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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 1471

02/20/2017 Authored by O'Driscoll
The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act
1.2 relating to retirement; Public Employees Retirement Association; clarifying certain
1.3 membership exclusions; clarifying the definition of salary for certain leaves of
1.4 absence; eliminating an unnecessary board duty; clarifying certain refund
1.5 provisions; clarifying certain annuity application and annuity starting date
1.6 provisions; clarifying and modifying privatized employee provisions; making other
1.7 changes of an administrative nature; amending Minnesota Statutes 2016, sections
1.8 353.01, subdivisions 2b, 10, 47; 353.03, subdivision 3; 353.29, subdivisions 4, 7;
1.9 353.35, subdivision 1; 353.37, subdivision 1; 353F.02, subdivision 5a; 353F.04,
1.10 subdivision 2; 353F.05; 353F.057; 353F.06; 353F.07; 356.32, subdivision 2;
1.11 356.47, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter
1.12 353F.

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

1.14 Section 1. Minnesota Statutes 2016, section 353.01, subdivision 2b, is amended to read:

1.15 Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible to
1.16 participate as members of the association with retirement coverage by the general employees
1.17 retirement plan, the local government correctional employees retirement plan under chapter
1.18 353E, or the public employees police and fire retirement plan:

1.19 (1) persons whose annual salary from one governmental subdivision never exceeds an
1.20 amount, stipulated in writing in advance, of \$5,100 if the person is not a school district
1.21 employee or \$3,800 if the person is a school year employee. If annual compensation from
1.22 one governmental subdivision to an employee exceeds the stipulated amount in a calendar
1.23 year or a school year, whichever applies, after being stipulated in advance not to exceed the
1.24 applicable amount, the stipulation is no longer valid and contributions must be made on
1.25 behalf of the employee under section 353.27, subdivision 12, from the first month in which
1.26 the employee received salary exceeding \$425 in a month;

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

2.5 (3) election judges and persons employed solely to administer elections;

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

2.7 (5) except as otherwise specified in subdivision 12a, employees who are employed solely
2.8 in a temporary position as defined under subdivision 12a, and employees who resign from
2.9 a nontemporary position and accept a temporary position within 30 days of that resignation
2.10 in the same governmental subdivision;

2.11 (6) employees who are employed by reason of work emergency caused by fire, flood,
2.12 storm, or similar disaster, but if the person becomes a probationary or provisional employee
2.13 within the same pay period, other than on a temporary basis, the person is a "public
2.14 employee" retroactively to the beginning of the pay period;

2.15 (7) employees who by virtue of their employment in one governmental subdivision are
2.16 required by law to be a member of and to contribute to any of the plans or funds administered
2.17 by the Minnesota State Retirement System, the Teachers Retirement Association, or the St.
2.18 Paul Teachers Retirement Fund Association, but this exclusion must not be construed to
2.19 prevent a person from being a member of and contributing to the Public Employees
2.20 Retirement Association and also belonging to and contributing to another public pension
2.21 plan or fund for other service occurring during the same period of time, and a person who
2.22 meets the definition of "public employee" in subdivision 2 by virtue of other service occurring
2.23 during the same period of time becomes a member of the association unless contributions
2.24 are made to another public retirement plan on the salary based on the other service or to the
2.25 Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

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

2.31 (9) persons who are:

2.32 (i) employed by a governmental subdivision who have not reached the age of 23 and
2.33 who are enrolled on a full-time basis to attend or are attending classes on a full-time basis

3.1 at an accredited school, college, or university in an undergraduate, graduate, or
3.2 professional-technical program, or at a public or charter high school;

3.3 (ii) employed as resident physicians, medical interns, pharmacist residents, or pharmacist
3.4 interns and are serving in a degree or residency program in a public hospital or in a public
3.5 clinic; or

3.6 (iii) students who are serving for a period not to exceed five years in an internship or a
3.7 residency program that is sponsored by a governmental subdivision, including an accredited
3.8 educational institution;

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

3.11 (11) ~~except for employees of~~ foreign citizens who are employed by a governmental
3.12 subdivision, other than Hennepin County or employees of Hennepin Healthcare System,
3.13 ~~Inc., foreign citizens who are employed by a governmental subdivision~~ under a work permit
3.14 or ~~under an H-1b~~ work visa initially issued or extended for a combined period of less than
3.15 three years of employment, but upon extension of the ~~employment of the~~ work permit or
3.16 work visa beyond the three-year period, if the foreign citizen must be reported for
3.17 ~~membership beginning on the first of the month following the extension if the monthly~~
3.18 ~~earnings threshold as provided~~ citizen's annual salary satisfies the eligibility criteria under
3.19 subdivision 2a, paragraph (a), is met the foreign citizen must be reported for membership
3.20 beginning on the first day of the first full pay period following the date of the extension;

