and insert "(3)"

Page 36, line 17, delete "(3)" and insert "(4)"

Page 36, after line 20, insert:

"(5) Laws 2014, chapter 226, section 2, subdivision 7, paragraph (b), Metropolitan Regional Park System Acquisition;"

Page 36, line 21, delete "(4)" and insert "(6)"

Page 36, line 25, delete "(5)" and insert "(7)"

Page 36, line 29, delete "(6)" and insert "(8)"

Page 37, after line 17, insert:

"Subd. 19. Fiscal Year 2019 Recommendations

(a) The Legislative-Citizen Commission on Minnesota Resources shall review and recommend \$20,000,000 for fiscal year 2019 appropriations from the trust fund for buffers, wellhead protection, and other activities eligible for matching the federal Conservation Reserve Enhancement Program.

(b) Notwithstanding Minnesota Statutes, section 116P.08, subdivision 2, clause (2), the commission shall consider recommending up to 25 percent of the available money from the trust fund for fiscal year 2019 appropriations for expenditure on municipal

wastewater treatment programs that serve statutory and home rule charter cities and towns with a population less than 2,000 to preserve or enhance fish, wildlife, land, air, water, and other natural resources that otherwise may be substantially impaired or destroyed in any area of the state.

(c) Any deadlines established by the Legislative-Citizen Commission on Minnesota Resources for submission of proposals for the commission's fiscal year 2019 funding recommendations are waived until July 15, 2017, for proposals authorized under this subdivision."

Page 39, after line 4, insert:

"Sec. 5. [477A.21] RIPARIAN PROTECTION AID.

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given:

(1) "buffer protection map" has the meaning given under section 103F.48, subdivision 1; and

(2) "public watercourses" means public waters and public drainage systems subject to riparian protection requirements under section 103F.48.

Subd. 2. **Certifications to commissioner.** (a) The Board of Water and Soil Resources must certify to the commissioner of revenue, on or before July 1 each year, which counties and watershed districts have affirmed their jurisdiction under section 103F.48 and the proportion of centerline miles of public watercourses, and miles of public drainage system ditches on the buffer protection map, within each county and each watershed district within the county with affirmed jurisdiction.

(b) On or before July 1 each year, the commissioner of natural resources shall certify to the commissioner of revenue the statewide and countywide number of centerline miles of public watercourses and miles of public drainage system ditches on the buffer protection map.

Subd. 3. **Distribution.** (a) A county that is certified under subdivision 2, or that portion of a county containing a watershed district certified under subdivision 2, is eligible to receive aid under this section to enforce and implement the riparian protection and water quality practices under section 103F.48. Each county's preliminary aid amount is equal to the proportion calculated under paragraph (b) multiplied by the appropriation received each year by the commissioner for purposes of payments under this section.

(b) The commissioner must compute each county's proportion. A county's proportion is equal to the ratio of the sum in clause (1) to the sum in clause (2):

(1) the sum of the total number of acres in the county classified as class 2a under section 273.13, subdivision 23, the countywide number of centerline miles of public watercourses on the buffer protection map, and the countywide number of miles of public drainage system ditches on the buffer protection map; and

(2) the sum of the statewide total number of acres classified as class 2a under section 273.13, subdivision 23, the statewide total number of centerline miles of public watercourses on the buffer protection map, and the statewide total number of public drainage system miles on the buffer protection map.

(c) Aid to a county must not be greater than \$200,000 or less than \$50,000. If the sum of the preliminary aids payable to counties under paragraph (a) is greater or less than the appropriation received by the commissioner, the commissioner of revenue must calculate the percentage of adjustment necessary so that the total of the aid under paragraph (a) equals the total amount received by the commissioner, subject to the minimum and maximum amounts specified in this paragraph. The minimum and maximum amounts under this paragraph must be adjusted by the ratio of the actual amount appropriated to \$10,000,000.

(d) If only a portion of a county is certified as eligible to receive aid under subdivision 2, the aid otherwise payable to that county under this section must be multiplied by a fraction, the numerator of which is the buffer protection map miles of the certified watershed districts contained within the county and the denominator of which is the total buffer protection map miles of the county.

(e) Any aid that would otherwise be paid to a county or portion of a county that is not certified under subdivision 2 shall be paid to the Board of Water and Soil Resources for enforcing and implementing the riparian protection and water quality practices under section 103F.48.

Subd. 4. **Payments.** The commissioner of revenue must compute the amount of riparian protection aid payable to each eligible county and to the Board of Water and Soil Resources under this section. On or before August 1 each year, the commissioner must certify the amount to be paid to each county and the Board of Water and Soil Resources in the following year, except that the payments for 2017 must be certified by July 15, 2017. The commissioner must pay riparian protection aid to counties and to the Board of Water and Soil Resources in the same manner and at the same time as aid payments under section 477A.015.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to aids payable in 2017 and thereafter."

Amend the title numbers accordingly

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Rosen from the Committee on Finance, to which was referred

S.F. No. 1973: A bill for an act relating to claims against the state; providing for settlement of certain claims; appropriating money.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 14, delete "\$....." and insert "\$965"

Page 1, delete line 15 and insert:

"(2) for payment to Philip Berg for permanent injuries to his right ring finger while performing assigned duties at Minnesota Correctional Facility - Stillwater, \$1,125;

(3) for payment to Kurt Bird for permanent injuries to his right index finger while performing assigned duties at Minnesota Correctional Facility - Stillwater, \$9,350;

(4) for payment to Eloy Cantu for permanent injuries to his right leg while performing assigned duties at Minnesota Correctional Facility - Stillwater and payment to medical providers for his treatment, \$3,729.79;

(5) for payment to medical providers for treatment of James Comstock who was injured performing assigned duties at Minnesota Correctional Facility - Stillwater, \$4,209.30;

(6) for payment to Joseph Kamm for permanent injuries to his right thumb while performing assigned duties at Minnesota Correctional Facility - Faribault, \$3,750;

(7) for payment to Clinton Karnes for permanent injuries to his left ankle while at Minnesota Correctional Facility - Stillwater, \$3,000;

(8) for payment to Mark Knudsen for permanent injuries to his left ring finger while performing assigned duties at Minnesota Correctional Facility - Togo, \$750; and

(9) for payment to Colten Rosendahl for permanent injuries to his left thumb while performing assigned duties at Minnesota Correctional Facility - Moose Lake, \$9,350."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Kiffmeyer from the Committee on State Government Finance and Policy and Elections, to which was referred

S.F. No. 2379: A bill for an act relating to state government; modifying membership for PERA and MSRS Boards; amending Minnesota Statutes 2016, sections 352.03, subdivision 1; 353.03, subdivision 1.

Reports the same back with the recommendation that the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Senator Kiffmeyer from the Committee on State Government Finance and Policy and Elections, to which was referred

S.F. No. 1384: A bill for an act relating to retirement; volunteer firefighter relief associations; implementing the recommendations of the state auditor's volunteer firefighter working group; updating audit requirements; updating corporate stock requirements; modifying the definition of municipality; providing the option to include emergency medical response volunteers in plan coverage; making various technical corrections; amending Minnesota Statutes 2016, sections 69.051,

subdivision 1; 356A.06, subdivision 7; 424A.001, subdivisions 2, 3, 10, by adding a subdivision; 424A.002, subdivision 1; 424A.01, subdivisions 1, 5, 6; 424A.015, subdivision 1; 424A.016, subdivision 2; 424A.02, subdivisions 1, 3a, 7; 424A.04, subdivision 1; 424A.07; 424A.091, subdivision 3; 424A.094, subdivision 3; 424A.10, subdivision 1.

Reports the same back with the recommendation that the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Senator Kiffmeyer from the Committee on State Government Finance and Policy and Elections, to which was referred

S.F. No. 545: A bill for an act relating to retirement; making administrative changes to the Minnesota State Retirement System, Teachers Retirement Association, Public Employees Retirement Association, and St. Paul Teachers Retirement Fund Association; clarifying refund repayment procedures; modifying executive director credentials; clarifying service requirements; revising appeal procedures; modifying service credit purchase procedures; establishing new procedures for disability applications due to private disability insurance requirements; clarifying disability benefit payment provisions; modifying annual benefit limitations for federal tax code compliance; authorizing use of IRS correction procedures; clarifying benefit offsets for certain refund payments; clarifying police and fire plan coverage for certain Hennepin Healthcare System supervisors; modifying various economic actuarial assumptions; adopting recommendations of the Volunteer Firefighter Relief Association Working Group; increasing relief association lump-sum service pension maximums; lowering certain vesting requirements for Eden Prairie Volunteer Firefighters Relief Association; adopting definition of the Hometown Heroes Act related to public safety officer death benefits; allowing service credit purchase and Rule of 90-eligibility for certain Minnesota Department of Transportation employees; authorizing MnSCU employees to elect retroactive and prospective TRA coverage; authorizing MnSCU employee to transfer past service from IRAP to PERA; increasing maximum employer contribution to a supplemental laborers pension fund; authorizing certain additional sources of retirement plan funding; making technical and conforming changes; amending Minnesota Statutes 2016, sections 3A.03, subdivisions 2, 3; 16A.14, subdivision 2a; 352.03, subdivisions 5, 6; 352.113, subdivision 2; 352.23; 352B.11, subdivision 4; 352D.05, subdivision 4; 353.01, subdivisions 16, 43; 353.012; 353.0162; 353.32, subdivisions 1, 4; 353.34, subdivision 2; 353.64, subdivision 10; 353G.02, subdivision 6; 354.05, by adding a subdivision; 354.06, subdivisions 2, 2a; 354.095; 354.44, subdivision 9; 354.46, subdivision 6; 354.48, subdivision 1; 354.52, subdivision 4; 354A.011, subdivision 29; 354A.093, subdivisions 4, 6; 354A.095; 354A.096; 354A.35, subdivision 2; 354A.38; 356.215, subdivision 8; 356.24, subdivision 1; 356.50, subdivision 2; 356.551, subdivision 2; 356.635, subdivision 10, by adding subdivisions; 356.96, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 423A.02, subdivision 3; 424A.01, by adding subdivisions; 424A.015, by adding a subdivision; 424A.02, subdivision 3; 424B.20, subdivision 4; 490.124, subdivision 12; proposing coding for new law in Minnesota Statutes, chapters 356; 424A; repealing Minnesota Statutes 2016, sections 352.04, subdivision 11; 353.0161; 353.34, subdivision 6; 354A.12, subdivisions 2c, 3c; 354A.31, subdivision 3; 356.47, subdivision 1; 356.611, subdivisions 3, 3a, 4, 5; 356.96, subdivisions 14, 15; 424A.02, subdivision 13.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

**MINNESOTA STATE RETIREMENT SYSTEM BENEFIT AND CONTRIBUTION
CHANGES**

Section 1. Minnesota Statutes 2016, section 3A.02, subdivision 4, is amended to read:

Subd. 4. **Deferred annuities augmentation.** ~~(a)~~ The deferred retirement allowance of any former legislator must be computed as provided in subdivision 1 on the basis of allowable service and augmented as provided herein. ~~(b) The required reserves applicable to the deferred retirement allowance, determined as of the date the benefit begins to accrue using an appropriate mortality table and an interest assumption of six percent, must be augmented by interest compounded annually from the first of the month following the termination of active service, or July 1, 1973, whichever is later, to the first day of the month in which the allowance begins to accrue effective date of retirement, at the following annually compounded rate or rates:~~

(1) five percent until January 1, 1981;

(2) three percent from January 1, 1981, or from the first day of the month following the termination of active service, whichever is later, until January 1 of the year in which the former legislator attains age 55 or until January 1, 2012, whichever is earlier;

(3) five percent from the period end date under clause (2) until the effective date of retirement or until January 1, 2012, whichever is earlier; ~~and~~

(4) two percent ~~after December 31, 2011,~~ from January 1, 2012, until December 31, 2017; and

(5) after December 31, 2017, the deferred annuity must not be augmented.

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

Sec. 2. Minnesota Statutes 2016, section 352.116, subdivision 1a, is amended to read:

Subd. 1a. **Actuarial reduction for early retirement.** This subdivision applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity is higher when calculated under section 352.115, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 352.115, subdivision 3, paragraph (a), in conjunction with subdivision 1. A covered employee who retires before the normal retirement age shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (b), reduced ~~so that~~ as described in clause (1) or (2), as applicable.

(1) For covered employees who retire on or after July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at ~~an~~ the applicable annual rate of three percent, compounded annually, from the day the annuity begins to accrue until the normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, actuarial equivalent, for the purpose of determining the reduced annuity commencing before normal retirement age under this clause, shall not take into account any augmentation.

(2) For covered employees who retire before July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee became an employee before July 1, 2006, and at an annual rate of 2.5 percent, compounded annually, from the day the annuity begins to accrue until the normal retirement age if the employee initially becomes became an employee after June 30, 2006.

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

Sec. 3. Minnesota Statutes 2016, section 352.22, subdivision 2, is amended to read:

Subd. 2. **Amount of refund.** Except as provided in subdivision 3, the refund payable to a person who ceased to be a state employee by reason of a termination of state service is an amount equal to employee accumulated contributions plus interest until the date on which the refund is paid, at the rate of following rates for the applicable period:

(a) six percent per year compounded daily from the date that the contribution was made until June 30, 2011, or until the date on which the refund is paid, whichever is earlier, and at the rate of;

(b) four percent per year compounded daily from the date that the contribution was made or from July 1, 2011, whichever is later, until the date on which the refund is paid, until June 30, 2017; and

(c) three percent per year compounded daily from the date that the contribution was made or July 1, 2017, whichever is later.

Included with the refund is any interest paid as part of repayment of a past refund, plus interest thereon from the date of repayment.

Sec. 4. Minnesota Statutes 2016, section 352.22, is amended by adding a subdivision to read:

Subd. 2b. **Refund repayment.** Any person who has received a refund from the state employees retirement plan, and who is a member of any of the retirement plans specified in section 356.311, paragraph (b), may repay the refund with interest to the state employees retirement plan. If a refund is repaid to the plan and more than one refund has been received from the plan, all refunds must be

repaid. Repayment must be made as provided in section 352.23, and under terms and conditions consistent with that section as agreed upon with the director.

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

Sec. 5. Minnesota Statutes 2016, section 352.22, subdivision 3, is amended to read:

Subd. 3. **Deferred annuity.** (a) An employee who has at least three years of allowable service if employed before July 1, 2010, or who has at least five years of allowable service if employed after June 30, 2010, when termination occurs may elect to leave the accumulated contributions in the fund and thereby be entitled to a deferred retirement annuity. The annuity must be computed under the law in effect when state service terminated, on the basis of the allowable service credited to the person before the termination of service.

(b) An employee on layoff or on leave of absence without pay, except a leave of absence for health reasons, and who does not return to state service must have an annuity, deferred annuity, or other benefit to which the employee may become entitled computed under the law in effect on the employee's last working day.

(c) No application for a deferred annuity may be made more than 60 days before the time the former employee reaches the required age for entitlement to the payment of the annuity. The deferred annuity begins to accrue no earlier than 60 days before the date the application is filed in the office of the system, but not (1) before the date on which the employee reaches the required age for entitlement to the annuity nor (2) before the day following the termination of state service in a position which is not covered by the retirement system.

(d) Application for the accumulated contributions left on deposit with the fund may be made at any time following the date of the termination of service.

(e) Deferred annuities must be augmented as provided in ~~section 352.72, subdivision 2~~ subdivision 3a.

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

Sec. 6. Minnesota Statutes 2016, section 352.22, is amended by adding a subdivision to read:

Subd. 3a. **Computation of deferred annuity.** (a) The deferred annuity, if any, accruing under subdivision 3, on the basis of allowable service before termination of state service and augmented by interest compounded annually from the first day of the month following the month in which the employee ceased to be a state employee, or July 1, 1971, whichever is later, to the effective date of retirement.

(b) For a person who became a state employee before July 1, 2006, the annuity must be augmented at the following rate or rates:

(1) five percent until January 1, 1981;

(2) three percent thereafter until January 1 of the year following the year in which the former employee attains age 55 or until January 1, 2012, whichever is earlier;

(3) five percent from the January 1 next following the attainment of age 55 until December 31, 2011;

(4) two percent from January 1, 2012 , until December 31, 2017; and

(5) after December 31, 2017, the deferred annuity must not be augmented.

(c) For a person who became a state employee after June 30, 2006, the annuity must be augmented at the following rate or rates:

(1) 2.5 percent until December 31, 2011;

(2) two percent from January 1, 2012, until December 31, 2017; and

(3) after December 31, 2017, the deferred annuity must not be augmented.

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

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

Sec. 7. Minnesota Statutes 2016, section 352B.08, is amended by adding a subdivision to read:

Subd. 2b. Computation of deferred annuity. (a) Deferred annuities must be computed according to this chapter on the basis of allowable service before termination of service and augmented by interest compounded annually from the first day of the month following the month in which the member terminated service, or July 1, 1971, whichever is later, to the effective date of retirement.

(b) For a person who became an employee before July 1, 2006, the annuity must be augmented at the following rate or rates:

(1) five percent until January 1, 1981;

(2) three percent from January 1, 1981, until December 31, 2011;

(3) two percent from January 1, 2012, until December 31, 2017; and

(4) after December 31, 2017, the deferred annuity must not be augmented.

(c) For a person who became an employee after June 30, 2006, the annuity must be augmented as follows:

(1) 2.5 percent until December 31, 2011;

(2) two percent from January 1, 2012, until December 31, 2017; and

(3) after December 31, 2017, the deferred annuity must not be augmented.

(d) The mortality table and interest assumption used to compute the annuity must be those in effect when the member files application for annuity.

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

Sec. 8. Minnesota Statutes 2016, section 352D.085, subdivision 1, is amended to read:

Subdivision 1. **Combined service.** Except as provided in section 356.30, 356.302, or 356.303, service under the unclassified program for which the employee has been credited with employee shares may be used for the limited purpose of qualifying for benefits under sections 352.115, ~~352.72, subdivision 1,~~ 352.113, 354.44, 354.45, 354.48, and ~~354.60~~ 356.311. The service also may not be used to qualify for a disability benefit under section 352.113 or 354.48 if a participant was under the unclassified program at the time of the disability. Also, the years of service and salary paid while the participant was in the unclassified program may not be used in determining the amount of benefits.

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

Sec. 9. Minnesota Statutes 2016, section 490.121, subdivision 25, is amended to read:

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

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

Sec. 10. Minnesota Statutes 2016, section 490.121, subdivision 26, is amended to read:

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

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

Sec. 11. **REPEALER.**

Minnesota Statutes 2016, sections 3A.12; 352.045; 352.72; and 352B.30, are repealed.

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

ARTICLE 2

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION BENEFIT AND CONTRIBUTION CHANGES

Section 1. Minnesota Statutes 2016, section 353.30, subdivision 5, is amended to read:

Subd. 5. **Actuarial reduction for early retirement.** (a) This subdivision applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under section 353.29, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 353.29, subdivision 3, paragraph (a), in conjunction with subdivision 1, 1a, 1b, or 1c. An employee who retires before normal retirement age shall be paid the retirement annuity provided in section 353.29, subdivision 3, paragraph (b), reduced ~~so that~~ as described in paragraph (b) or (c), as applicable.

(b) For members who retire on or after July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at ~~an~~ the applicable annual rate ~~of three percent~~, compounded annually, from the day the annuity begins to accrue until the normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, actuarial equivalent, for the purpose of determining the reduced annuity commencing before normal retirement age under this paragraph, shall not take into account any augmentation.

(c) For members who retire before July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent, compounded annually, from the day the annuity begins to accrue until ~~the~~ normal retirement age if the employee ~~initially becomes~~ became an employee after June 30, 2006.

EFFECTIVE DATE. This section is effective for reduced annuities with an annuity starting date that is on or after July 1, 2018, notwithstanding the member's date of termination of public service.

Sec. 2. Minnesota Statutes 2016, section 353.34, subdivision 2, is amended to read:

Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person who ceases to be a public employee is entitled to receive a refund in an amount equal to accumulated deductions with annual compound interest to the first day of the month in which the refund is processed.

(b) Annual compound interest on a refund under paragraph (a) shall be as follows:

(i) for a person who ceases to be a public employee before July 1, 2011, the refund interest is at the rate of six percent to June 30, 2011, at the rate of four percent after June 30, 2011, to June 30, 2017, and at the rate of ~~four~~ three percent after June 30, ~~2011~~, 2017;

(ii) For a person who ceases to be a public employee after ~~July 1~~ June 30, 2011, and before July 1, 2017, the refund interest is at the rate of four percent- to June 30, 2017, and at the rate of three percent after June 30, 2017; and

(iii) For a person who ceases to be a public employee after June 30, 2017, the refund interest is at the rate of three percent.

(c) If a person repays a refund and subsequently applies for another refund, the repayment amount, including interest, is added to the fiscal year balance in which the repayment was made.

(d) If the refund payable to a member is based on employee deductions that are determined to be invalid under section 353.27, subdivision 7, the interest payable on the invalid employee deductions is four percent.

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

Sec. 3. Minnesota Statutes 2016, section 353.34, subdivision 3, is amended to read:

Subd. 3. **Deferred annuity; eligibility; computation.** (a) A member who is vested under section 353.01, subdivision 47, when termination of public service or termination of membership occurs has the option of leaving the accumulated deductions in the fund and being entitled to a deferred retirement annuity commencing at normal retirement age or to a deferred early retirement annuity under section 353.30, subdivision 1a, 1b, 1c, or 5.

(b) The deferred annuity must be computed under section 353.29, subdivision 3, on the basis of the law in effect on the date of termination of public service or termination of membership, whichever is earlier, and must be augmented as provided in ~~section 353.71, subdivision 2~~ paragraph (c).

(c) The deferred annuity accruing under subdivision 3, section 353.68, subdivision 4, or section 356.311, must be computed on the basis of allowable service prior to the termination of public service and augmented by interest compounded annually from the first day of the month following the month in which the former member ceased to be a public employee, or July 1, 1971, whichever is later, to the effective date of retirement.

(d) For a person who became a public employee before July 1, 2006, and who has a termination of public service before January 1, 2012, the deferred annuity must be augmented at the following rate or rates:

(1) five percent until January 1, 1981;

(2) three percent from January 1, 1981, until January 1 of the year following the year in which the former member attains age 55 or until December 31, 2011, whichever is earlier;

(3) five percent from January 1 of the year following the year in which the former member attains age 55, or until December 31, 2011, whichever is earlier;

(4) one percent from January 1, 2012, until December 31, 2017; and

(5) after December 31, 2017, the deferred annuity must not be augmented.

(e) For a person who became a public employee after June 30, 2006, and who has a termination of public service before January 1, 2012, the deferred annuity must be augmented at the following rate or rates:

(1) 2.5 percent until December 31, 2011;

(2) one percent from January 1, 2012, until December 31, 2017; and

(3) after December 31, 2017, the deferred annuity must not be augmented.

(f) For a person who has a termination of public service after December 31, 2011, the deferred annuity must not be augmented.

(g) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, or the survivor benefit payable on behalf of a basic or police and fire member who was receiving disability benefits before July 1, 1997, which is first payable after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained under section 356.214.

(e) (h) A former member qualified to apply for a deferred retirement annuity may revoke this option at any time before the commencement of deferred annuity payments by making application for a refund. The person is entitled to a refund of accumulated member contributions within 30 days following date of receipt of the application by the executive director.

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

Sec. 4. **REPEALER.**

Minnesota Statutes 2016, sections 353.27, subdivision 3b; and 353.71, are repealed.

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

ARTICLE 3

TEACHERS RETIREMENT ASSOCIATION BENEFIT AND CONTRIBUTION CHANGES

Section 1. Minnesota Statutes 2016, section 354.436, subdivision 3, is amended to read:

Subd. 3. **Aid expiration.** The aid amounts specified in this section terminate and this section expires on the October 1 next following ~~the later of the following dates: (1) when~~ the date on which the current assets of the Teachers Retirement Association fund equal or exceed the actuarial accrued liabilities of the fund as determined in the most recent actuarial valuation report for the Teachers Retirement Association fund by the actuary retained under section 356.214; or (2) when the member

~~and employer contribution rates are first determined to be eligible for a reduction under section 354.42, subdivisions 4a, 4b, 4c, and 4d.~~

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

Sec. 2. Minnesota Statutes 2016, section 354.44, subdivision 6, is amended to read:

Subd. 6. **Computation of formula program retirement annuity.** (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in paragraph (b) or (d) on the basis of each member's average salary under section 354.05, subdivision 13a, for the period of the member's formula service credit.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled for service rendered before July 1, 2006:

Period	Coordinated Member	Basic Member
Each year of service during first ten	1.2 percent per year	2.2 percent per year
Each year of service thereafter	1.7 percent per year	2.7 percent per year

For service rendered on or after July 1, 2006, by a member other than a member who was a member of the former Duluth Teachers Retirement Fund Association between January 1, 2006, and June 30, 2015, and for service rendered on or after July 1, 2013, by a member who was a member of the former Duluth Teachers Retirement Fund Association between January 1, 2013, and June 30, 2015, the average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of service credit, determines the amount the annuity to which the member qualifying therefor is entitled:

Period	Coordinated Member	Basic Member
Each year of service during first ten	1.4 percent per year	2.2 percent per year
Each year of service after ten years of service	1.9 percent per year	2.7 percent per year

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of

allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). For a basic member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by 2.7 percent for each year of service for a basic member determines the amount of the retirement annuity to which the basic member is entitled. The annuity of a basic member who was a member of the former Minneapolis Teachers Retirement Fund Association as of June 30, 2006, must be determined according to the annuity formula under the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association in effect as of that date. For a coordinated member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by 1.7 percent for each year of service rendered before July 1, 2006, and by 1.9 percent for each year of service rendered on or after July 1, 2006, for a member other than a member who was a member of the former Duluth Teachers Retirement Fund Association between January 1, 2006, and June 30, 2015, and by 1.9 percent for each year of service rendered on or after July 1, 2013, for a member of the former Duluth Teachers Retirement Fund Association between January 1, 2013, and June 30, 2015, determines the amount of the retirement annuity to which the coordinated member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) reduced so that as described in clause (1) or (2), as applicable. Except in regards to section 354.46 and paragraph (g), this paragraph remains in effect until June 30, 2015.

(1) for employees who retire on or after July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an the applicable annual rate of three percent, compounded annually, from the day the annuity begins to accrue until the normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, actuarial equivalent, for the purpose of determining the reduced annuity commencing before normal retirement age under this clause, shall not take into account any augmentation.

(2) for members who retire before July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee becomes became an employee after June 30, 2006. Except in regards to section 354.46, this paragraph remains in effect until June 30, 2015.

(f) After June 30, 2020, this paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b) in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age is entitled to receive the normal annuity provided in paragraph (d) reduced as described in clause (1) or (2), as applicable.

~~For a person who~~ (1) if the member retires when the member is at least age 62 or older and has at least 30 years of service, the annuity must be reduced by an early reduction factor of six percent per year of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee became an employee after June 30, 2006. For a person who

The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(2) if the member retires when the member is not at least age 62 or older and does not have at least 30 years of service, the annuity would must be reduced by an early reduction factor of for each year that the member's age of retirement precedes normal retirement age. The early reduction factors are four percent per year for ages 55 through 59 and seven percent per year for ages 60 through normal retirement age. of The resulting annuity that would be payable to the employee must be further adjusted to take into account augmentation as if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an the applicable annual rate of three percent, compounded annually, from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent

compounded annually if the employee became an employee after June 30, 2006. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, the reduced annuity commencing before normal retirement age under this clause shall not take into account any augmentation.

(g) After June 30, 2015, and before July 1, 2020, for a person who would have a reduced retirement annuity under either paragraph (e) or (f) if they were applicable, the employee is entitled to receive a reduced annuity which must be calculated using a blended reduction factor augmented monthly by 1/60 of the difference between the reduction required under paragraph (e) and the reduction required under paragraph (f).

(h) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

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

Sec. 3. Minnesota Statutes 2016, section 354.49, subdivision 2, is amended to read:

Subd. 2. **Calculation.** (a) Except as provided in section 354.44, subdivision 1, any person who ceases to be a member by reason of termination of teaching service, is entitled to receive a refund in an amount equal to the accumulated deductions credited to the account plus interest compounded annually using the following interest rates:

(1) before July 1, 1957, no interest accrues;

(2) July 1, 1957, to June 30, 2011, six percent; ~~and~~

(3) ~~after June 30~~ July 1, 2011, to June 30, 2017, four percent; and

(4) after June 30, 2017, three percent.

For the purpose of this subdivision, interest must be computed on fiscal year end balances to the first day of the month in which the refund is issued.

(b) If the person has received permanent disability payments under section 354.48, the refund amount must be reduced by the amount of those payments.

Sec. 4. Minnesota Statutes 2016, section 354.55, subdivision 11, is amended to read:

Subd. 11. **Deferred annuity; augmentation.** (a) Any person covered under section 354.44, subdivision 6, who ceases to render teaching service, may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement.

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

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

(d) For persons who became covered employees before July 1, 2006, ~~with a deferral period commencing after June 30, 1971,~~ the annuity must be augmented as follows:

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

(2) three percent ~~interest compounded annually~~ from January 1, 1981, until January 1 of the year following the year in which the deferred annuitant attains age 55 or until June 30, 2012, whichever is earlier;

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

(4) two percent ~~interest compounded annually after June 30, 2012~~ from July 1, 2012, until June 30, 2018; and

(5) after June 30, 2018, the deferred annuity must not be augmented.

(e) For persons who become covered employees after June 30, 2006, the ~~interest rate used to augment the deferred annuity is~~ must be augmented as follows:

(1) 2.5 percent interest compounded annually until June 30, 2012, or until the effective date of retirement, whichever is earlier, and;

(2) two percent interest compounded annually after June 30 from July 1, 2012, until June 30, 2018; and

(3) after June 30, 2018, the deferred annuity must not be augmented.

(f) ~~If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period must be augmented as specified in this subdivision. The sum of the~~

augmented required reserves is the present value of the annuity. For the purposes of this subdivision, "period of uninterrupted service" means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

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

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

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

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

~~(k)~~ (g) The requirements and provisions for retirement before normal retirement age contained in section 354.44, subdivision 6, also apply to an employee fulfilling the requirements with a combination of service as provided in section ~~354.60~~ 356.311.

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

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

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

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

Sec. 5. **REPEALER.**

Minnesota Statutes 2016, sections 354.42, subdivisions 4a, 4b, 4c, and 4d; and 354.60, are repealed.

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

ARTICLE 4

ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION BENEFIT AND CONTRIBUTION CHANGES

Section 1. Minnesota Statutes 2016, section 354A.011, subdivision 3a, is amended to read:

Subd. 3a. **Actuarial equivalent.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the appropriate board of trustees based on the experience of that retirement fund association as recommended by the actuary retained under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable ~~preretirement or postretirement interest rate~~ investment return assumption specified in section 356.215, subdivision 8.

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

Sec. 2. Minnesota Statutes 2016, 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~~ (a) Except as set forth in paragraph (c), each person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter, 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 an annual postretirement increase as specified in subdivision 8 or 9, adjustment, effective as of each January 1, as follows:

(1) There shall be no postretirement adjustment on January 1, 2018, and January 1, 2019;

(2) The postretirement adjustment shall be one percent on January 1, 2020, and each January 1 thereafter.

(b) The amount determined under paragraph (a), clause (2), 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 after January 1 of the calendar year immediately before the postretirement adjustment is applied, the amount determined under paragraph (a), clause (2), must be reduced by 50 percent.

(c) Each person who retires on or after January 1, 2023, is entitled to an annual postretirement adjustment, effective as of each January 1, beginning with the year following the year in which the member attains normal retirement age.

(d) Paragraph (c) does not apply to members who retire under section 354A.31, subdivision 6, paragraph (b).

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

Sec. 3. Minnesota Statutes 2016, section 354A.31, subdivision 7, is amended to read:

Subd. 7. **Reduction for early retirement.** (a) This subdivision applies to a person who has become at least 55 years old and first becomes a coordinated member after June 30, 1989, and to any other coordinated member who has become at least 55 years old and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), as applicable, in conjunction with this subdivision than when calculated under subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6. An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity reduced as described in paragraph (b) if the person retires on or after July 1, 2018, or in paragraph (c) if the person retires before July 1, 2018, as applicable.

(b) A coordinated member who retires before the normal retirement age and on or after July 1, 2018, is entitled to receive a retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), whichever applies, reduced as described in clause (1) or (2), as applicable.

(1) if the member retires when the member is younger than age 62 or with fewer than 30 years of service, the annuity must be reduced by an early reduction factor for each year that the member's age of retirement precedes normal retirement age. The early reduction factors are four percent per year for ages 55 through 59 and seven percent per year for ages 60 through normal retirement age. The resulting annuity must be further adjusted to take into account augmentation as if the employee had deferred receipt of the annuity until normal retirement age and the annuity were augmented at the applicable annual rate, compounded annually, from the day the annuity begins to accrue until normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee. The applicable annual rates are the following:

(i) until June 30, 2018, 2.5 percent;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, the reduced annuity commencing before normal retirement age under this clause shall not take into account any augmentation.

(2) If the member retires when the member is at least age 62 or older and has at least 30 years of service, the member is entitled to receive a retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (c), whichever applies, multiplied by the applicable early retirement factor specified for members "Age 62 or older with 30 years of service" in the table in paragraph (c).

(c) A coordinated member who retires before the normal retirement age and before July 1, 2018, is entitled to receive a retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), whichever applies, multiplied by the applicable early retirement factor specified below:

Normal retirement age: Age at retirement	Under age 62 or less than 30 years of service		Age 62 or older with 30 years of service	
	65	66	65	66
55	0.5376	0.4592		
56	0.5745	0.4992		
57	0.6092	0.5370		
58	0.6419	0.5726		
59	0.6726	0.6062		
60	0.7354	0.6726		
61	0.7947	0.7354		
62	0.8507	0.7947	0.8831	0.8389
63	0.9035	0.8507	0.9246	0.8831
64	0.9533	0.9035	0.9635	0.9246
65	1.0000	0.9533	1.0000	0.9635
66		1.0000		1.0000

For normal retirement ages between ages 65 and 66, the early retirement factors must be determined by linear interpolation between the early retirement factors applicable for normal retirement ages 65 and 66.

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

Sec. 4. Minnesota Statutes 2016, section 354A.37, subdivision 2, is amended to read:

Subd. 2. **Eligibility for deferred retirement annuity.** (a) Any coordinated member who ceases to render teaching services for the school district in which the teachers retirement fund association is located, with sufficient allowable service credit to meet the minimum service requirements specified in section 354A.31, subdivision 1, shall be entitled to a deferred retirement annuity in lieu of a refund under subdivision 1.

(b) The deferred retirement annuity must be computed under section 354A.31 and shall be augmented as provided in this subdivision by the applicable interest rate compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There is no augmentation if this period is less than three months.

(c) The deferred annuity commences upon application after the person on deferred status attains at least the minimum age specified in section 354A.31, subdivision 1.

~~(b) The monthly annuity amount that had accrued when the member ceased to render teaching service must be augmented from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There is no augmentation if this period is less than three months. The rate of augmentation is~~

(d) For a person who became a covered employee before July 1, 2006, the annuity must be augmented as follows:

(1) three percent compounded annually until January 1 of the year following the year in which the former member attains age 55; or until June 30, 2012, whichever is earlier;

(2) five percent compounded annually after that date to July 1 from the January 1, next following the attainment of age 55 or until June 30, 2012, and;

(3) two percent compounded annually after that date to the effective date of retirement if the employee became an employee before July 1, 2006, and at from July 1, 2012, until June 30, 2018; and

(4) after June 30, 2018, the deferred annuity must not be augmented.

(e) For a person who became a covered employee after June 30, 2006, the annuity must be augmented as follows:

(1) 2.5 percent compounded annually to July 1, 2012, and until June 30, 2012;

(2) two percent compounded annually after that date to the effective date of retirement if the employee became an employee after June 30, 2006 from July 1, 2012, until June 30, 2018; and

~~-. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354A.31 must be used for each period, and the monthly annuity amount related to each period must be augmented as provided in this subdivision. The sum of the augmented monthly annuity amounts determines the total deferred annuity payable. If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has credit with the fund. If a person does not render teaching services in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of resumption of teaching service are those applicable to new members. The mortality table and interest assumption used to compute the annuity are the table established by the fund to compute other annuities, and the interest assumption under section 356.215 in effect when the member retires. A period of uninterrupted service for the purpose of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.~~

(3) after June 30, 2018, the deferred annuity must not be augmented.

~~(e) (f)~~ The augmentation provided by this subdivision applies to the benefit provided in section 354A.35, subdivision 2.

(g) The augmentation provided by this subdivision does not apply to any period in which a person is on an approved leave of absence from an employer unit.

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

Sec. 5. Minnesota Statutes 2016, section 354A.37, subdivision 3, is amended to read:

Subd. 3. **Computation of refund amount.** A former coordinated member who qualifies for a refund under subdivision 1 is entitled to receive a refund equal to the amount of the former coordinated member's accumulated employee contributions with interest at the ~~rate of~~ following rates for the applicable period:

~~(a) Six percent per annum compounded annually to July 1, 2011, if the person is a former member of the St. Paul Teachers Retirement Fund Association, and;~~

(b) four percent per annum compounded annually to July 1, 2017; and

(c) three percent per annum compounded annually thereafter.

Sec. 6. **REPEALER.**

(a) Minnesota Statutes 2016, section 354A.29, subdivisions 8 and 9, are repealed.

(b) Minnesota Statutes 2016, section 354A.39, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective July 1, 2017.

ARTICLE 5

POSTRETIREMENT ADJUSTMENTS FOR STATEWIDE PLANS AND GENERAL PROVISIONS

Section 1. Minnesota Statutes 2016, section 356.215, subdivision 8, is amended to read:

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

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

	plan	ultimate interest rate assumption
teachers retirement plan		8.5%

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

~~(2) single rate interest rate assumption~~

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

judges retirement plan	§ 7.5
general public employees retirement plan	§ 7.5
public employees police and fire retirement plan	§ 7.5
local government correctional service retirement plan	§ 7.5
<u>teachers retirement plan</u>	<u>7.5</u>
St. Paul teachers retirement plan	§ 7.5
Bloomington Fire Department Relief Association	6
local monthly benefit volunteer firefighter relief associations	5
monthly benefit retirement plans in the statewide volunteer firefighter retirement plan	6

~~(b)(1) If funding stability has been attained, The actuarial valuation for each of the covered retirement plans listed in section 356.415, subdivision 2, must use a take into account the postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate or rates applicable to the plan as specified in section 354A.27, subdivision 7; 354A.29, subdivision 9 7; 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	2.75
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%	8.75%
17	5.9	8.75
18	5.9	8.75
19	5.9	8.75
20	5.9	8.75
21	5.9	8.5
22	5.9	8.25
23	5.85	8
24	5.8	7.75
25	5.75	7.5
26	5.7	7.25
27	5.65	7
28	5.6	6.75
29	5.55	6.5
30	5.5	6.5
31	5.45	6.25
32	5.4	6.25
33	5.35	6.25
34	5.3	6
35	5.25	6
36	5.2	5.75
37	5.15	5.75
38	5.1	5.75
39	5.05	5.5
40	5	5.5

41	4.95	5.5
42	4.9	5.25
43	4.85	5
44	4.8	5
45	4.75	4.75
46	4.7	4.75
47	4.65	4.75
48	4.6	4.75
49	4.55	4.75
50	4.5	4.75
51	4.45	4.75
52	4.4	4.75
53	4.35	4.75
54	4.3	4.75
55	4.25	4.5
56	4.2	4.5
57	4.15	4.25
58	4.1	4
59	4.05	4
60	4	4
61	4	4
62	4	4
63	4	4
64	4	4
65	4	3.75
66	4	3.75
67	4	3.75
68	4	3.75
69	4	3.75
70	4	3.75

(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	10.25%	11.78%	12%	12.75%	7.75%	5.75%
2	7.85	8.65	9	10.75	7.25	5.6
3	6.65	7.21	8	8.75	6.75	5.45
4	5.95	6.33	7.5	7.75	6.5	5.3
5	5.45	5.72	7.25	6.25	6.25	5.15
6	5.05	5.27	7	5.85	6	5
7	4.75	4.91	6.85	5.55	5.75	4.85
8	4.45	4.62	6.7	5.35	5.6	4.7
9	4.25	4.38	6.55	5.15	5.45	4.55
10	4.15	4.17	6.4	5.05	5.3	4.4
11	3.95	3.99	6.25	4.95	5.15	4.3
12	3.85	3.83	6	4.85	5	4.2
13	3.75	3.69	5.75	4.75	4.85	4.1
14	3.55	3.57	5.5	4.65	4.7	4
15	3.45	3.45	5.25	4.55	4.55	3.9
16	3.35	3.35	5	4.55	4.4	3.8
17	3.25	3.26	4.75	4.55	4.25	3.7
18	3.25	3.25	4.5	4.55	4.1	3.6
19	3.25	3.25	4.25	4.55	3.95	3.5
20	3.25	3.25	4	4.55	3.8	3.5
21	3.25	3.25	3.9	4.45	3.75	3.5
22	3.25	3.25	3.8	4.35	3.75	3.5
23	3.25	3.25	3.7	4.25	3.75	3.5
24	3.25	3.25	3.6	4.25	3.75	3.5
25	3.25	3.25	3.5	4.25	3.75	3.5
26	3.25	3.25	3.5	4.25	3.75	3.5
27	3.25	3.25	3.5	4.25	3.75	3.5
28	3.25	3.25	3.5	4.25	3.75	3.5
29	3.25	3.25	3.5	4.25	3.75	3.5
30 or more	3.25	3.25	3.5	4.25	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	3.5%
correctional state employees retirement plan	3.5
State Patrol retirement plan	3.5
judges retirement plan	2.75

general employees retirement plan of the Public Employees Retirement Association	3.5
public employees police and fire retirement plan	3.5
local government correctional service retirement plan	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 July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 356.215, subdivision 9, is amended to read:

Subd. 9. **Other assumptions.** ~~The~~ (a) Each plan's actuarial valuation must use assumptions concerning base mortality rates, disability, retirement, withdrawal, retirement age, and any other relevant demographic or economic factor. These assumptions must be set at levels consistent with those determined in the most recent quadrennial experience study completed under subdivision 16, if required, or representative of the best estimate of future experience as recommended by the plan's approved actuary, if a quadrennial experience study is not required.

(b) The actuarial valuation may use an assumption concerning future mortality improvement. This assumption may be set at levels consistent with those determined in the most recent mortality improvement scale published by the Society of Actuaries or as otherwise recommended by the plan's approved actuary.

(c) The actuarial valuation must contain an exhibit indicating ~~any~~ the actuarial assumptions used in preparing the valuation report.

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

Sec. 3. Minnesota Statutes 2016, section 356.215, subdivision 11, is amended to read:

Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial reporting purposes indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit for contribution determination purposes indicating the additional contribution sufficient to amortize the unfunded actuarial accrued liability. For the retirement plans listed in subdivision 8, paragraph (c), but excluding the legislators retirement plan, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared, assuming annual payroll

growth at the applicable percentage rate set forth in subdivision 8, paragraph (d). For all other retirement plans and for the legislators retirement plan, the additional annual contribution must be calculated on a level annual dollar amount basis.

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

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

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

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

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

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

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

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 8 in effect

after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

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

(d) For the general employees retirement plan of the Public Employees Retirement Association, the established date for full funding is June 30, ~~2031~~ 2047.

(e) For the Teachers Retirement Association, the established date for full funding is June 30, ~~2037~~ 2047.

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

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

(h) For the local government correctional service retirement plan and the public employees police and fire retirement plan, the established date for full funding is June 30, ~~2038~~ 2047.

(i) For the St. Paul Teachers Retirement Fund Association, the established date for full funding is June 30, 2042. ~~In addition to other requirements of this chapter, the annual actuarial valuation must contain an exhibit indicating the funded ratio and the deficiency or sufficiency in annual contributions when comparing liabilities to the market value of the assets of the fund as of the close of the most recent fiscal year~~ 2047.

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

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

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

Sec. 4. Minnesota Statutes 2016, section 356.30, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any provisions of the laws governing the covered retirement plans ~~enumerated~~ listed in subdivision 3, a person ~~who has met the qualifications of paragraph (b)~~ may elect to receive, upon retirement, a retirement annuity from each ~~enumerated~~ covered retirement plan ~~in which the person has at least one-half year of allowable service, based on the allowable service in each plan~~, subject to the provisions of paragraph ~~(e)~~ (b), if the person has:

(1) allowable service in any two or more of the covered plans;

(2) at least one-half year of allowable service in each covered plan, based on the allowable service in each plan;

(3) total allowable service equals or exceeds the longest service credit vesting requirement of the applicable retirement plan; and

(4) not begun to receive an annuity from any covered plan or has made application for benefits from each applicable plan and the retirement annuity effective dates of each plan are within a one-year period.

~~(b) A person may receive, upon retirement, a retirement annuity from each enumerated retirement plan in which the person has at least one half year of allowable service, and augmentation of a deferred annuity calculated at the appropriate rate under the laws governing each public pension plan or fund named in subdivision 3, based on the date of the person's initial entry into public employment from the date the person terminated all public service if:~~

~~(1) the person has allowable service in any two or more of the enumerated plans;~~

~~(2) the person has sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement; and~~

~~(3) the person has not begun to receive an annuity from any enumerated plan or the person has made application for benefits from each applicable plan and the effective dates of the retirement annuity with each plan under which the person chooses to receive an annuity are within a one-year period.~~

~~(b)~~ (b) If all requirements in paragraph (a) have been satisfied, the retirement annuity from each plan must be based upon the allowable service, accrual rates, and average salary in the applicable plan except as further specified or modified in the following clauses:

(1) the laws governing annuities must be the law in effect on the date of termination from the last period of public service under a covered retirement plan with which the person earned a minimum of one-half year of allowable service credit during that employment;

(2) the "average salary" ~~on which the annuity from each covered plan in which the employee has credit in a~~ used to calculate the annuity for each formula plan must be based on the employee's highest five successive years of covered salary during the entire service in covered plans;

(3) the accrual rates ~~to be used by~~ under each plan must be ~~those~~ the percentages prescribed by each plan's formula ~~as continued in effect~~ for the respective years of allowable service from one plan to the next, recognizing all previous allowable service with the other covered plans;

(4) the allowable service in all the covered plans must be combined in determining eligibility for and the application of each plan's provisions ~~in~~ with respect to reduction in the annuity amount for retirement prior to normal retirement age; and

(5) the annuity amount payable for any allowable service under a nonformula plan ~~of that is a~~ covered plan must not be affected, but such service and covered salary must be used in the above calculation.

(c) If a person eligible for an annuity under paragraph (a) from each covered plan terminates all public service, the deferred annuity must be augmented from the date of termination until the earlier of:

(1) the effective date of retirement; or

(2) December 31, 2017, for the Minnesota State Retirement System and the Public Employees Retirement Association or June 30, 2018, for the Teachers Retirement Association and the St. Paul Teachers Retirement Association.

A deferred annuity must not be augmented after the applicable dates under clause (2). The appropriate rate of augmentation is the rate in effect on the date on which the person entered into public employment and subsequently adjusted according to the laws governing each covered plan, as applicable.

(d) This section does not apply to any person whose final termination from the last public service under a covered plan was before May 1, 1975.

~~(e) For the purpose of computing annuities under this section, the accrual rates used by any covered plan, except the public employees police and fire plan, the judges retirement fund, and the State Patrol retirement plan, must not exceed 2.7 percent per year of service for any year of service or fraction thereof. The formula percentage used by:~~

~~(1) the judges retirement fund accrual rate must not exceed 3.2 percent per year of service for any year of service or fraction thereof. The accrual rate used by:~~

~~(2) the public employees police and fire plan and the State Patrol retirement plan accrual rate must not exceed 3.0 percent per year of service for any year of service or fraction thereof. The accrual rate or rates used by~~

~~(3) the legislators retirement plan accrual rate must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c); and~~

~~(4) any other covered plan's accrual rate must not exceed 2.7 percent per year of service for any year of service or fraction thereof.~~

(f) Any period of time for which a person has credit in more than one of the covered plans must be used only once for the purpose of determining total allowable service.

(g) If the period of duplicated service credit is more than one-half year, or the person has credit for more than one-half year, with each of the plans, each plan must apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all plans for the period.

(h) If the period of duplicated service credit is less than one-half year, or when added to other service credit with that plan is less than one-half year, the service credit must be ignored and a refund of contributions made to the person in accord with that plan's refund provisions.

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

Sec. 5. [356.311] COVERAGE BY MORE THAN ONE PLAN.

(a) Any person who has been a member of two or more of the retirement plans listed in paragraph (b) is entitled, when qualified, to an annuity from each fund if:

(i) the person's combined service in any two or more retirement plans equals or exceeds the vesting requirement of the fund with the longest vesting requirement, and

(ii) the person has not taken a refund from any of the retirement plans.

(b) This section applies to any defined benefit plan administered by the Minnesota State Retirement System, including the State Patrol Retirement Plan; the Public Employees Retirement Association, including the public employees police and fire plan, the Teachers Retirement Association, and the St. Paul Teachers Retirement Fund Association, except as noted in paragraph (c).

(c) This section does not apply to plans providing benefits for police officers or firefighters under section 424A.091 to 424A.096 or the Bloomington Fire Department Relief Association.

(d) No portion of the service upon which the retirement annuity from one retirement plan is based shall be again used in the computation of a retirement annuity from another plan. The annuity from each plan must be determined under the laws applicable to that plan except that the requirement that a person meet the vesting requirement in any particular plan shall not apply, provided the combined service in any two or more plans equals or exceeds the vesting requirement of the plan with the longest vesting requirement.

(e) Any deferred annuity payable under this section shall be subject to augmentation under the laws applicable to the deferred annuity.

(f) Any person to whom an annuity is not payable under this section because the person took a refund from one of the funds shall be entitled to repay the refund in accordance with the laws governing the refund. Upon repayment, the person is entitled to annuities under this section, if the person would otherwise be entitled.

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

Sec. 6. Minnesota Statutes 2016, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally Minnesota State Retirement System general state employees retirement plan, legislators retirement plan, and unclassified state employees retirement program.** (a) Except as otherwise provided in subdivision 1a, 1b, 1c, 1d, 1e, or 1f set forth in paragraph (c), recipients of a retirement annuity, disability benefit, or survivor benefit recipients of a covered from the general state employees retirement plan, the legislators retirement plan, or the unclassified state employees retirement program are entitled to an annual postretirement adjustment annually on, effective as of each January 1, as follows:

(1) effective January 1, 2018, through December 31, 2022, a postretirement increase of 2.5 one 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 as of the June 30 of the calendar year immediately before the adjustment; and

(2) effective January 1, 2018, through December 31, 2022, 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 June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 one percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient;

(3) effective January 1, 2023, and thereafter, a postretirement increase of 1.5 percent must be applied each year to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(4) effective January 1, 2023, and thereafter, 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 June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

(b) An increase in annuity or benefit payments under this ~~section~~ subdivision 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.

(c) Members who retire on or after January 1, 2023, under the general state employees retirement plan, the legislators retirement plan, or the unclassified state employees retirement program are entitled to an annual postretirement adjustment of the member's retirement annuity, effective as of each January 1, beginning with the year following the year in which the member attains normal retirement age, as follows:

(1) if a member has been receiving an annuity for at least 12 full months as of the June 30 of the calendar year immediately before the date of the adjustment, a postretirement increase of equal to the percentage specified in paragraph (a), clause (1) or (3), as applicable, must be applied, effective on January 1, to the member's monthly annuity;

(2) if a member has been receiving an annuity for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the date of adjustment, a postretirement increase of 1/12 of the percentage specified in clause (1) for each month that the member has been receiving an annuity must be applied, effective on January 1, to the member's monthly annuity; or

(3) if a member has been receiving an annuity for fewer than six months before the date of adjustment, a postretirement increase shall not be applied until the next January 1 and the amount of the adjustment shall be the amount determined under clause (2).

(d) Paragraph (c) does not apply to members who retire under section 352.116, subdivision 1, paragraph (c).

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

Sec. 7. Minnesota Statutes 2016, section 356.415, subdivision 1a, is amended to read:

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

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

(2) ~~for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan,~~ for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of ~~two~~ 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of each annuitant or benefit recipient.

~~(b) Increases under this subdivision for the general state employees retirement plan or the correctional state employees 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 indicate 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 established under chapter 3A, including the constitutional officers specified in that chapter, and for the unclassified state employees retirement program, 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 indicate 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.

(d) 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.

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

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

Sec. 8. Minnesota Statutes 2016, section 356.415, subdivision 1b, is amended to read:

Subd. 1b. **Annual postretirement adjustments; PERA; general employees retirement plan and local government correctional retirement plan.** (a) Except as set forth in paragraph (c), recipients of a retirement annuity, disability benefit, or survivor benefit recipients of the general employees retirement plan of the Public Employees Retirement Association and the local government correctional service retirement plan are entitled to a an annual postretirement adjustment annually on, effective as of each January 1, as follows:

(1) ~~for each successive January 1 until funding stability is restored for the applicable retirement plan,~~ a postretirement increase of one 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 benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment;

(2) ~~for each successive January 1 until funding stability is restored for the applicable retirement plan,~~ for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of one percent for each month the person has been receiving an annuity or benefit must be applied; to the monthly annuity or benefit amount of each annuitant or benefit recipient.

~~(3) for each January 1 following the restoration of funding stability for the applicable retirement plan, 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 benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and~~

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

~~(b) Funding stability is restored when the market value of assets of the applicable 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 the standards for actuarial work by the approved actuary retained by the Public Employees 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, 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.~~

~~(d) (b) 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.~~

(c) Members who retire on or after January 1, 2023, are entitled to an annual postretirement adjustment of the member's retirement annuity, effective as of each January 1, beginning with the year following the year in which the member attains normal retirement age, as follows:

(1) if a member has been receiving an annuity for at least 12 full months as of the June 30 of the calendar year immediately before the date of the adjustment, a postretirement increase of equal to the percentage specified in paragraph (a), clause (1), must be applied, effective on January 1, to the member's monthly annuity;

(2) if a member has been receiving an annuity for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the date of adjustment, a postretirement increase of 1/12 of the percentage specified in clause (1) for each month that the member has been receiving an annuity must be applied, effective on January 1 to the member's monthly annuity; or

(3) if a member has been receiving an annuity for fewer than six months before the date of adjustment, a postretirement increase shall not be applied until the next January 1 and the amount of the adjustment shall be the amount determined under clause (2).

(d) Paragraph (c) does not apply to members who retire under section 353.30, subdivision 1a.

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

Sec. 9. Minnesota Statutes 2016, 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 an annual postretirement adjustment annually on, effective as of each January 1, ~~if the definition of funding stability under paragraph (c) has not been met~~, 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 less than 12 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) (1) for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, 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 a postretirement increase of one percent must be applied each year to the monthly annuity or benefit amount of the annuity or benefit recipient; or~~

~~(4) (2) for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, 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 a postretirement increase of 1/12 of one percent for each full month of that the person has been receiving an annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective must be applied each year to the monthly annuity or benefit amount of the annuity or benefit recipient.~~

~~(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 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 2.5 percent for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective.~~

~~(e) 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) (b) 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 July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 356.415, subdivision 1d, is amended to read:

Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.** (a) Except as set forth in paragraph (d), recipients of a retirement annuity, disability benefit, or survivor benefit recipients of the Teachers Retirement Association are entitled to a an annual postretirement adjustment annually on, effective as of each January 1, as follows:

~~(1) for each January 1 until funding stability is restored, a postretirement increase of two one 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 12 full months as of the June 30 of the calendar year immediately before the adjustment;~~

~~(2) for each 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 one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of two one percent for each month the person has been receiving an annuity or benefit must be applied;~~

~~(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 12 full months as of the June 30 of the calendar year immediately before the adjustment; and~~

~~(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 one month, but less than 12 full~~

~~months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied.~~

~~(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.~~

~~(b) 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.~~

~~(c) 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.~~

(d) Members who retire on or after January 1, 2023, are entitled to an annual postretirement adjustment of the member's retirement annuity, effective as of each January 1, beginning with the year following the year in which the member attains normal retirement age, as follows:

(1) if a member has been receiving an annuity for at least 12 full months as of the June 30 of the calendar year immediately before the date of the adjustment, a postretirement increase of equal to the percentage specified in paragraph (a), clause (1), must be applied, effective on January 1 to the member's monthly annuity;

(2) if a member has been receiving an annuity for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the date of adjustment, a postretirement increase of 1/12 of the percentage specified in clause (1) for each month that the member has been receiving an annuity must be applied, effective on January 1, to the member's monthly annuity; or

(3) if a member has been receiving an annuity for fewer than six months before the date of adjustment, a postretirement increase shall not be applied until the next January 1 and the amount of the adjustment shall be the amount determined under clause (2).

(e) Paragraph (d) does not apply to members who retire under section 354.44, subdivision 6, paragraph (c), item (iii).

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

Sec. 11. Minnesota Statutes 2016, 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 an annual postretirement adjustment annually on, effective as of each 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 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

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

~~(b) 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. 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) commence after that date.~~

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

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

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

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

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

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

Sec. 12. Minnesota Statutes 2016, section 356.415, subdivision 1f, is amended to read:

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

~~(b) (a) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a an annual postretirement adjustment annually on, effective as of each January 1; if the definition of funding stability under paragraph (b) has not been met, 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 12 full months as of the June 30 of the calendar year immediately before the adjustment; and~~

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

~~(e) (b) Increases under ~~this subdivision~~ paragraph (a) 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 and increases under subdivision 1 or 1a, whichever is applicable, paragraph (c) begin on the January 1 next following after that date.~~

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

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

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

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

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

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

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

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

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

Sec. 13. Minnesota Statutes 2016, section 356.415, is amended by adding a subdivision to read:

Subd. 1g. **Annual postretirement adjustments; PERA local government correctional retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees local government correctional service retirement plan are entitled to an annual postretirement adjustment, effective as of each January 1 as follows:

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

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, a 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 to the monthly annuity or benefit amount of the annuitant or benefit recipient.

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

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

Sec. 14. **STUDY.**

Before December 31, 2020, the Legislative Commission on Pensions and Retirement must conduct a study of the rates of the postretirement adjustments for the covered plans as defined in section 356.415, subdivision 2, and the St. Paul Teachers Retirement Fund Association, and make recommendations regarding whether they should be modified and whether a new methodology for determining postretirement adjustment should be adopted. The Legislative Commission on Pensions and Retirement shall make a determination based on the study during the 2021 legislative session.

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

ARTICLE 6

INTEREST RATE CONFORMING CHANGES

Section 1. Minnesota Statutes 2016, 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 the ~~rate of 8.5 percent until~~

~~June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date on which the refund was taken to the date on which the refund is repaid.

(e) A member of the legislature who has received a refund from any of the retirement plans specified in section 356.311, paragraph (b), may repay the refund to the respective plan under such terms and conditions consistent with the law governing the retirement plan if the law governing the plan permits the repayment of refunds. If the total amount to be repaid, including principal and interest exceeds \$2,000, repayment may be made in three equal installments over a period of 18 months, with the interest accrued during the period of the repayment added to the final installment.

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

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

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

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

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

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

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

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

(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, from the last day of the leave period until the last day of the month

in which payment is received. If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

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

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

Sec. 4. Minnesota Statutes 2016, section 352.04, subdivision 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 until June 30, 2015, and eight percent thereafter of the total amount due in lieu of interest, or if the delay in payment exceeds one year, 8.5 percent until June 30, 2015, and eight percent thereafter compound annual interest~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date the employee and employer contributions should have been deducted to the date payment of the total amount due is paid by the department.

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

(d) If an employee from whose salary required deductions were past due for a period of 60 days or less leaves state service before the payment of the omitted deductions and subsequently returns to state service, the unpaid amount is considered the equivalent of a refund. The employee accrues no right by reason of the unpaid amount, except that the employee may pay the amount of omitted deductions as provided in section 352.23.

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

Sec. 5. Minnesota Statutes 2016, section 352.04, subdivision 9, is amended to read:

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

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

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

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

Sec. 6. Minnesota Statutes 2016, section 352.23, is amended to read:

352.23 TERMINATION OF RIGHTS; REPAYMENT OF REFUND.

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

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

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

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

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

Sec. 7. Minnesota Statutes 2016, section 352.27, is amended to read:

352.27 CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED SERVICE.

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

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

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

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

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

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

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

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

Sec. 8. Minnesota Statutes 2016, 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 the applicable monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter or rates specified in section 356.59, subdivision 2.

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

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

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

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

(g) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under paragraph (a), the applicable department shall pay an additional equivalent employer contribution amount. The additional employer contribution is the amount computed under paragraph (d), plus the greater of the amount computed under paragraph (e), or 60 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

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

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

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

Sec. 9. Minnesota Statutes 2016, 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 the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year from the date the employee returned to work following the authorized leave, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

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

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

Sec. 10. Minnesota Statutes 2016, 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 ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year~~ applicable annual rate or rates specified in section 356.59, subdivision 2, and must be completed within one year of the member's return from the leave of absence.

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

Sec. 11. Minnesota Statutes 2016, 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 the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

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

Sec. 12. Minnesota Statutes 2016, section 352B.11, subdivision 4, is amended to read:

Subd. 4. **Reentry into state service; refund repayment.** (a) 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 the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, at any time before subsequent retirement. Repayment may be made in installments or in a lump sum.

(b) A person who has received a refund from the State Patrol retirement fund who is a member of a public retirement system included in section 356.311 may repay the refund with interest to the State Patrol retirement fund as provided in paragraph (a).

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

Sec. 13. Minnesota Statutes 2016, 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 the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date that the refund was taken until the date that the refund is repaid. 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.

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

Sec. 14. Minnesota Statutes 2016, 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 the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually.

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

Sec. 15. Minnesota Statutes 2016, 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 the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, based on fiscal year balances.

(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 interest until June 30, 2015, and eight percent interest thereafter~~ with interest at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, and have the accumulated employee and equal employer contributions transferred to the unclassified program with interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually based on fiscal year balances. If a person repays a refund and subsequently elects to have the money transferred to the unclassified program, the repayment amount, including interest, is added to the fiscal year balance in the year which the repayment was made.

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

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

Sec. 16. Minnesota Statutes 2016, 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, subdivisions 12 and 12a, 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 during which the employee receives pay as specified in subdivision 10, paragraph (a), clause (4) or (5), from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized leave of absence without pay, or with pay that is not included in the definition of salary under subdivision 10, paragraph (a), clause (4) or (5), for which salary deductions are not authorized, and for which a member obtained service credit for up to 12 months of the authorized leave period by payment under section 353.0161 or 353.0162, to the fund made in place of salary deductions;

(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 ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus ~~8.5 percent interest until June 30, 2015, and eight percent interest thereafter~~ at the applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

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

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service

must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary 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 the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

(b) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes.

(c) 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.

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

Sec. 17. Minnesota Statutes 2016, 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 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 annual rate until June 30, 2015, and at an eight percent annual rate thereafter~~ the applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, prorated for applicable the number of months, if less than 12, 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. 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 leave of absence, the period for which allowable salary credit may be purchased may not exceed 12 months of authorized 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.

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

Sec. 18. Minnesota Statutes 2016, section 353.27, subdivision 3c, is amended to read:

Subd. 3c. **Former MERF members; member and employer contributions.** (a) For the period July 1, 2015, through December 31, 2031, the member contributions for former members of the Minneapolis Employees Retirement Fund and by the former Minneapolis Employees Retirement Fund-covered employing units are governed by this subdivision.

(b) The member contribution for a public employee who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of the employee.

(c) The employer regular contribution with respect to a public employee who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of the employee.

(d) For calendar years 2015 and 2016, the employer supplemental contribution is the employing unit's share of \$31,000,000. For calendar years 2017 through 2031, the employer supplemental contribution is the employing unit's share of \$21,000,000.

(e) Each employing unit's share under paragraph (d) is the amount determined from an allocation between each employing unit in the portion equal to the unit's employer supplemental contribution paid or payable under Minnesota Statutes 2012, section 353.50, during calendar year 2014.

(f) The employer supplemental contribution amount under paragraph (d) for calendar year 2015 must be invoiced by the executive director of the Public Employees Retirement Association by July 1, 2015. The calendar year 2015 payment is payable in a single amount on or before September 30, 2015. For subsequent calendar years, the employer supplemental contribution under paragraph (d) must be invoiced on January 31 of each year and is payable in two parts, with the first half payable on or before July 31 and with the second half payable on or before December 15. Late payments are payable with ~~compound~~ interest, compounded annually, at the rate of 0.71 percent applicable rate or rates specified in section 356.59, subdivision 3, per month for each month or portion of a month that has elapsed after the due date.

(g) The employer supplemental contribution under paragraph (d) terminates on December 31, 2031.

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

Sec. 19. Minnesota Statutes 2016, 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 ~~rate of 0.71 percent per month until June 30, 2015, and 0.667 percent~~ applicable rate or rates specified in section 356.59, subdivision 3, per month thereafter, 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.

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

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

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

Sec. 20. Minnesota Statutes 2016, 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 the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually, from the date or dates each omitted employee contribution was first payable.

(d) An employer shall not hold an employee liable for omitted employee deductions beyond the pay period dates under paragraph (c), nor attempt to recover from the employee those employee deductions paid by the employer on behalf of the employee. Omitted deductions due under paragraph (c) which are not paid by the employee constitute a liability of the employer that failed to deduct the omitted deductions from the employee's salary. The employer shall make payment with interest at the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually. Omitted employee deductions are no longer due if an employee terminates public service before making payment of omitted employee deductions to the association, but the employer remains liable to pay omitted employer contributions plus interest at the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, from the date the contributions were first payable.

(e) The association may not commence action for the recovery of omitted employee deductions and employer contributions after the expiration of three calendar years after the calendar year in which the contributions and deductions were omitted. Except as provided under paragraph (b), no payment may be made or accepted unless the association has already commenced action for recovery of omitted deductions. An action for recovery commences on the date of the mailing of any written correspondence from the association requesting information from the governmental subdivision upon which to determine whether or not omitted deductions occurred.

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

Sec. 21. Minnesota Statutes 2016, 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 the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually. A terminated employee may pay the omitted employee deductions plus interest within six months of an initial notification from the association of eligibility to pay those omitted deductions. If a terminated employee is reemployed in a position covered under a public pension fund under section 356.30, subdivision 3, and elects to pay omitted employee deductions, payment must be made no later than six months after a subsequent termination of public service.

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

Sec. 22. Minnesota Statutes 2016, section 353.27, subdivision 12b, is amended to read:

Subd. 12b. **Terminated employees: immediate eligibility.** If deductions were omitted from salary adjustments or final salary of a terminated employee who was a member of the general employees retirement plan, the public employees police and fire retirement plan, or the local government correctional employees retirement plan and who is immediately eligible to draw a monthly benefit, the employer shall pay the omitted employer and employer additional contributions plus interest on both the employer and employee amounts due at ~~an annual rate of 8.5 percent~~ the applicable rate or rates specified in section 356.59, subdivision 3, compounded annually. The employee shall pay the employee deductions within six months of an initial notification from the association of eligibility to pay omitted deductions or the employee forfeits the right to make the payment.

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

Sec. 23. Minnesota Statutes 2016, 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 the ~~annual compound rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, from the date due until the date payment is received by the association, with a minimum interest charge of \$10.

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

Sec. 24. Minnesota Statutes 2016, 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 the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~

applicable rate or rates specified in section 356.59, subdivision 3, compounded annually. 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.

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

Sec. 25. Minnesota Statutes 2016, section 354.50, subdivision 2, is amended to read:

Subd. 2. **Interest charge.** If a member desires to repay the refunds, payment shall include interest at ~~an annual rate of 8.5 percent~~ the applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually, from date of withdrawal to the date payment is made and shall be credited to the fund.

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

Sec. 26. Minnesota Statutes 2016, section 354.51, subdivision 5, is amended to read:

Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the event that full required member contributions are not deducted from the salary of a teacher, payment of shortages in member deductions on salary earned are the sole obligation of the employing unit and are payable by the employing unit upon notification by the executive director of the shortage. The amount of the shortage shall be paid with interest at an annual rate of 8.5 percent the applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually, from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest must be credited to the fund. The employing unit shall also pay the employer contributions as specified in section 354.42, subdivisions 3 and 5 for the shortages. If the shortage payment is not paid by the employing unit within 60 days of notification, and if the executive director does not use the recovery procedure in section 354.512, the executive director shall certify the amount of the shortage to the applicable county auditor, who shall spread a levy in the amount of the shortage payment over the taxable property of the taxing district of the employing unit if the employing unit is supported by property taxes. Payment may not be made for shortages in member deductions on salary paid or payable under paragraph (b) or for shortages in member deductions for persons employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution that exceeds the most recent 36 months.

(b) For a person who is employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution, upon the person's election under section 354B.21 of retirement coverage under this chapter, the shortage in member deductions on the salary for employment by the Minnesota State Colleges and Universities system institution of less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution for the most recent 36 months and the associated employer contributions must be paid by the Minnesota State Colleges and Universities system institution, plus ~~annual compound~~ interest at the rate of 8.5 percent applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually, from the end of the fiscal year in

which the shortage occurred to the end of the month in which the Teachers Retirement Association coverage election is made. An individual electing coverage under this paragraph shall repay the amount of the shortage in member deductions, plus interest, through deduction from salary or compensation payments within the first year of employment after the election under section 354B.21, subject to the limitations in section 16D.16. The Minnesota State Colleges and Universities system may use any means available to recover amounts which were not recovered through deductions from salary or compensation payments. No payment of the shortage in member deductions under this paragraph may be made for a period longer than the most recent 36 months.

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

Sec. 27. Minnesota Statutes 2016, section 354.52, subdivision 4, is amended to read:

Subd. 4. **Reporting and remittance requirements.** An employer shall remit all amounts due to the association and furnish a statement indicating the amount due and transmitted with any other information required by the executive director. If an amount due is not received by the association within 14 calendar days of the payroll warrant, the amount accrues interest at an annual rate of 8.5 percent ~~employer shall pay interest on the amount due at the applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually,~~ from the due date until the amount is received by the association. All amounts due and other employer obligations not remitted within 60 days of notification by the association must be certified to the commissioner of management and budget who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.

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

Sec. 28. Minnesota Statutes 2016, section 354.53, subdivision 5, is amended to read:

Subd. 5. **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 rate of 8.5 percent~~ at the applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received.

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

Sec. 29. Minnesota Statutes 2016, 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 the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 5, compounded annually, from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

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

Sec. 30. Minnesota Statutes 2016, 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 rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year~~ applicable annual rate or rates specified in section 356.59, subdivision 5, compounded annually, from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made. 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.

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

Sec. 31. Minnesota Statutes 2016, section 354A.12, subdivision 1a, is amended to read:

Subd. 1a. **Obligation for omitted salary deductions.** If the full required contributions are not deducted from the salary of a teacher, payment of the shortage in such deductions is the sole obligation of the employing unit during the three-year period following the end of the fiscal year in which the shortage occurred. The shortage is payable by the employing unit upon notification of the shortage by the executive director of the applicable retirement fund association. The employing unit shall also pay any employer contributions related to the shortage. The amount of the shortage in employee contributions and associated employer contributions is payable with interest at the ~~preretirement interest assumption for the retirement fund as specified in section 356.215, subdivision 8, stated as a monthly rate~~ applicable annual rate or rates specified in section 356.59, subdivision 5, from the date due until the date payment is received in the office of the association, compounded annually, with a minimum interest charge of \$10. If the shortage payment and interest is not paid by the employing unit within 60 days of notification, the executive director shall certify the amount of the shortage payment and interest to the commissioner of management and budget, who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.

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

Sec. 32. Minnesota Statutes 2016, section 354A.12, subdivision 7, is amended to read:

Subd. 7. **Recovery of benefit overpayments.** (a) If the executive director discovers, within the time period specified in subdivision 8 following the payment of a refund or the accrual date of any retirement annuity, survivor benefit, or disability benefit, that benefit overpayment has occurred due to using invalid service or salary, or due to any erroneous calculation procedure, the executive director must recalculate the annuity or benefit payable and recover any overpayment. The executive director shall recover the overpayment by requiring direct repayment or by suspending or reducing

the payment of a retirement annuity or other benefit payable under this chapter to the applicable person or the person's estate, whichever applies, until all outstanding amounts have been recovered. If a benefit overpayment or improper payment of benefits occurred caused by a failure of the person to satisfy length of separation requirements for retirement under section 354A.011, subdivision 21, the executive director shall recover the improper payments by requiring direct repayment. The repayment must include interest at the ~~rate of 0.71 percent per month~~ applicable annual rate or rates specified in section 356.59, subdivision 5, from the first of the month in which a monthly benefit amount was paid to the first of the month in which the amount is repaid, with annual compounding.

(b) In the event the executive director determines that an overpaid annuity or benefit that is the result of invalid salary included in the average salary used to calculate the payment amount must be recovered, the executive director must determine the amount of the employee deductions taken in error on the invalid salary, with interest as determined under 354A.37, subdivision 3, and must subtract that amount from the total annuity or benefit overpayment, and the remaining balance of the overpaid annuity or benefit, if any, must be recovered.

(c) If the invalid employee deductions plus interest exceed the amount of the overpaid benefits, the balance must be refunded to the person to whom the benefit or annuity is being paid.

(d) Any invalid employer contributions reported on the invalid salary must be credited against future contributions payable by the employer.

(e) If a member or former member, who is receiving a retirement annuity or disability benefit for which an overpayment is being recovered, dies before recovery of the overpayment is completed and an optional annuity or refund is payable, the remaining balance of the overpaid annuity or benefit must continue to be recovered from the payment to the optional annuity beneficiary or refund recipient.

(f) The board of trustees shall adopt policies directing the period of time and manner for the collection of any overpaid retirement or optional annuity, and survivor or disability benefit, or a refund that the executive director determines must be recovered as provided under this section.

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

Sec. 33. Minnesota Statutes 2016, section 354A.34, is amended to read:

354A.34 DISPOSITION OF UNPAID PERIOD CERTAIN FOR LIFE OR GUARANTEED REFUND OPTIONAL ANNUITIES.

If a retiree from a coordinated program who has elected a period certain and for life thereafter or a guaranteed refund optional annuity form dies without having a designated beneficiary who has survived the retiree, any remaining unpaid guaranteed annuity payments shall be computed at the rate of interest specified in section 356.215, subdivision 8, and paid in one lump sum to the estate of the retiree. If a retiree from a coordinated program who has elected a period certain and for life or a guaranteed refund optional annuity form dies with a designated beneficiary who has survived the retiree but the designated beneficiary dies without there existing another designated beneficiary, any remaining unpaid guaranteed annuity payments shall be computed ~~at the rate of~~ with interest at the applicable annual rate or rates specified in section 356.215, subdivision 8 356.59, subdivision 5, and paid in one lump sum to the estate of the designated beneficiary.

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

Sec. 34. Minnesota Statutes 2016, 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 the ~~monthly rate of 0.71 percent for any period for the Teachers Retirement Association and at the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent thereafter for any other retirement plan listed in section 356.30, subdivision 3~~ applicable monthly rate or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, from the last day of the strike period until the date payment is received.

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

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

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

Sec. 35. Minnesota Statutes 2016, 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 ~~annual rate of 8.5 percent for any period for the Teachers Retirement Association and is 8.5 percent until June 30, 2015, and eight percent thereafter for any other retirement plan listed in section 356.30, subdivision 3~~ at the applicable annual rate or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, compounded annually, from the refund date to the date repayment is received.

(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.