3.21 (12) public hospital employees who elected not to participate as members of the
3.22 association before 1972 and who did not elect to participate from July 1, 1988, to October
3.23 1, 1988;

3.24 (13) except as provided in section 353.86, volunteer ambulance service personnel, as
3.25 defined in subdivision 35, but persons who serve as volunteer ambulance service personnel
3.26 may still qualify as public employees under subdivision 2 and may be members of the Public
3.27 Employees Retirement Association and participants in the general employees retirement
3.28 plan or the public employees police and fire plan, whichever applies, on the basis of
3.29 compensation received from public employment service other than service as volunteer
3.30 ambulance service personnel;

3.31 (14) except as provided in section 353.87, volunteer firefighters, as defined in subdivision
3.32 36, engaging in activities undertaken as part of volunteer firefighter duties, but a person
3.33 who is a volunteer firefighter may still qualify as a public employee under subdivision 2
3.34 and may be a member of the Public Employees Retirement Association and a participant

4.1 in the general employees retirement plan or the public employees police and fire plan,
4.2 whichever applies, on the basis of compensation received from public employment activities
4.3 other than those as a volunteer firefighter;

4.4 (15) pipefitters and associated trades personnel employed by Independent School District
4.5 No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters
4.6 local 455 pension plan who were either first employed after May 1, 1997, or, if first employed
4.7 before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section
4.8 12;

4.9 (16) electrical workers, plumbers, carpenters, and associated trades personnel who are
4.10 employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who
4.11 have retirement coverage under a collective bargaining agreement by the Electrical Workers
4.12 Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the
4.13 pension plan applicable to Carpenters Local 322 who were either first employed after May
4.14 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000,
4.15 chapter 461, article 7, section 5;

4.16 (17) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters,
4.17 allied tradesworkers, and plasterers who are employed by the city of St. Paul or Independent
4.18 School District No. 625, St. Paul, with coverage under a collective bargaining agreement
4.19 by the Bricklayers and Allied Craftworkers Local 1 pension plan, the Cement Masons Local
4.20 633 pension plan, the Glaziers and Glassworkers Local L-1324 pension plan, the Painters
4.21 and Allied Trades Local 61 pension plan, or the Twin Cities Plasterers Local 265 pension
4.22 plan who were either first employed after May 1, 2001, or if first employed before May 2,
4.23 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10,
4.24 section 6;

4.25 (18) plumbers who are employed by the Metropolitan Airports Commission, with
4.26 coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan,
4.27 who either were first employed after May 1, 2001, or if first employed before May 2, 2001,
4.28 elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section
4.29 6;

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

4.33 (20) persons who are provided supported employment or work-study positions by a
4.34 governmental subdivision and who participate in an employment or industries program

5.1 maintained for the benefit of these persons where the governmental subdivision limits the
 5.2 position's duration to up to five years, including persons participating in a federal or state
 5.3 subsidized on-the-job training, work experience, senior citizen, youth, or unemployment
 5.4 relief program where the training or work experience is not provided as a part of, or for,
 5.5 future permanent public employment;

5.6 (21) independent contractors and the employees of independent contractors;

5.7 (22) reemployed annuitants of the association during the course of that reemployment;

5.8 (23) persons appointed to serve on a board or commission of a governmental subdivision
 5.9 or an instrumentality thereof;

5.10 (24) persons employed as full-time fixed-route bus drivers by the St. Cloud Metropolitan
 5.11 Transit Commission who are members of the International Brotherhood of Teamsters Local
 5.12 638 and who are, by virtue of that employment, members of the International Brotherhood
 5.13 of Teamsters Central States pension plan; and

5.14 (25) electricians or pipefitters employed by the Minneapolis Park and Recreation Board,
 5.15 with coverage under a collective bargaining agreement by the IBEW local 292, or pipefitters
 5.16 local 539 pension plan, who were first employed before May 2, 2015, and who elected to
 5.17 be excluded under Laws 2015, chapter 68, article 11, section 5.