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

Sec. 36. Minnesota Statutes 2016, 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 annual compound rate of 8.5 percent for any period for the Teachers Retirement Association and 8.5 percent until June 30, 2015, and eight percent thereafter, for any other retirement plan listed in section 356.30, subdivision 3, per year, expressed monthly. The employer must pay compound interest on both the required member and employer contribution amounts at the applicable monthly rate or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, between the date the contribution amount would have been paid to the date of actual payment. The employer payment must be made within 30 days of the payment under paragraph (a).~~

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

Sec. 37. Minnesota Statutes 2016, 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 ~~4~~ 8.

(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 ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, 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.

(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 ~~applicable annual rate of 8.5 percent a year~~ or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, 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.

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

Sec. 38. **[356.59] INTEREST RATES.**

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

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

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

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

<u>before July 1, 2015</u>	<u>8.5 percent</u>
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<u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>
<u>after June 30, 2017</u>	<u>7.5 percent</u>

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

	<u>Annual</u>	<u>Monthly</u>
<u>before July 1, 2017</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
<u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

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

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

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

Sec. 39. Minnesota Statutes 2016, 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 rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ interest at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date of the termination of the leave to the date on which payment is made. The payment must be made within one year of the date on which the authorized leave of absence terminated. Service credit for an authorized leave of absence is in addition to a uniformed service leave under section 490.1211.

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

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

Sec. 40. Minnesota Statutes 2016, section 490.1211, is amended to read:

490.1211 UNIFORMED SERVICE.

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

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

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

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

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

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

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

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

Sec. 41. Minnesota Statutes 2016, section 490.124, subdivision 12, is amended to read:

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

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

(c) A person who becomes a judge again after taking a refund under paragraph (a) may reinstate the previously terminated allowable service credit, rights, and benefits by repaying the total amount of the previously received refund. The refund repayment must include interest ~~on the total amount previously received at the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date on which the refund was received until the date on which the refund is repaid.

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

ARTICLE 7

CONTRIBUTION RATES

Section 1. Minnesota Statutes 2016, section 352.04, subdivision 2, is amended to read:

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

from July 1, 2010, to June 30, 2014	5
from July 1, 2014, and thereafter to June 30, 2017	5.5
<u>from July 1, 2017, to June 30, 2018</u>	<u>5.75</u>
<u>after June 30, 2018</u>	<u>6</u>

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

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

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

Sec. 2. Minnesota Statutes 2016, section 352.04, subdivision 3, is amended to read:

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

from July 1, 2010, to June 30, 2014	5
from July 1, 2014, and thereafter to June 30, 2017	5.5
<u>from July 1, 2017, to June 30, 2018</u>	<u>5.875</u>
<u>after June 30, 2018</u>	<u>6.25</u>

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

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

Sec. 3. Minnesota Statutes 2016, section 352.92, subdivision 1, is amended to read:

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

from July 1, 2010, to June 30, 2014	8.6
from July 1, 2014, and thereafter <u>to June 30, 2017</u>	9.1
<u>after June 30, 2017</u>	<u>9.6</u>

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

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

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

Sec. 4. Minnesota Statutes 2016, section 352.92, subdivision 2, is amended to read:

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

from July 1, 2010, to June 30, 2014	12.1
from July 1, 2014, and thereafter <u>to June 30, 2017</u>	12.85
<u>after June 30, 2017</u>	<u>14.4</u>

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

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

Sec. 5. Minnesota Statutes 2016, section 352.92, is amended by adding a subdivision to read:

Subd. 2a. **Supplemental employer contribution.** (a) Effective July 1, 2018, the employer shall pay a supplemental contribution. The supplemental contribution shall be 1.45 percent of salary for covered correctional employees from July 1, 2018, through June 30, 2019; 2.95 percent of salary for covered correctional employees from July 1, 2019, through June 30, 2020; and 4.45 percent of salary for covered correctional employees thereafter. The supplemental contribution rate of 4.45 percent shall remain in effect until the market value of the assets of the correctional state employees retirement plan of the Minnesota State Retirement System equals or exceeds the actuarial accrued liability of the plan as determined by the actuary retained under section 356.214. The expiration of the supplemental employer contribution is effective the first day of the first full pay period of the fiscal year immediately following the issuance of the actuarial valuation upon which the expiration is based.

(b) The supplemental contribution under paragraph (a) must be paid starting the first day of the first full pay period after the effective date.

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

Sec. 6. Minnesota Statutes 2016, section 352B.02, subdivision 1a, is amended to read:

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

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

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

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

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

Sec. 7. Minnesota Statutes 2016, section 352B.02, subdivision 1c, is amended to read:

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

(1) before the first day of the first pay period beginning after July 1, 2014	18.6 percent
(2) on or after the first day of the first pay period beginning after from July 1, 2014, to June 30, 2016	20.1 percent
(3) after June 30, 2016 <u>from July 1, 2016, to June 30, 2017</u>	21.6 percent
<u>from July 1, 2017, to June 30, 2018</u>	<u>22.35</u>
<u>after June 30, 2018</u>	<u>23.1</u>

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

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

(d) Effective July 1, 2017, department heads shall pay a supplemental employer contribution. The supplemental contribution shall be 1.75 percent of the salary upon which deductions are made from July 1, 2017, through June 30, 2018; three percent of the salary upon which deductions are made from July 1, 2018, through June 30, 2019; five percent of the salary which deductions are made from July 1, 2019, through June 30, 2020; and seven percent of the salary upon which

deductions are made thereafter. The supplemental contribution must be paid starting the first day of the first full pay period after the effective date. The supplemental contribution rate of seven percent shall remain in effect until the market value of the assets of the State Patrol retirement plan of the Minnesota State Retirement System equals or exceeds the actuarial accrued liability of the plan as determined by the actuary retained under section 356.214. The expiration of the supplemental employer contribution is effective the first day of the first full pay period of the fiscal year immediately following the issuance of the actuarial valuation upon which the expiration is based.

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

Sec. 8. Minnesota Statutes 2016, section 352D.04, subdivision 2, is amended to read:

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

(b) The employee contribution is an amount equal to the 5.5 percent of salary ~~specified in section 352.04, subdivision 2, or 352.045, subdivision 3a.~~

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

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

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

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

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

Sec. 9. Minnesota Statutes 2016, section 353.65, subdivision 2, is amended to read:

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

<u>before January 1, 2018</u>	<u>10.8 percent</u>
<u>from January 1, 2018, through December 31, 2018</u>	<u>11.3 percent</u>
<u>from January 1, 2019, and thereafter</u>	<u>11.8 percent</u>

(b) For members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, the employee contribution is an amount equal to eight percent

of the monthly unit value under section 353.01, subdivision 10a, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Firefighters Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

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

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

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

Sec. 10. Minnesota Statutes 2016, section 353.65, subdivision 3, is amended to read:

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

<u>before January 1, 2018</u>	<u>16.2 percent</u>
<u>from January 1, 2018, through December 31, 2018</u>	<u>16.95 percent</u>
<u>from January 1, 2019, and thereafter</u>	<u>17.7 percent</u>

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

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

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

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

Sec. 11. Minnesota Statutes 2016, section 354.42, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) The employee contribution to the fund is the following percentage of the member's salary:

Period	Basic Program	Coordinated Program
from July 1, 2013, until June 30, 2014	10.5 percent	7 percent
after June 30, 2014 <u>from July 1, 2014, through June 30, 2017</u>	11 percent	7.5 percent
<u>from July 1, 2017, through June 30, 2018</u>	<u>11.19 percent</u>	<u>7.69 percent</u>
<u>from July 1, 2018, through June 30, 2019</u>	<u>11.38 percent</u>	<u>7.88 percent</u>
<u>from July 1, 2019, through June 30, 2020</u>	<u>11.56 percent</u>	<u>8.06 percent</u>
<u>after June 30, 2020</u>	<u>11.75 percent</u>	<u>8.25 percent</u>

(b) When an employee contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid for each employer unit with the first payroll cycle reported.

(c) After June 30, 2015, if a contribution rate revision is required under subdivisions 4a, 4b, and 4c, the employee contributions under paragraphs (a) and (b) must be adjusted accordingly.

(d) This contribution must be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution must be based on the entire salary received.

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

Sec. 12. Minnesota Statutes 2016, section 354.42, subdivision 3, is amended to read:

Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to the applicable following percentage of salary of each coordinated member and the applicable percentage of salary of each basic member specified in paragraph (c).

The additional employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to 3.64 percent of the salary of each teacher who is a coordinated member or who is a basic member.

(b) The regular employer contribution to the fund by Independent School District No. 709, Duluth, is an amount equal to the applicable percentage of salary of each old law or new law coordinated member specified for the coordinated program in paragraph (c).

(c) The employer contribution to the fund for every other employer is an amount equal to the applicable following percentage of the salary of each coordinated member and the applicable following percentage of the salary of each basic member:

Period	Coordinated Member	Basic Member
from July 1, 2013, until June 30, 2014	7 percent	11 percent
after June 30, 2014 <u>from July 1, 2014, through June 30, 2017</u>	7.5 percent	11.5 percent
<u>from July 1, 2017, through June 30, 2018</u>	<u>7.75 percent</u>	<u>11.75 percent</u>
<u>from July 1, 2018, through June 30, 2019</u>	<u>8.0 percent</u>	<u>12 percent</u>
<u>from July 1, 2019, through June 30, 2020</u>	<u>8.25 percent</u>	<u>12.25 percent</u>

after June 30, 20208.5 percent12.5 percent

(d) When an employer contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid for each employer unit with the first payroll cycle reported.

(e) After June 30, 2015, if a contribution rate revision is made under subdivisions 4a, 4b, and 4c, the employer contributions under paragraphs (a), (b), and (c) must be adjusted accordingly.

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

Sec. 13. Minnesota Statutes 2016, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) The contribution required to be paid by each member of the St. Paul Teachers Retirement Fund Association is the percentage of total salary specified below for the applicable association and program:

Program	Percentage of Total Salary
St. Paul Teachers Retirement Fund Association	
basic program after June 30, 2014	9 percent
basic program after June 30, 2015	9.5 percent
basic program after June 30, 2016	10 percent
<u>basic program after June 30, 2021</u>	<u>10.25 percent</u>
coordinated program after June 30, 2014	6.5 percent
coordinated program after June 30, 2015	7 percent
coordinated program after June 30, 2016	7.5 percent
<u>coordinated program after June 30, 2021</u>	<u>7.75 percent</u>

(b) Contributions must be made by deduction from salary and must be remitted directly to the St. Paul Teachers Retirement Fund Association at least once each month.

(c) When an employee contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

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

Sec. 14. Minnesota Statutes 2016, section 354A.12, subdivision 2a, is amended to read:

Subd. 2a. **Employer regular and additional contributions.** (a) The employing units shall make the following employer contributions to the teachers retirement fund association:

(1) for ~~any~~ each coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

~~after June 30, 2014~~~~5.5 percent~~~~after June 30, 2015~~~~6 percent~~

after June 30, 2016

6.25 percent

after June 30, 2017	6.5 <u>7</u> percent
<u>after June 30, 2018</u>	<u>7.75</u> percent
<u>after June 30, 2019</u>	<u>8.25</u> percent
<u>after June 30, 2020</u>	<u>9</u> percent

(2) for ~~any~~ each basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount according to the schedule below:

after June 30, 2014	9 percent of salary
after June 30, 2015	9.5 percent of salary
after June 30, 2016	9.75 percent of salary
after June 30, 2017	10 <u>10.5</u> percent of salary
<u>after June 30, 2018</u>	<u>11.25</u> percent of salary
<u>after June 30, 2019</u>	<u>11.75</u> percent of salary
<u>after June 30, 2020</u>	<u>12.5</u> percent of salary

(3) for ~~a~~ each basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.64 percent of the salary of the basic member;

(4) for ~~a~~ each coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.84 percent of the coordinated member's salary.

(b) The regular and additional employer contributions must be remitted directly to the St. Paul Teachers Retirement Fund Association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

(d) When an employer contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported. The amount required is appropriated annually from the general fund to the commissioner of budget.

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

ARTICLE 8

DIRECT STATE AID

Section 1. Minnesota Statutes 2016, section 353.65, is amended by adding a subdivision to read:

Subd. 3b. **Direct state aid.** The state shall pay \$4,500,000 on October 1, 2018, and October 1, 2019, to the public employees police and fire retirement plan. By October 1 of each year after 2019, the state shall pay to the public employees police and fire retirement plan \$9,000,000.

Sec. 2. Minnesota Statutes 2016, section 354A.12, subdivision 3a, is amended to read:

Subd. 3a. **Direct state aid to first class city teachers retirement fund associations.** (a) The state shall pay \$2,827,000 to the St. Paul Teachers Retirement Fund Association.

(b) In addition to other amounts specified in this subdivision, the state shall pay \$7,000,000 as state aid to the St. Paul Teachers Retirement Fund Association.

(c) In addition to the amounts specified in paragraphs (a) and (b), the state shall pay \$5,000,000 as state aid to the St. Paul Teachers Retirement Fund Association.

~~(e)~~ (d) The aid under this subdivision is payable October 1 annually. The commissioner of management and budget shall pay the aid specified in this subdivision. The amount required is appropriated annually from the general fund to the commissioner of management and budget.

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

ARTICLE 9

MINNESOTA STATE RETIREMENT SYSTEM ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2016, 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 the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the date on which the refund was taken to the date on which the refund is repaid. Repayment must be made as provided in section 352.23, paragraph (d).

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

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

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

Subd. 3. **Legislators retirement fund.** (a) The legislators retirement fund, a special retirement fund, is created within the state treasury. The legislators retirement fund must be credited with any investment proceeds on the assets of the retirement fund.

(b) The payment of annuities under section 3A.115, paragraph (b), is appropriated from the legislators retirement fund.

(c) The legislators retirement fund may receive transfers of general fund proceeds.

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

Sec. 3. Minnesota Statutes 2016, section 16A.14, subdivision 2a, is amended to read:

Subd. 2a. **Exceptions.** The allotment and encumbrance system does not apply to:

(1) appropriations for the courts or the legislature;

(2) payment of unemployment benefits; and

(3) transactions within the defined contribution funds administered by the Minnesota State Retirement System.

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

Sec. 4. Minnesota Statutes 2016, section 352.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees.** (a) "State employee" includes:

(1) employees of the Minnesota Historical Society;

(2) employees of the State Horticultural Society;

(3) employees of the Minnesota Crop Improvement Association;

(4) employees of the adjutant general whose salaries are paid from federal funds and who are not covered by any federal civilian employees retirement system;

(5) employees of the Minnesota State Colleges and Universities who are employed under the university or college activities program;

(6) currently contributing employees covered by the system who are temporarily employed by the legislature during a legislative session or any currently contributing employee employed for any special service as defined in subdivision 2b, clause (6);

(7) employees of the legislature who are appointed without a limit on the duration of their employment;

(8) trainees who are employed on a full-time established training program performing the duties of the classified position for which they will be eligible to receive immediate appointment at the completion of the training period;

(9) employees of the Minnesota Safety Council;

(10) any employees who are on authorized leave of absence from the Transit Operating Division of the former Metropolitan Transit Commission and who are employed by the labor organization which is the exclusive bargaining agent representing employees of the Transit Operating Division;

(11) employees of the Metropolitan Council, Metropolitan Parks and Open Space Commission, Metropolitan Sports Facilities Commission, or Metropolitan Mosquito Control Commission unless excluded under subdivision 2b or are covered by another public pension fund or plan under section 473.415, subdivision 3;

(12) judges of the Tax Court;

(13) personnel who were employed on June 30, 1992, by the University of Minnesota in the management, operation, or maintenance of its heating plant facilities, whose employment transfers to an employer assuming operation of the heating plant facilities, so long as the person is employed at the University of Minnesota heating plant by that employer or by its successor organization;

(14) personnel who are employed as seasonal employees in the classified or unclassified service;

(15) persons who are employed by the Department of Commerce as a peace officer in the Commerce Fraud Bureau under section 45.0135 who have attained the mandatory retirement age specified in section 43A.34, subdivision 4;

(16) employees of the University of Minnesota unless excluded under subdivision 2b, clause (3);

(17) employees of the Middle Management Association whose employment began after July 1, 2007, and to whom section 352.029 does not apply;

(18) employees of the Minnesota Government Engineers Council to whom section 352.029 does not apply;

(19) employees of the Minnesota Sports Facilities Authority;

(20) employees of the Minnesota Association of Professional Employees;

(21) employees of the Minnesota State Retirement System;

(22) employees of the State Agricultural Society;

(23) employees of the Gillette Children's Hospital Board who were employed in the state unclassified service at the former Gillette Children's Hospital on March 28, 1974; ~~and~~

(24) if approved for coverage by the Board of Directors of Conservation Corps Minnesota, employees of Conservation Corps Minnesota so employed on June 30, 2003; and

(25) employees of the Perpich Center for Arts Education who are covered by the general state employees retirement plan of the Minnesota State Retirement System as of July 1, 2016.

(b) Employees specified in paragraph (a), clause (13), are included employees under paragraph (a) if employer and employee contributions are made in a timely manner in the amounts required by section 352.04. Employee contributions must be deducted from salary. Employer contributions are the sole obligation of the employer assuming operation of the University of Minnesota heating plant facilities or any successor organizations to that employer.

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

Sec. 5. Minnesota Statutes 2016, section 352.03, subdivision 5, is amended to read:

Subd. 5. **Executive director, deputy director, and assistant director.** (a) ~~The board shall appoint an executive director, in this chapter called the director, of the system must be appointed by the board on the basis of fitness education, experience in the retirement field, and leadership ability to manage and lead system staff, and ability to assist the board in setting a vision for the system. The director must have had at least five years' experience on the administrative staff of a major retirement system in either an executive level management position or in a position with responsibility for the governance, management, or administration of a retirement plan.~~

(b) The executive director, deputy director, and assistant director must be in the unclassified service but appointees may be selected from civil service lists if desired. Notwithstanding any law to the contrary, the board must set the salary of the executive director. The salary of the executive director must not exceed the limit for a position listed in section 15A.0815, subdivision 2. The salary of the deputy director and assistant director must be set in accordance with section 43A.18, subdivision 3.

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

Sec. 6. Minnesota Statutes 2016, section 352.03, subdivision 6, is amended to read:

Subd. 6. **Duties and powers of executive director.** The management of the system is vested in the director, who is the executive and administrative head of the system. The director may appoint a deputy director and an assistant director with the approval of the board. The director shall be advisor to the board on matters pertaining to the system and shall also act as the secretary of the board. The director shall:

- (1) attend meetings of the board;
- (2) prepare and recommend to the board appropriate rules to carry out this chapter;
- (3) establish and maintain an adequate system of records and accounts following recognized accounting principles and controls;
- ~~(4) designate an assistant director with the approval of the board;~~
- ~~(5)~~ (4) appoint any employees, both permanent and temporary, that are necessary to carry out the provisions of this chapter;
- ~~(6)~~ (5) organize the work of the system as the director deems necessary to fulfill the functions of the system, and define the duties of its employees and delegate to them any powers or duties,

subject to the control of the director and under conditions the director may prescribe. Appointments to exercise delegated power must be by written order and shall be filed with the secretary of state;

~~(7)~~ (6) with the advice and consent of the board, contract for the services of an approved actuary, professional management services, and any other consulting services as necessary and fix the compensation for those services. The contracts are not subject to competitive bidding under chapter 16C. Any approved actuary retained by the executive director shall function as the actuarial advisor of the board and the executive director, and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained under section 356.214. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the Legislative Commission on Pensions and Retirement. Professional management services may not be contracted for more often than once in six years. Copies of professional management survey reports must be transmitted to the secretary of the senate, the chief clerk of the house of representatives, and the Legislative Reference Library as provided by section 3.195, and to the executive director of the commission at the time as reports are furnished to the board. Only management firms experienced in conducting management surveys of federal, state, or local public retirement systems are qualified to contract with the director;

~~(8)~~ (7) with the advice and consent of the board provide in-service training for the employees of the system;

~~(9)~~ (8) make refunds of accumulated contributions to former state employees and to the designated beneficiary, surviving spouse, legal representative, or next of kin of deceased state employees or deceased former state employees, as provided in this chapter;

~~(10)~~ (9) determine the amount of the annuities and disability benefits of employees covered by the system and authorize payment of the annuities and benefits beginning as of the dates on which the annuities and benefits begin to accrue, in accordance with the provisions of this chapter;

~~(11)~~ (10) pay annuities, refunds, survivor benefits, salaries, and necessary operating expenses of the system;

~~(12)~~ (11) certify funds available for investment to the State Board of Investment;

~~(13)~~ (12) with the advice and approval of the board request the State Board of Investment to sell securities when the director determines that funds are needed for the system;

~~(14)~~ (13) prepare and submit to the board and the legislature an annual financial report covering the operation of the system, as required by section 356.20;

~~(15)~~ (14) prepare and submit biennial and annual budgets to the board and with the approval of the board submit the budgets to the Department of Management and Budget; and

~~(16)~~ (15) with the approval of the board, perform other duties required to administer the retirement and other provisions of this chapter and to do its business.

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

Sec. 7. Minnesota Statutes 2016, section 352.113, subdivision 4, is amended to read:

Subd. 4. **Medical or psychological examinations; authorization for payment of benefit.** (a) Any physician, psychologist, chiropractor, ~~or physician assistant,~~ or nurse practitioner providing any service specified in this section must be licensed.

(b) An applicant shall provide a detailed report signed by a physician, and at least one additional report signed by a physician, ~~chiropractor,~~ psychologist, ~~or chiropractor,~~ physician assistant, or nurse practitioner with evidence to support an application for total and permanent disability. The reports must include an expert opinion regarding whether the employee is permanently and totally disabled within the meaning of section 352.01, subdivision 17, and that the disability arose before the employee was placed on any paid or unpaid leave of absence or terminated public service.

(c) If there is medical evidence that supports the expectation that at some point the person applying for the disability benefit will no longer be disabled, the decision granting the disability benefit may provide for a termination date upon which the total and permanent disability can be expected to no longer exist. When a termination date is part of the decision granting benefits, prior to the benefit termination the executive director shall review any evidence provided by the disabled employee to show that the disabling condition for which benefits were initially granted continues. If the benefits cease, the disabled employee may follow the appeal procedures described in section 356.96 or may reapply for disability benefits using the process described in this subdivision.

(d) Any claim to disability must be supported by a report from the employer indicating that there is no available work that the employee can perform with the disabling condition and that all reasonable accommodations have been considered. Upon request of the executive director, an employer shall provide evidence of the steps the employer has taken to attempt to provide reasonable accommodations and continued employment to the claimant.

(e) The director shall also obtain written certification from the employer stating whether the employment has ceased or whether the employee is on sick leave of absence because of a disability that will prevent further service to the employer and that the employee is not entitled to compensation from the employer.

(f) The medical adviser shall consider the reports of the ~~physicians, physician assistants, psychologists, and chiropractors~~ physician, psychologist, chiropractor, physician assistant, or nurse practitioner and any other evidence supplied by the employee or other interested parties. If the medical adviser finds the employee totally and permanently disabled, the adviser shall make appropriate recommendation to the director in writing together with the date from which the employee has been totally disabled. The director shall then determine if the disability occurred ~~within 18 months of filing the application,~~ while still in the employment of the state, ~~and the propriety of authorizing payment of a disability benefit as provided in this section~~ and constitutes a total and permanent disability as defined in section 352.01, subdivision 17.

(g) A terminated employee may apply for a disability benefit within 18 months of termination as long as the disability occurred while in the employment of the state. The fact that an employee is placed on leave of absence without compensation because of disability does not bar that employee from receiving a disability benefit.

(h) Upon appeal, the board of directors may extend the disability benefit application deadline in paragraph (g) by an additional 18 months if the terminated employee is determined by the board

of directors to have a cognitive impairment that made it unlikely that the terminated employee understood that there was an application deadline or that the terminated employee was able to meet the application deadline.

(h) (i) Unless the payment of a disability benefit has terminated because the employee is no longer totally disabled, or because the employee has reached normal retirement age as provided in this section, the disability benefit must cease with the last payment received by the disabled employee or which had accrued during the lifetime of the employee unless there is a spouse surviving. In that event, the surviving spouse is entitled to the disability benefit for the calendar month in which the disabled employee died.

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

Sec. 8. Minnesota Statutes 2016, section 352.113, subdivision 14, is amended to read:

Subd. 14. **Disabilitant earnings reports.** Disability benefit recipients must report all earnings from reemployment and income from workers' compensation to the system annually by May 15 in a format prescribed by the executive director. The executive director may waive the earnings report requirement for any disabled employee who is not required to undergo regular medical or psychological examinations under subdivision 6. If the form is not submitted by June 15, benefits must be suspended effective July 1. If the form deemed acceptable by the executive director is received after the June 15 deadline, benefits shall be reinstated retroactive to July 1.

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

Sec. 9. Minnesota Statutes 2016, section 352.23, is amended to read:

352.23 TERMINATION OF RIGHTS; REPAYMENT OF REFUND.

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

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

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

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

partial payments consistent with section 356.44 during employment or in a lump sum up to six months after termination from service.

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

Sec. 10. Minnesota Statutes 2016, 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 the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually, ~~at any time before subsequent retirement. Repayment may be made in installments or in a lump sum.~~ Repayment must be made as provided in section 352.23, paragraph (d).

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

Sec. 11. Minnesota Statutes 2016, section 352D.02, subdivision 1, is amended to read:

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

(b) Persons referenced in paragraph (c), clause (5), are participants in the unclassified program under this chapter unless the person was eligible to elect different coverage under section 3A.07 and elected retirement coverage by the applicable alternative retirement plan. Persons referenced in paragraph (c), clause (15), are participants in the unclassified program under this chapter for judicial employment in excess of the service credit limit in section 490.121, subdivision 22.

(c) Enumerated employees and referenced persons are:

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

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

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

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

- (5) a member of the legislature;
- (6) an unclassified employee of the legislature or a commission or agency of the legislature who is appointed without a limit on the duration of the employment or a temporary legislative employee having shares in the supplemental retirement fund as a result of former employment covered by this chapter, whether or not eligible for coverage under the Minnesota State Retirement System;
- (7) a person who is employed in a position established under section 43A.08, subdivision 1, clause (3), or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level;
- (8) the regional administrator, or executive director of the Metropolitan Council, general counsel, division directors, operations managers, and other positions as designated by the council, all of which may not exceed 27 positions at the council and the chair;
- (9) the commissioner, deputy commissioner, and not to exceed nine positions of the Minnesota Office of Higher Education in the unclassified service, as designated by the Minnesota Office of Higher Education before January 1, 1992, or subsequently redesignated with the approval of the board of directors of the Minnesota State Retirement System, unless the person has elected coverage by the individual retirement account plan under chapter 354B;
- (10) the clerk of the appellate courts appointed under article VI, section 2, of the Constitution of the state of Minnesota, the state court administrator and judicial district administrators;
- (11) the chief executive officers of correctional facilities operated by the Department of Corrections and of hospitals and nursing homes operated by the Department of Human Services;
- (12) an employee whose principal employment is at the state ceremonial house;
- (13) an employee of the Agricultural Utilization Research Institute;
- (14) an employee of the State Lottery who is covered by the managerial plan established under section 43A.18, subdivision 3;
- (15) a judge who has exceeded the service credit limit in section 490.121, subdivision 22;
- (16) an employee of Enterprise Minnesota, Inc.;
- (17) a person employed by the Minnesota State Colleges and Universities as faculty or in an eligible unclassified administrative position as defined in section 354B.20, subdivision 6, who was employed by the former state university or the former community college system before May 1, 1995, and elected unclassified program coverage prior to May 1, 1995; and
- (18) a person employed by the Minnesota State Colleges and Universities who was employed in state service before July 1, 1995, who subsequently is employed in an eligible unclassified administrative position as defined in section 354B.20, subdivision 6, and who elects coverage by the unclassified program.

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

Sec. 12. Minnesota Statutes 2016, section 352D.02, subdivision 3, is amended to read:

Subd. 3. **Transfer to general employees retirement plan.** (a) ~~If permitted under paragraph (b), an employee~~ A person in the unclassified program and referred to in subdivision 1, paragraph (c), clauses (2) to (4), (6) to (14), and (16) to (18), who is credited with shares in the unclassified program and has credit for allowable service may elect to terminate participation in the unclassified program and be covered by the general state employees retirement plan. ~~(b) An employee specified in paragraph (a) is permitted to terminate participation in the unclassified program and be covered by~~ if the person files an election to transfer to the general state employees retirement plan if the employee with the executive director of the Minnesota State Retirement System as provided in paragraph (b) and the person's current employment or appointment:

(1) ~~was employed~~ began before July 1, 2010, and the person has at least ten years of ~~allowable service~~ covered employment; or

(2) ~~was first employed~~ began after June 30, 2010, and the person has no more than seven years of allowable service in the unclassified program.

~~The (b) An election to transfer must be in writing,~~ on a form provided by the executive director, and can be made no later than one month following the termination of covered employment. delivered to the executive director:

(1) for persons described in paragraph (a), clause (1), no later than one month following the termination of covered employment; or

(2) for persons described in paragraph (a), clause (2), no later than one month following the termination of employment in a position covered by the unclassified program.

For purposes of this chapter, an employee who does not file an election to transfer with the executive director is deemed to have exercised the option to participate in the unclassified program.

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

(1) the employee contributions paid to the unclassified program; and

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

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

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

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

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

Sec. 13. Minnesota Statutes 2016, 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 the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the date that the refund was taken until the date that the refund is repaid. 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~~ Repayment must be made as provided in section 352.23, paragraph (d).

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

Sec. 14. Minnesota Statutes 2016, section 490.124, subdivision 12, is amended to read:

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

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

(c) A person who becomes a judge again after taking a refund under paragraph (a) may reinstate the previously terminated allowable service credit, rights, and benefits by repaying the total amount of the previously received refund. The refund repayment must include interest on the total amount previously received at the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter, compounded annually, from the date on which the refund was received until the date on which the refund is repaid. Repayment must be made as provided in section 352.23, paragraph (d).

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

ARTICLE 10**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
ADMINISTRATIVE PROVISIONS**

Section 1. Minnesota Statutes 2016, section 353.01, subdivision 2b, is amended to read:

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

(1) persons whose annual salary from one governmental subdivision never exceeds an amount, stipulated in writing in advance, of \$5,100 if the person is not a school district employee or \$3,800 if the person is a school year employee. If annual compensation from one governmental subdivision to an employee exceeds the stipulated amount in a calendar year or a school year, whichever applies, after being stipulated in advance not to exceed the applicable amount, the stipulation is no longer valid and contributions must be made on behalf of the employee under section 353.27, subdivision 12, from the first month in which the employee received salary exceeding \$425 in a month;

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

(3) election judges and persons employed solely to administer elections;

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

(5) except as otherwise specified in subdivision 12a, employees who are employed solely in a temporary position as defined under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days of that resignation in the same governmental subdivision;

(6) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster, but if the person becomes a probationary or provisional employee within the same pay period, other than on a temporary basis, the person is a "public employee" retroactively to the beginning of the pay period;

(7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota State Retirement System, the Teachers Retirement Association, or the St. Paul Teachers Retirement Fund Association, but this exclusion must not be construed to prevent a person from being a member of and contributing to the Public Employees Retirement Association and also belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time, and a person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement plan on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

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

(9) persons who are:

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

(ii) employed as resident physicians, medical interns, pharmacist residents, or pharmacist interns and are serving in a degree or residency program in a public hospital or in a public clinic; or

(iii) students who are serving for a period not to exceed five years in an internship or a residency program that is sponsored by a governmental subdivision, including an accredited educational institution;

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

(11) ~~except for employees of~~ For the first three years of employment, foreign citizens who are employed by a governmental subdivision, other than Hennepin County or employees of Hennepin Healthcare System, Inc., foreign citizens who are employed by a governmental subdivision under a one or more work permit permits or under an H-1b visa initially issued or extended for a combined period of less than three years of employment but upon extension of the employment of the visa beyond the three-year period, the foreign citizen must be reported for membership beginning on the first of the month following the extension if the monthly earnings threshold as provided under subdivision 2a, paragraph (a), is met work visas;

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

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

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

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

(16) electrical workers, plumbers, carpenters, and associated trades personnel who are employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who have retirement coverage under a collective bargaining agreement by the Electrical Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the pension plan applicable to Carpenters Local 322 who were either first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000, chapter 461, article 7, section 5;

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

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

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

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

(21) independent contractors and the employees of independent contractors;

(22) reemployed annuitants of the association during the course of that reemployment;

(23) persons appointed to serve on a board or commission of a governmental subdivision or an instrumentality thereof;

(24) persons employed as full-time fixed-route bus drivers by the St. Cloud Metropolitan Transit Commission who are members of the International Brotherhood of Teamsters Local 638 and who are, by virtue of that employment, members of the International Brotherhood of Teamsters Central States pension plan; and

(25) electricians or pipefitters employed by the Minneapolis Park and Recreation Board, with coverage under a collective bargaining agreement by the IBEW local 292, or pipefitters local 539 pension plan, who were first employed before May 2, 2015, and who elected to be excluded under Laws 2015, chapter 68, article 11, section 5.

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

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

Sec. 2. Minnesota Statutes 2016, 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 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;

(ii) any employee-elected deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs that would have otherwise been available as a cash payment to the employee; and

(iii) employee deductions for contributions to a supplemental plan or to a governmental trust established under section 356.24, subdivision 1, clause (7), to save for postretirement health care expenses, unless otherwise excluded under paragraph (b);

(2) for a public employee who is covered by a supplemental retirement plan under section 356.24, subdivision 1, clause (8), (9), (10), or (12), the employer contributions to the applicable supplemental retirement plan when an agreement between the parties establishes that the 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;

(3) a payment from a public employer through a grievance proceeding, settlement, or court order that is attached to a specific earnings period in which the employee's regular salary was not earned or paid to the member due to a suspension or a period of involuntary termination that is not a wrongful discharge under section 356.50; provided the amount is not less than the equivalent of the average of the hourly base salary rate in effect during the last six months of allowable service prior to the suspension or period of involuntary termination, plus any applicable increases awarded during the period that would have been paid under a collective bargaining agreement or personnel policy but for the suspension or involuntary termination, multiplied by the average number of regular hours for which the employee was compensated during the six months of allowable service prior to the suspension or period of involuntary termination, but not to exceed the compensation that the public employee would have earned if regularly employed during the applicable period;

(4) ~~for a member who is absent from employment due to~~ compensation paid during an authorized leave of absence, other than an authorized medical leave of absence, as long as the compensation paid during the leave if equivalent to a pay period is not less than the lesser of:

(i) ~~the product of the average hourly base salary rate in effect during the six months of allowable service, or portions thereof, prior to~~ immediately preceding the leave, multiplied by the average number of regular hours for which the employee was compensated each pay period during the six months of allowable service ~~prior to~~ immediately preceding the ~~applicable~~ leave of absence; or

(ii) compensation equal to the value of the employee's total available accrued leave hours;

(5) ~~for a member who is absent from employment by reason of~~ compensation paid during an authorized medical leave of absence, other than a workers' compensation leave, as long as the compensation paid during the leave if specified in advance to be at least a pay period is not less than the lesser of:

(i) ~~the product of one-half of, but no more than equal to, the earnings the member received, on which contributions were reported and allowable service credited~~ the average hourly base salary rate in effect during the six months of allowable service immediately preceding the ~~medical~~ leave of absence; ~~and~~ or

(ii) compensation equal to the value of the employee's total available accrued leave hours;

(6) for a public employee who receives performance or merit bonus payment under a written compensation plan, policy, or collective bargaining agreement in addition to regular salary or in lieu of regular salary increases, 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) 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) for the donor, payment to another person of the value of hours donated under a benevolent vacation, personal, or sick leave donation program;

(4) any form of severance or retirement incentive payments;

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

(6) lump-sum settlements not attached to a specific earnings period;

(7) workers' compensation payments or disability insurance payments, including payments from employer self-insurance arrangements;

(8) employer-paid amounts used by an employee toward the cost of insurance coverage, 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;

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

(i) employer-paid premiums or supplemental contributions for employees for all types of insurance;

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

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

(iv) the value of any nonmonetary benefits;

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

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

(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;

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

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

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

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

(11) 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;

(12) the amount of compensation that exceeds the limitation provided in section 356.611;

(13) 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

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

(c) Amounts, other than those provided under paragraph (a), clause (3), 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 July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 353.01, subdivision 47, is amended to read:

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

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

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

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

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

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

(2) a public employee who first becomes a member of the association after June 30, 2010, is vested at the following percentages when the person has accrued ~~credited~~ credit for allowable service ~~as defined under subdivision 16, as follows~~ in the local government correctional service retirement plan, as follows:

- (i) 50 percent after five years;
- (ii) 60 percent after six years;
- (iii) 70 percent after seven years;
- (iv) 80 percent after eight years;
- (v) 90 percent after nine years; and
- (vi) 100 percent after ten years.

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

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

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

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

(3) a public employee who first becomes a member of the association after June 30, 2014, is vested at the following percentages when the person has accrued ~~credited~~ credit for allowable service ~~as defined under subdivision 16~~ in the public employees police and fire retirement plan, as follows:

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

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

Sec. 4. Minnesota Statutes 2016, section 353.0162, is amended to read:

353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE FOR PERIODS OF REDUCED SALARY.

(a) A member may purchase ~~additional~~ differential salary credit, as described in paragraph (c), for a period specified in ~~this section~~ paragraph (b).

(b) The applicable period is a period during which the member is receiving a no or 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 leave of absence, except that if the authorized leave of absence exceeds 12 months, the period of leave for which differential salary credit may be purchased is limited to 12 months; 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, if certified to the executive director by the governmental subdivision.

(c) ~~The~~ Differential salary ~~amount~~ credit is the difference between the ~~average monthly~~ salary received by the member during ~~the a period of reduced salary under this section~~ specified in paragraph (b) and the ~~average monthly~~ salary of the member, excluding overtime, on which contributions to the applicable plan ~~were would have been~~ made during the period ~~of the last six months of covered employment occurring immediately before the period of reduced salary, applied to~~ based on the member's normal employment period, measured in hours or otherwise, as applicable, and rate of pay.

(d) To receive ~~eligible~~ differential salary credit, the member shall pay the plan, by delivering payment to the executive director, 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 annual rate until June 30, 2015, and at an eight percent annual rate thereafter, prorated for applicable months from the date on which the period of reduced salary specified ~~under this section~~ in paragraph (b) terminates to the date on which the payment or payments

are received by the executive director. Payment under this section must be completed ~~within~~ by the ~~earlier~~ earliest of:

(1) 30 days ~~from~~ after termination of public service by the employee under section 353.01, subdivision 11a, ~~or~~;

(2) one year after the termination of the period specified in paragraph (b), ~~as further restricted under this section~~; or

(3) 30 days after the commencement of a disability benefit.

~~(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 leave of absence, the period for which allowable salary credit may be purchased may not exceed 12 months of authorized leave.~~

~~(h) To purchase (g) If the member has purchased 12 months of differential 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 to~~ purchase differential salary credit for a subsequent leave of absence.

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

Sec. 5. Minnesota Statutes 2016, section 353.03, subdivision 3, is amended to read:

Subd. 3. **Duties and powers.** (a) The board shall:

(1) elect a president and vice-president;

(2) approve the staffing complement, as recommended by the executive director, necessary to administer the fund;

(3) adopt bylaws for its own government and for the management of the fund consistent with the laws of the state and may modify them at pleasure;

(4) adopt, alter, and enforce reasonable rules consistent with the laws of the state and the terms of the applicable benefit plans for the administration and management of the fund, for the payment and collection of payments from members and for the payment of withdrawals and benefits, and that are necessary in order to comply with the applicable federal Internal Revenue Service and Department of Labor requirements;

(5) pass upon and allow or disallow all applications for membership in the fund and allow or disallow claims for withdrawals, pensions, or benefits payable from the fund;

~~(6) authorize procedures for use of electronic signatures as defined in section 325L.02, paragraph (h), on applications and forms required by the association;~~

(7) (6) adopt an appropriate mortality table based on experience of the fund as recommended by the association actuary and approved under section 356.215, subdivision 18, with interest set at the rate specified in section 356.215, subdivision 8;

(8) (7) provide for the payment out of the fund of the cost of administering this chapter, of all necessary expenses for the administration of the fund and of all claims for withdrawals, pensions, or benefits allowed;

(9) (8) approve or disapprove all recommendations and actions of the executive director made subject to its approval or disapproval by subdivision 3a; and

(10) (9) approve early retirement and optional annuity factors, subject to review by the actuary retained by the Legislative Commission on Pensions and Retirement; establish the schedule for implementation of the approved factors; and notify the Legislative Commission on Pensions and Retirement of the implementation schedule.

(b) In passing upon all applications and claims, the board may summon, swear, hear, and examine witnesses and, in the case of claims for disability benefits, may require the claimant to submit to a medical examination by a physician of the board's choice, at the expense of the fund, as a condition precedent to the passing on the claim, and, in the case of all applications and claims, may conduct investigations necessary to determine their validity and merit.

(c) The board may continue to authorize the sale of life insurance to members under the insurance program in effect on January 1, 1985, but must not change that program without the approval of the commissioner of management and budget. The association shall not receive any financial benefit from the life insurance program beyond the amount necessary to reimburse the association for costs incurred in administering the program. The association shall not engage directly or indirectly in any other activity involving the sale or promotion of goods or services, or both, whether to members or nonmembers.

(d) The board shall establish procedures governing reimbursement of expenses to board members. These procedures must define the types of activities and expenses that qualify for reimbursement, must provide that all out-of-state travel be authorized by the board, and must provide for the independent verification of claims for expense reimbursement. The procedures must comply with the applicable rules and policies of the Department of Management and Budget and the Department of Administration.

(e) The board may purchase fiduciary liability insurance and official bonds for the officers and members of the board of trustees and employees of the association and may purchase property insurance or may establish a self-insurance risk reserve including, but not limited to, data processing insurance and "extra-expense" coverage.

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

Sec. 6. Minnesota Statutes 2016, section 353.29, subdivision 4, is amended to read:

Subd. 4. **Application for annuity.** Application for a retirement annuity or optional annuity may be made by a member or by a person ~~authorized to act~~ acting on behalf of the member, upon proof of authority satisfactory to the executive director. Every application ~~for retirement~~ must be made ~~in~~

~~writing~~ on a form or in a format prescribed by the executive director and must be substantiated by ~~written~~ proof of the member's age and identity. The notarized signature of a member's spouse on a retirement annuity application acknowledging the member's annuity selection meets the notice requirement to the spouse under section 356.46, subdivision 3. An application for a retirement annuity is not complete until all necessary supporting documents are received by the executive director.

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

Sec. 7. Minnesota Statutes 2016, section 353.29, subdivision 7, is amended to read:

Subd. 7. ~~Annuities; accrual~~ **Annuity starting date.** (a) Except as ~~to elected public officials specified in paragraph (b)~~, a retirement annuity granted under this chapter begins ~~with~~ on the first day of the first calendar month after the date of termination of public service or up to six months before the first of the month in which a complete application is received by the executive director under subdivision 4, whichever is later. The annuity must be paid in equal monthly installments ~~and does not accrue, unless suspended or reduced under section 353.37.~~ Annuity payments shall not be paid beyond the end of the month in which entitlement to the annuity has terminated.

(b) An annuity granted to an ~~elective~~ elected public official ~~accrues~~ may begin on the day following the expiration of the public office or expiration of the right to hold that office that qualified the elected official for membership under section 353.01, subdivision 2a or 2d, if a complete application is received by the executive director under subdivision 4 within six months of the date of termination of public service. The annuity for the month during which the expiration occurred is prorated accordingly.

(c) An annuity, once granted, must not be increased, decreased, or revoked except under this chapter.

~~(d) An annuity payment may be made retroactive for up to one year prior to that month in which a complete application is received by the executive director under subdivision 4.~~

~~(e)~~ (d) If an annuitant dies before negotiating the check for the month in which death occurs, payment must first be made to the surviving spouse, or if none, then to the designated beneficiary, or if none, lastly to the estate.

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

Sec. 8. Minnesota Statutes 2016, section 353.30, subdivision 3c, is amended to read:

Subd. 3c. **Effective date of bounce-back annuity.** In the event of the death of the designated optional annuity beneficiary before the retired employee or disabilitant, the restoration of the normal single life annuity under subdivision 3a or 3b will take effect on the first of the month following the date of death of the designated optional annuity beneficiary or on the first of the month following one year six months before the date on which a certified copy satisfactory verification of the death record is received in the office of the public employees retirement association established by the executive director, whichever date is later.

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

Sec. 9. Minnesota Statutes 2016, section 353.32, subdivision 1, is amended to read:

Subdivision 1. **Before retirement.** If a member or former member ~~who terminated public service~~ dies before ~~retirement or before~~ receiving any retirement annuity and no other payment of any kind is or may become payable to any person, a refund is payable to the designated beneficiary or, if there be none, to the surviving spouse, or, if none, to the legal representative of the decedent's estate. The refund must be in an amount equal to accumulated deductions, less the sum of any disability or survivor benefits that have been paid by the fund, plus annual compound interest thereon at the rate specified in section 353.34, subdivision 2, ~~and less the sum of any disability or survivor benefits, if any, that may have been paid by the fund;~~ provided that a survivor who has a right to benefits under section 353.31 may waive such benefits in writing, except such benefits for a dependent child under the age of 18 years may only be waived under an order of the district court.

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

Sec. 10. Minnesota Statutes 2016, section 353.34, subdivision 2, is amended to read:

Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person who ceases to be a public employee is entitled to receive a refund in an amount equal to accumulated deductions ~~with,~~ less the sum of any disability benefits that have been paid by the fund, plus annual compound interest to the first day of the month in which the refund is processed.

(b) For a person who ceases to be a public employee before July 1, 2011, the refund interest is at the rate of six percent to June 30, 2011, and at the rate of four percent after June 30, 2011. For a person who ceases to be a public employee after July 1, 2011, the refund interest is at the rate of four percent.

(c) If a person repays a refund and subsequently applies for another refund, the repayment amount, including interest, is added to the fiscal year balance in which the repayment was made.

(d) If the refund payable to a member is based on employee deductions that are determined to be invalid under section 353.27, subdivision 7, the interest payable on the invalid employee deductions is four percent.

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

Sec. 11. Minnesota Statutes 2016, 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~~ If a person forfeits service credits, rights, and benefits under paragraph (a), the person's service credits, rights, and benefits of a former member must not shall be restored until if the person returns to active service and acquires employment covered by the association for at least six months of allowable service credit after taking the last refund and repays the refund or refunds taken and

~~interest all amounts previously received under section 353.34, subdivisions 1 and subdivision 2, plus interest at the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter, compounded annually, from the date each amount was received to the date the amount is repaid. 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~~ The repayment must be repaid made within six months of the last date of termination day of public service employment. A person may have service credits, rights, and benefits restored under this paragraph once.

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

Sec. 12. Minnesota Statutes 2016, section 353.37, subdivision 1, is amended to read:

Subdivision 1. **Salary maximums.** (a) The annuity of a person otherwise eligible for an annuity from 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 must be suspended under subdivision 2 or reduced under subdivision 3, whichever results in the higher annual annuity amount, ~~if upon the person reenters public service as a nonselective person's employment as a nonelected employee of a governmental subdivision in a position not required by law to be a member of a plan administered by the Minnesota State Retirement System, the Teachers Retirement Association, or the St. Paul Teachers Retirement Fund Association, or~~ returns to work as an employee of a labor organization that represents public employees who are association members under this chapter, and salary for the reemployment service exceeds the annual maximum earnings allowable for that age for the continued receipt of full benefit amounts monthly under the federal Old Age, Survivors and Disability Insurance Program as set by the secretary of health and human services under United States Code, title 42, section 403, in any calendar year. If the person has not yet reached the minimum age for the receipt of Social Security benefits, the maximum salary for the person is equal to the annual maximum earnings allowable for the minimum age for the receipt of Social Security benefits.

(b) The provisions of paragraph (a) do not apply to the members of the general employees plan of the Public Employees Retirement Association who were former members of MERF.

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

Sec. 13. Minnesota Statutes 2016, section 353.64, subdivision 10, is amended to read:

Subd. 10. **Pension coverage for Hennepin Healthcare System, Inc.; paramedics and emergency medical technicians.** An employee of Hennepin Healthcare System, Inc. is a member of the public employees police and fire retirement plan under sections 353.63 to 353.68 if the person is:

(1) certified as a paramedic or emergency medical technician by the state under section 144E.28, subdivision 4;

(2) employed full time by Hennepin Healthcare System Inc., as:

(i) a paramedic ~~or;~~

(ii) an emergency medical technician by Hennepin County; or

(iii) a supervisor or manager of paramedics or emergency medical technicians; and

(3) not eligible for coverage under the agreement signed between the state and the secretary of the federal Department of Health and Human Services making the provisions of the federal Old Age, Survivors, and Disability Insurance Act applicable to paramedics and emergency medical technicians because the person's position is excluded after that date from application under United States Code, title 42, sections 418(d)(5)(A) and 418(d)(8)(D), and section 355.07.

Hennepin Healthcare System, Inc. shall deduct the employee contribution from the salary of each full-time paramedic and emergency medical technician it employs as required by section 353.65, subdivision 2, shall make the employer contribution for each full-time paramedic and emergency medical technician it employs as required by section 353.65, subdivision 3, and shall meet the employer recording and reporting requirements in section 353.65, subdivision 4.

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

Sec. 14. Minnesota Statutes 2016, section 353F.02, subdivision 5a, is amended to read:

Subd. 5a. **Privatized former public employer.** "Privatized former public employer" means a medical facility that was ~~formerly~~ included in the definition of governmental subdivision under section 353.01, subdivision 6, on the day before the effective date of privatization, that is privatized and whose employees are certified for participation under this chapter.

EFFECTIVE DATE. This section is effective for privatizations with an effective date of privatization under section 353F.02, subdivision 3, after June 30, 2017.

Sec. 15. Minnesota Statutes 2016, section 353F.025, subdivision 2, is amended to read:

Subd. 2. **Reporting privatizations.** (a) If the actuarial calculations under subdivision 1, paragraph (c), indicate privatization can be approved because a net gain to the general employees retirement plan of the Public Employees Retirement Association is expected, or if paragraph (b) applies, the executive director shall, following acceptance of the actuarial calculations by the board of trustees, forward notice and supporting documentation, including a copy of the actuary's report and findings, to the chair and the executive director of the Legislative Commission on Pensions and Retirement and the chairs and the ranking minority members of the committees with jurisdiction over governmental operations in the house of representatives and senate.

(b) If the calculations under subdivision 1, paragraph (c), indicate a net loss, the executive director shall recommend to the board of trustees that the privatization be approved if the chief clerical officer of the applicable governmental subdivision submits a resolution from the governing body specifying that a lump sum payment will be made to the Public Employees Retirement Association equal to the net loss, plus interest. The interest must be computed using the applicable ultimate preretirement interest rate assumption under section 356.215, subdivision 8, expressed as a monthly rate, from the date of the actuarial valuation from which the actuarial accrued liability data was used to determine the net loss in the actuarial study under subdivision 1, to the date of payment, with annual compounding. Payment must be made on or after the effective date of privatization.

(c) The Public Employees Retirement Association must maintain a list that includes the names of all privatized former public employers in the association's comprehensive annual financial report and on the association's Web site. ~~Annually by March 1, the association must submit to the executive director of the Legislative Commission on Pensions and Retirement the names of any privatized former public employers approved since the publication of the previous fiscal year's comprehensive annual financial report.~~

Sec. 16. Minnesota Statutes 2016, section 353F.04, subdivision 2, is amended to read:

Subd. 2. **Exceptions.** The increased augmentation rates specified in subdivision 1 do not apply to a privatized former public employee:

(1) beginning the first of the month in which the privatized former public employee becomes covered again by a retirement plan enumerated in section 356.30, subdivision 3, if the employee accrues at least six months of credited service in any single plan enumerated in section 356.30, subdivision 3, except clause (6);

(2) beginning the first of the month in which the privatized former public employee becomes covered again by the general employees retirement plan of the Public Employees Retirement Association;

(3) beginning the first of the month after a privatized former public employee terminates service with the ~~successor entity~~ privatized former public employer; or

(4) if the person begins receipt of a retirement annuity while employed by the employer which assumed operations of or purchased the privatized former public employer.

EFFECTIVE DATE. This section is effective for privatizations with an effective date of privatization under section 353F.02, subdivision 3, after June 30, 2017.

Sec. 17. Minnesota Statutes 2016, section 353F.05, is amended to read:

353F.05 AUTHORIZATION FOR ADDITIONAL ALLOWABLE SERVICE FOR EARLY RETIREMENT PURPOSES.

(a) For the purpose of determining eligibility for early retirement benefits provided under section 353.30, subdivision 1a, of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, and notwithstanding any provision of chapter 353, to the contrary, the years of allowable service for a privatized former public employee who transfers employment on the effective date of privatization and does not apply for a refund of contributions under section 353.34, subdivision 1, of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, or any similar provision, includes service with the ~~successor employer to the privatized former public employer~~ privatized former public employer following the effective date. The ~~successor~~ privatized former public employer shall provide any reports that the executive director of the Public Employees Retirement Association may reasonably request to permit calculation of benefits.

(b) To be eligible for early retirement benefits under this section, the individual must separate from service with the ~~successor to the privatized former public employer~~. The privatized former

public employee, or an individual authorized to act on behalf of that employee, may apply for an annuity following application procedures under section 353.29, subdivision 4.

EFFECTIVE DATE. This section is effective for privatizations with an effective date of privatization under section 353F.02, subdivision 3, after June 30, 2017.

Sec. 18. Minnesota Statutes 2016, section 353F.057, is amended to read:

353F.057 TERMINATION FROM SERVICE REQUIREMENT.

Upon termination of service from the privatized former public employer ~~or any successor entity~~ after the effective date of privatization, a privatized former public employee must separate from any employment relationship with the privatized former public employer ~~or any successor entity~~ for at least 30 days to qualify to receive a retirement annuity under this chapter.

EFFECTIVE DATE. This section is effective for privatizations with an effective date of privatization under section 353F.02, subdivision 3, after June 30, 2017.

Sec. 19. Minnesota Statutes 2016, section 353F.06, is amended to read:

353F.06 APPLICATION OF REEMPLOYED ANNUITANT EARNINGS LIMITATIONS.

If a privatized former public employee satisfies the separation from service requirement in section 353F.057 and thereafter resumes employment with the privatized former public employer or ~~any successor entity~~ or a governmental subdivision under section 353.01, subdivision 6, the reemployed annuitant earnings limitations of section 353.37 apply.

EFFECTIVE DATE. This section is effective for privatizations with an effective date of privatization under section 353F.02, subdivision 3, after June 30, 2017.

Sec. 20. Minnesota Statutes 2016, section 353F.07, is amended to read:

353F.07 EFFECT ON REFUND.

Notwithstanding any provision of chapter 353 to the contrary, privatized former public employees may receive a refund of employee accumulated contributions plus interest as provided in section 353.34, subdivision 2, at any time after the transfer of employment to the ~~successor employer of the~~ privatized former public employer. If a privatized former public employee has received a refund from a pension plan listed in section 356.30, subdivision 3, the person may not repay that refund unless the person again becomes a member of one of those listed plans and complies with section 356.30, subdivision 2.

EFFECTIVE DATE. This section is effective for privatizations with an effective date of privatization under section 353F.02, subdivision 3, after June 30, 2017.

Sec. 21. **[353F.09] APPLICATION TO SALES OF PRIVATIZED FORMER PUBLIC EMPLOYERS.**

A medical facility or other employing unit shall cease to be a privatized former public employer and its employees shall cease to be considered privatized former public employees under this chapter

upon the sale of the operations of the medical facility or employing unit to another employer or the sale of the medical facility or employing unit to another employer. The privatized former public employees shall be entitled to benefits accrued under this chapter to the date of the sale, but shall not accrue additional benefits after the date of the sale.

EFFECTIVE DATE. The section is effective for privatizations with an effective date of privatization under section 353F.02, subdivision 3, after June 30, 2017, and for sales of privatized former public employers after June 30, 2017.

Sec. 22. **REPEALER.**

Minnesota Statutes 2016, section 353.0161, is repealed.

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

ARTICLE 11

TEACHERS RETIREMENT ASSOCIATION ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2016, section 354.05, subdivision 2, is amended to read:

Subd. 2. **Teacher.** (a) "Teacher" means:

(1) a person who renders service as a teacher, supervisor, principal, superintendent, librarian, nurse, counselor, social worker, therapist, or psychologist in:

(i) a public school of the state other than in Independent School District No. 625 or in Independent School District No. 709, or in any;

(ii) a charter school, irrespective of the location of the school, or in any;

(iii) a charitable, penal, or correctional institutions institution of a governmental subdivision;
or

(iv) the Perpich Center for Arts Education, except that any employee of the Perpich Center for Arts Education who was covered by the Minnesota State Retirement System general state employees retirement plan as of July 1, 2016, shall continue to be covered by that plan and not by the Teachers Retirement Association;

(2) a person who is engaged in educational administration in connection with the state public school system, whether the position be a public office or an as employment;

(3) a person who renders service as a charter school director or chief administrative officer; provided, however, that if the charter school director or chief administrative officer is covered by the Public Employees Retirement Association general employees retirement plan on July 1, 2017, the charter school director or chief administrative officer shall continue to be covered by that plan and not by the Teachers Retirement Association;

~~(2)~~ (4) an employee of the Teachers Retirement Association;

~~(3)~~ (5) a person who renders teaching service on a part-time basis and who also renders other services for a single employing unit where the teaching service comprises at least 50 percent of the combined employment salary is a member of the association for all services with the single employing unit or, if less than 50 percent of the combined employment salary, the executive director determines all of the combined service is covered by the association; or

~~(4)~~ (6) a person who is not covered by the plans established under chapter 352D, 354A, or 354B and who is employed by the Board of Trustees of the Minnesota State Colleges and Universities system in an unclassified position as:

(i) a president, vice-president, or dean;

(ii) a manager or a professional in an academic or an academic support program other than specified in item (i);

(iii) an administrative or a service support faculty position; or

(iv) a teacher or a research assistant.

(b) "Teacher" does not mean:

(1) a person who works for a school or institution as an independent contractor as defined by the Internal Revenue Service;

~~(2) a person who renders part-time teaching service or who is a customized trainer as defined by the Minnesota State Colleges and Universities system if (i) the service is incidental to the regular nonteaching occupation of the person; and (ii) the employer stipulates annually in advance that the part-time teaching service or customized training service will not exceed 300 hours in a fiscal year and retains the stipulation in its records; and (iii) the part-time teaching service or customized training service actually does not exceed 300 hours in a fiscal year;~~

~~(3) a person exempt from licensure under section 122A.30;~~

~~(4)~~ (2) annuitants of the teachers retirement plan who are employed after retirement by an employing unit that participates in the teachers retirement plan during the course of that reemployment;

~~(5)~~ (3) a person who is employed by the University of Minnesota;

~~(6)~~ (4) a member or an officer of any general governing or managing board or body of an employing unit that participates in the teachers retirement plan; or

~~(7)~~ (5) a person employed by Independent School District No. 625 ~~or Independent School District No. 709~~ as a teacher as defined in section 354A.011, subdivision 27.

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

Sec. 2. Minnesota Statutes 2016, section 354.05, is amended by adding a subdivision to read:

Subd. 17a. **Former spouse.** "Former spouse" means a person who is no longer a spouse of a member due to dissolution of the marriage, legal separation, or annulment.

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

Sec. 3. Minnesota Statutes 2016, section 354.06, subdivision 2, is amended to read:

Subd. 2. **President; executive director.** The board shall annually elect one of its members as president. It shall elect an executive director. Notwithstanding any law to the contrary, the board must set the salary of the executive director. The salary of the executive director must not exceed the limit for a position listed in section 15A.0815, subdivision 2. ~~The salary of the assistant executive director who shall be in the unclassified service, shall be set in accordance with section 43A.18, subdivision 3.~~ The executive director shall serve during the pleasure of the board and be the executive officer of the board, with such duties as the board shall prescribe. The board shall employ all other clerks and employees necessary to properly administer the association. The cost and expense of administering the provisions of this chapter shall be paid by the association. The board shall appoint an executive director shall be appointed by the board on the basis of fitness education, experience in the retirement field and leadership, ability to manage and lead system staff, and ability to assist the board in setting a vision for the system. The executive director shall have had at least five years of experience on the administrative staff of a major retirement system.

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

Sec. 4. Minnesota Statutes 2016, section 354.06, subdivision 2a, is amended to read:

Subd. 2a. **Duties of executive director.** The management of the association is vested in the executive director who shall be the executive and administrative head of the association. The executive director shall act as advisor to the board on all matters pertaining to the association and shall also act as the secretary of the board. The executive director shall:

- (1) attend all meetings of the board;
- (2) prepare and recommend to the board appropriate rules to carry out the provisions of this chapter;
- (3) establish and maintain an adequate system of records and accounts following recognized accounting principles and controls;
- (4) designate, as necessary, a deputy executive director and an assistant executive director in the unclassified service, as defined in section 43A.08, whose salaries shall be set in accordance with section 43A.18, subdivision 3, and two assistant executive directors in the classified service, as defined in section 43A.07, with the approval of the board, and appoint such employees, both permanent and temporary, as are necessary to carry out the provisions of this chapter;
- (5) organize the work of the association as the director deems necessary to fulfill the functions of the association, and define the duties of its employees and delegate to them any powers or duties, subject to the director's control and under such conditions as the director may prescribe;

(6) with the approval of the board, contract and set the compensation for the services of an approved actuary, professional management services, and any other consulting services. These contracts are not subject to the competitive bidding procedure prescribed by chapter 16C. An approved actuary retained by the executive director shall function as the actuarial advisor of the board and the executive director and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained under section 356.214. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the Legislative Commission on Pensions and Retirement. Copies of professional management survey reports must be transmitted to the secretary of the senate, the chief clerk of the house of representatives, and the Legislative Reference Library as provided by section 3.195, and to the executive director of the commission at the same time as reports are furnished to the board. Only management firms experienced in conducting management surveys of federal, state, or local public retirement systems are qualified to contract with the executive director;

(7) with the approval of the board, provide in-service training for the employees of the association;

(8) make refunds of accumulated contributions to former members and to the designated beneficiary, surviving spouse, legal representative, or next of kin of deceased members or deceased former members, under this chapter;

(9) determine the amount of the annuities and disability benefits of members covered by the association and authorize payment of the annuities and benefits beginning as of the dates on which the annuities and benefits begin to accrue, under this chapter;

(10) pay annuities, refunds, survivor benefits, salaries, and necessary operating expenses of the association;

(11) prepare and submit to the board and the legislature an annual financial report covering the operation of the association, as required by section 356.20;

(12) certify funds available for investment to the State Board of Investment;

(13) with the advice and approval of the board, request the State Board of Investment to sell securities on determining that funds are needed for the purposes of the association;

(14) prepare and submit biennial and annual budgets to the board and with the approval of the board submit those budgets to the Department of Management and Budget; and

(15) with the approval of the board, perform such other duties as may be required for the administration of the association and the other provisions of this chapter and for the transaction of its business. The executive director may:

(i) reduce all or part of the accrued interest and fines payable by an employing unit for reporting requirements under ~~section 354.52~~ chapter 354, based on an evaluation of any extenuating circumstances of the employing unit;

(ii) assign association employees to conduct field audits of an employing unit to ensure compliance with the provisions of this chapter; and

(iii) recover overpayments, if not repaid to the association, by suspending or reducing the payment of a retirement annuity, refund, disability benefit, survivor benefit, or optional annuity under this chapter until the overpayment, plus interest, has been recovered.

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

Sec. 5. Minnesota Statutes 2016, section 354.095, is amended to read:

354.095 MEDICAL LEAVE.

(a) Upon granting a medical leave, an employing unit must certify the leave to the association on a form specified by the executive director. A member of the association who is on an authorized medical leave of absence is entitled to receive allowable service credit, not to exceed ~~one year~~ five years, for the period of leave, upon making the prescribed payment to the fund under section 354.72. 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 354.48 and receive allowable service credit under this section for the same period of time.

(b) The executive director shall reject an application for disability benefits under section 354.48 if the member is applying only because an employer-sponsored provider of private disability insurance benefits requires such an application and the member would not have applied for disability benefits in the absence of such requirement. The member shall submit a copy of the disability insurance policy that requires an application for disability benefits from the plan if the member wishes to assert that the application is only being submitted because of the disability insurance policy requirement.

(c) Notwithstanding the provisions of any agreement to the contrary, employee and employer contributions may not be made to receive allowable service credit under this section if the member does not retain the right to full reinstatement both during and at the end of the medical leave.

EFFECTIVE DATE. Paragraphs (a) and (c) are effective July 1, 2018. Paragraph (b) is effective retroactively from July 1, 2016.

Sec. 6. Minnesota Statutes 2016, section 354.44, subdivision 3, is amended to read:

Subd. 3. **Application for retirement.** A member or a person authorized to act on behalf of the member may make application for retirement provided the age and service requirements under subdivision 1 are satisfied on or before the member's retirement annuity accrual date under subdivision 4. The application may be made no earlier than ~~120~~ 180 days before the termination of teaching service. The application must be made on a form prescribed by the executive director and is not complete until all necessary supporting documents are received by the executive director.

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

Sec. 7. Minnesota Statutes 2016, section 354.44, subdivision 9, is amended to read:

Subd. 9. **Determining applicable law.** A former teacher who returns to covered service following a termination and who is not receiving a retirement annuity under this section must have earned at least ~~85 days~~ one-half year of credited service following the return to covered service to be eligible for improved benefits resulting from any law change enacted subsequent to that termination.

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

Sec. 8. Minnesota Statutes 2016, section 354.45, is amended by adding a subdivision to read:

Subd. 3. Payment upon death of former spouse. Upon the death of the former spouse to whom payments are to be made before the end of the specified payment period, payments shall be made according to the terms of a beneficiary form completed by the former spouse or, if no beneficiary form, to the estate of the former spouse or as otherwise ordered by a court of competent jurisdiction.

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

Sec. 9. Minnesota Statutes 2016, section 354.46, subdivision 6, is amended to read:

Subd. 6. Application. (a) A beneficiary designation and an application for benefits under this section must be in writing on a form prescribed by the executive director.

(b) Sections 354.55, subdivision 11, and 354.60 apply to a deferred annuity payable under this section.

(c) Unless otherwise specified, the annuity must be computed under section 354.44, subdivision 2 or 6, whichever is applicable.

(d) Each designated beneficiary eligible for a lifetime benefit under this subdivision may apply for an annuity any time after the member's death. The benefit may not begin to accrue more than six months before the date the application is filed with the executive director and may not accrue before the member's death.

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

Sec. 10. Minnesota Statutes 2016, section 354.48, subdivision 1, is amended to read:

Subdivision 1. Age, service and salary requirements. A member who is totally and permanently disabled, who has not reached the normal retirement age as defined in section 354.05, subdivision 38, and who has at least three years of credited allowable service at the time that the total and permanent disability begins is entitled to a disability benefit based on this allowable service in an amount provided in subdivision 3. If the disabled member's teaching service has terminated at any time, at least two of the required three years of allowable service must have been rendered after last becoming a member. ~~Any member whose average salary is less than \$75 per month is not entitled to disability benefits.~~

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

Sec. 11. Minnesota Statutes 2016, section 354.512, is amended to read:

354.512 RECOVERY OF DEFICIENCIES.

In addition to any other remedies permitted under law, if an employing unit or other entity required by law to make any form of payment to the Teachers Retirement Association fails to make full payment ~~within 60 days of notification~~, the executive director is authorized to certify the amount of deficiency to the commissioner of management and budget, who shall deduct the amount from

any state aid or appropriation applicable to the employing unit or entity, and transmit the withheld aid or appropriation to the executive director for deposit in the fund.

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

Sec. 12. Minnesota Statutes 2016, section 354.52, subdivision 4, is amended to read:

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

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

Sec. 13. Minnesota Statutes 2016, section 354.52, subdivision 4d, is amended to read:

Subd. 4d. **Annual base salary reporting.** An employing unit must provide ~~the following annual base salary data, as defined in section 354.05, subdivision 41,~~ to the association on or before June 30 of each fiscal year: ~~(1) annual base salary, as defined in section 354.05, subdivision 41; and,~~

~~(2) beginning and ending dates for the regular school work year.~~

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

Sec. 14. Minnesota Statutes 2016, section 354.55, subdivision 11, is amended to read:

Subd. 11. **Deferred annuity; augmentation.** (a) Any person covered under section 354.44, subdivision 6, who ceases to render teaching service, may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement.

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

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

(d) For persons who became covered employees before July 1, 2006, with a deferral period commencing after June 30, 1971, the annuity must be augmented as follows:

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

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

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

(4) two percent interest compounded annually after June 30, 2012.

(e) For persons who become covered employees after June 30, 2006, the interest rate used to augment the deferred annuity is 2.5 percent interest compounded annually until June 30, 2012, or until the effective date of retirement, whichever is earlier, and two percent interest compounded annually after June 30, 2012.

~~(f) If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period must be augmented as specified in this subdivision. The sum of the augmented required reserves is the present value of the annuity. For the purposes of this subdivision, "period of uninterrupted service" means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.~~

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

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

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

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

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

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

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

~~(n)~~ (m) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former teacher who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the

postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained under section 356.214.

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

Sec. 15. Minnesota Statutes 2016, section 354.66, subdivision 2, is amended to read:

Subd. 2. **Qualified part-time teacher program participation requirements.** (a) A teacher in a Minnesota public elementary school, a Minnesota secondary school, or the Minnesota State Colleges and Universities system who has three years or more of allowable service in the association or three years or more of full-time teaching service in Minnesota public elementary schools, Minnesota secondary schools, or the Minnesota State Colleges and Universities system, by agreement with the board of the employing district or with the authorized representative of the board, may be assigned to teaching service in a part-time teaching position under subdivision 3. The agreement must be executed before October 1 of the school year for which the teacher ~~requests to make retirement contributions under subdivision 4~~ has been assigned to teaching service in a part-time teaching position under this section. A copy of the executed agreement must be filed with the executive director of the association. If the copy of the executed agreement is filed with the association after October 1 of the school year for which the teacher ~~requests to make retirement contributions under subdivision 4~~ has been assigned to teaching service in a part-time teaching position, the employing unit shall pay the fine specified in section 354.52, subdivision 6, for each calendar day that elapsed since the October 1 due date, unless the association waives the fine. The association may not accept an executed agreement that is received by the association more than 15 months late. ~~The association may not waive the fine required by this section.~~

(b) Notwithstanding paragraph (a), if the teacher is also a legislator:

(1) the agreement in paragraph (a) must be executed before March 1 of the school year for which the teacher requests to make retirement contributions under subdivision 4; and

(2) the fines specified in paragraph (a) apply if the employing unit does not file the executed agreement with the executive director of the association by March 1.

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

Sec. 16. Minnesota Statutes 2016, section 354.72, subdivision 1, is amended to read:

Subdivision 1. **Application.** This section applies to any strike period under section 354.05, subdivision 13, clause (6), and to any period of authorized leave of absence ~~without pay~~ under sections 354.093, 354.094, 354.095, and 354.096 for which the teacher obtains credit for allowable service by making payment as specified in this section to the Teachers Retirement Association fund. Each year of an extended leave of absence under section 354.094 is considered to be a separate leave for purposes of this section.

Sec. 17. Minnesota Statutes 2016, section 423A.02, subdivision 3, is amended to read:

Subd. 3. **Reallocation of amortization state aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year amortization aid distributed under subdivision 1 that is not distributed

for any reason to a municipality must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 60 percent of the amounts derived under this paragraph to the Teachers Retirement Association, and 40 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments must be made on July 15 each fiscal year. If the St. Paul Teachers Retirement Fund Association ~~or the Duluth Teachers Retirement Fund Association~~ becomes fully funded, the association's eligibility for its portion of this aid ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization aid under paragraph (a), before June 30 annually Independent School District No. 625, St. Paul, must make an additional contribution of \$800,000 each year to the St. Paul Teachers Retirement Fund Association.

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

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

ARTICLE 12

ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2016, section 354A.093, subdivision 4, is amended to read:

Subd. 4. **Eligible payment period.** (a) To receive service credit under this section, the contributions specified in this section must be transmitted to the ~~applicable first class city~~ St. Paul Teachers Retirement Fund Association during the period which begins with the date the individual returns to teaching service and which has a duration of three times the length of the uniformed service period, but not to exceed five years.

(b) Notwithstanding paragraph (a), if the payment period determined under paragraph (a) is less than one year, the contributions required under this section to receive service credit may be made within one year from the discharge date.

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

Sec. 2. Minnesota Statutes 2016, section 354A.38, is amended to read:

354A.38 EFFECT OF REFUND; REPAYMENT OF REFUND.

Subdivision 1. **Effect of refund; termination of service credit.** If a coordinated member or former coordinated member applies for and ~~accepts~~ is issued a refund pursuant to section 354A.37, all allowable service which was credited to the member or former member shall be terminated.

Subd. 2. **Repayment of refund.** A coordinated member with at least two years of allowable service credited subsequent to the member's last application for and ~~acceptance~~ payment of a refund

pursuant to section 354A.37 shall be entitled to repay the refund. The amount of the refund repayment shall be calculated pursuant to subdivision 3. If the member has ~~previously applied for and accepted~~ ~~taken more than one refund, and the previous refund or all refunds have not been~~ must be repaid; ~~then the member shall be entitled only to repay all outstanding refunds and shall not be entitled to repay only the most recent refund pro rata.~~

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~~ been issued plus interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 5, compounded annually, ~~from the date that the refund was accepted~~ issued to the date that the refund is repaid.

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

ARTICLE 13

RETIREMENT SYSTEMS, GENERALLY ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2016, section 356.32, subdivision 2, is amended to read:

Subd. 2. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(3) the State Patrol retirement plan, established under chapter 352B;

(4) the general employees retirement plan of the Public Employees Retirement Association, established under chapter 353;

(5) the public employees police and fire plan of the Public Employees Retirement Association, established under chapter 353;

(6) the local government correctional service retirement plan of the Public Employees Retirement Association, established under chapter 353E;

(7) the Teachers Retirement Association, established under chapter 354; and

~~(7)~~ (8) the St. Paul Teachers Retirement Fund Association, established under chapter 354A.

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

Sec. 2. Minnesota Statutes 2016, section 356.47, subdivision 3, is amended to read:

Subd. 3. **Payment.** (a) Beginning one year after the reemployment withholding period ends relating to the reemployment that gave rise to the limitation, and the filing of a written application, the retired member is entitled to the payment, in a lump sum, of the value of the person's amount under subdivision 2, plus annual compound interest. For the general state employees retirement plan, the correctional state employees retirement plan, the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, the local government correctional employees retirement plan, and the teachers retirement plan, the annual interest rate is six percent from the date on which the amount was deducted from the retirement annuity to the date of payment or until January 1, 2011, whichever is earlier, and no interest after January 1, 2011. For the St. Paul Teachers Retirement Fund Association, the annual interest is the rate of six percent from the date that the amount was deducted from the retirement annuity to the date of payment or June 30, 2011, whichever is earlier, and with no interest accrual after June 30, 2011.

(b) The written application must be on a form prescribed by the chief administrative officer of the applicable retirement plan.

(c) If the retired member dies before the payment provided for in paragraph (a) is made, the amount is payable, upon written application, to the deceased person's surviving spouse, or if none, to the deceased person's designated beneficiary, or if none, to the deceased person's estate.