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

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

5.22 Sec. 2. Minnesota Statutes 2016, section 353.01, subdivision 10, is amended to read:

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

5.24 (1) the wages or periodic compensation payable to a public employee by the employing
 5.25 governmental subdivision before:

5.26 (i) employee retirement deductions that are designated as picked-up contributions under
 5.27 section 356.62;

5.28 (ii) any employee-elected deductions for deferred compensation, supplemental retirement
 5.29 plans, or other voluntary salary reduction programs that would have otherwise been available
 5.30 as a cash payment to the employee; and

6.1 (iii) employee deductions for contributions to a supplemental plan or to a governmental
6.2 trust established under section 356.24, subdivision 1, clause (7), to save for postretirement
6.3 health care expenses, unless otherwise excluded under paragraph (b);

6.4 (2) for a public employee who is covered by a supplemental retirement plan under section
6.5 356.24, subdivision 1, clause (8), (9), (10), or (12), the employer contributions to the
6.6 applicable supplemental retirement plan when an agreement between the parties establishes
6.7 that the contributions will either result in a mandatory reduction of employees' wages through
6.8 payroll withholdings, or be made in lieu of an amount that would otherwise be paid as
6.9 wages;

6.10 (3) a payment from a public employer through a grievance proceeding, settlement, or
6.11 court order that is attached to a specific earnings period in which the employee's regular
6.12 salary was not earned or paid to the member due to a suspension or a period of involuntary
6.13 termination that is not a wrongful discharge under section 356.50; provided the amount is
6.14 not less than the equivalent of the average of the hourly base salary rate in effect during the
6.15 last six months of allowable service prior to the suspension or period of involuntary
6.16 termination, plus any applicable increases awarded during the period that would have been
6.17 paid under a collective bargaining agreement or personnel policy but for the suspension or
6.18 involuntary termination, multiplied by the average number of regular hours for which the
6.19 employee was compensated during the six months of allowable service prior to the suspension
6.20 or period of involuntary termination, but not to exceed the compensation that the public
6.21 employee would have earned if regularly employed during the applicable period;

6.22 (4) ~~for a member who is absent from employment due to~~ compensation paid during an
6.23 authorized leave of absence, other than an authorized medical leave of absence, as long as
6.24 the compensation paid during the leave if equivalent to a pay period is not less than the
6.25 lesser of:

6.26 (i) the product of the average hourly base salary rate in effect during the six months of
6.27 allowable service, or portions thereof, prior to immediately preceding the leave, multiplied
6.28 by the average number of regular hours for which the employee was compensated each pay
6.29 period during the six months of allowable service prior to immediately preceding the
6.30 applicable leave of absence; or

6.31 (ii) compensation equal to the value of the employee's total available accrued leave
6.32 hours;

6.33 (5) ~~for a member who is absent from employment by reason of~~ compensation paid during
6.34 an authorized medical leave of absence, other than a workers' compensation leave, as long

7.1 as the compensation paid during the leave if specified in advance to be at least a pay period
 7.2 is not less than the lesser of:

7.3 (i) the product of one-half of, but no more than equal to, the earnings the member
 7.4 received, on which contributions were reported and allowable service credited the average
 7.5 hourly base salary rate in effect during the six months of allowable service immediately
 7.6 preceding the medical leave of absence; and or

7.7 (ii) compensation equal to the value of the employee's total available accrued leave
 7.8 hours;

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

7.14 (b) Salary does not mean:

7.15 (1) fees paid to district court reporters;

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

7.18 (3) for the donor, payment to another person of the value of hours donated under a
 7.19 benevolent vacation, personal, or sick leave donation program;

7.20 (4) any form of severance or retirement incentive payments;

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

7.22 (6) lump-sum settlements not attached to a specific earnings period;

7.23 (7) workers' compensation payments or disability insurance payments, including payments
 7.24 from employer self-insurance arrangements;

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

7.30 (9) employer-paid fringe benefits, including, but not limited to:

- 8.1 (i) employer-paid premiums or supplemental contributions for employees for all types
8.2 of insurance;
- 8.3 (ii) membership dues or fees for the use of fitness or recreational facilities;
- 8.4 (iii) incentive payments or cash awards relating to a wellness program;
- 8.5 (iv) the value of any nonmonetary benefits;
- 8.6 (v) any form of payment made in lieu of an employer-paid fringe benefit;
- 8.7 (vi) an employer-paid amount made to a deferred compensation or tax-sheltered annuity
8.8 program; and
- 8.9 (vii) any amount paid by the employer as a supplement to salary, either as a lump-sum
8.10 amount or a fixed or matching amount paid on a recurring basis, that is not available to the
8.11 employee as cash;
- 8.12 (10) the amount equal to that which the employing governmental subdivision would
8.13 otherwise pay toward single or family insurance coverage for a covered employee when,
8.14 through a contract or agreement with some but not all employees, the employer:
- 8.15 (i) discontinues, or for new hires does not provide, payment toward the cost of the
8.16 employee's selected insurance coverages under a group plan offered by the employer;
- 8.17 (ii) makes the employee solely responsible for all contributions toward the cost of the
8.18 employee's selected insurance coverages under a group plan offered by the employer,
8.19 including any amount the employer makes toward other employees' selected insurance
8.20 coverages under a group plan offered by the employer; and
- 8.21 (iii) provides increased salary rates for employees who do not have any employer-paid
8.22 group insurance coverages;
- 8.23 (11) except as provided in section 353.86 or 353.87, compensation of any kind paid to
8.24 volunteer ambulance service personnel or volunteer firefighters, as defined in subdivision
8.25 35 or 36;
- 8.26 (12) the amount of compensation that exceeds the limitation provided in section 356.611;
- 8.27 (13) amounts paid by a federal or state grant for which the grant specifically prohibits
8.28 grant proceeds from being used to make pension plan contributions, unless the contributions
8.29 to the plan are made from sources other than the federal or state grant; and
- 8.30 (14) bonus pay that is not performance or merit pay under paragraph (a), clause (6).

9.1 (c) Amounts, other than those provided under paragraph (a), clause (3), provided to an
 9.2 employee by the employer through a grievance proceeding, a court order, or a legal settlement
 9.3 are salary only if the settlement or court order is reviewed by the executive director and the
 9.4 amounts are determined by the executive director to be consistent with paragraph (a) and
 9.5 prior determinations.

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

9.7 Sec. 3. Minnesota Statutes 2016, section 353.01, subdivision 47, is amended to read:

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

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

9.15 (1) a public employee who first became a member of the association before July 1, 2010,
 9.16 is 100 percent vested when the person has accrued credit for not less than three years of
 9.17 allowable service ~~as defined under subdivision 16~~ in the general employees retirement plan;
 9.18 and

9.19 (2) a public employee who first becomes a member of the association after June 30,
 9.20 2010, is 100 percent vested when the person has accrued credit for not less than five years
 9.21 of allowable service ~~as defined under subdivision 16~~ in the general employees retirement
 9.22 plan.

9.23 (c) For purposes of qualifying for an annuity or benefit as a member of the local
 9.24 government correctional ~~employees~~ service retirement plan:

9.25 (1) a public employee who first became a member of the association before July 1, 2010,
 9.26 is 100 percent vested when the person has accrued credit for not less than three years of
 9.27 allowable service ~~as defined under subdivision 16~~ in the local government correctional
 9.28 service retirement plan; and

9.29 (2) a public employee who first becomes a member of the association after June 30,
 9.30 2010, is vested at the following percentages when the person has accrued ~~credited~~ credit
 9.31 for allowable service as defined under subdivision 16, as follows in the local government
 9.32 correctional service retirement plan, as follows:

- 10.1 (i) 50 percent after five years;
- 10.2 (ii) 60 percent after six years;
- 10.3 (iii) 70 percent after seven years;
- 10.4 (iv) 80 percent after eight years;
- 10.5 (v) 90 percent after nine years; and
- 10.6 (vi) 100 percent after ten years.

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

10.9 (1) a public employee who first became a member of the association before July 1, 2010,
 10.10 is 100 percent vested when the person has accrued credit for not less than three years of
 10.11 allowable service ~~as defined under subdivision 16~~ in the public employees police and fire
 10.12 retirement plan;

10.13 (2) a public employee who first becomes a member of the association after June 30,
 10.14 2010, and before July 1, 2014, is vested at the following percentages when the person has
 10.15 accrued credited allowable service ~~as defined under subdivision 16~~ in the public employees
 10.16 police and fire retirement plan, as follows:

- 10.17 (i) 50 percent after five years;
- 10.18 (ii) 60 percent after six years;
- 10.19 (iii) 70 percent after seven years;
- 10.20 (iv) 80 percent after eight years;
- 10.21 (v) 90 percent after nine years; and
- 10.22 (vi) 100 percent after ten years; and

10.23 (3) a public employee who first becomes a member of the association after June 30,
 10.24 2014, is vested at the following percentages when the person has accrued ~~credited credit~~ credit
 10.25 for allowable service as defined under subdivision 16 in the public employees police and
 10.26 fire retirement plan, as follows:

- 10.27 (i) 50 percent after ten years;
- 10.28 (ii) 55 percent after 11 years;
- 10.29 (iii) 60 percent after 12 years;
- 10.30 (iv) 65 percent after 13 years;

- 11.1 (v) 70 percent after 14 years;
- 11.2 (vi) 75 percent after 15 years;
- 11.3 (vii) 80 percent after 16 years;
- 11.4 (viii) 85 percent after 17 years;
- 11.5 (ix) 90 percent after 18 years;
- 11.6 (x) 95 percent after 19 years; and
- 11.7 (xi) 100 percent after 20 or more years.

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

11.9 Sec. 4. Minnesota Statutes 2016, section 353.03, subdivision 3, is amended to read:

11.10 Subd. 3. **Duties and powers.** (a) The board shall:

11.11 (1) elect a president and vice-president;

11.12 (2) approve the staffing complement, as recommended by the executive director,
11.13 necessary to administer the fund;

11.14 (3) adopt bylaws for its own government and for the management of the fund consistent
11.15 with the laws of the state and may modify them at pleasure;

11.16 (4) adopt, alter, and enforce reasonable rules consistent with the laws of the state and
11.17 the terms of the applicable benefit plans for the administration and management of the fund,
11.18 for the payment and collection of payments from members and for the payment of
11.19 withdrawals and benefits, and that are necessary in order to comply with the applicable
11.20 federal Internal Revenue Service and Department of Labor requirements;

11.21 (5) pass upon and allow or disallow all applications for membership in the fund and
11.22 allow or disallow claims for withdrawals, pensions, or benefits payable from the fund;

11.23 ~~(6) authorize procedures for use of electronic signatures as defined in section 325L.02,~~
11.24 ~~paragraph (h), on applications and forms required by the association;~~

11.25 ~~(7)~~ (6) adopt an appropriate mortality table based on experience of the fund as
11.26 recommended by the association actuary and approved under section 356.215, subdivision
11.27 18, with interest set at the rate specified in section 356.215, subdivision 8;

11.28 ~~(8)~~ (7) provide for the payment out of the fund of the cost of administering this chapter,
11.29 of all necessary expenses for the administration of the fund and of all claims for withdrawals,
11.30 pensions, or benefits allowed;

12.1 ~~(9)~~ (8) approve or disapprove all recommendations and actions of the executive director
 12.2 made subject to its approval or disapproval by subdivision 3a; and

12.3 ~~(10)~~ (9) approve early retirement and optional annuity factors, subject to review by the
 12.4 actuary retained by the Legislative Commission on Pensions and Retirement; establish the
 12.5 schedule for implementation of the approved factors; and notify the Legislative Commission
 12.6 on Pensions and Retirement of the implementation schedule.

12.7 (b) In passing upon all applications and claims, the board may summon, swear, hear,
 12.8 and examine witnesses and, in the case of claims for disability benefits, may require the
 12.9 claimant to submit to a medical examination by a physician of the board's choice, at the
 12.10 expense of the fund, as a condition precedent to the passing on the claim, and, in the case
 12.11 of all applications and claims, may conduct investigations necessary to determine their
 12.12 validity and merit.

12.13 (c) The board may continue to authorize the sale of life insurance to members under the
 12.14 insurance program in effect on January 1, 1985, but must not change that program without
 12.15 the approval of the commissioner of management and budget. The association shall not
 12.16 receive any financial benefit from the life insurance program beyond the amount necessary
 12.17 to reimburse the association for costs incurred in administering the program. The association
 12.18 shall not engage directly or indirectly in any other activity involving the sale or promotion
 12.19 of goods or services, or both, whether to members or nonmembers.

12.20 (d) The board shall establish procedures governing reimbursement of expenses to board
 12.21 members. These procedures must define the types of activities and expenses that qualify
 12.22 for reimbursement, must provide that all out-of-state travel be authorized by the board, and
 12.23 must provide for the independent verification of claims for expense reimbursement. The
 12.24 procedures must comply with the applicable rules and policies of the Department of
 12.25 Management and Budget and the Department of Administration.

12.26 (e) The board may purchase fiduciary liability insurance and official bonds for the
 12.27 officers and members of the board of trustees and employees of the association and may
 12.28 purchase property insurance or may establish a self-insurance risk reserve including, but
 12.29 not limited to, data processing insurance and "extra-expense" coverage.