(d) If the amount under subdivision 2 is an eligible rollover distribution as defined in section 356.635, subdivisions 4 and 5, the applicable retirement plan shall provide notice and an election:

(1) to the member regarding the member's right to elect a direct rollover under section 356.635, subdivisions 3 to 7, in lieu of the a direct payment of the person's amount under subdivision 2, on or after the payment date under paragraph (a), if the federal Internal Revenue Code so permits, the retired member may elect to have all or any portion of the payment amount under this section paid in the form of a direct rollover to an eligible retirement plan as defined in section 402(c) of the federal Internal Revenue Code that is specified by the retired member. If the retired member dies with a balance remaining payable under this section, the surviving spouse of the retired member, or if none, the deceased person's designated beneficiary, or if none, the administrator of the deceased person's estate may elect a direct rollover under this paragraph.; or

(2) if paragraph (c) applies and the amount is to be paid to a person who is a distributee as defined in section 356.635, subdivision 7, to the distributee regarding the distributee's right to elect a direct rollover under section 356.635, subdivisions 3 to 7, in lieu of a direct payment.

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

Sec. 3. Minnesota Statutes 2016, section 356.635, is amended by adding a subdivision to read:

Subd. 9a. Definitions. (a) The following definitions apply for purposes of this subdivision and subdivisions 10 to 12.

(b) "Annual addition" means the sum for the limitation year of all pretax and after-tax contributions made by the member or the member's employer and credited to an account in the name of the member in any defined contribution plan maintained by the employer.

(c) "Compensation" means the compensation actually paid or made available to a member for any limitation year, including all items of remuneration described in Code of Federal Regulations, title 26, section 1.415(c)-2(b), and excluding all items of remuneration described in Code of Federal Regulations, title 26, section 1.415(c)-2(c). Compensation for pension plan purposes for any limitation year shall not exceed the applicable federal compensation limit described in section 356.611, subdivision 2.

(d) "Limitation year" means the calendar year or fiscal year, whichever is applicable to the particular pension plan.

(e) "Maximum permissible benefit" means an annual benefit of \$160,000, automatically adjusted under section 415(d) of the Internal Revenue Code for each limitation year ending after December 31, 2001, payable in the form of a single life annuity. The new limitation shall apply to limitation years ending with or within the calendar year of the date of the adjustment, but a member's benefits shall not reflect the adjusted limit prior to January 1 of that calendar year. The maximum permissible benefit amount shall be further adjusted as follows:

(1) if the member has less than ten years of participation, the maximum permissible benefit shall be multiplied by a fraction, the numerator of which is the number of years (or part thereof, but not less than one year) of participation in the plan, and the denominator of which is ten;

(2) if the annual benefit begins before the member has attained age 62, the determination as to whether the maximum permissible benefit limit has been satisfied shall be made, in accordance with regulations prescribed by the United States secretary of the treasury, by reducing the limit so that the limit, as so reduced, equals an annual benefit, beginning when the annual benefit actually begins, which is equivalent to a \$160,000, as adjusted, annual benefit beginning at age 62; and

(3) if the annual benefit begins after the member has attained age 65, the determination as to whether the maximum permissible benefit limit has been satisfied shall be made, in accordance with regulations prescribed by the United States secretary of the treasury, by increasing the limit so that the limit, as so increased, equals an annual benefit, beginning when the annual benefit actually begins, which is equivalent to a \$160,000, as adjusted, annual benefit beginning at age 65.

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

Sec. 4. Minnesota Statutes 2016, section 356.635, subdivision 10, is amended to read:

Subd. 10. **Annual benefit limitations; defined benefit plans.** (a) The annual benefit payable to a member shall not exceed the maximum permissible benefit. If the benefit the member would otherwise receive for a limitation year would result in the payment of an annual benefit in excess of the maximum permissible benefit, the benefit shall be reduced to the extent necessary so the benefit does not exceed the maximum permissible benefit.

(b) For purposes of applying the limits of section 415(b) of the Internal Revenue Code, a retirement limitation in paragraph (a), an annual benefit that is payable in any form other than a single life annuity and that is subject to section 417(e)(3) of the Internal Revenue Code must shall be adjusted to an actuarially equivalent single life annuity that equals, if the annuity starting date is in a plan year beginning after 2005, the annual amount of the single life annuity commencing at the

same annuity starting date that has the same actuarial present value as the ~~participant's~~ member's form of benefit, using whichever of the following produces the greatest annual amount:

(1) the interest rate and the mortality table or other tabular factor specified in the plan for adjusting benefits in the same form;

(2) a 5.5 percent interest rate assumption and the applicable mortality table; or

(3) the applicable interest rate under section 417(e)(3) of the Internal Revenue Code and the applicable mortality table, divided by 1.05.

(c) If a member participated in more than one pension plan in which the employer participates, the benefits under each plan must be reduced proportionately to satisfy the limitation in paragraph (a).

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

Sec. 5. Minnesota Statutes 2016, section 356.635, is amended by adding a subdivision to read:

Subd. 11. **Annual addition limitation; defined contribution plans.** The annual additions by or on behalf of a member to a defined contribution plan for any limitation year shall not exceed the lesser of (1) 100 percent of the member's compensation for the limitation year or (2) the dollar limit in effect for the limitation year under section 415(c)(1)(A) of the Internal Revenue Code, as adjusted by the United States secretary of the treasury under section 415(d)(1)(C) of the Internal Revenue Code.

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

Sec. 6. Minnesota Statutes 2016, section 356.635, is amended by adding a subdivision to read:

Subd. 12. **Incorporation by reference.** Any requirements of section 415(b) and (c) of the Internal Revenue Code and related regulations and agency guidance not addressed by subdivisions 10 and 11 shall be considered incorporated by reference, including provisions applicable to qualified police and firefighters and to survivor and disability benefits. Subdivisions 10 to 12 shall be interpreted in a manner that is consistent with the requirements of section 415(b) and (c) of the Internal Revenue Code and the related regulations.

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

Sec. 7. Minnesota Statutes 2016, section 356.635, is amended by adding a subdivision to read:

Subd. 13. **Correction of errors.** The executive director of each plan may correct an operational, demographic, employer eligibility, or plan document error as the executive director deems necessary or appropriate to preserve and protect the plan's tax qualification under section 401(a) of the Internal Revenue Code, including as provided in the Internal Revenue Service's Employee Plans Compliance Resolution System (EPCRS) or any successor thereto. To the extent deemed necessary by the executive director to implement correction, the executive director may:

(1) make distributions;

(2) transfer assets; or

(3) recover an overpayment by reducing future benefit payments or designating appropriate revenue or source of funding that will restore to the plan the amount of the overpayment.

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

Sec. 8. Minnesota Statutes 2016, section 356.96, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) Unless the language or context clearly indicates that a different meaning is intended, for the purpose of this section, the terms in ~~paragraphs (b) to (e)~~ this subdivision have the meanings given them.

(b) ~~"Chief administrative officer"~~ "Executive director" means the executive director of a covered pension plan or the executive director's designee or representative.

(c) "Covered pension plan" means a plan enumerated in section 356.20, subdivision 2, clauses (1) to (4), (8), and (11) to (14), but does not mean the deferred compensation plan administered under sections 352.965 and 352.97 or to the postretirement health care savings plan administered under section 352.98.

(d) "Governing board" means the Board of Trustees of the Public Employees Retirement Association, the Board of Trustees of the Teachers Retirement Association, or the Board of Directors of the Minnesota State Retirement System.

(e) "Person" ~~includes~~ means an active, retired, deferred, or nonvested inactive participant in a covered pension plan or a beneficiary of a participant, or an individual who has applied to be a participant or who is or may be a survivor of a participant, or the representative of a state agency or other governmental unit that employs active participants in a covered pension plan.

(f) "Petitioner" means a person who has filed a petition for review of an executive director's determination under this section.

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

Sec. 9. Minnesota Statutes 2016, section 356.96, subdivision 2, is amended to read:

Subd. 2. **Right to review appeal to executive director; determination.** ~~A determination made by the chief administrative officer~~ A person may appeal a decision by the staff of a covered pension plan regarding a the person's eligibility, benefits, or other rights under the plan with which the person does not agree to the executive director of the plan. The appeal must be in writing and be delivered to the executive director. The executive director may overturn, modify, or affirm the staff's decision. The executive director's determination is subject to review under this section.

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

Sec. 10. Minnesota Statutes 2016, section 356.96, subdivision 3, is amended to read:

Subd. 3. **Notice of determination.** ~~If the applicable chief administrative officer denies an application or a written request, modifies a benefit, or terminates a benefit of a person claiming a~~

~~right or potential rights under a covered pension plan, the chief administrative officer shall notify that person through a written notice containing:~~ The executive director shall issue a written notice of determination to the person who files an appeal under subdivision 2. The notice of determination must be delivered by certified mail to the address to which the most recent benefit payment was sent or, if that address is that of a financial institution, to the last known address of the person. The notice of determination shall include the following:

(1) a statement of the reasons for the determination;

(2) a ~~notice~~ statement that the person may petition the governing board of the covered pension plan for a review of the determination and that a person's petition for review must be filed in the administrative office of the covered pension plan ~~within~~ no later than 60 days of the receipt after the date of the written notice of the determination;

(3) a statement indicating that a failure to petition for review within 60 days precludes the person from ~~contesting in any other further administrative or judicial review or court procedure the issues determined by the chief administrative officer~~ of the executive director's determination;

(4) a statement indicating that all relevant materials, documents, affidavits, and other records that the person wishes to be reviewed in support of the petition and a list of any witnesses who will testify before the governing board, along with a summary of their testimony, must be filed with ~~and received in~~ the administrative office of the covered pension plan at least 15 days before the date of the hearing under subdivision 10 or as directed by the administrative law judge who conducts a fact-finding conference under subdivision 7, paragraph (b), or a contested case hearing under subdivision 12, paragraph (b); and

(5) a summary of this section, including all filing requirements and deadlines; and

(6) the statement required under subdivision 4, paragraph (a), if applicable.

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

Sec. 11. Minnesota Statutes 2016, section 356.96, subdivision 4, is amended to read:

Subd. 4. **Termination of benefits.** ~~(a) If a covered pension plan decides to~~ the executive director's determination will terminate a benefit that is being paid to a person, before terminating the benefit, the chief administrative officer must, in addition to the other procedures prescribed in this section, provide the individual with written notice of the pending benefit termination by certified mail. The notice must explain the reason for the pending benefit termination. The person must be given an ~~the~~ notice of determination must also state that the person has the opportunity to explain, in writing, in person, by telephone, or by e-mail, the reasons that the benefit should not be terminated.

~~(b) If the chief administrative officer is unable to contact the person and~~ notice of determination is returned as undeliverable, and the person cannot be reached by any other reasonable means of communication, and the executive director determines that a failure to terminate the benefit will result in unauthorized payment by a covered pension plan, the ~~chief administrative officer~~ executive director may terminate the benefit immediately upon mailing a written notice containing the information required by subdivision 3 to the address to which the most recent benefit payment was sent and, if that address is that of a financial institution, to the last known address of the person.

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

Sec. 12. Minnesota Statutes 2016, section 356.96, subdivision 5, is amended to read:

Subd. 5. **Petition for review.** (a) Upon receipt of the notice of determination required in subdivision 3, a person ~~who claims a right under subdivision 2~~ may petition the governing board of the covered pension plan for a review of ~~that decision by the governing board of the covered pension plan~~ the executive director's determination.

~~(b) A petition under this section must be sent to the chief administrative officer by mail and must be postmarked. The petitioner must file the petition for review with the administrative office of the covered pension plan no later than 60 days after the person received date of the notice of determination required by subdivision 3. Filing of the petition is effective upon mailing or personal delivery. The petition must include the person's petitioner's statement of the reason or reasons that the person believes the decision of the chief administrative officer determination of the executive director should be reversed or modified. The petition may include all documentation and written materials that the petitioner deems to be relevant. In developing a record for review by the board when a decision is appealed, the chief administrative officer may direct that the applicant participate in a fact-finding session conducted by an administrative law judge assigned by the Office of Administrative Hearings and, as applicable, participate in a vocational assessment conducted by a qualified rehabilitation counselor on contract with the applicable retirement system.~~

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

Sec. 13. Minnesota Statutes 2016, section 356.96, subdivision 6, is amended to read:

Subd. 6. **Failure to petition.** If a timely petition for review under subdivision 5 is not filed with ~~the chief administrative officer,~~ office of the covered pension plan's plan, the executive director's determination is final and is not subject to further administrative or judicial review.

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

Sec. 14. Minnesota Statutes 2016, section 356.96, subdivision 7, is amended to read:

Subd. 7. **Notice of hearing; fact-finding; filing and timing requirements.** (a) After receiving a petition, ~~the chief administrative officer~~ executive director must schedule a timely hearing to review ~~of~~ the petition before the governing board of the covered pension plan or the executive director may defer the scheduling of a hearing until after a fact-finding conference under paragraph (b). ~~The review must be scheduled to take into consideration any necessary accommodations to allow the petitioner to participate in the governing board's review.~~

(b) The executive director may direct the petitioner to participate in a fact-finding conference conducted by an administrative law judge assigned by the Office of Administrative Hearings. The fact-finding conference is an informal proceeding not subject to the provisions of Minnesota Rules, chapter 1400, except that part 1400.7300 shall govern the admissibility of evidence and part 1400.8603 shall govern how the fact-finding conference is conducted. The administrative law judge must issue a report and a recommendation to the governing board.

(c) If the petitioner's claim relates to disability benefits, the executive director may direct the petitioner to participate in a vocational assessment conducted by a qualified rehabilitation counselor under contract with the covered pension plan. The counselor must issue a report regarding the assessment to the governing board.

~~(b) (d) Not less than 30 calendar days before the date scheduled for the hearing date before the governing board, the chief administrative officer executive director must provide by mail to notify the petitioner an acknowledgment of the receipt of the person's petition and a follow-up notice of the time and place of the meeting at which the governing board is scheduled to consider the petition and conduct the hearing. If there has been no fact-finding conference under paragraph (b), not less than 15 days before the date scheduled for the hearing, the petitioner and the executive director must provide a copy to the governing board and the other party copies of all relevant documents, documentary evidence, summaries, and recommendations assembled by or on behalf of the plan administration to be considered by the governing board that will be presented and a list of witnesses who will testify, along with a summary of their testimony.~~

~~(c) All documents and materials that the petitioner wishes to be part of the record for review must be filed with the chief administrative officer and must be received in the offices of the covered pension plan at least 15 days before the date of the meeting at which the petition is scheduled to be heard.~~

~~(d) A (e) The petitioner may request a continuance postponement of a the date scheduled for the hearing if the request is received by the chief administrative officer within before the governing board within a reasonable time, but no later than ten calendar days of before the scheduled hearing date of the applicable board meeting. The chief administrative officer must reschedule the review within a reasonable time. Only one continuance may be granted to any petitioner. A petitioner shall be granted only one postponement unless the applicable covered pension plan agrees to additional postponements.~~

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

Sec. 15. Minnesota Statutes 2016, section 356.96, subdivision 8, is amended to read:

Subd. 8. **Record for review.** (a) All evidence, including all records, documents, and affidavits in the possession of the covered pension plan of which the covered pension plan desires to avail itself and be considered by the governing board, and all evidence which the petitioner wishes to present to the governing board, including any evidence which would otherwise be classified by law as "private," must be made part of the hearing record.

(b) ~~The chief administrative officer~~ executive director must provide a copy of the record to each member of the governing board at least ~~seven~~ five days before the scheduled hearing date.

~~(c) Any additional document, affidavit, or other relevant information that the petitioner requests be part of the record may be admitted with the consent of the governing board. If a fact-finding conference under subdivision 7, paragraph (b), is not conducted, the record is limited to those materials provided to the petitioner in accordance with subdivision 7, paragraph (d), those filed by the petitioner with the covered pension plan in a timely manner in accordance with subdivision 7, paragraph (e), any vocational assessment report under subdivision 7, paragraph (c), and any testimony~~

at the hearing before the governing board. Any additional evidence may be placed in the record pursuant to subdivision 10, paragraph (b).

(d) If a fact-finding conference under subdivision 7, paragraph (b), or a contested case hearing under subdivision 12, paragraph (b), is conducted, the record before the governing board must be limited to the following:

(1) the record from the Office of Administrative Hearings;

(2) seven-page submissions by the petitioner and a representative of the covered pension plan commenting on the administrative law judge's recommendation; and

(3) any vocational assessment report under subdivision 7, paragraph (c).

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

Sec. 16. Minnesota Statutes 2016, section 356.96, subdivision 9, is amended to read:

Subd. 9. **Amended determination.** At any time before the hearing before the governing board, for good cause shown and made part of the records of the plan, the ~~chief administrative officer~~ executive director may reverse, alter, amend, or modify the prior decision which is subject to review under this section by issuing an amended ~~decision~~ determination to the petitioner. Upon doing so, the ~~chief administrative officer~~ executive director may cancel the governing board's scheduled review of the person's petition and ~~shall so~~ notify the petitioner.

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

Sec. 17. Minnesota Statutes 2016, section 356.96, subdivision 10, is amended to read:

Subd. 10. **Board hearing.** (a) The governing board shall hold a timely hearing on a petition for review as part of a regularly scheduled board meeting, or as part of a special meeting if so scheduled. All governing board members who participate in the decision-making process must be familiar with the record. The governing board shall make its decision on a petition solely on the record as submitted and on the proceedings of the hearing.

(b) At the hearing, the petitioner, the petitioner's attorney, and the ~~chief administrative officer~~ representative, if any, the executive director and a representative of the covered pension plan who does not also serve as the governing board's legal advisor during the board's decision-making process, may state and discuss with the governing board their positions with respect to the petition. If no fact-finding conference under subdivision 7, paragraph (b), or contested case hearing under subdivision 12, paragraph (b), was conducted, additional evidence may be received in the form of testimony from previously disclosed witnesses. The governing board may allow further documentation to be placed in the record at the board meeting only with the agreement of both the ~~chief administrative officer~~ executive director and the petitioner. The ~~chief administrative officer~~ executive director may not otherwise participate in the board's decision-making process.

(b) When a petition presents a contested issue of law, an assistant attorney general may participate and may argue on behalf of the legal position taken by the chief administrative officer if that assistant

~~attorney general does not also serve as the governing board's legal advisor during the board's decision-making process.~~

~~(e) A motion by a board member, supported by a summary of the relevant facts, conclusions and reasons, as properly amended and approved by a majority of the governing board, constitutes the board's final decision. A verbatim statement of the board's final decision must be served upon the petitioner. If the decision is contrary to the petitioner's desired outcome, the notice shall inform the petitioner of the appeal rights set forth in subdivision 13.~~

~~(d) (c) If a petitioner who received timely notice of a scheduled hearing fails to appear, the governing board may nevertheless hear the petition and issue a decision.~~

~~(d) The governing board's decision shall be made upon a motion by a board member and approval by a majority of the governing board. The governing board must issue its decision as a written order containing findings of fact, conclusions of law, and the board's decision no later than 30 days after the hearing. If the decision is contrary to the petitioner's desired outcome, the notice must inform the petitioner of the appeal rights set forth in subdivision 13.~~

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

Sec. 18. Minnesota Statutes 2016, section 356.96, subdivision 11, is amended to read:

Subd. 11. **Disability medical issues.** ~~(a) If a person petitions the governing board the petitioner seeks to reverse or modify a determination which found by the executive director that there exists no was insufficient medical data supporting to support an application for disability benefits, the governing board may reverse that determination only if there is in fact medical evidence supporting the application. The governing board has the discretion to resubmit a disability benefit application at any time to a medical advisor for reconsideration, and the resubmission may include an instruction that further medical examinations be obtained.~~

~~(b) The governing board may make a determination contrary to the recommendation of the medical advisor only if there is expert medical evidence in the record to support its contrary decision. If there is no medical evidence contrary to the opinion of the medical advisor in the record and the medical advisor attests that the decision was made in accordance with the applicable disability standard, the board must follow the decision of the medical advisor regarding the cause of the disability.~~

~~(c) The obligation of the governing board to follow the decision of the medical advisor under paragraph (b) does not apply to instances when the governing board makes a determination different from the recommendation of the medical advisor on issues that do not involve medical issues.~~

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

Sec. 19. Minnesota Statutes 2016, section 356.96, subdivision 12, is amended to read:

Subd. 12. **Referral for administrative hearing.** ~~(a) Notwithstanding any provision of sections 14.03, 14.06, and 14.57 to 14.69 to the contrary, a challenge to a determination of the chief administrative officer of a covered pension plan A fact-finding conference under subdivision 7,~~

paragraph (b), must be conducted exclusively under the procedures set forth in this section and is not as a contested case under chapter 14.

(b) ~~Notwithstanding the provisions of paragraph (a),~~ A governing board, in its sole discretion, may refer a petition brought under this section to the Office of Administrative Hearings for a contested case hearing under sections 14.57 to 14.69.

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

Sec. 20. Minnesota Statutes 2016, section 356.96, subdivision 13, is amended to read:

Subd. 13. **Appeal of the governing board's decision; judicial review.** ~~Within~~ No later than 60 days ~~of~~ after the date of the mailing of the notice of the governing board's decision, the petitioner may appeal the decision by filing a writ of certiorari with the Court of Appeals under section 606.01 and Rule 115 of the Minnesota Rules of Civil Appellate Procedure. Failure by a person to appeal to the Court of Appeals within the 60-day period precludes the person from later raising, in any subsequent administrative hearing or court proceeding, those substantive and procedural issues that reasonably should have been raised upon a timely appeal.

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

Sec. 21. **REPEALER.**

(a) Minnesota Statutes 2016, section 356.611, subdivisions 3, 3a, 4, and 5, are repealed.

(b) Minnesota Statutes 2016, section 356.96, subdivisions 14 and 15, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective July 1, 2017. Paragraph (b) is effective the day following final enactment.

ARTICLE 14

ACTUARIAL ASSUMPTION CHANGES

Section 1. Minnesota Statutes 2016, 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
teachers retirement plan		8.5%

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

(2) ~~single rate interest rate 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 firefighter relief associations	5
monthly benefit retirement plans in the statewide volunteer firefighter retirement plan	6

(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 $\frac{1}{2}$ 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 $\frac{1}{2}$ 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 $\frac{1}{2}$ 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	2.75
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: Fund Association, during the a designated select period of 15 years, in addition to the age-based rates shown below, a designated percentage rate of 0.2 percent is multiplied by the result of the designated integer 15 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%	8.75%
17	5.9	8.75
18	5.9	8.75
19	5.9	8.75
20	5.9	8.75
21	5.9	8.5
22	5.9	8.25
23	5.85	8
24	5.8	7.75
25	5.75	7.5
26	5.7	7.25
27	5.65	7
28	5.6	6.75
29	5.55	6.5
30	5.5	6.5
31	5.45	6.25
32	5.4	6.25
33	5.35	6.25

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

(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	10.25 14%	11.78 11.5%	12.9.5 %	12.75%	7.75%	5.75%
2	7.85 11.5	8.65 8.5	9.9.5	10.75	7.25	5.6
3	6.65 6.25	7.21 7	8.7.75	8.75	6.75	5.45
4	5.95 5.5	6.33 6	7.5.7.25	7.75	6.5	5.3
5	5.45 5.25	5.72 5.5	7.25 7	6.25	6.25	5.15
6	5.05 5.15	5.27 5.2	7	5.85	6	5
7	4.75 5	4.91 4.9	6.85	5.55	5.75	4.85
8	4.45 4.75	4.62 4.8	6.7	5.35	5.6	4.7
9	4.25 4.5	4.38 4.7	6.55	5.15	5.45	4.55
10	4.15 4.25	4.17 4.5	6.4	5.05	5.3	4.4
11	3.95 4.2	3.99 4.25	6.25	4.95	5.15	4.3
12	3.85 4.15	3.83 4.1	6	4.85	5	4.2
13	3.75 4.1	3.69 4	5.75	4.75	4.85	4.1
14	3.55 4.05	3.57 3.9	5.5	4.65	4.7	4
15	3.45 4	3.45 3.9	5.25	4.55	4.55	3.9
16	3.35 3.95	3.35 3.85	5	4.55	4.4	3.8
17	3.25 3.9	3.26 3.8	4.75	4.55	4.25	3.7
18	3.25 3.85	3.25 3.75	4.5	4.55	4.1	3.6
19	3.25 3.8	3.25 3.75	4.25 4.3	4.55	3.95	3.5
20	3.25 3.75	3.25 3.75	4.4.2	4.55	3.8	3.5
21	3.25 3.7	3.25 3.75	3.9.4.1	4.45	3.75	3.5
22	3.25 3.65	3.25 3.7	3.8.4	4.35	3.75	3.5
23	3.25 3.6	3.25 3.6	3.7.3.9	4.25	3.75	3.5
24	3.25 3.55	3.25 3.6	3.6.3.8	4.25	3.75	3.5
25	3.25 3.5	3.25 3.6	3.5.3.7	4.25	3.75	3.5
26	3.25 3.5	3.25 3.5	3.5.3.6	4.25	3.75	3.5
27	3.25 3.5	3.25 3.5	3.5	4.25	3.75	3.5
28	3.25 3.5	3.25 3.5	3.5	4.25	3.75	3.5
29	3.25 3.5	3.25 3.5	3.5	4.25	3.75	3.5
30 or more	3.25 3.5	3.25 3.5	3.5	4.25	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	3.5%
correctional state employees retirement plan	3.5
State Patrol retirement plan	3.5
judges retirement plan	2.75
general employees retirement plan of the Public Employees Retirement Association	3.5
public employees police and fire retirement plan	3.5
local government correctional service retirement plan	3.5
teachers retirement plan	3.75 3.5
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 July 1, 2017, and applies to actuarial valuations prepared on or after that date.

ARTICLE 15

VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS MODIFICATIONS

Section 1. Minnesota Statutes 2016, section 356A.06, subdivision 7, is amended to read:

Subd. 7. **Expanded list of authorized investment securities.** (a) **Authority.** A covered pension plan not described by subdivision 6, paragraph (a), is an expanded list plan and shall invest its assets as specified in this subdivision. The governing board of an expanded list plan may select and appoint investment agencies to act for or on its behalf.

(b) **Securities generally; investment forms.** An expanded list plan is authorized to purchase, sell, lend, and exchange the investment securities authorized under this subdivision, including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned directly or through shares in exchange-traded or mutual funds, or as units in commingled trusts, subject to any limitations specified in this subdivision.

(c) **Government obligations.** An expanded list plan is authorized to invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness if the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which funds may be invested under this paragraph are guaranteed or insured issues of:

(1) the United States, one of its agencies, one of its instrumentalities, or an organization created and regulated by an act of Congress;

(2) the Dominion of Canada or one of its provinces if the principal and interest are payable in United States dollars;

(3) a state or one of its municipalities, political subdivisions, agencies, or instrumentalities; and

(4) a United States government-sponsored organization of which the United States is a member if the principal and interest are payable in United States dollars.

(d) **Investment-grade corporate obligations.** An expanded list plan is authorized to invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any of its states, or the Dominion of Canada or any of its provinces if:

(1) the principal and interest are payable in United States dollars; and

(2) the obligations are rated among the top four quality categories by a nationally recognized rating agency.

(e) **Below-investment-grade corporate obligations.** An expanded list plan is authorized to invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories by a nationally recognized rating agency if:

(1) the aggregate value of these obligations does not exceed five percent of the covered pension plan's market value;

(2) the covered pension plan's participation is limited to 50 percent of a single offering subject to this paragraph; and

(3) the covered pension plan's participation is limited to 25 percent of an issuer's obligations subject to this paragraph.

(f) **Other obligations.** (1) An expanded list plan is authorized to invest funds in:

(i) bankers acceptances and deposit notes if issued by a United States bank that is rated in the highest four quality categories by a nationally recognized rating agency;

(ii) certificates of deposit if issued by a United States bank or savings institution rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies, or if issued by a credit union in an amount within the limit of the insurance coverage provided by the National Credit Union Administration;

(iii) commercial paper if issued by a United States corporation or its Canadian subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency;

(iv) mortgage securities and asset-backed securities if rated in the top four quality categories by a nationally recognized rating agency;

(v) repurchase agreements and reverse repurchase agreements if collateralized with letters of credit or securities authorized in this section;

(vi) guaranteed investment contracts if issued by an insurance company or a bank that is rated in the top four quality categories by a nationally recognized rating agency or alternative guaranteed investment contracts if the underlying assets comply with the requirements of this subdivision;

(vii) savings accounts if fully insured by a federal agency; and

(viii) guaranty fund certificates, surplus notes, or debentures if issued by a domestic mutual insurance company.

(2) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates of deposit and collateralization agreements executed by the covered pension plan under clause (1), item (ii).

(3) In addition to investments authorized by clause (1), item (iv), an expanded list plan is authorized to purchase from the Minnesota Housing Finance Agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The covered pension plan may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The covered pension plan may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the covered pension plan comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The covered pension plan may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

(g) **Corporate stocks.** An expanded list plan is authorized to invest in stocks or convertible issues of any corporation organized under the laws of the United States or any of its states, any corporation organized under the laws of the Dominion of Canada or any of its provinces, or any corporation listed on an exchange that is regulated by an agency of the United States or of the Canadian national government.

An investment in any corporation must not exceed five percent of the total outstanding shares of that corporation, except that an expanded list plan may hold up to 20 percent of the shares of a real estate investment trust and up to 20 percent of the shares of a closed mutual fund. Purchase of shares of exchange-traded or mutual funds shall be consistent with paragraph (b).

(h) **Other investments.** (1) In addition to the investments authorized in paragraphs (b) to (g), and subject to the provisions in clause (2), an expanded list plan is authorized to invest funds in:

(i) equity and debt investment businesses through participation in limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations;

(ii) real estate ownership interests or loans secured by mortgages or deeds of trust or shares of real estate investment trusts, through investment in limited partnerships, bank-sponsored collective funds, trusts, mortgage participation agreements, and insurance company commingled accounts, including separate accounts;

(iii) resource investments through limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations; and

(iv) international securities.

(2) The investments authorized in clause (1) must conform to the following provisions:

(i) the aggregate value of all investments made under clause (1), items (i), (ii), and (iii), may not exceed 35 percent of the market value of the fund for which the expanded list plan is investing;

(ii) there must be at least four unrelated owners of the investment other than the expanded list plan for investments made under clause (1), item (i), (ii), or (iii);

(iii) the expanded list plan's participation in an investment vehicle is limited to 20 percent thereof for investments made under clause (1), item (i), (ii), or (iii);

(iv) the expanded list plan's participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The expanded list plan may not engage in any activity as a limited partner which creates general liability;

(v) the aggregate value of all unrated obligations and obligations that are not rated among the top four quality categories by a nationally recognized rating agency authorized by paragraph (e) and clause (1), item (iv), must not exceed five percent of the covered plan's market value; and

(vi) for volunteer firefighter relief associations, emerging market equity and international debt investments authorized under clause (1), item (iv), must not exceed 15 percent of the association's special fund market value.

(i) **Supplemental plan investments.** The governing body of an expanded list plan may certify assets to the State Board of Investment for investment under section 11A.17.

(j) **Asset mix limitations.** The aggregate value of an expanded list plan's investments under paragraphs (g) and (h) and equity investments under paragraph (i), regardless of the form in which these investments are held, must not exceed 85 percent of the covered plan's market value.

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

Sec. 2. Minnesota Statutes 2016, section 424A.001, subdivision 2, is amended to read:

Subd. 2. **Fire department.** "Fire department" includes a municipal fire department ~~or~~, an independent nonprofit firefighting corporation, and a fire department established as or operated by a joint powers entity under section 471.59.

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

Sec. 3. Minnesota Statutes 2016, section 424A.001, is amended by adding a subdivision to read:

Subd. 2a. **Municipal.** "Municipal" means of a city or township.

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

Sec. 4. Minnesota Statutes 2016, section 424A.001, subdivision 3, is amended to read:

Subd. 3. **Municipality.** "Municipality" means a ~~municipality~~ city or township which has established a fire department with which the relief association is directly associated, ~~or the municipalities~~ a city or township which ~~have~~ has entered into a contract with the independent nonprofit firefighting corporation of which the relief association is ~~a subsidiary~~ directly associated, or a city or township that has entered into a contract with a joint powers entity established under section 471.59 of which the relief association is directly associated.

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

Sec. 5. Minnesota Statutes 2016, section 424A.001, subdivision 10, is amended to read:

Subd. 10. **Volunteer firefighter.** "Volunteer firefighter" means a person who is a member of the applicable fire department or the independent nonprofit firefighting corporation and is eligible for membership in the applicable relief association and:

(i) is engaged in providing emergency response services or delivering fire education or prevention services as a member of a ~~municipal~~ fire department, ~~a joint powers entity fire department, or an independent nonprofit firefighting corporation;~~

(ii) is trained in or is qualified to provide fire suppression duties or to provide fire prevention duties under subdivision 8; and

(iii) meets any other minimum firefighter and service standards established by the fire department ~~or the independent nonprofit firefighting corporation~~ or specified in the articles of incorporation or bylaws of the relief association.

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

Sec. 6. Minnesota Statutes 2016, section 424A.002, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** A ~~municipal~~ fire department ~~or an independent nonprofit firefighting corporation~~, with approval by the applicable municipality or municipalities, may establish a new volunteer firefighter relief association or may retain an existing volunteer firefighter relief association. A ~~municipal~~ fire department ~~or an independent nonprofit firefighting corporation~~ may be associated with only one volunteer firefighter relief association at one time.

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

Sec. 7. **[424A.003] CERTIFICATION OF SERVICE CREDIT.**

(a) When a municipal fire department, a joint powers fire department, or an independent nonprofit firefighting corporation is directly associated with the volunteer firefighters relief association, the fire chief shall certify annually by March 31 the service credit for the previous calendar year of each volunteer firefighter rendering active service with the fire department.

(b) The certification shall be made to an officer of the relief association's board of trustees and to the municipal clerk or clerk-treasurer of the largest municipality in population served by the associated fire department.

(c) The fire chief shall notify each volunteer firefighter rendering active service with the fire department of the amount of service credit rendered by the firefighter for the previous calendar year. The service credit notification and a description of the process and deadlines for the firefighter to challenge the fire chief's determination of service credit must be provided to the firefighter 60 days prior to its certification to the relief association and municipality. If the service credit amount is challenged, the fire chief shall accept and consider any additional pertinent information and shall make a final determination of service credit.

(d) The service credit certification must be expressed as the number of completed months of the previous year during which an active volunteer firefighter rendered at least the minimum level of duties as specified and required by the fire department under the rules, regulations, and policies applicable to the fire department. No more than one year of service credit may be certified for a calendar year.

(e) If a volunteer firefighter who is a member of the relief association leaves active firefighting service to render active military service that is required to be governed by the federal Uniformed Services Employment and Reemployment Rights Act, as amended, the firefighter must be certified as providing service credit for the period of the military service, up to the applicable limit of the federal Uniformed Services Employment and Reemployment Rights Act. If the volunteer firefighter does not return from the military service in compliance with the federal Uniformed Services Employment and Reemployment Rights Act, the service credits applicable to that military service credit period are forfeited and canceled at the end of the calendar year in which the time limit set by federal law occurs.

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

Sec. 8. Minnesota Statutes 2016, section 424A.01, subdivision 1, is amended to read:

Subdivision 1. **Minors.** No volunteer firefighters relief association associated with a municipality, a joint powers entity, or an independent nonprofit firefighting corporation may include as a relief association member a minor serving as a volunteer firefighter.

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

Sec. 9. Minnesota Statutes 2016, section 424A.01, is amended by adding a subdivision to read:

Subd. 4a. **Prohibition on receipt of concurrent service credit.** No firefighter may be credited with service credit in a volunteer firefighters relief association for the same hours of service for which coverage is already provided in a fund operated pursuant to chapter 353.

EFFECTIVE DATE. This section is effective January 1, 2018, and applies to service rendered on or after that date.

Sec. 10. Minnesota Statutes 2016, section 424A.01, subdivision 5, is amended to read:

~~Subd. 5. **Fire prevention personnel.** (a) If the fire department is a municipal department and the applicable municipality approves, or if the fire department is an independent nonprofit firefighting corporation and the contracting municipality or municipalities approve, the fire department may employ or otherwise utilize the services of persons as volunteer firefighters to perform fire prevention duties and to supervise fire prevention activities.~~

(b) Personnel serving in fire prevention positions are eligible to be members of the applicable volunteer firefighter relief association and to qualify for service pension or other benefit coverage of the relief association on the same basis as fire department personnel who perform fire suppression duties.

(c) Personnel serving in fire prevention positions also are eligible to receive any other benefits under the applicable law or practice for services on the same basis as personnel who are employed to perform fire suppression duties.

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

Sec. 11. Minnesota Statutes 2016, section 424A.01, is amended by adding a subdivision to read:

Subd. 5a. **Volunteer emergency medical personnel.** Volunteer emergency medical personnel are eligible to be members of the applicable volunteer firefighters relief association and to qualify for service pension or other benefit coverage of the relief association on the same basis as fire department personnel who perform or supervise fire suppression or fire prevention duties, if:

(1) the fire department employs or otherwise uses the services of persons solely as volunteer emergency medical personnel to perform emergency medical response duties or supervise emergency medical response activities;

(2) the bylaws of the relief association authorize the eligibility; and

(3) the eligibility is approved by:

(i) the municipality, if the fire department is a municipal department;

(ii) the joint powers board, if the fire department is a joint powers entity; or

(iii) the contracting municipality or municipalities, if the fire department is an independent nonprofit firefighting corporation.

EFFECTIVE DATE. This section is effective January 1, 2018, and applies to service rendered on or after that date.

Sec. 12. Minnesota Statutes 2016, section 424A.01, subdivision 6, is amended to read:

Subd. 6. Return to active firefighting after break in service. (a) This subdivision governs the service pension calculation requirements of a firefighter who returns to active service after a break in service and applies to all breaks in service, except that the resumption service requirements of this subdivision do not apply to leaves of absence made available by federal statute, such as the Family Medical Leave Act, United States Code, title 29, section 2691, and the Uniformed Services Employment and Reemployment Rights Act, United States Code, title 38, section 4301, and do not apply to leaves of absence made available by state statute, such as the Parental Leave Act, section 181.941; the Leave for Organ Donation Act, section 181.9456; the Leave for Civil Air Patrol Service Act, section 181.946; the Leave for Immediate Family Members of Military Personnel Injured or Killed in Active Service Act, section 181.947; or the Protection of Jurors' Employment Act, section 593.50.

(b)(1) If a firefighter who has ceased to perform or supervise fire suppression and fire prevention duties for at least 60 days resumes performing active firefighting with the fire department associated with the relief association, if the bylaws of the relief association so permit, the firefighter may again become an active member of the relief association. A firefighter who returns to active service and membership is subject to the service pension calculation requirements under this section.

(2) A firefighter who has been granted an approved leave of absence not exceeding one year by the fire department or by the relief association is exempt from the minimum period of resumption service requirement of this section.

(3) A person who has a break in service not exceeding one year but has not been granted an approved leave of absence and who has not received a service pension or disability benefit may be made exempt from the minimum period of resumption service requirement of this section by the relief association bylaws.

(4) If the bylaws so provide, a firefighter who returns to active relief association membership under this paragraph may continue to collect a monthly service pension, notwithstanding the service pension eligibility requirements under chapter 424A.

(c) If a former firefighter who has received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the resumption service period if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2. No firefighter may be paid a service pension more than once for the same period of service.

(d) If a former firefighter who has not received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the original and resumption service periods if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and resumption years of service credit.

(e) A firefighter who returns to active lump-sum relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c) must have, upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a lump-sum service pension had been paid to the firefighter upon the firefighter's previous

cessation of duties, a second lump-sum service pension for the resumption service period must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of the resumption service.

(f) A firefighter who had not been paid a lump-sum service pension returns to active relief association membership under paragraph (b), who did not meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous cessation of duties. The service pension for a firefighter who returns to active lump-sum relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(g) If a firefighter receiving a monthly benefit service pension returns to active monthly benefit relief association membership under paragraph (b), and if the relief association bylaws do not allow for the firefighter to continue collecting a monthly service pension, any monthly benefit service pension payable to the firefighter is suspended as of the first day of the month next following the date on which the firefighter returns to active membership. If the firefighter was receiving a monthly benefit service pension, and qualifies for a service pension under paragraph (c), the firefighter is entitled to an additional monthly benefit service pension upon a subsequent cessation of duties calculated based on the resumption service credit and the service pension accrual amount in effect on the date of the termination of the resumption service. A suspended initial service pension resumes as of the first of the month next following the termination of the resumption service. If the firefighter was not receiving a monthly benefit service pension and meets the minimum service requirement of section 424A.02, subdivision 2, a service pension must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of service credit.

(h) A firefighter who was not receiving a monthly benefit service pension returns to active relief association membership under paragraph (b), who did not meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous cessation of duties. The service pension for a firefighter who returns to active relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(i) For defined contribution plans, a firefighter who returns to active relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c) or (d) must have,

upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, and if the firefighter meets the minimum service requirement of section 424A.016, subdivision 3, based on the resumption years of service, a second service pension for the resumption service period must be calculated to include allocations credited to the firefighter's individual account during the resumption period of service and deductions for administrative expenses, if applicable.

(j) For defined contribution plans, if a firefighter who had not been paid a service pension returns to active relief association membership under paragraph (b), and who meets the minimum service requirement of section 424A.016, subdivision 3, based on the firefighter's original and resumption years of service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated to include allocations credited to the firefighter's individual account during the original and resumption periods of service and deductions for administrative expenses, if applicable, less any amounts previously forfeited under section 424A.016, subdivision 4.

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

Sec. 13. Minnesota Statutes 2016, section 424A.015, subdivision 1, is amended to read:

Subdivision 1. **Separation from active service; exception.** (a) No service pension is payable to a person while the person remains an active member of the respective fire department, and a person who is receiving a service pension is not entitled to receive any other benefits from the special fund of the relief association.

(b) No relief association as defined in section 424A.001, subdivision 4, may pay a service pension or disability benefit to a former member of the relief association if that person has not separated from active service with the fire department to which the relief association is directly associated, unless:

(1) the person discontinues volunteer firefighter duties with the ~~municipality or the independent nonprofit firefighting corporation, whichever applies,~~ fire department and performs duties within the ~~municipal fire department or corporation~~ on a full-time basis;

(2) the governing body of the municipality ~~or~~ of the independent nonprofit firefighting corporation, or of the joint powers entity has filed its determination with the board of trustees of the relief association that the person's experience with and service to the fire department in that person's full-time capacity would be difficult to replace; and

(3) the bylaws of the relief association were amended to provide for the payment of a service pension or disability benefit for such full-time employees.

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

Sec. 14. Minnesota Statutes 2016, section 424A.015, is amended by adding a subdivision to read:

Subd. 7. **Combined service pensions.** (a) A volunteer firefighter with credit for service as an active firefighter in more than one volunteer firefighters relief association is entitled to a prorated service pension from each relief association if:

- (1) the articles of incorporation or bylaws of the relief associations provide;
- (2) the applicable requirements of paragraphs (b) and (c) are met; and
- (3) the volunteer firefighter otherwise qualifies.

(b) A volunteer firefighter receiving a prorated service pension under this subdivision must have a total combined amount of service credit from the two or more relief associations of ten years or more, unless the bylaws of every affected relief association specify less than a ten-year service vesting requirement, in which case, the total amount of required service credit is the longest service vesting requirement of the relief associations. The member must have one year or more of service credit in each relief association. The prorated service pension must be based on:

(1) for defined benefit relief associations, the service pension amount in effect for the relief association on the date on which active volunteer firefighting services covered by that relief association terminate; and

(2) for defined contribution relief associations, the member's individual account balance on the date on which active volunteer firefighting services covered by that relief association terminate.

(c) To receive a prorated service pension under this subdivision, the firefighter must become a member of the second or succeeding association and must give notice of membership to the prior association within two years of the date of termination of active service with the prior association. The second or subsequent relief association secretary must certify the notice.

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

Sec. 15. Minnesota Statutes 2016, section 424A.016, subdivision 2, is amended to read:

Subd. 2. **Defined contribution service pension eligibility.** (a) A relief association, when its articles of incorporation or bylaws so provide, may pay out of the assets of its special fund a defined contribution service pension to each of its members who:

- (1) separates from active service with the fire department;
- (2) reaches age 50;
- (3) completes at least five years of active service as an active member of the ~~municipal~~ fire department to which the relief association is associated;
- (4) completes at least five years of active membership with the relief association before separation from active service; and
- (5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the date of the payment of the service pension. During the period of inactive membership, the member is not entitled to receive any disability benefit coverage, is not entitled to receive additional individual account allocation of fire state aid or municipal contribution towards a service pension, and is considered to have the status of a person entitled to a deferred service pension.

(c) The service pension earned by a volunteer under this chapter and the articles of incorporation and bylaws of the relief association may be paid whether or not the municipality or independent nonprofit firefighting corporation to which the relief association is associated qualifies for the receipt of fire state aid under chapter 69.

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

Sec. 16. Minnesota Statutes 2016, section 424A.02, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** (a) A defined benefit relief association, when its articles of incorporation or bylaws so provide, may pay out of the assets of its special fund a defined benefit service pension to each of its members who: (1) separates from active service with the fire department; (2) reaches age 50; (3) completes at least five years of active service as an active member of the ~~municipal~~ fire department to which the relief association is associated; (4) completes at least five years of active membership with the relief association before separation from active service; and (5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association. A service pension computed under this section may be prorated monthly for fractional years of service as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month. The service pension earned by a volunteer firefighter under this chapter and the articles of incorporation and bylaws of the volunteer firefighters relief association may be paid whether or not the municipality or independent nonprofit firefighting corporation to which the relief association is associated qualifies for the receipt of fire state aid under chapter 69.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the date of the payment of the service pension. During the period of inactive membership, the member is not entitled to receive disability benefit coverage, is not entitled to receive additional service credit towards computation of a service pension, and is considered to have the status of a person entitled to a deferred service pension under subdivision 7.

(c) No municipality ~~or~~ independent nonprofit firefighting corporation, or joint powers entity may delegate the power to take final action in setting a service pension or ancillary benefit amount or level to the board of trustees of the relief association or to approve in advance a service pension or ancillary benefit amount or level equal to the maximum amount or level that this chapter would allow rather than a specific dollar amount or level.

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

Sec. 17. Minnesota Statutes 2016, section 424A.02, subdivision 3, is amended to read:

Subd. 3. **Flexible service pension maximums.** (a) Annually on or before August 1 as part of the certification of the financial requirements and minimum municipal obligation determined under section 424A.092, subdivision 4, or 424A.093, subdivision 5, as applicable, the secretary or some other official of the relief association designated in the bylaws of each defined benefit relief association shall calculate and certify to the governing body of the applicable municipality the average amount of available financing per active covered firefighter for the most recent three-year period. The amount of available financing includes any amounts of fire state aid and police and firefighter retirement supplemental state aid received or receivable by the relief association, any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief association calculated under section 424A.092, subdivision 2; 424A.093, subdivisions 2 and 4; or 424A.094, subdivision 2, if any.

(b) The maximum service pension which the defined benefit relief association has authority to provide for in its bylaws for payment to a member retiring after the calculation date when the minimum age and service requirements specified in subdivision 1 are met must be determined using the table in paragraph (c) or (d), whichever applies.

(c) For a defined benefit relief association where the governing bylaws provide for a monthly service pension to a retiring member, the maximum monthly service pension amount per month for each year of service credited that may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter:

Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
\$...	\$.25
41	.50
81	1.00
122	1.50
162	2.00
203	2.50
243	3.00
284	3.50
324	4.00
365	4.50

405	5.00
486	6.00
567	7.00
648	8.00
729	9.00
810	10.00
891	11.00
972	12.00
1053	13.00
1134	14.00
1215	15.00
1296	16.00
1377	17.00
1458	18.00
1539	19.00
1620	20.00
1701	21.00
1782	22.00
1823	22.50
1863	23.00
1944	24.00
2025	25.00
2106	26.00
2187	27.00
2268	28.00
2349	29.00
2430	30.00
2511	31.00
2592	32.00
2673	33.00
2754	34.00
2834	35.00
2916	36.00
2997	37.00
3078	38.00
3159	39.00
3240	40.00
3321	41.00
3402	42.00
3483	43.00

3564	44.00
3645	45.00
3726	46.00
3807	47.00
3888	48.00
3969	49.00
4050	50.00
4131	51.00
4212	52.00
4293	53.00
4374	54.00
4455	55.00
4536	56.00
4617	57.00
4698	58.00
4779	59.00
4860	60.00
4941	61.00
5022	62.00
5103	63.00
5184	64.00
5265	65.00
5346	66.00
5427	67.00
5508	68.00
5589	69.00
5670	70.00
5751	71.00
5832	72.00
5913	73.00
5994	74.00
6075	75.00
6156	76.00
6237	77.00
6318	78.00
6399	79.00
6480	80.00
6561	81.00
6642	82.00
6723	83.00

6804	84.00
6885	85.00
6966	86.00
7047	87.00
7128	88.00
7209	89.00
7290	90.00
7371	91.00
7452	92.00
7533	93.00
7614	94.00
7695	95.00
7776	96.00
7857	97.00
7938	98.00
8019	99.00
8100	100.00
any amount in excess of 8100	100.00

(d) For a defined benefit relief association in which the governing bylaws provide for a lump-sum service pension to a retiring member, the maximum lump-sum service pension amount for each year of service credited that may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter for the applicable specified period:

Minimum Average Amount of Available Financing per Firefighter	Maximum Lump-Sum Service Pension Amount Payable for Each Year of Service
\$...	\$ 10
11	20
16	30
23	40
27	50
32	60
43	80
54	100
65	120
77	140
86	160
97	180
108	200

131	240
151	280
173	320
194	360
216	400
239	440
259	480
281	520
302	560
324	600
347	640
367	680
389	720
410	760
432	800
486	900
540	1000
594	1100
648	1200
702	1300
756	1400
810	1500
864	1600
918	1700
972	1800
1026	1900
1080	2000
1134	2100
1188	2200
1242	2300
1296	2400
1350	2500
1404	2600
1458	2700
1512	2800
1566	2900
1620	3000
1672	3100
1726	3200
1753	3250

52ND DAY]

WEDNESDAY, MAY 10, 2017

4449

1780	3300
1820	3375
1834	3400
1888	3500
1942	3600
1996	3700
2023	3750
2050	3800
2104	3900
2158	4000
2212	4100
2265	4200
2319	4300
2373	4400
2427	4500
2481	4600
2535	4700
2589	4800
2643	4900
2697	5000
2751	5100
2805	5200
2859	5300
2913	5400
2967	5500
3021	5600
3075	5700
3129	5800
3183	5900
3237	6000
3291	6100
3345	6200
3399	6300
3453	6400
3507	6500
3561	6600
3615	6700
3669	6800
3723	6900
3777	7000

3831	7100
3885	7200
3939	7300
3993	7400
4047	7500
4101	7600
4155	7700
4209	7800
4263	7900
4317	8000
4371	8100
4425	8200
4479	8300
4533	8400
4587	8500
4641	8600
4695	8700
4749	8800
4803	8900
4857	9000
4911	9100
4965	9200
5019	9300
5073	9400
5127	9500
5181	9600
5235	9700
5289	9800
5343	9900
5397	10,000
any amount in excess of 5451	10,100
5397 5505	10,000 10,200
<u>5559</u>	<u>10,300</u>
<u>5613</u>	<u>10,400</u>
<u>5667</u>	<u>10,500</u>
<u>5721</u>	<u>10,600</u>
<u>5775</u>	<u>10,700</u>
<u>5829</u>	<u>10,800</u>
<u>5883</u>	<u>10,900</u>
<u>5937</u>	<u>11,000</u>

<u>5991</u>	<u>11,100</u>
<u>6045</u>	<u>11,200</u>
<u>6099</u>	<u>11,300</u>
<u>6153</u>	<u>11,400</u>
<u>6207</u>	<u>11,500</u>
<u>6261</u>	<u>11,600</u>
<u>6315</u>	<u>11,700</u>
<u>6369</u>	<u>11,800</u>
<u>6423</u>	<u>11,900</u>
<u>6477</u>	<u>12,000</u>
<u>6531</u>	<u>12,100</u>
<u>6585</u>	<u>12,200</u>
<u>6639</u>	<u>12,300</u>
<u>6693</u>	<u>12,400</u>
<u>6747</u>	<u>12,500</u>
<u>6801</u>	<u>12,600</u>
<u>6855</u>	<u>12,700</u>
<u>6909</u>	<u>12,800</u>
<u>6963</u>	<u>12,900</u>
<u>7017</u>	<u>13,000</u>
<u>7071</u>	<u>13,100</u>
<u>7125</u>	<u>13,200</u>
<u>7179</u>	<u>13,300</u>
<u>7233</u>	<u>13,400</u>
<u>7287</u>	<u>13,500</u>
<u>7341</u>	<u>13,600</u>
<u>7395</u>	<u>13,700</u>
<u>7449</u>	<u>13,800</u>
<u>7503</u>	<u>13,900</u>
<u>7557</u>	<u>14,000</u>
<u>7611</u>	<u>14,100</u>
<u>7665</u>	<u>14,200</u>
<u>7719</u>	<u>14,300</u>
<u>7773</u>	<u>14,400</u>
<u>7827</u>	<u>14,500</u>
<u>7881</u>	<u>14,600</u>
<u>7935</u>	<u>14,700</u>
<u>7989</u>	<u>14,800</u>
<u>8043</u>	<u>14,900</u>
<u>8097</u>	<u>15,000</u>

any amount in excess of 8097

15,000

(e) For a defined benefit relief association in which the governing bylaws provide for a monthly benefit service pension as an alternative form of service pension payment to a lump-sum service pension, the maximum service pension amount for each pension payment type must be determined using the applicable table contained in this subdivision.

(f) If a defined benefit relief association establishes a service pension in compliance with the applicable maximum contained in paragraph (c) or (d) and the minimum average amount of available financing per active covered firefighter is subsequently reduced because of a reduction in fire state aid or because of an increase in the number of active firefighters, the relief association may continue to provide the prior service pension amount specified in its bylaws, but may not increase the service pension amount until the minimum average amount of available financing per firefighter under the table in paragraph (c) or (d), whichever applies, permits.

(g) No defined benefit relief association is authorized to provide a service pension in an amount greater than the largest applicable flexible service pension maximum amount even if the amount of available financing per firefighter is greater than the financing amount associated with the largest applicable flexible service pension maximum.

(h) The method of calculating service pensions must be applied uniformly for all years of active service. Credit must be given for all years of active service except for caps on service credit if so provided in the bylaws of the relief association.

EFFECTIVE DATE; LOCAL APPROVAL. (a) For relief associations other than the Eden Prairie volunteer firefighters relief association, this section is effective January 1, 2018.

(b) For the Eden Prairie volunteer firefighters relief association, this section is effective the day after the city council of Eden Prairie and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, or January 1, 2018, whichever is earlier.

Sec. 18. Minnesota Statutes 2016, section 424A.02, subdivision 3a, is amended to read:

Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a) If a defined benefit relief association pays a service pension greater than the maximum service pension associated with the applicable average amount of available financing per active covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever applies, the maximum service pension under subdivision 3, paragraph (f), or the applicable maximum service pension amount specified in subdivision 3, paragraph (g), whichever is less, the state auditor shall:

(1) disqualify the municipality or the independent nonprofit firefighting corporation associated with the relief association from receiving fire state aid by making the appropriate notification to the municipality and the commissioner of revenue, with the disqualification applicable for the next apportionment and payment of fire state aid; and

(2) order the treasurer of the applicable relief association to recover the amount of the overpaid service pension or pensions from any retired firefighter who received an overpayment.

(b) Fire state aid amounts from disqualified municipalities for the period of disqualifications under paragraph (a), clause (1), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(c) The amount of any overpaid service pension recovered under paragraph (a), clause (2), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(d) The determination of the state auditor that a relief association has paid a service pension greater than the applicable maximum must be made on the basis of the information filed by the relief association and the municipality with the state auditor under sections 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies, and any other relevant information that comes to the attention of the state auditor. The determination of the state auditor is final. An aggrieved municipality, relief association, or person may appeal the determination under section 480A.06.

(e) The state auditor may certify, upon learning that a relief association overpaid a service pension based on an error in the maximum service pension calculation, the municipality or independent nonprofit firefighting corporation associated with the relief association for fire state aid if (1) there is evidence that the error occurred in good faith, and (2) the relief association has initiated recovery of any overpayment amount. Notwithstanding paragraph (c), all overpayments recovered under this paragraph must be credited to the relief association's special fund.

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

Sec. 19. Minnesota Statutes 2016, section 424A.02, subdivision 7, is amended to read:

Subd. 7. Deferred service pensions. (a) A member of a defined benefit relief association is entitled to a deferred service pension if the member separates from active service and membership and has completed the minimum service and membership requirements in subdivision 1. The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

(b) The deferred service pension is payable when the former member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and when the former member makes a valid written application.

(c) A defined benefit relief association that provides a lump-sum service pension governed by subdivision 3 may, when its governing bylaws so provide, pay interest on the deferred lump-sum service pension during the period of deferral. If provided for in the bylaws, interest must be paid in one of the following manners:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association;

(2) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested in a separate investment vehicle held by the relief association; or

(3) at an interest rate of up to five percent, compounded annually, as set by the board of trustees.

(d) Any change in the interest rate set by the board of trustees under paragraph (c), clause (3), must be ratified by the governing body of the municipality or joint powers entity served by the fire department to which the relief association is directly associated, or by the independent nonprofit firefighting corporation, as applicable.

(e) Interest under paragraph (c), clause (3), is payable beginning on the January 1 next following the date on which the deferred service pension interest rate as set by the board of trustees was ratified by the governing body of the municipality or joint powers entity served by the fire department to which the relief association is directly associated, or by the independent nonprofit firefighting corporation, as applicable.

(f) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable as follows:

(1) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (1) or (3), beginning on the first day of the month next following the date on which the member separates from active service and membership and ending on the last day of the month immediately before the month in which the deferred member commences receipt of the deferred service pension; or

(2) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (2), beginning on the date that the member separates from active service and membership and ending on the date that the separate investment vehicle is valued immediately before the date on which the deferred member commences receipt of the deferred service pension.

(g) For a deferred service pension that is transferred to a separate account established and maintained by the relief association or separate investment vehicle held by the relief association, the deferred member bears the full investment risk subsequent to transfer and in calculating the accrued liability of the volunteer firefighters relief association that pays a lump-sum service pension, the accrued liability for deferred service pensions is equal to the separate relief association account balance or the fair market value of the separate investment vehicle held by the relief association.

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

Sec. 20. Minnesota Statutes 2016, section 424A.04, subdivision 1, is amended to read:

Subdivision 1. **Membership.** (a) A relief association that is directly associated with a municipal fire department must be managed by a board of trustees consisting of nine members. Six trustees must be elected from the membership of the relief association and three trustees must be drawn from the officials of the municipalities served by the fire department to which the relief association is directly associated. The bylaws of a relief association which provides a monthly benefit service pension may provide that one of the six trustees elected from the relief association membership may be a retired member receiving a monthly pension who is elected by the membership of the relief association. The three municipal trustees must be one elected municipal official and one elected or

appointed municipal official who are designated as municipal representatives by the municipal governing board annually and the chief of the municipal fire department.

(b) A relief association that is a subsidiary of an independent nonprofit firefighting corporation must be managed by a board of trustees consisting of nine members. Six trustees must be elected from the membership of the relief association, two trustees must be drawn from the officials of the municipalities served by the fire department to which the relief association is directly associated, and one trustee must be the fire chief serving with the independent nonprofit firefighting corporation. The bylaws of a relief association may provide that one of the six trustees elected from the relief association membership may be a retired member receiving a monthly pension who is elected by the membership of the relief association. The two municipal trustees must be elected or appointed municipal officials, selected as follows:

(1) if only one municipality contracts with the independent nonprofit firefighting corporation, the municipal trustees must be two officials of the contracting municipality who are designated annually by the governing body of the municipality; or

(2) if two or more municipalities contract with the independent nonprofit corporation, the municipal trustees must be one official from each of the two largest municipalities in population who are designated annually by the governing bodies of the applicable municipalities.

(c) The municipal trustees for a relief association that is directly associated with a fire department operated as or by a joint powers entity must be the fire chief of the fire department and two trustees designated annually by the joint powers board. The municipal trustees for a relief association that is directly associated with a fire department service area township must be the fire chief of the fire department and two trustees designated by the township board.

(d) If a relief association lacks the municipal board members provided for in paragraph (a), (b), or (c) because the fire department is not located in or associated with ~~an organized~~ a municipality, ~~or joint powers entity, or township~~, the municipal board members must be the fire chief of the fire department and two board members appointed from the fire department service area by the board of commissioners of the applicable county.

(e) The term of the appointed municipal board members is one year or until the person's successor is qualified, whichever is later.

(f) A municipal trustee under paragraph (a), (b), (c), or (d) has all the rights and duties accorded to any other trustee, except the right to be an officer of the relief association board of trustees.

(g) A board must have at least three officers, who are a president, a secretary and a treasurer. These officers must be elected from among the elected trustees by either the full board of trustees or by the relief association membership, as specified in the bylaws. In no event may any trustee hold more than one officer position at any one time. The terms of the elected trustees and of the officers of the board must be specified in the bylaws of the relief association, but may not exceed three years. If the term of the elected trustees exceeds one year, the election of the various trustees elected from the membership must be staggered on an equal basis as is practicable.

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

Sec. 21. Minnesota Statutes 2016, section 424A.07, is amended to read:

424A.07 NONPROFIT FIREFIGHTING CORPORATIONS; ESTABLISHMENT OF RELIEF ASSOCIATIONS.

Before paying any service pensions or retirement benefits under section 424A.02 or before becoming entitled to receive any amounts of fire state aid upon transmittal from a contracting municipality under section 69.031, subdivision 5, a an independent nonprofit firefighting corporation shall establish a volunteer firefighters relief association governed by this chapter.

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

Sec. 22. Minnesota Statutes 2016, section 424A.091, subdivision 3, is amended to read:

Subd. 3. **Remedy for noncompliance; determination.** (a) A municipality in which there exists a firefighters relief association as specified in subdivision 1 which does not comply with the applicable provisions of sections 424A.091 to 424A.096 or the provisions of any applicable special law relating to the funding or financing of the association does not qualify initially to receive, and is not entitled subsequently to retain, fire state aid under sections 69.011 to 69.051 until the reason for the disqualification specified by the state auditor is remedied, whereupon the municipality or relief association, if otherwise qualified, is entitled to again receive fire state aid for the year occurring immediately subsequent to the year in which the disqualification is remedied.

(b) The state auditor shall determine if a municipality to which a firefighters' relief association is directly associated or a firefighters relief association fails to comply with the provisions of sections 424A.091 to 424A.096 or the funding or financing provisions of any applicable special law based upon the information contained in the annual financial report of the firefighters relief association required under section 69.051, the actuarial valuation of the relief association, if applicable, the relief association officers' financial requirements of the relief association and minimum municipal obligation determination documentation under section 424A.092, subdivisions 3 and 4; 424A.093, subdivisions 4 and 5; or 424A.094, subdivision 2, if requested to be filed by the state auditor, the applicable municipal or independent nonprofit firefighting corporation budget, if requested to be filed by the state auditor, and any other relevant documents or reports obtained by the state auditor.

(c) The municipality or independent nonprofit firefighting corporation and the associated relief association are not eligible to receive or to retain fire state aid if:

(1) the relief association fails to prepare or to file the financial report or financial statement under section 69.051;

(2) the relief association treasurer is not bonded in the manner and in the amount required by section 69.051, subdivision 2;

(3) the relief association officers fail to determine or improperly determine the accrued liability and the annual accruing liability of the relief association under section 424A.092, subdivisions 2, 2a, and 3, paragraph (c), clause (2), if applicable;

(4) if applicable, the relief association officers fail to obtain and file a required actuarial valuation or the officers file an actuarial valuation that does not contain the special fund actuarial liability

calculated under the entry age normal actuarial cost method, the special fund current assets, the special fund unfunded actuarial accrued liability, the special fund normal cost under the entry age normal actuarial cost method, the amortization requirement for the special fund unfunded actuarial accrued liability by the applicable target date, a summary of the applicable benefit plan, a summary of the membership of the relief association, a summary of the actuarial assumptions used in preparing the valuation, and a signed statement by the actuary attesting to its results and certifying to the qualifications of the actuary as an approved actuary under section 356.215, subdivision 1, paragraph (c);

(5) the municipality failed to provide a municipal contribution, or the independent nonprofit firefighting corporation failed to provide a corporate contribution, in the amount equal to the minimum municipal obligation if the relief association is governed under section 424A.092, or the amount necessary, when added to the fire state aid actually received in the plan year in question, to at least equal in total the calculated annual financial requirements of the special fund of the relief association if the relief association is governed under section 424A.093, and, if the municipal or corporate contribution is deficient, the municipality failed to include the minimum municipal obligation certified under section 424A.092, subdivision 3, or 424A.093, subdivision 5, in its budget and tax levy or the independent nonprofit firefighting corporation failed to include the minimum corporate obligation certified under section 424A.094, subdivision 2, in the corporate budget;

(6) the defined benefit relief association did not receive municipal ratification for the most recent plan amendment when municipal ratification was required under section 424A.02, subdivision 10; 424A.092, subdivision 6; or 424A.093, subdivision 6;

(7) the relief association invested special fund assets in an investment security that is not authorized under section 424A.095;

(8) the relief association had an administrative expense that is not authorized under section 69.80 or 424A.05, subdivision 3, or the municipality had an expenditure that is not authorized under section 424A.08;

(9) the relief association officers fail to provide a complete and accurate public pension plan investment portfolio and performance disclosure under section 356.219;

(10) the relief association fails to obtain the acknowledgment from a broker of the statement of investment restrictions under section 356A.06, subdivision 8b;

(11) the relief association officers permitted to occur a prohibited transaction under section 356A.06, subdivision 9, or 424A.04, subdivision 2a, or failed to undertake correction of a prohibited transaction that did occur; or

(12) the relief association pays a defined benefit service pension in an amount that is in excess of the applicable service pension maximum under section 424A.02, subdivision 3.

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

Sec. 23. Minnesota Statutes 2016, section 424A.094, subdivision 3, is amended to read:

Subd. 3. **Authorized pension disbursements.** Authorized disbursements of assets of the special fund of the subsidiary relief association of the independent nonprofit firefighting corporation shall be governed by the provisions of section 424A.05.

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

Sec. 24. Minnesota Statutes 2016, section 424A.10, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section:

(1) "qualified recipient" means ~~an individual~~ a volunteer firefighter who receives a lump-sum distribution of pension or retirement benefits from a volunteer firefighters relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan ~~for service that the individual has performed as a volunteer firefighter;~~

(2) "survivor of a deceased active or deferred volunteer firefighter" means the surviving spouse of a deceased active or deferred volunteer firefighter or, if none, the surviving child or children of a deceased active or deferred volunteer firefighter;

(3) "active volunteer firefighter" means a person who:

(i) regularly renders fire suppression service, the performance or supervision of authorized fire prevention duties, or the performance or supervision of authorized emergency medical response activities for a municipal fire department or an independent nonprofit firefighting corporation, who;

(ii) has met the statutory and other requirements for relief association membership; ~~and who~~

(iii) is deemed by the relief association under law and its bylaws to be a fully qualified member of the relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for at least one month; ~~and~~

(4) "deferred volunteer firefighter" means a former active volunteer firefighter who:

(i) terminated active firefighting service, the performance or supervision of authorized fire prevention duties, or the performance or supervision of authorized emergency medical response activities; and

(ii) has sufficient service credit from the applicable relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan to be entitled to a service pension under the bylaws of the relief association, but has not applied for or has not received the service pension; ~~and~~

(5) "volunteer firefighter" includes an individual whose services were utilized to perform or supervise fire prevention duties if authorized under section 424A.01, subdivision 5, and individuals whose services were used to perform emergency medical response duties or supervise emergency medical response activities if authorized under section 424A.01, subdivision 5a.

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

Sec. 25. Minnesota Statutes 2016, section 424B.20, subdivision 4, is amended to read:

Subd. 4. **Benefit trust fund establishment.** (a) After the settlement of nonbenefit legal obligations of the special fund of the volunteer firefighters relief association under subdivision 3, the board of the relief association shall transfer the remaining assets of the special fund, as securities or in cash, as applicable, to the chief financial official of the municipality in which the associated fire department was located if the fire department was a municipal fire department or to the chief financial official of the municipality with the largest population served by the fire department if the fire department was an independent nonprofit firefighting corporation. If the fire department was a joint powers entity, the remaining assets of the special fund shall be transferred to the chief financial official of the municipality designated as the fiscal agent in the joint powers agreement or, if the agreement does not designate a municipality as the fiscal agent, the remaining assets of the special fund shall be transferred to the chief financial official of the municipality with the largest population served by the joint powers fire department. The board shall also compile a schedule of the relief association members to whom a service pension is or will be owed, any beneficiary to whom a benefit is owed, the amount of the service pension or benefit payable based on the applicable bylaws and state law and the service rendered to the date of the dissolution, and the date on which the pension or benefit would first be payable under the bylaws of the relief association and state law.

(b) ~~The municipality in which is located~~ receiving the remaining assets of the special fund of a volunteer firefighters relief association that is dissolving under this section shall establish a separate account in the municipal treasury which must function as a trust fund for members of the volunteer firefighters relief association and their beneficiaries to whom the volunteer firefighters relief association owes a service pension or other benefit under the bylaws of the relief association and state law. Upon proper application, on or after the initial date on which the service pension or benefit is payable, the municipal treasurer shall pay the pension or benefit due, based on the schedule prepared under paragraph (a) and the other records of the dissolved relief association. The trust fund under this section must be invested and managed consistent with chapter 356A and section 424A.095. Upon payment of the last service pension or benefit due and owing, any remaining assets in the trust fund cancel to the general fund of the municipality: or, if the fire department was a joint powers entity, any remaining assets in the trust fund cancel to the general fund of each municipality that was a contracting party to the joint powers agreement as specified in the joint powers agreement. If the joint powers agreement does not specify how the remaining assets are to be distributed among the contracting parties, each of the contracting parties shall receive a pro rata share of the remaining assets based on the proportion of total operating contributions each contracting municipality made to the joint powers entity over the most recent ten calendar years. If the special fund of the volunteer firefighters relief association had an unfunded actuarial accrued liability upon dissolution, the municipality is liable for that unfunded actuarial accrued liability. If the fire department was a joint powers entity, the contracting municipalities are liable for their share of the unfunded actuarial accrued liability as specified in the joint powers agreement. If the joint powers agreement does not specify liability for any unfunded actuarial accrued liability, the contracting municipalities are liable for their pro rata share of the unfunded actuarial accrued liability based on the proportion of total operating contributions each contracting municipality made to the joint powers entity over the most recent ten calendar years.

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

Sec. 26. **EDEN PRAIRIE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION SERVICE PENSIONS; RETURN TO ACTIVE SERVICE.**

(a) Notwithstanding any provision of Minnesota Statutes, section 424A.01, subdivision 6, section 424A.02, subdivision 2, or any other provision of law to the contrary, if the bylaws of the Eden Prairie volunteer firefighters relief association so provide, a former firefighter who has received a lump-sum service pension or is receiving a monthly benefit service pension and returns to active relief association membership under Minnesota Statutes, section 424A.01, subdivision 6, paragraph (b), is entitled to receive an unreduced lump-sum service pension for the resumption service period if the firefighter completes at least three years of active service as an active member of the fire department during the resumption service period and completes at least three years of active membership with the relief association during the resumption service period.

(b) A lump-sum service pension must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of the resumption service. No firefighter may be paid a service pension more than once for the same period of service. Payment of a lump-sum service pension shall have no effect on the firefighter's previous service pension.

EFFECTIVE DATE. This section is effective the day after the Eden Prairie City Council and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. CITY OF AUSTIN; ALLOCATION OF FIRE STATE AID FOR FIREFIGHTERS.

(a) Notwithstanding any law to the contrary, the city of Austin must annually:

(1) determine the amount of state aid required under the bylaws of the Austin Parttime Firefighters Relief Association to fund the volunteer firefighters' service pensions;

(2) transmit to the Austin Parttime Firefighters Relief Association any supplemental state aid received under Minnesota Statutes, section 423A.022;

(3) transmit to the Austin Parttime Firefighters Relief Association an amount of fire state aid under Minnesota Statutes, sections 69.011 to 69.051, equal to the difference between the amount determined under clause (1) and the amount transmitted under clause (2); and

(4) transmit the remaining balance of fire state aid under Minnesota Statutes, sections 69.011 to 69.051, for the payment of the employer contribution requirements for firefighters covered by the public employees police and fire retirement plan under Minnesota Statutes, section 353.65, subdivision 3.

(b) Notwithstanding Minnesota Statutes, section 69.031, subdivision 5, the city of Austin has no liability to the relief association related to payments it made or will make to the public employees police and fire retirement plan from fire state aid for 2013, 2014, 2015, 2016, and 2017.

(c) This section expires July 1, 2018.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Austin and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively from January 1, 2013.

Sec. 28. **FIRE STATE AID WORK GROUP.**

(a) The executive director of the Public Employees Retirement Association shall convene a Fire State Aid Work Group to study and make recommendations to the Legislative Commission on Pensions and Retirement on:

(1) the current requirement that all fire state aid provided to municipalities with firefighters as defined in section 424A.001, subdivision 10, or 353G.01, subdivision 15, must be used to fund service pensions governed by chapter 424A or 353G; and

(2) modifying the requirement to allow municipalities to allocate a portion of fire state aid to pay employer contributions on behalf of firefighters covered by the public employees police and fire retirement plan under section 353.65, subdivision 3.

(b) In making recommendations with information provided by Public Employees Retirement Association and Legislative Commission on Pensions and Retirement staff, the work group shall consider:

(1) the history and purpose of fire state aid;

(2) the history, purpose, and utilization of Minnesota Statutes 2012, section 353A.10, subdivision 6, which allowed certain municipalities to allocate a portion of fire state aid to pay public employees police and fire employer contributions;

(3) the impact on current volunteer firefighters, volunteer firefighter recruitment and retention, and municipalities if fire state aid is allocated between service pensions and public employees police and fire employer contributions; and

(4) a presentation by a city of Austin official and a representative from the Austin Part-Time Firefighters Relief Association on the city of Austin's current allocation of fire state aid.

(c) Members of the work group shall include:

(1) Two representative of Minnesota cities, appointed by the League of Minnesota Cities;

(2) Two representatives of Minnesota fire chiefs, who are fire chiefs from fire departments with both volunteer firefighters covered by either a volunteer firefighter relief association governed by Chapter 424A or the voluntary statewide volunteer firefighter retirement plan governed by Chapter 353G and firefighters covered by the public employees police and fire retirement plan governed by section 353.64, appointed by the Minnesota State Fire Chiefs Association;

(3) Two representatives of Minnesota volunteer firefighters, who are active volunteer firefighters, appointed by the Minnesota State Fire Departments Association;

(4) One representative of the Office of the State Auditor, designated by the state auditor; and

(5) One representative of the Department of Revenue, designated by the commissioner of revenue.

(d) The work group shall elect a chair from among its members.

(e) The work group shall submit a report by December 31, 2017, that contains the work group's recommendations to the chair, vice-chair, and executive director of the Legislative Commission on Pensions and Retirement. The report shall include recommendations regarding:

(1) municipalities allocating a portion of fire state aid to pay employer contributions to the public employees police and fire retirement plan;

(2) implementation of policies if fire state aid is divided, including the determination of:

(i) the entities that will decide how the fire state aid is allocated;

(ii) how the allocation will be documented;

(iii) how the allocation may be amended, if at all;

(iv) what entity allocates the fire state aid, and

(v) whether a government agency must monitor and enforce the allocation;

(3) the scope of allowable allocations of fire state aid; and

(4) other issues the work group determines are relevant.

(e) The work group expires the day following the last day of the 2018 legislative session.

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

Sec. 29. **REPEALER.**

Minnesota Statutes 2016, section 424A.02, subdivision 13, is repealed.

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

ARTICLE 16

MSRS-ADMINISTERED RETIREMENT PLAN MODIFICATIONS

Section 1. Minnesota Statutes 2016, section 352.113, subdivision 2, is amended to read:

Subd. 2. **Application; accrual of benefits.** (a) An employee making claim for a total and permanent disability benefit, or someone acting on behalf of the employee upon proof of authority satisfactory to the director, shall file a written application for benefits in the office of the system on or before the deadline specified in subdivision 4, paragraph (g).

(b) The application must be in a form and manner prescribed by the executive director.

(c) The benefit shall begin to accrue the day following the start of disability or the day following the last day paid, whichever is later, but not earlier than 180 days before the date the application is filed with the director.

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

Sec. 2. Minnesota Statutes 2016, section 352.91, subdivision 3f, is amended to read:

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

(b) The employment positions are:

- (1) behavior analyst 2;
- (2) behavior analyst 3;
- (3) certified occupational therapy assistant 1;
- (4) certified occupational therapy assistant 2;
- (5) chemical dependency counselor senior;
- (6) client advocate;
- (7) clinical program therapist 2;
- (8) clinical program therapist 3;
- (9) clinical program therapist 4;
- (10) customer services specialist principal;
- (11) dental assistant registered;
- (12) group supervisor;
- (13) group supervisor assistant;
- (14) human services support specialist;
- (15) licensed alcohol and drug counselor;
- (16) licensed practical nurse;
- (17) management analyst 3;
- (18) occupational therapist;
- (19) occupational therapist, senior;
- (20) physical therapist;
- ~~(20)~~ (21) psychologist 1;

- ~~(21)~~ (22) psychologist 2;
- ~~(22)~~ (23) psychologist 3;
- ~~(23)~~ (24) recreation program assistant;
- ~~(24)~~ (25) recreation therapist lead;
- ~~(25)~~ (26) recreation therapist senior;
- ~~(26)~~ (27) rehabilitation counselor senior;
- ~~(27)~~ (28) security supervisor;
- ~~(28)~~ (29) skills development specialist;
- ~~(29)~~ (30) social worker senior;
- ~~(30)~~ (31) social worker specialist;
- ~~(31)~~ (32) social worker specialist, senior;
- ~~(32)~~ (33) special education program assistant;
- ~~(33)~~ (34) speech pathology clinician;
- ~~(34)~~ (35) work therapy assistant; and
- ~~(35)~~ (36) work therapy program coordinator.

EFFECTIVE DATE. This section is effective on the first day of the first payroll period occurring after the date of enactment and applies to prospective service only.

Sec. 3. Minnesota Statutes 2016, section 352.91, subdivision 3g, is amended to read:

Subd. 3g. **Additional Corrections Department personnel.** (a) "Covered correctional service" means service by a state employee in one of the employment positions specified in paragraph (b) if at least 75 percent of the employee's working time is spent in direct contact with inmates and the determination of this direct contact is certified to the executive director by the commissioner of corrections.

(b) The qualifying employment positions are:

- (1) corrections discipline unit supervisor;
- (2) dental assistant registered;
- (3) dental hygienist;
- (4) food service supervisor;
- (5) medical assistant, certified;

(6) psychologist 2; and

(5) (7) sentencing to service crew leader involved with the inmate community work crew program.

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

Sec. 4. Minnesota Statutes 2016, section 352.91, is amended by adding a subdivision to read:

Subd. 4c. Department of Human Services; procedure for coverage change considerations.

(a) The commissioner of human services shall appoint a standing review committee to review and determine classifications or positions that may be included in legislative requests for correctional state employees retirement plan coverage under subdivision 4a.

(b) The department's human resources director shall convene a meeting of the review committee only at the request of a labor organization or a member of the department's management team.

(c) The review committee must review all requests and the supporting documentation for coverage by the correctional state employees retirement plan and must make a recommendation to the commissioner regarding which classifications or positions meet the statutory requirements for coverage. The review committee must also make a recommendation to the commissioner regarding classifications or positions that no longer meet the statutory requirement for coverage by the correctional state employees retirement plan and removal of the classification or position from the applicable statute.

(d) The department's human resources director must provide a notice of each determination and of the employee's right to appeal the determination. Appeals must be filed with the department's human resources director within 30 days of the date of the notice of determination.

(e) The commissioner of human services shall review appeals of determinations for coverage. The commissioner's determinations are final.

(f) All classifications or positions recommended by the review committee for inclusion in or exclusion from the correctional state employees retirement plan must be forwarded to the commissioner of human services for the preparation of legislation to implement the coverage change and submission. If the commissioner determines that the employment position is appropriate for inclusion in or exclusion from the correctional state employees retirement plan, the commissioner shall submit a written recommendation documenting classifications or positions that should or should not be covered by the correctional state employees retirement plan. The department's human resources director must retain the documentation of each request and the final determination.

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

Sec. 5. Minnesota Statutes 2016, section 352D.06, subdivision 1, is amended to read:

Subdivision 1. **Annuity; reserves.** When a participant attains at least age 55, terminates from covered service, and applies for a retirement annuity, the cash value of the participant's shares must be transferred to the general state employees retirement fund and ~~must~~ be used to provide an annuity for the ~~retired employee participant~~ based upon the participant's age when the benefit begins to

~~accrue according to the reserve basis used by the general state employees retirement plan in determining pensions and reserves.~~

(a) Except for participants described in paragraph (b), the monthly amount of the annuity must be determined using the actuarial assumptions in effect for the general state employees retirement plan under section 356.215 on the accrual date.

(b) For any participant who retires on or after July 1, 2017, and before July 1, 2020, when the participant is at least age 63 or has had at least 26 years of covered service, the monthly amount of the annuity must be determined using the actuarial assumptions in effect for the general state employees retirement plan under section 356.215 on June 30, 2016.

Subd. 1a. **Postretirement adjustments.** The annuity under this subdivision 1 is eligible for postretirement adjustments under section 356.415.

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

Sec. 6. Minnesota Statutes 2016, section 352F.04, subdivision 1, is amended to read:

Subdivision 1. **Enhanced augmentation rates.** ~~(a) The deferred annuity of a terminated hospital employee who attained that status before June 2, 2006, is subject to augmentation under Minnesota Statutes 1994, section 352.72, subdivision 2, except that the rate of augmentation is 5.5 percent compounded annually until to be applied each January 1 is the following the year in which the person attains age 55.:~~

<u>January 1, 2018</u>	<u>4.5 percent</u>
<u>January 1, 2019</u>	<u>3.75 percent</u>
<u>January 1, 2020</u>	<u>3.0 percent</u>
<u>January 1, 2021</u>	<u>2.25 percent</u>
<u>January 1, 2022</u>	<u>1.5 percent</u>
<u>January 1, 2023</u>	<u>0.75 percent</u>

After December 31, 2023, the deferred annuity must not be augmented.

Augmentation for each year is effective as of January 1 of that year.

~~From that date to the effective date of retirement, the augmentation rate is 7.5 percent compounded annually.~~

~~(b) If a terminated hospital employee attained that status on or after June 2, 2006, the augmentation rate is four percent compounded annually until January 1, following the year in which the person attains age 55. From that date to the effective date of retirement, the augmentation rate is six percent compounded annually.~~

Sec. 7. Minnesota Statutes 2016, section 352F.04, subdivision 2, is amended to read:

Subd. 2. **Exceptions Exception.** The ~~increased~~ enhanced augmentation rates specified in subdivision 1 do not apply if the terminated hospital employee:

~~(1) becomes covered again by a retirement plan enumerated in section 356.30, subdivision 3; or~~

~~(2) begins receipt of a retirement annuity under chapter 352 before age 62 while employed by the employer which assumed operations of the medical facility or other public employing unit or purchased the medical facility or other public employing unit.~~

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

Sec. 8. Minnesota Statutes 2016, section 352F.04, is amended by adding a subdivision to read:

Subd. 3. Return to covered employment. (a) If a terminated hospital employee becomes covered by a retirement plan enumerated in section 356.30, subdivision 3, the employee shall be entitled to whichever of the following annuities produces the highest monthly payment:

(1) the deferred annuity and augmentation to which the employee would have been entitled under subdivision 1 reduced by the dollar amount of any annuity earned under any enumerated retirement plan after the effective date defined in section 352F.02, subdivision 3;

(2) a combined service annuity calculated under section 356.30; or

(3) an annuity calculated under section 352.72 for coverage by more than one retirement system using the augmentation rates set forth in section 352.72, subdivision 2, paragraph (a).

(b) This subdivision applies to any terminated hospital employee who begins to receive a retirement annuity under chapter 352 on or after July 1, 2015.

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

Sec. 9. **ANNUITY ADJUSTMENT.**

Under Minnesota Statutes, section 352F.04, subdivision 3, if any terminated hospital employee began to receive a retirement annuity under Minnesota Statutes, chapter 352, as adjusted under Minnesota Statutes, chapter 352F, on or after July 1, 2015, but prior to the effective date of this section, the terminated hospital employee's annuity must be recalculated under Minnesota Statutes, section 352F.04, subdivision 3, and, if the monthly amount as recalculated exceeds the monthly amount being received by the terminated hospital employee, the Minnesota State Retirement System shall:

(1) begin paying the recalculated monthly amount as of the first payment date after the effective date of this section; and

(2) pay the sum of the difference between the amount the terminated hospital employee received each month since commencement of the annuity and the amount the terminated hospital employee would have received under Minnesota Statutes, section 352F.04, subdivision 3, for that month. The sum of the difference each month shall be paid in a lump sum to the terminated hospital employee along with the first payment of the recalculated amount under clause (1).

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

Sec. 10. **COVERAGE TRANSFER DATES.**

(a) The coverage transfer under Minnesota Statutes, section 352.91, subdivision 3g, paragraph (b), clause (4), also covers employment in that position on or after April 18, 2016, for purposes of Minnesota Statutes, section 352.955, subdivisions 1, 3, 4, 5, and 6.

(b) The coverage change under Minnesota Statutes, section 352.91, subdivision 3g, paragraph (b), clause (5), is prospective only.

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

ARTICLE 17

PERA-ADMINISTERED RETIREMENT PLAN MODIFICATIONS

Section 1. Minnesota Statutes 2016, section 353.01, subdivision 43, is amended to read:

Subd. 43. **Line of duty death.** "Line of duty death" means:

(1) a death that occurs while performing or as a direct result of performing normal or less frequent duties which are specific to protecting the property and personal safety of others and that present inherent dangers that are specific to the positions covered by the public employees police and fire plan; or

(2) a death that is determined by the commissioner of public safety to meet the requirements of section 299A.41, subdivision 3.

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

Sec. 2. Minnesota Statutes 2016, section 353G.01, subdivision 9, is amended to read:

Subd. 9. **Municipality.** "Municipality" means a governmental entity specified in section 69.011, subdivision 1, paragraph (b), clauses (1), (2), and (5); a city or township that has entered into a contract with an independent nonprofit firefighting corporation, or a city or township that has entered into a contract with a joint powers entity established under section 471.59.

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

Sec. 3. Minnesota Statutes 2016, section 353G.01, is amended by adding a subdivision to read:

Subd. 9a. **Relief association.** "Relief association" means a volunteer firefighter relief association established under chapter 424A to which records, assets, and liabilities related to lump-sum or monthly benefits for active and former firefighters will be transferred from the retirement fund upon satisfaction of the requirements of section 353G.17.

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

Sec. 4. Minnesota Statutes 2016, section 353G.02, subdivision 6, is amended to read:

Subd. 6. **Initial administrative expenses of the monthly benefit retirement division; allocation of reimbursement.** ~~(a)~~ The administration expenses incurred by the Public Employees Retirement Association in the establishment of the monthly benefit retirement division of the voluntary statewide volunteer firefighter retirement plan, including any computer programming expenses and any actuarial consultant expenses, are payable from the assets of the initial monthly benefit volunteer firefighter relief association that elects to transfer its administration to the voluntary statewide volunteer firefighter retirement plan, following the transfer of assets.

~~(b) The administrative expenses in excess of \$33,600 paid under paragraph (a) must be reimbursed by the next nine monthly benefit volunteer firefighter relief associations that transfer plan administration to the voluntary statewide volunteer firefighter retirement plan. The reimbursement charge for each of the nine is three-tenths of one percent of the market value of assets of the volunteer firefighter relief association as of December 31, 2012. The reimbursement amounts, up to the amount of administrative expenses actually incurred under paragraph (a) in excess of \$33,600, must be credited to the account of the fire department associated with the former monthly benefit volunteer firefighter relief association that first transferred plan administration to the volunteer firefighter retirement plan.~~

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

Sec. 5. Minnesota Statutes 2016, section 353G.03, subdivision 3, is amended to read:

Subd. 3. **Composition.** (a) The advisory board consists of ~~eight~~ ten members.

(b) The advisory board members are:

(1) one representative of Minnesota townships, appointed by the Minnesota Association of Townships;

(2) two representatives of Minnesota cities, appointed by the League of Minnesota Cities;

(3) one representative of Minnesota fire chiefs, who is a fire chief, appointed by the Minnesota State Fire Chiefs Association;

(4) two representatives of Minnesota volunteer firefighters, all who are active volunteer firefighters, one of whom is covered by the lump-sum retirement division and one of whom is covered by the monthly benefit retirement division, appointed by the Minnesota State Fire Chiefs Association;

(5) ~~one representative~~ three representatives of Minnesota volunteer firefighters who ~~is~~ are covered by the lump-sum retirement division, appointed by the Minnesota State Fire Departments Association; and

(6) one representative of the Office of the State Auditor, designated by the state auditor.

Sec. 6. Minnesota Statutes 2016, section 353G.08, subdivision 3, is amended to read:

Subd. 3. **Authorized account disbursements.** The assets of a lump-sum retirement account or of a monthly benefit retirement account of the retirement fund may only be disbursed for:

- (1) the administrative expenses of the retirement plan;
- (2) the investment expenses of the retirement fund;
- (3) the service pensions payable under section 353G.10, 353G.11, 353G.14, or 353G.15;
- (4) the survivor benefits payable under section 353G.12; ~~and~~
- (5) the disability benefit coverage insurance premiums under section 353G.115; and
- (6) a transfer of assets under section 353G.17.

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

Sec. 7. Minnesota Statutes 2016, section 353G.11, subdivision 1, is amended to read:

Subdivision 1. **Service pension levels; lump-sum retirement division.** Except as provided in subdivision 1a, the lump-sum retirement division of the retirement plan provides the following levels of service pension amounts per full year of good time service credit to be selected at the election of coverage:

- (1) a minimum service pension level of \$500 per year;
- (2) a maximum service pension level ~~of \$7,500 per year~~ equal to the largest amount permitted under section 424A.02, subdivision 3, paragraph (d), as a maximum lump-sum service pension amount payable for each year of service; and
- (3) ~~69~~ service pension levels between the minimum level and the maximum level in \$100 increments.

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

Sec. 8. **[353G.17] TRANSFER AUTHORIZED.**

Subdivision 1. **Entity to initiate transfer.** (a) An entity operating a fire department with firefighters who are covered by the retirement plan may initiate the transfer of records, assets, and liabilities related to the firefighters' lump-sum or monthly benefits under the retirement plan to a relief association that, at the time of the transfer, will be associated with the entity. The entity may be a municipality, an independent nonprofit firefighting corporation, or a joint powers entity.

- (b) A transfer is initiated by filing with the executive director the following:
 - (1) a notice of intent to initiate a transfer;
 - (2) a copy of the resolutions of the entity approving the transfer of records, assets, and liabilities from the retirement plan to a relief association; and
 - (3) for each firefighter, the firefighter's name, address, telephone number, and e-mail address, if any.
- (c) The notice shall inform the executive director of the following:

(1) the transfer effective date, which shall comply with paragraph (d);

(2) the name of the relief association and the municipality, independent nonprofit firefighting corporation, or joint powers entity with which the relief association is associated; and

(3) a summary of the type and level of pension or retirement benefits, including any ancillary benefits, provided by the relief association or, in the case of a new relief association, to be provided, and related terms and conditions.

(d) If the notice of intent to transfer is filed with the executive director before September 1, the transfer takes effect on the next January 1. If the notice of intent to transfer is filed after August 31, the transfer takes effect on the January 1 following the one-year anniversary of the filing of the notice.

Subd. 2. **Approval by the relief association.** (a) Before a transfer of records, assets, and liabilities from the retirement plan to a relief association may occur, the board of trustees of the relief association shall adopt resolutions as follows:

(1) approving and accepting the transfer of records, assets, and liabilities from the retirement plan; and

(2) amending the bylaws of the relief association as necessary to add the firefighters whose benefits are being transferred from the retirement plan and to provide that each benefit being transferred retains vesting, distribution, and other rights to which the firefighter, for whom the benefit is being transferred, is entitled under the terms of the retirement plan to the date of the transfer.

The board of trustees shall file a copy of the resolutions with the executive director.

(b) The board of trustees of the relief association shall file with the state auditor the following:

(1) a copy of the resolutions required under paragraph (a);

(2) a copy of the bylaws of the relief association and any bylaw amendments;

(3) a copy of the relief association's investment policy;

(4) a statement that a board of trustees has been duly elected and each trustee's name, address, telephone number, and e-mail address, if any;

(5) a copy of the most recent annual financial, investment, and plan administration report filed under section 69.051, unless the due date for the first such report has not yet occurred; and

(6) a copy of the documentation indicating that a special fund has been established with a financial institution to receive a transfer of assets from the retirement plan.

(c) Upon receipt of the information and documents required under paragraph (b), the state auditor shall issue to the relief association and the executive director written confirmation of receipt of all required information and documents.

Subd. 3. **Approval by the firefighters.** (a) A transfer under subdivision 1 shall not occur unless the active firefighters whose benefits are to be transferred from the retirement plan to a relief association approve the transfer by a vote of the firefighters conducted by the executive director.

(b) The approval of the firefighters shall be determined by a vote of all active firefighters whose benefits are to be transferred. An affirmative vote of a majority of the firefighters voting shall constitute approval.

(c) The executive director shall provide a voting ballot and the following to each active firefighter:

(1) a summary of the benefits currently provided to the firefighters under the retirement plan;

(2) a copy of the resolutions of the municipality approving the transfer;

(3) a copy of the resolutions of the board of trustees approving the transfer;

(4) a copy of the notice of intent to transfer required under subdivision 1;

(5) a copy of the state auditor's confirmation required under subdivision 2, paragraph (c); and

(6) the instructions and time frame for voting. Firefighters shall be given no less than 30 days in which to vote.

(d) The vote of any firefighter, including whether or not the firefighter voted, shall not be disclosed to any officer or member of the staff of the municipality or to any officer, trustee, or member of the staff of the relief association.

(e) The executive director shall tally the votes and report the results to the relief association and the municipality.

Subd. 4. **Transfer process.** (a) Upon completion of the actions required under subdivisions 1 to 3, the retirement plan shall transfer to the relief association as of the effective date identified in the notice under subdivision 1, the records, assets, and liabilities related to the former and current firefighters with benefits under the retirement plan, along with any assets in excess of liabilities credited to the lump-sum account or the monthly benefit retirement account attributable to the firefighters and the municipality.

(b) The executive director:

(1) shall transfer the assets in cash;

(2) shall transfer any accounts receivable associated with the lump-sum account or monthly benefit retirement account;

(3) shall settle any accounts payable from the account before the transfer; and

(4) may deduct from the assets to be transferred reasonable costs incurred by the retirement plan to conduct the voting process and complete the transfer.

Subd. 5. Relief association obligations and rights upon transfer from the retirement plan.

(a) Upon transfer of the assets of the lump-sum account or monthly benefit retirement account, the pension liabilities attributable to the benefits for the former and current firefighters shall become the obligation of the special fund of the relief association.

(b) Upon the transfer of the assets of the lump-sum account or monthly benefit retirement account, the board of trustees of the relief association has legal title to and management responsibility for the transferred assets as trustees for persons having a beneficial interest in those assets arising out of the benefit coverage provided by the account.

(c) The relief association is the successor in interest with respect to all claims against the retirement plan relating to the transferred lump-sum account or monthly benefit retirement account, except for claims alleging any act or acts by the retirement plan or its fiduciaries that were not done in good faith or that constituted a breach of fiduciary responsibility under chapter 356A.

(d) The value of each volunteer firefighter's benefit in the retirement plan on the day before the asset transfer shall be no less than the value of the volunteer firefighter's benefit on the day after the asset transfer. The relief association shall give credit, with respect to each firefighter whose benefit is being transferred, for all past service, including service credit with the retirement plan and with any predecessor relief association, to the extent credit is given for such service in the records of the retirement plan for that firefighter.

(e) Upon completion of the transfer of records, assets, and liabilities, the executive director shall provide written notice to the state auditor, the commissioner of revenue, and the secretary of state that the transfer is complete.

Subd. 6. Failure to obtain approval, certification, or verification. If the municipality, board of trustees, or firefighters fail to approve the transfer under subdivision 1, 2, or 3 or the requirements of subdivision 2, paragraph (b), are not met, the transfer of records, assets, and liabilities from the retirement plan to the relief association shall not occur.

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

Sec. 9. BROOK PARK; LOWERING SERVICE PENSION LEVEL.

(a) Notwithstanding any law to the contrary, the Public Employees Retirement Association must lower the annual service pension level for the Brook Park lump-sum account benefits payable to its volunteer firefighters under Minnesota Statutes, section 353G.11, subdivision 2, from \$1,200 to \$600, retroactively from January 1, 2016.

(b) The city of Brook Park must annually review the service pension level to determine if the level is appropriate, taking into account the city's need to recruit and retain volunteer firefighters.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective the day after the governing body of the city of Brook Park and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 18**GENERALLY APPLICABLE RETIREMENT CHANGES**

Section 1. Minnesota Statutes 2016, section 356.24, subdivision 1, is amended to read:

Subdivision 1. **Restriction; exceptions.** It is unlawful for a school district or other governmental subdivision or state agency to levy taxes for or to contribute public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than:

(1) to a supplemental pension plan that was established, maintained, and operated before May 6, 1971;

(2) to a plan that provides solely for group health, hospital, disability, or death benefits;

(3) to the individual retirement account plan established by chapter 354B;

(4) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;

(5) for employees other than personnel employed by the Board of Trustees of the Minnesota State Colleges and Universities and covered under the Higher Education Supplemental Retirement Plan under chapter 354C, but including city managers covered by an alternative retirement arrangement under section 353.028, subdivision 3, paragraph (a), or by the defined contribution plan of the Public Employees Retirement Association under section 353.028, subdivision 3, paragraph (b), if the supplemental plan coverage is provided for in a personnel policy of the public employer or in the collective bargaining agreement between the public employer and the exclusive representative of public employees in an appropriate unit or in the individual employment contract between a city and a city manager, and if for each available investment all fees and historic rates of return for the prior one-, three-, five-, and ten-year periods, or since inception, are disclosed in an easily comprehended document not to exceed two pages, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of one-half of the available elective deferral permitted per year per employee, under the Internal Revenue Code:

(i) to the state of Minnesota deferred compensation plan under section 352.965;

(ii) in payment of the applicable portion of the contribution made to any investment eligible under section 403(b) of the Internal Revenue Code, if the employing unit has complied with any applicable pension plan provisions of the Internal Revenue Code with respect to the tax-sheltered annuity program during the preceding calendar year; or

(iii) any other deferred compensation plan offered by the employer under section 457 of the Internal Revenue Code;

(6) for personnel employed by the Board of Trustees of the Minnesota State Colleges and Universities and not covered by clause (5), to the supplemental retirement plan under chapter 354C, if the supplemental plan coverage is provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an

appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,700 a year for each employee;

(7) to a supplemental plan or to a governmental trust to save for postretirement health care expenses qualified for tax-preferred treatment under the Internal Revenue Code, if the supplemental plan coverage is provided for in a personnel policy or in the collective bargaining agreement of a public employer with the exclusive representative of the covered employees in an appropriate unit;

(8) to the laborers national industrial pension fund or to a laborers local pension fund for the employees of a governmental subdivision who are covered by a collective bargaining agreement that provides for coverage by that fund and that sets forth a fund contribution rate, but not to exceed an employer contribution of ~~\$5,000~~ \$7,000 per year per employee;

(9) to the plumbers and pipefitters national pension fund or to a plumbers and pipefitters local pension fund for the employees of a governmental subdivision who are covered by a collective bargaining agreement that provides for coverage by that fund and that sets forth a fund contribution rate, but not to exceed an employer contribution of \$5,000 per year per employee;

(10) to the international union of operating engineers pension fund for the employees of a governmental subdivision who are covered by a collective bargaining agreement that provides for coverage by that fund and that sets forth a fund contribution rate, but not to exceed an employer contribution of \$5,000 per year per employee;

(11) to a supplemental plan organized and operated under the federal Internal Revenue Code, as amended, that is wholly and solely funded by the employee's accumulated sick leave, accumulated vacation leave, and accumulated severance pay;

(12) to the International Association of Machinists national pension fund for the employees of a governmental subdivision who are covered by a collective bargaining agreement that provides for coverage by that fund and that sets forth a fund contribution rate, but not to exceed an employer contribution of \$5,000 per year per employee;

(13) for employees of United Hospital District, Blue Earth, to the state of Minnesota deferred compensation program, if the employee makes a contribution, in an amount that does not exceed the total percentage of covered salary under section 353.27, subdivisions 3 and 3a;

(14) to the alternative retirement plans established by the Hennepin County Medical Center under section 383B.914, subdivision 5; or

(15) to the International Brotherhood of Teamsters Central States pension plan for fixed-route bus drivers employed by the St. Cloud Metropolitan Transit Commission who are members of the International Brotherhood of Teamsters Local 638 by virtue of that employment.

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

Sec. 2. [356.631] ADDITIONAL SOURCES OF FUNDING.

Notwithstanding any other provision of law to the contrary, in addition to all sources of funding described in Minnesota Statutes, section 356.63, paragraphs (a) and (b), any public retirement plan

described in Minnesota Statutes, section 356.63, paragraph (b), is authorized to accept, at its discretion, for deposit in its fund the following:

- (1) gifts;
- (2) donations;
- (3) bequests; and
- (4) life insurance death benefits.

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

Sec. 3. **REPEALER.**

Minnesota Statutes 2016, sections 352.04, subdivision 11; and 353.34, subdivision 6, are repealed.

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

ARTICLE 19

SMALL GROUP RETIREMENT CHANGES

Section 1. **MSRS-GENERAL RETIREMENT ELIGIBILITY CLARIFICATION; SERVICE CREDIT PURCHASE IN CERTAIN INSTANCES.**

(a) Notwithstanding any provision of law to the contrary, an eligible person described in paragraph (b) is entitled to purchase prior uncredited service credit under paragraph (c) and, if the service credit purchase is made, to have an effective start date for active retirement plan membership of June 1, 1989, and to retire under Minnesota Statutes, section 352.116, subdivision 1.

(b) An eligible person is a person who:

(1) was born on the dates as follows:

<u>employee</u>	<u>birth date</u>
<u>A</u>	<u>October 2, 1968</u>
<u>B</u>	<u>June 12, 1965</u>
<u>C</u>	<u>August 10, 1958</u>
<u>D</u>	<u>April 29, 1963</u>
<u>E</u>	<u>April 11, 1955</u>
<u>F</u>	<u>August 13, 1966</u>
<u>G</u>	<u>April 22, 1961</u>
<u>H</u>	<u>December 31, 1958</u>
<u>I</u>	<u>October 10, 1966</u>
<u>J</u>	<u>February 4, 1961</u>
<u>K</u>	<u>August 21, 1963</u>
<u>L</u>	<u>January 23, 1960</u>

<u>M</u>	<u>September 19, 1966</u>
<u>N</u>	<u>November 3, 1961</u>
<u>O</u>	<u>June 13, 1958</u>
<u>P</u>	<u>June 23, 1954</u>
<u>Q</u>	<u>October 20, 1956</u>
<u>R</u>	<u>July 28, 1955</u>
<u>S</u>	<u>May 6, 1960</u>
<u>T</u>	<u>March 19, 1966</u>
<u>U</u>	<u>August 19, 1966</u>
<u>V</u>	<u>March 14, 1959</u>

(2) became an employee of the Minnesota Department of Transportation prior to July 1, 1989, in a position which was not covered by the general state employees retirement plan of the Minnesota State Retirement System;

(3) was eventually employed as a permanent employee after June 30, 1989, and covered by the general state employees retirement plan of the Minnesota State Retirement System on the dates as follows:

<u>employee</u>	<u>membership record date</u>
<u>A</u>	<u>September 27, 1989</u>
<u>B</u>	<u>September 27, 1989</u>
<u>C</u>	<u>September 26, 1989</u>
<u>D</u>	<u>September 27, 1989</u>
<u>E</u>	<u>September 26, 1989</u>
<u>F</u>	<u>September 13, 1989</u>
<u>G</u>	<u>September 1, 1989</u>
<u>H</u>	<u>September 27, 1989</u>
<u>I</u>	<u>September 27, 1989</u>
<u>J</u>	<u>September 13, 1989</u>
<u>K</u>	<u>September 13, 1989</u>
<u>L</u>	<u>September 26, 1989</u>
<u>M</u>	<u>August 30, 1989</u>
<u>N</u>	<u>September 26, 1989</u>
<u>O</u>	<u>September 13, 1989</u>
<u>P</u>	<u>September 27, 1989</u>
<u>Q</u>	<u>September 27, 1989</u>
<u>R</u>	<u>September 27, 1989</u>
<u>S</u>	<u>September 13, 1989</u>
<u>T</u>	<u>September 13, 1989</u>
<u>U</u>	<u>September 27, 1989</u>
<u>V</u>	<u>September 26, 1989</u>

(4) was sent annual statements by the Minnesota State Retirement System between July 1, 2005, and July 1, 2015, indicating eligibility for a retirement benefit under Minnesota Statutes, section 352.116, subdivision 1; and

(5) was sent notification from the Minnesota State Retirement System revising the start date for general state employees retirement plan membership from a date before July 1, 1989, to a date after June 30, 1989, and indicating consequent inapplicability of Minnesota Statutes, section 352.116, subdivision 1.

(c) An eligible person may purchase allowable service credit in the general state employees retirement plan of the Minnesota State Retirement System by paying an amount equal to the employer contributions and employee contributions that would have been paid from June 1, 1989, to the end of the month prior to the date the employee entered covered service plus interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually on the combined employer and employee contribution amount from the date the contributions would have been paid to the date the Minnesota State Retirement System receives payment for this service credit purchase. The payment must be made in a lump sum.

(d) An eligible person who purchases allowable service credit under paragraph (c) has a June 1, 1989, start date for the purpose of allowable service credited by the general state employees retirement plan of the Minnesota State Retirement System and is eligible for a retirement annuity under Minnesota Statutes, section 352.116, subdivision 1.

(e) Authority to purchase prior uncredited service credit under this section expires one year from the effective date of this section.

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

Sec. 2. PERA-GENERAL; PURCHASE OF SERVICE CREDIT FOR ST. CLOUD STATE UNIVERSITY EMPLOYEE.

(a) Notwithstanding any provision of law to the contrary, an eligible person described in paragraph (b) is entitled to purchase from the general employees retirement plan of the Public Employees Retirement Association allowable service credit under Minnesota Statutes, section 353.01, subdivision 16, for the period of service described in paragraph (c).

(b) An eligible person is a person who:

(1) was born on September 1, 1960;

(2) was an employee of St. Cloud State University on March 14, 2016;

(3) was a member of the general employees retirement plan of the Public Employees Retirement Association on March 14, 2016;

(4) was employed by St. Cloud Technical College on April 1, 1993, and was a member of the general employees retirement plan of the Public Employees Retirement Association; and

(5) changed employment within St. Cloud State University on February 22, 2006, and was erroneously placed into the higher education individual retirement account plan from February 22, 2006, until May 10, 2011, by the Minnesota State Colleges and Universities system.

(c) The period of uncredited service authorized for purchase is the period of February 22, 2006, until May 10, 2011, during which time the eligible person was erroneously placed into and contributed to the higher education individual retirement account plan.

(d) The eligible person's member contributions to the higher education individual retirement account plan must be transferred to the Public Employees Retirement Association with any earned investment returns on those contributions. The eligible person must pay the member contributions that the eligible person would have made to the Public Employees Retirement Association on the eligible person's compensation from the Minnesota State Colleges and Universities system for the period of service described in paragraph (c) as if the person had been covered by the Public Employees Retirement Association during the period, plus annual compound interest on that amount at the rate of 8.5 percent from February 22, 2006, until June 30, 2015, and eight percent from July 1, 2015, until the date on which payment is made to the Public Employees Retirement Association, less the transferred member contributions and investment earnings.

(e) Upon transfer of the equivalent member contribution amount and any additional payments under paragraph (d), the balance of the eligible person's higher education individual retirement account plan account must be transferred to the Public Employees Retirement Association within 60 days following the receipt of the eligible person's payment under paragraph (d).

(f) Upon the transfer of the amounts under paragraphs (d) and (e), the Minnesota State Colleges and Universities system shall pay the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.551, less any amounts received under paragraphs (d) and (e), within 60 days following the receipt of the eligible person's payment under paragraph (d).

(g) Upon the transfers and payments under paragraph (f), the eligible person must be credited by the Public Employees Retirement Association with allowable service credit for Minnesota State Colleges and Universities System employment from February 22, 2006, until May 10, 2011.

(h) Authority to make a service credit purchase under this section expires one year from the effective date of this section.

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

Sec. 3. TRA COVERAGE ELECTION AND PERA REFUND REPAYMENT AUTHORITY FOR CERTAIN MNSCU EMPLOYEE.

(a) Notwithstanding any provision of Minnesota Statutes, chapter 353 or 354B, to the contrary, an eligible person described in paragraph (b) is eligible to become a coordinated member of the Teachers Retirement Association and to purchase service and salary credit in the Teachers Retirement Association coordinated plan retroactively from July 1, 2001, upon repaying a member contribution refund taken from the general employees retirement plan of the Public Employees Retirement Association under paragraph (c), upon making an election under paragraph (e), and upon making all required payments under paragraphs (f) and (g).

(b) An eligible person is a person who:

(1) was born April 4, 1956;

(2) was employed by a governmental subdivision in 1995, with retirement coverage in the general employees retirement plan of the Public Employees Retirement Association, for which a refund of member contributions and interest was taken before 2001;

(3) was employed by St. Cloud State University in the late 1990s, with retirement coverage in the general state employees retirement plan of the Minnesota State Retirement System;

(4) was hired as an academic advisor by St. Cloud State University on July 1, 2001, with retirement coverage in the higher education individual retirement account plan; and

(5) was not informed of the option to elect Teachers Retirement Association coverage in the coverage election authorized by Minnesota Statutes 2001, section 354B.21, so remained in the higher education individual retirement account plan.

(c) The refund repayment required by Minnesota Statutes, section 356.551, subdivision 1, paragraph (c), must be calculated under Minnesota Statutes, section 353.35, subdivision 1, paragraph (c).

(d) Authority to repay a refund under this section expires one year from the effective date of this section.

(e) To be eligible for coverage by the Teachers Retirement Association, an eligible person must submit a written application to the executive director of the Teachers Retirement Association on a form provided by the Teachers Retirement Association. The application must include all documentation of the applicability of this section and any other relevant information that the executive director may require. Teachers Retirement Association plan membership commences after the date of the retirement coverage election under this section and past salary and service credit is granted for past Minnesota State Colleges and Universities system employment from July 1, 2001, until the executive director receives the written application specified in this paragraph and receipts of the payments specified in paragraphs (c), (f), and (g). Coverage by the Teachers Retirement Association is in lieu of coverage by the individual retirement account plan.

(f) If the eligible person makes the retirement coverage election under paragraph (e), the eligible person's member contributions to the higher education individual retirement account plan must be transferred to the Teachers Retirement Association with any earned investment returns on those contributions. If the transferred member contributions and investment earnings are less than the calculated amount of the member contributions that the eligible person would have made to the Teachers Retirement Association on the eligible person's compensation from the Minnesota State Colleges and Universities system for the period from July 1, 2001, to the date of the retirement coverage election if the person had been covered by the Teachers Retirement Association during the period, plus annual compound interest at the rate of 8.5 percent, then the eligible person shall pay the balance of that calculated member contribution obligation within 30 days of the retirement coverage election.

(g) Upon the transfer of the equivalent member contribution amount and any additional payment under paragraph (f), the balance of the eligible person's higher education individual retirement account plan account must be transferred to the Teachers Retirement Association. If the amounts under paragraph (f) and the individual retirement account plan balance under this paragraph are less than the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.551, the Minnesota State Colleges and Universities system shall pay the difference within 60 days of the retirement election date.

(h) The authority to make a retirement coverage election under this section expires one year from the effective date of this section.

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

Sec. 4. TRA COVERAGE FOR CERTAIN MESABI RANGE COMMUNITY AND TECHNICAL COLLEGE FACULTY MEMBERS.

(a) Notwithstanding any provision of law to the contrary, an eligible person described in paragraph (b) is authorized to become a coordinated member of the Teachers Retirement Association and to purchase service and salary credit in the Teachers Retirement Association coordinated plan retroactive from July 19, 2000, or September 15, 2000, whichever is applicable, upon making an election under paragraph (c) and upon making all required payments under paragraphs (d) and (e).

(b) An eligible person is a person who:

(1) either:

(i) was born on September 25, 1964, and has been employed at Mesabi Range Community and Technical College and a contributing member of the higher education individual retirement account plan since July 19, 2000; or

(ii) was born on October 15, 1963, and has been employed at Mesabi Range Community and Technical College and a contributing member of the higher education individual retirement account plan since September 15, 2000;

(2) was classified in the unlimited full-time category on August 21, 2012;

(3) became eligible for an election of Teachers Retirement Association coverage under Laws 2009, chapter 169, article 6, section 1; and

(4) was not offered an election of Teachers Retirement Association coverage by the Minnesota State Colleges and Universities system.

(c) To be eligible for coverage by the Teachers Retirement Association, an eligible person must submit a written application to the executive director of the Teachers Retirement Association on a form provided by the Teachers Retirement Association. The application must include all documentation of the applicability of this section and any other relevant information that the executive director may require. Teachers Retirement Association plan membership commences after the date of the retirement coverage election under this section and past salary and service credit is granted for past Minnesota State Colleges and Universities system employment from July 19, 2000, or

September 15, 2000, whichever is applicable, until the executive director receives the written application specified in this paragraph and receipts of the payments specified in paragraphs (d) and (e). Coverage by the Teachers Retirement Association is in lieu of coverage by the individual retirement account plan.

(d) If the eligible person makes the retirement coverage election under paragraph (c), the eligible person shall make a contribution to the Teachers Retirement Association equal to the excess, if any, of the employee contributions that the eligible person would have made if the Teachers Retirement Association had provided coverage from July 19, 2000, or September 15, 2000, whichever is applicable, rather than the individual retirement account plan. These additional contribution amounts shall include 8.5 percent annual compound interest computed from the date the contribution would have been made if deducted from salary until paid. The total amount to be paid under this paragraph shall be determined by the executive director of the Teachers Retirement Association and written notification of the amount required under this paragraph must be transmitted to the eligible person.

(e) If payment is made under paragraph (d), the value of the applicable eligible person's higher education individual retirement account plan account shall be transferred to the Teachers Retirement Association.

(f) The Teachers Retirement Association shall determine the required purchase payment amount calculated under Minnesota Statutes, section 356.551, imposed upon the Teachers Retirement Association under this section due to the salary and service credit purchase.

(g) From the total amount computed under paragraph (f), the executive director of the Teachers Retirement Association shall subtract the amounts received under paragraphs (d) and (e). The Minnesota State Colleges and Universities system must transmit the remaining amount, if any, to the executive director of the Teachers Retirement Association within 60 days following the receipt of the payments under paragraphs (d) and (e).

(h) The authority to make a retirement coverage election under this section expires one year from the effective date of this section.

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

Sec. 5. TEACHERS RETIREMENT ASSOCIATION COVERAGE ELECTION AND MINNESOTA STATE RETIREMENT SYSTEM REFUND REPAYMENT AUTHORITY FOR CERTAIN WINONA STATE UNIVERSITY EMPLOYEE.

(a) Notwithstanding any provision of Minnesota Statutes, chapter 352 or 354B, to the contrary, an eligible person described in paragraph (b) is eligible to become a coordinated member of the Teachers Retirement Association and to purchase service and salary credit in the Teachers Retirement Association coordinated plan retroactively from January 1, 1995, upon repaying a member contribution refund taken from the general employees retirement plan of the Minnesota State Retirement System under paragraph (c), upon making an election under paragraph (e), and upon making all required payments under paragraphs (f), (g), and (h).

(b) An eligible person is a person who:

(1) was born November 11, 1957;

(2) began state employment in 1981, with retirement coverage in the general employees retirement plan of the Minnesota State Retirement System for which a refund of member contributions and interest was taken;

(3) was employed by Winona State University on September 11, 1989, with retirement coverage in the higher education individual retirement account plan; and

(4) was not informed of the option to elect Teachers Retirement Association coverage in the coverage election authorized under Laws 1994, chapter 508, article 1, section 10, so remained in the higher education individual retirement account plan.

(c) The refund repayment required by Minnesota Statutes, section 356.551, subdivision 1, paragraph (c), must be calculated under Minnesota Statutes, section 352.23.

(d) Authority to repay a refund under this section expires one year from the effective date of this section.

(e) To be eligible for coverage by the Teachers Retirement Association, an eligible person must submit a written application to the executive director of the Teachers Retirement Association on a form provided by the Teachers Retirement Association. The application must include all relevant documentation and information that the executive director may require. Teachers Retirement Association plan membership commences after the date of the retirement coverage election under this section and past salary and service credit is granted for past Minnesota State Colleges and Universities system employment from January 1, 1995, until the executive director receives the written application specified in this paragraph and receipts of the payments specified in paragraphs (c), (f), (g), and (h). Coverage by the Teachers Retirement Association is in lieu of coverage by the individual retirement account plan.

(f) If the eligible person makes the retirement coverage election under paragraph (e), the eligible person's member contributions to the higher education individual retirement account plan account from January 1, 1995, to the date of the retirement coverage election must be transferred to the Teachers Retirement Association, with any earned investment returns on those contributions. If the transferred member contributions and investment earnings are less than the calculated amount of the member contributions that the eligible person would have made to the Teachers Retirement Association on the eligible person's compensation from the Minnesota State Colleges and Universities system for the period from January 1, 1995, to the date of the retirement coverage election, if the person had been covered by the Teachers Retirement Association during the period, plus annual compound interest at the rate of 8.5 percent, then the eligible person shall pay the balance of that calculated member contribution obligation within 30 days of the retirement coverage election.

(g) Upon the transfer of the equivalent member contribution amount and any additional payment under paragraph (f), the employer contributions made on behalf of the eligible member to the higher education individual retirement account plan account from January 1, 1995, to the date of the retirement coverage election must be transferred to the Teachers Retirement Association, with any earned investment returns on those contributions.

(h) If the amounts under paragraphs (f) and (g) are less than the prior service credit purchase payment amount under Minnesota Statutes, section 356.551, the Minnesota State Colleges and

Universities system shall pay the difference within 60 days following receipt of the amounts transmitted under paragraphs (f) and (g).

(i) The authority to make a retirement coverage election under this section expires one year from the effective date of this section.

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

Sec. 6. PERA COVERAGE ELECTION AND SERVICE CREDIT PURCHASE; DULUTH TOWNSHIP CLERK.

(a) Notwithstanding any provision of Minnesota Statutes, chapter 353 or 353D, to the contrary, an eligible person described in paragraph (b) is eligible to purchase from the general employees retirement plan of the Public Employees Retirement Association allowable service credit under section 353.01, subdivision 16, for the period of service described in paragraph (c).

(b) An eligible person is a person who:

(1) was born on July 19, 1953;

(2) became a member of the public employees defined contribution plan of the Public Employees Retirement Association on January 7, 1997, as the elected clerk for Duluth township;

(3) should have become a member of the public employees general plan of the Public Employees Retirement Association on April 12, 2001, when the elected clerk position became an appointed position;

(4) erroneously remained in the public employees defined contribution plan until February 2017; and

(5) retroactively joined the public employees general plan to January 1, 2014, pursuant to section 353.27, subdivision 12.

(c) The period of uncredited service authorized for purchase is the period of April 12, 2001, until December 31, 2013.

(d) Any member contributions made to the public employees defined contribution plan, plus any earned investments returns on those contributions, remaining after the transfer associated with the cost of omitted salary deductions pursuant to section 353.27, subdivision 12, may be transferred to the public employees general plan of the Public Employees Retirement Association upon request from the eligible person. The transfer must occur within 60 days of the request. Authority to request a transfer under this section expires December 31, 2017.

(e) Any employer contributions made to the public employees defined contribution plan, plus any earned investment returns on those contributions, remaining after the transfer associated with the cost of omitted salary deductions pursuant to section 353.27, subdivision 12, must be transferred to the public employees general plan of the Public Employees Retirement Association at the same time as the transfer that occurs under paragraph (d).

(f) If the eligible person requests a transfer under paragraph (d), the eligible person must pay the member contributions that the eligible person would have made to the Public Employees Retirement Association on the eligible person's compensation from the Duluth township for the period of service described in paragraph (c) as if the person had been covered by the public employees general plan, plus annual compound interest on that amount at the rate of 8.5 percent from April 12, 2001, until June 30, 2015, and eight percent from July 1, 2015, until the date payment is made to the Public Employees Retirement Association, less the transferred member contributions and investment earnings.

(g) Upon the transfer of the amounts under paragraphs (d), (e), and (f), Duluth township shall pay the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.551, less any amounts received under paragraphs (d), (e), and (f), within 60 days following the receipt of the eligible person's payment under paragraph (f).

(h) Upon the transfer and payment under paragraph (g), the eligible person must be credited by the Public Employees Retirement Association with allowable service credit for Duluth township employment from April 12, 2001, until December 31, 2013.

(h) Authority to make a service credit purchase under this section expires one year from the effective date of this section.

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

ARTICLE 20

TECHNICAL CORRECTIONS

Section 1. Minnesota Statutes 2016, 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, subdivisions 12 and 12a, 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 during which the employee receives pay as specified in subdivision 10, paragraph (a), clause (4) or (5), from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized leave of absence without pay, or with pay that is not included in the definition of salary under subdivision 10, paragraph (a), clause (4) or (5), for which salary deductions are not authorized, and for which a member obtained service credit for up to 12 months of the

authorized leave period by payment under section ~~353.0161~~ or 353.0162, to the fund made in place of salary deductions;

(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 rate of 8.5 percent until June 30, 2015, and eight percent thereafter, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest until June 30, 2015, and eight percent interest thereafter, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

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

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary 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 the rate of 8.5 percent until June 30, 2015, and eight percent thereafter, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

(b) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes.

(c) 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.

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

Sec. 2. Minnesota Statutes 2016, section 353.012, is amended to read:

353.012 UNIVERSITY OF MINNESOTA EMPLOYEES; FURLOUGH SERVICE AND SALARY CREDIT.

A furloughed employee of the University of Minnesota who is a member of the public employees police and fire plan may obtain allowable service and salary credit for the furlough period. The allowable service and salary credit authorization is a leave of absence authorization for purposes of ~~section 353.0161 and the purchase payment procedure of section 353.0161, subdivision 2, applies~~ 353.0162.

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

Sec. 3. Minnesota Statutes 2016, section 353.32, subdivision 4, is amended to read:

Subd. 4. **Lack, or death, of beneficiary.** If a member or former member dies without having designated a beneficiary or if the beneficiary should die before making application for refund, and if there is no surviving spouse, and if the legal representative of such member or former member does not apply for refund within five years from the date of death of the member or former member, the accumulated deductions to the member or former member's credit at the time of death shall be disposed of in the manner provided in section ~~353.34, subdivision 6~~ 356.631.

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

Sec. 4. Minnesota Statutes 2016, section 354A.011, subdivision 29, is amended to read:

Subd. 29. **Vesting; vested.** ~~(a) "Vesting" or "vested" means having entitlement to a nonforfeitable annuity or benefit from a the St. Paul Teachers Retirement Fund Association coordinated member program administered by a teachers retirement fund association by having credit for sufficient allowable service under paragraph (b) or (c), whichever applies when the teacher has accrued credit for at least three years of allowable service.~~

~~(b) For purposes of qualifying for an annuity or a benefit as a coordinated plan member of the St. Paul Teachers Retirement Fund Association, the teacher is vested when the teacher has accrued credit for at least three years of service.~~

~~(c) For purposes of qualifying for an annuity or a benefit as a coordinated plan member of the Duluth Teachers Retirement Fund Association:~~

~~(1) a teacher who first became a member of the plan before July 1, 2010, is vested when the teacher has accrued at least three years of service; and~~

~~(2) a teacher who first became a member of the plan after June 30, 2010, is vested when the teacher has accrued at least five years of service.~~

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

Sec. 5. Minnesota Statutes 2016, section 354A.095, is amended to read:

354A.095 PARENTAL AND MATERNITY LEAVE.

Basic or coordinated members of the St. Paul Teachers Retirement Fund Association ~~and new coordinated members of the Duluth Teachers Retirement Fund Association~~, who are granted parental or maternity leave of absence by the employing authority, are entitled to obtain service credit not to exceed one year for the period of leave upon payment to the ~~applicable~~ fund by the end of the fiscal year following the fiscal year in which the leave of absence terminated. The amount of the payment must include the total required employee and employer contributions for the period of leave prescribed in section 354A.12. Payment must be based on the member's average monthly salary rate upon return to teaching service, and is payable without interest. Payment must be accompanied by a certified or otherwise adequate copy of the resolution or action of the employing authority granting or approving the leave.

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

Sec. 6. Minnesota Statutes 2016, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. **Termination of supplemental contributions and direct matching and state aid.**

(a) The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, and all forms of aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association must continue until the actuarial value of assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until the established date for full funding under section 356.215, subdivision 11, whichever occurs earlier.

~~(b) The aid to the Duluth Teachers Retirement Fund Association under section 423A.02, subdivision 3, and all forms of state aid under subdivision 3a to the Duluth Teachers Retirement Fund Association must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until the established date for full funding under section 356.215, subdivision 11, whichever occurs earlier.~~

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

Sec. 7. Minnesota Statutes 2016, section 354A.31, subdivision 3, is amended to read:

Subd. 3. **Resumption of teaching after commencement of a retirement annuity.** (a) Any person who retired and is receiving a coordinated program retirement annuity under the provisions of sections 354A.31 to 354A.41 or any person receiving a basic program retirement annuity under the governing sections in the articles of incorporation or bylaws and who has resumed teaching service for the school district in which the teachers retirement fund association exists is entitled to continue to receive retirement annuity payments, except that all or a portion of the annuity payments must be deferred during the calendar year immediately following the calendar year in which the person's salary from the teaching service is in an amount greater than \$46,000. The amount of the annuity deferral is one-third the salary amount in excess of \$46,000 and must be deducted from the annuity payable for the calendar year immediately following the calendar year in which the excess amount was earned.

(b) If the person is retired for only a fractional part of the calendar year during the initial year of retirement, the maximum reemployment salary exempt from triggering a deferral as specified in this subdivision must be prorated for that calendar year.

(c) After a person has reached the Social Security normal retirement age, no deferral requirement is applicable regardless of the amount of any compensation received for teaching service for the school district in which the teachers retirement fund association exists.

(d) The amount of the retirement annuity deferral must be handled or disposed of as provided in section 356.47.

~~(e) Notwithstanding other paragraphs of this subdivision, for any retired Duluth Teachers Retirement Fund Association member whose effective date of retirement is after June 30, 2013, amounts specified as deferred under this subdivision must instead be forfeited to the Duluth Teachers Retirement Fund Association fund.~~

~~(f)~~ (e) Notwithstanding other paragraphs of this subdivision, for any retired St. Paul Teachers Retirement Fund Association basic or coordinated program member whose effective date of retirement is after June 30, 2013, amounts specified as deferred under this subdivision must instead be forfeited to the St. Paul Teachers Retirement Fund Association fund.

~~(g)~~ (f) For the purpose of this subdivision, salary from teaching service includes: (i) all income for services performed as a consultant or independent contractor; or income resulting from working with the school district in any capacity; and (ii) the greater of either the income received or an amount based on the rate paid with respect to an administrative position, consultant, or independent contractor in the school district in which the teachers retirement fund association exists and at the same level as the position occupied by the person who resumes teaching service.

~~(h)~~ (g) On or before February 15 of each year, each applicable employing unit shall report to the teachers retirement fund association the amount of postretirement salary as defined in this subdivision, earned as a teacher, consultant, or independent contractor during the previous calendar year by each retiree of the teachers retirement fund association for teaching service performed after retirement. The report must be in a format approved by the executive secretary or director.

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

Sec. 8. Minnesota Statutes 2016, section 354A.35, subdivision 2, is amended to read:

Subd. 2. **Death while eligible to retire; surviving spouse optional annuity.** (a) The surviving spouse of a vested coordinated member who dies prior to retirement may elect to receive, instead of a refund with interest under subdivision 1, an annuity equal to the 100 percent joint and survivor annuity the member could have qualified for had the member terminated service on the date of death. The surviving spouse eligible for a surviving spouse benefit under this paragraph may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. A surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity at any time after the member's death. The member's surviving spouse shall be paid a joint and survivor annuity under section 354A.32 and computed under section 354A.31.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

~~(c) If a vested member of the Duluth Teachers Retirement Fund Association was under age 55 on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the early retirement reduction from age 55 to the date payment begins.~~

~~(d)~~ (c) If a vested member of the St. Paul Teachers Retirement Fund Association was under age 55 on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor

at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the actuarial equivalent reduction from age 55 to the date payment begins. The actuarial equivalent reduction is calculated so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity and the annuity amount were augmented at an annual rate of 2.5 percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

(e) (d) Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity or surviving spouse benefit payable under this section. The benefits are payable for the life of the surviving spouse, or upon expiration of the term certain benefit payment under subdivision 2b.

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

Sec. 9. Minnesota Statutes 2016, section 356.47, subdivision 1, is amended to read:

Subdivision 1. **Application.** (a) This section applies to the balance of annual retirement annuities on the amount of retirement annuity reductions after reemployed annuitant earnings limitations for retirement plans governed by section 352.115, subdivision 10; 353.37; or 354.44, subdivision 5.

~~(b) This section also applies to the balance of annual retirement annuities on the amount of retirement annuity reductions under section 354A.31, subdivision 3, for members of the Duluth Teachers Retirement Fund Association whose effective date of retirement is before July 1, 2013.~~

(e) (b) This section also applies to the balance of annual retirement annuities on the amount of retirement annuity reductions under section 354A.31, subdivision 3, for members of the St. Paul Teachers Retirement Fund Association whose effective date of retirement is before July 1, 2013.

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

Sec. 10. Minnesota Statutes 2016, section 423A.02, subdivision 5, is amended to read:

Subd. 5. **Termination of state aid programs.** The amortization state aid and additional amortization state aid programs terminate as of the December 31, next following the date of the actuarial valuation when the assets of the St. Paul Teachers Retirement Fund Association equal the actuarial accrued liability of that plan ~~or when the assets of the Duluth Teachers Retirement Fund Association equal the actuarial accrued liability of that plan, whichever is later.~~

Sec. 11. **REPEALER.**

Minnesota Statutes 2016, section 354A.12, subdivision 2c, is repealed."

Delete the title and insert:

"A bill for an act relating to retirement; benefit and contribution changes for Minnesota statewide and major local public employee retirement plans; increasing contribution rates; reducing certain postretirement adjustment increase rates; modifying investment return assumptions; extending amortization target dates; reducing deferred annuities augmentation; requiring a study on postretirement adjustments; making administrative changes to the Minnesota State Retirement System, Teachers Retirement Association, Public Employees Retirement Association, and St. Paul

Teachers Retirement Fund Association; clarifying refund repayment procedures; modifying executive director credentials; clarifying service requirements; revising appeal procedures; modifying service credit purchase procedures; establishing new procedures for disability applications due to private disability insurance requirements; clarifying disability benefit payment provisions; modifying annual benefit limitations for federal tax code compliance; authorizing use of IRS correction procedures; clarifying benefit offsets for certain refund payments; clarifying police and fire plan coverage for certain Hennepin Healthcare System supervisors; modifying various economic actuarial assumptions; authorizing the transfer of assets and members from the voluntary statewide volunteer firefighter retirement plan to a volunteer firefighter relief association; adopting recommendations of the Volunteer Firefighter Relief Association Working Group; increasing relief association lump-sum service pension maximums; lowering certain vesting requirements for Eden Prairie Volunteer Firefighters Relief Association; modifying the Brook Park volunteer firefighters service pension level; permitting alternative allocation of fire state aid for city of Austin; establishing a tire state aid work group; modifying various Department of Human Services and Department of Corrections employment classifications eligible for correctional retirement coverage; modifying the calculation of annuities under the Minnesota State Retirement System unclassified program; revising augmentation interest rates for certain terminated privatized employees; adopting definition of the Hometown Heroes Act related to public safety officer death benefits; allowing service credit purchase and Rule of 90 eligibility for certain Minnesota Department of Transportation employees; authorizing MnSCU employees to elect retroactive and prospective TRA coverage; authorizing MnSCU employee to transfer past service from IRAP to PERA; increasing maximum employer contribution to a supplemental laborers pension fund; authorizing certain additional sources of retirement plan funding; making technical and conforming changes; amending Minnesota Statutes 2016, sections 3A.02, subdivision 4; 3A.03, subdivisions 2, 3; 16A.14, subdivision 2a; 352.01, subdivisions 2a, 13a; 352.017, subdivision 2; 352.03, subdivisions 5, 6; 352.04, subdivisions 2, 3, 8, 9; 352.113, subdivisions 2, 4, 14; 352.116, subdivision 1a; 352.22, subdivisions 2, 3, by adding subdivisions; 352.23; 352.27; 352.91, subdivisions 3f, 3g, by adding a subdivision; 352.92, subdivisions 1, 2, by adding a subdivision; 352.955, subdivision 3; 352B.013, subdivision 2; 352B.02, subdivisions 1a, 1c; 352B.08, by adding a subdivision; 352B.085; 352B.086; 352B.11, subdivision 4; 352D.02, subdivisions 1, 3; 352D.04, subdivision 2; 352D.05, subdivision 4; 352D.06, subdivision 1; 352D.085, subdivision 1; 352D.11, subdivision 2; 352D.12; 352F.04, subdivisions 1, 2, by adding a subdivision; 353.01, subdivisions 2b, 10, 16, 43, 47; 353.012; 353.0162; 353.03, subdivision 3; 353.27, subdivisions 3c, 7a, 12, 12a, 12b; 353.28, subdivision 5; 353.29, subdivisions 4, 7; 353.30, subdivisions 3c, 5; 353.32, subdivisions 1, 4; 353.34, subdivisions 2, 3; 353.35, subdivision 1; 353.37, subdivision 1; 353.64, subdivision 10; 353.65, subdivisions 2, 3, by adding a subdivision; 353F.02, subdivision 5a; 353F.025, subdivision 2; 353F.04, subdivision 2; 353F.05; 353F.057; 353F.06; 353F.07; 353G.01, subdivision 9, by adding a subdivision; 353G.02, subdivision 6; 353G.03, subdivision 3; 353G.08, subdivision 3; 353G.11, subdivision 1; 354.05, subdivision 2, by adding a subdivision; 354.06, subdivisions 2, 2a; 354.095; 354.42, subdivisions 2, 3; 354.436, subdivision 3; 354.44, subdivisions 3, 6, 9; 354.45, by adding a subdivision; 354.46, subdivision 6; 354.48, subdivision 1; 354.49, subdivision 2; 354.50, subdivision 2; 354.51, subdivision 5; 354.512; 354.52, subdivisions 4, 4d; 354.53, subdivision 5; 354.55, subdivision 11; 354.66, subdivision 2; 354.72, subdivision 1; 354A.011, subdivisions 3a, 29; 354A.093, subdivisions 4, 6; 354A.095; 354A.096; 354A.12, subdivisions 1, 1a, 2a, 3a, 3c, 7; 354A.29, subdivision 7; 354A.31, subdivisions 3, 7; 354A.34; 354A.35, subdivision 2; 354A.37, subdivisions 2, 3; 354A.38; 356.195, subdivision 2; 356.215, subdivisions 8, 9, 11; 356.24, subdivision 1; 356.30, subdivision 1; 356.32, subdivision 2; 356.415, subdivisions 1, 1a, 1b, 1c, 1d, 1e, 1f, by adding a subdivision; 356.44; 356.47,

subdivisions 1, 3; 356.50, subdivision 2; 356.551, subdivision 2; 356.635, subdivision 10, by adding subdivisions; 356.96, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 356A.06, subdivision 7; 423A.02, subdivisions 3, 5; 424A.001, subdivisions 2, 3, 10, by adding a subdivision; 424A.002, subdivision 1; 424A.01, subdivisions 1, 5, 6, by adding subdivisions; 424A.015, subdivision 1, by adding a subdivision; 424A.016, subdivision 2; 424A.02, subdivisions 1, 3, 3a, 7; 424A.04, subdivision 1; 424A.07; 424A.091, subdivision 3; 424A.094, subdivision 3; 424A.10, subdivision 1; 424B.20, subdivision 4; 490.121, subdivisions 4, 25, 26; 490.1211; 490.124, subdivision 12; proposing coding for new law in Minnesota Statutes, chapters 353F; 353G; 356; 424A; repealing Minnesota Statutes 2016, sections 3A.12; 352.04, subdivision 11; 352.045; 352.72; 352B.30; 353.0161; 353.27, subdivision 3b; 353.34, subdivision 6; 353.71; 354.42, subdivisions 4a, 4b, 4c, 4d; 354.60; 354A.12, subdivision 2c; 354A.29, subdivisions 8, 9; 354A.39; 356.611, subdivisions 3, 3a, 4, 5; 356.96, subdivisions 14, 15; 424A.02, subdivision 13."

And when so amended the bill do pass and be re-referred to the Committee on Finance.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

SECOND READING OF SENATE BILLS

S.F. Nos. 751, 550, and 1973 were read the second time.

RECESS

Senator Gazelka moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

CALL OF THE SENATE

Senator Gazelka imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

APPOINTMENTS

Senator Gazelka from the Subcommittee on Conference Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 1542: Senators Relph, Draheim, and Frentz.

Senator Gazelka moved that the foregoing appointments be approved. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Senator Gazelka moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Senator Gazelka from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 1384: A bill for an act relating to retirement; volunteer firefighter relief associations; implementing the recommendations of the state auditor's volunteer firefighter working group; updating audit requirements; updating corporate stock requirements; modifying the definition of municipality; providing the option to include emergency medical response volunteers in plan coverage; making various technical corrections; amending Minnesota Statutes 2016, sections 69.051, subdivision 1; 356A.06, subdivision 7; 424A.001, subdivisions 2, 3, 10, by adding a subdivision; 424A.002, subdivision 1; 424A.01, subdivisions 1, 5, 6; 424A.015, subdivision 1; 424A.016, subdivision 2; 424A.02, subdivisions 1, 3a, 7; 424A.04, subdivision 1; 424A.07; 424A.091, subdivision 3; 424A.094, subdivision 3; 424A.10, subdivision 1.

Reports the same back with the recommendation that Joint Rule 2.03 be suspended for all further proceedings on S.F. No. 1384 and that the report from the Committee on State Government Finance and Policy and Elections, shown in the Journal for May 10, 2017, be adopted; that committee recommendation being:

"the bill do pass". Report adopted.

Senator Gazelka from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 2379: A bill for an act relating to state government; modifying membership for PERA and MSRS Boards; amending Minnesota Statutes 2016, sections 352.03, subdivision 1; 353.03, subdivision 1.

Reports the same back with the recommendation that Joint Rule 2.03 be suspended for all further proceedings on S.F. No. 2379 and that the report from the Committee on State Government Finance and Policy and Elections, shown in the Journal for May 10, 2017, be adopted; that committee recommendation being:

"the bill do pass". Report adopted.

Senator Gazelka from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 545: A bill for an act relating to retirement; making administrative changes to the Minnesota State Retirement System, Teachers Retirement Association, Public Employees Retirement Association, and St. Paul Teachers Retirement Fund Association; clarifying refund repayment procedures; modifying executive director credentials; clarifying service requirements; revising appeal procedures; modifying service credit purchase procedures; establishing new procedures for disability applications due to private disability insurance requirements; clarifying disability benefit

payment provisions; modifying annual benefit limitations for federal tax code compliance; authorizing use of IRS correction procedures; clarifying benefit offsets for certain refund payments; clarifying police and fire plan coverage for certain Hennepin Healthcare System supervisors; modifying various economic actuarial assumptions; adopting recommendations of the Volunteer Firefighter Relief Association Working Group; increasing relief association lump-sum service pension maximums; lowering certain vesting requirements for Eden Prairie Volunteer Firefighters Relief Association; adopting definition of the Hometown Heroes Act related to public safety officer death benefits; allowing service credit purchase and Rule of 90-eligibility for certain Minnesota Department of Transportation employees; authorizing MnSCU employees to elect retroactive and prospective TRA coverage; authorizing MnSCU employee to transfer past service from IRAP to PERA; increasing maximum employer contribution to a supplemental laborers pension fund; authorizing certain additional sources of retirement plan funding; making technical and conforming changes; amending Minnesota Statutes 2016, sections 3A.03, subdivisions 2, 3; 16A.14, subdivision 2a; 352.03, subdivisions 5, 6; 352.113, subdivision 2; 352.23; 352B.11, subdivision 4; 352D.05, subdivision 4; 353.01, subdivisions 16, 43; 353.012; 353.0162; 353.32, subdivisions 1, 4; 353.34, subdivision 2; 353.64, subdivision 10; 353G.02, subdivision 6; 354.05, by adding a subdivision; 354.06, subdivisions 2, 2a; 354.095; 354.44, subdivision 9; 354.46, subdivision 6; 354.48, subdivision 1; 354.52, subdivision 4; 354A.011, subdivision 29; 354A.093, subdivisions 4, 6; 354A.095; 354A.096; 354A.35, subdivision 2; 354A.38; 356.215, subdivision 8; 356.24, subdivision 1; 356.50, subdivision 2; 356.551, subdivision 2; 356.635, subdivision 10, by adding subdivisions; 356.96, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 423A.02, subdivision 3; 424A.01, by adding subdivisions; 424A.015, by adding a subdivision; 424A.02, subdivision 3; 424B.20, subdivision 4; 490.124, subdivision 12; proposing coding for new law in Minnesota Statutes, chapters 356; 424A; repealing Minnesota Statutes 2016, sections 352.04, subdivision 11; 353.0161; 353.34, subdivision 6; 354A.12, subdivisions 2c, 3c; 354A.31, subdivision 3; 356.47, subdivision 1; 356.611, subdivisions 3, 3a, 4, 5; 356.96, subdivisions 14, 15; 424A.02, subdivision 13.

Reports the same back with the recommendation that Joint Rule 2.03 be suspended for all further proceedings on S.F. No. 545 and that the report from the Committee on State Government Finance and Policy and Elections, shown in the Journal for May 10, 2017, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass and be re-referred to the Committee on Finance". Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 1384 and 2379 were read the second time.

MOTIONS AND RESOLUTIONS - CONTINUED

SPECIAL ORDERS

Pursuant to Rule 26, Senator Gazelka, Chair of the Committee on Rules and Administration, designated the following bills a Special Orders Calendar to be heard immediately:

S.F. Nos. 1456, 943, 1615, H.F. Nos. 952, 997, and 106.

SPECIAL ORDER

S.F. No. 1456: A bill for an act relating to economic development; temporarily modifying the restrictions on use of Minnesota investment fund local government loan repayment funds.

Senator Miller moved to amend S.F. No. 1456 as follows:

Page 1, line 11, delete everything after "money" and insert "for any lawful economic development purpose, including community development planning and loans to retail businesses, but excluding purposes otherwise prohibited by Minnesota Statutes, section 116J.8731."

Page 1, delete line 12

The motion prevailed. So the amendment was adopted.

S.F. No. 1456 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Ingebrigtsen	Little	Ruud
Anderson, B.	Dziedzic	Isaacson	Lourey	Schoen
Anderson, P.	Eaton	Jasinski	Marty	Senjem
Bakk	Eichorn	Jensen	Mathews	Simonson
Benson	Eken	Johnson	Miller	Sparks
Carlson	Fischbach	Kent	Newman	Tomassoni
Chamberlain	Franzen	Kiffmeyer	Newton	Torres Ray
Champion	Frentz	Klein	Osmek	Utke
Clausen	Gazelka	Koran	Pappas	Weber
Cohen	Hall	Laine	Pratt	Westrom
Cwodzinski	Hayden	Lang	Relph	Wiger
Dahms	Hoffman	Latz	Rest	Wiklund
Dibble	Housley	Limmer	Rosen	

So the bill, as amended, was passed and its title was agreed to.

SPECIAL ORDER

S.F. No. 943: A bill for an act relating to higher education; appropriating money for an education debt relief grant.

Senator Fischbach moved to amend S.F. No. 943 as follows:

Page 1, line 6, before "\$25,000" insert "(a)"

Page 1, after line 10, insert:

"(b) The commissioner of the Office of Higher Education shall submit a report by February 1, 2019, to the chairs and ranking minority members of the legislative committees with jurisdiction over higher education finance and policy. The report must include information on the number of attorneys receiving assistance under this section and their county of residence."

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 943 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Ingebrigtsen	Little	Ruud
Anderson, B.	Dziedzic	Isaacson	Lourey	Schoen
Anderson, P.	Eaton	Jasinski	Marty	Senjem
Bakk	Eichorn	Jensen	Mathews	Simonson
Benson	Eken	Johnson	Miller	Sparks
Carlson	Fischbach	Kent	Newman	Tomassoni
Chamberlain	Franzen	Kiffmeyer	Newton	Torres Ray
Champion	Frentz	Klein	Osmek	Utke
Clausen	Gazelka	Koran	Pappas	Weber
Cohen	Hall	Laine	Pratt	Westrom
Cwodzinski	Hayden	Lang	Relph	Wiger
Dahms	Hoffman	Latz	Rest	Wiklund
Dibble	Housley	Limmer	Rosen	

So the bill, as amended, was passed and its title was agreed to.

SPECIAL ORDER

S.F. No. 1615: A bill for an act relating to courts; updating outdated statutes pertaining to court reporters; modifying name of drug court to treatment court; authorizing direct appeals of referee orders and decrees in probate or civil commitment court proceedings to the Court of Appeals; clarifying statutes related to penalty of perjury for documents provided to the court; modifying service of harassment restraining orders; amending Minnesota Statutes 2016, sections 243.49; 299A.707, subdivision 2; 357.42; 358.116; 484.70, subdivision 7; 484.702, by adding a subdivision; 486.01; 486.02; 486.05, subdivision 1; 486.06; 609.48, by adding a subdivision; 609.748, subdivision 4; repealing Minnesota Statutes 2016, sections 484.72; 486.05, subdivision 1a; 525.112.

Senator Limmer moved to amend S.F. No. 1615 as follows:

Page 4, delete section 7

Page 5, delete section 8

Page 7, line 17, delete "484.72;"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 1615 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Ingebrigtsen	Little	Ruud
Anderson, B.	Dziedzic	Isaacson	Lourey	Schoen
Anderson, P.	Eaton	Jasinski	Marty	Senjem
Bakk	Eichorn	Jensen	Mathews	Simonson
Benson	Eken	Johnson	Miller	Sparks
Carlson	Fischbach	Kent	Newman	Tomassoni
Chamberlain	Franzen	Kiffmeyer	Newton	Torres Ray
Champion	Frentz	Klein	Osmek	Utke
Clausen	Gazelka	Koran	Pappas	Weber
Cohen	Hall	Laine	Pratt	Westrom
Cwodzinski	Hayden	Lang	Relph	Wiger
Dahms	Hoffman	Latz	Rest	Wiklund
Dibble	Housley	Limmer	Rosen	

So the bill, as amended, was passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 952: A bill for an act relating to health; providing for training in hearing loss care to home care provider staff and supervisors; amending Minnesota Statutes 2016, section 144A.4796, subdivisions 2, 6.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Ingebrigtsen	Little	Ruud
Anderson, B.	Dziedzic	Isaacson	Lourey	Schoen
Anderson, P.	Eaton	Jasinski	Marty	Senjem
Bakk	Eichorn	Jensen	Mathews	Simonson
Benson	Eken	Johnson	Miller	Sparks
Carlson	Fischbach	Kent	Newman	Tomassoni
Chamberlain	Franzen	Kiffmeyer	Newton	Torres Ray
Champion	Frentz	Klein	Osmek	Utke
Clausen	Gazelka	Koran	Pappas	Weber
Cohen	Hall	Laine	Pratt	Westrom
Cwodzinski	Hayden	Lang	Relph	Wiger
Dahms	Hoffman	Latz	Rest	Wiklund
Dibble	Housley	Limmer	Rosen	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 997: A bill for an act relating to local government; modifying the requirements for payment of claims; amending Minnesota Statutes 2016, section 471.38; repealing Minnesota Statutes 2016, section 471.391, subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 65 and nays 0, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Housley	Limmer	Rosen
Anderson, B.	Dziedzic	Ingebrigtsen	Little	Ruud
Anderson, P.	Eaton	Isaacson	Lourey	Schoen
Bakk	Eichorn	Jasinski	Marty	Senjem
Benson	Eken	Jensen	Mathews	Simonson
Carlson	Fischbach	Johnson	Miller	Sparks
Chamberlain	Franzen	Kent	Newman	Tomassoni
Champion	Frentz	Kiffmeyer	Newton	Torres Ray
Clausen	Gazelka	Klein	Osmek	Utke
Cohen	Goggin	Koran	Pappas	Weber
Cwodzinski	Hall	Laine	Pratt	Westrom
Dahms	Hayden	Lang	Relph	Wiger
Dibble	Hoffman	Latz	Rest	Wiklund

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 106: A bill for an act relating to human services; modifying criteria for community medical response emergency medical technician services; amending Minnesota Statutes 2016, section 256B.0625, subdivision 60a.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Ingebrigtsen	Little	Ruud
Anderson, B.	Dziedzic	Isaacson	Lourey	Schoen
Anderson, P.	Eaton	Jasinski	Marty	Senjem
Bakk	Eichorn	Jensen	Mathews	Simonson
Benson	Eken	Johnson	Miller	Sparks
Carlson	Fischbach	Kent	Newman	Tomassoni
Chamberlain	Franzen	Kiffmeyer	Newton	Torres Ray
Champion	Frentz	Klein	Osmek	Utke
Clausen	Goggin	Koran	Pappas	Weber
Cohen	Hall	Laine	Pratt	Westrom
Cwodzinski	Hayden	Lang	Relph	Wiger
Dahms	Hoffman	Latz	Rest	Wiklund
Dibble	Housley	Limmer	Rosen	

So the bill passed and its title was agreed to.

MEMBERS EXCUSED

Senators Hawj and Nelson were excused from the Session of today. Senator Goggin was excused from the Session of today from 5:25 to 5:55 p.m. Senator Gazelka was excused from the Session of today at 5:50 p.m.

ADJOURNMENT

Senator Limmer moved that the Senate do now adjourn until 10:00 a.m., Thursday, May 11, 2017. The motion prevailed.

Cal R. Ludeman, Secretary of the Senate