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

12.31 Sec. 5. Minnesota Statutes 2016, section 353.29, subdivision 4, is amended to read:

12.32 Subd. 4. **Application for annuity.** Application for a retirement annuity or optional
 12.33 annuity may be made by a member or by a person ~~authorized to act~~ acting on behalf of the

13.1 member, upon proof of authority satisfactory to the executive director. Every application
 13.2 ~~for retirement~~ must be made ~~in writing~~ on a form or in a format prescribed by the executive
 13.3 director and must be substantiated by ~~written~~ proof of the member's age and identity. The
 13.4 notarized signature of a member's spouse on a retirement annuity application acknowledging
 13.5 the member's annuity selection meets the notice requirement to the spouse under section
 13.6 356.46, subdivision 3. An application for a retirement annuity is not complete until all
 13.7 necessary supporting documents are received by the executive director.

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

13.9 Sec. 6. Minnesota Statutes 2016, section 353.29, subdivision 7, is amended to read:

13.10 Subd. 7. ~~Annuities; accrual~~ **Annuity starting date.** (a) Except as ~~to elected public~~
 13.11 ~~officials specified in paragraph (b),~~ a retirement annuity granted under this chapter begins
 13.12 ~~with~~ on the first day of the first calendar month after the date of termination of public service
 13.13 or up to six months before the first of the month in which a complete application is received
 13.14 by the executive director under subdivision 4, whichever is later. The annuity must be paid
 13.15 in equal monthly installments ~~and does not accrue,~~ unless suspended or reduced under
 13.16 section 353.37. Annuity payments shall not be paid beyond the end of the month in which
 13.17 entitlement to the annuity has terminated.

13.18 (b) An annuity granted to an ~~elective~~ elected public official ~~accrues~~ may begin on the
 13.19 day following the expiration of the public office ~~or expiration of the right to hold that office~~
 13.20 that qualified the elected official for membership under section 353.01, subdivision 2a or
 13.21 2d, if a complete application is received by the executive director under subdivision 4 within
 13.22 six months of the date of termination of public service. The annuity for the month during
 13.23 which the expiration occurred is prorated accordingly.

13.24 (c) An annuity, once granted, must not be increased, decreased, or revoked except under
 13.25 this chapter.

13.26 ~~(d) An annuity payment may be made retroactive for up to one year prior to that month~~
 13.27 ~~in which a complete application is received by the executive director under subdivision 4.~~

13.28 ~~(e)~~ (d) If an annuitant dies before negotiating the check for the month in which death
 13.29 occurs, payment must first be made to the surviving spouse, or if none, then to the designated
 13.30 beneficiary, or if none, lastly to the estate.

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

14.1 Sec. 7. Minnesota Statutes 2016, section 353.35, subdivision 1, is amended to read:

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

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

14.7 (c) ~~The~~ If a person forfeits service credits, rights, and benefits under paragraph (a), the
14.8 person's service credits, rights, and benefits of a former member must not shall be restored
14.9 until if the person returns to active service and acquires employment covered by the
14.10 association for at least six months of allowable service credit after taking the last refund
14.11 and repays the refund or refunds taken and interest all amounts previously received under
14.12 section 353.34, ~~subdivisions 1 and~~ subdivision 2, plus interest at the annual rate of 8.5
14.13 percent until June 30, 2015, and eight percent thereafter, compounded annually, from the
14.14 date each amount was received to the date the amount is repaid. If the person elects to restore
14.15 service credit in a particular fund from which the person has taken more than one refund,
14.16 the person must repay all refunds to that fund. All refunds The repayment must be repaid
14.17 made within six months of the last date of termination day of public service employment.
14.18 A person may have service credits, rights, and benefits restored under this paragraph once.

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

14.20 Sec. 8. Minnesota Statutes 2016, section 353.37, subdivision 1, is amended to read:

14.21 Subdivision 1. **Salary maximums.** (a) The annuity of a person otherwise eligible for
14.22 an annuity from the general employees retirement plan of the Public Employees Retirement
14.23 Association, the public employees police and fire retirement plan, or the local government
14.24 correctional employees retirement plan must be suspended under subdivision 2 or reduced
14.25 under subdivision 3, whichever results in the higher annual annuity amount, ~~if~~ upon the
14.26 person reenters public service as a nonelective person's employment as a nonelected employee
14.27 of a governmental subdivision in a position not required by law to be a member of a plan
14.28 administered by the Minnesota State Retirement System, the Teachers Retirement
14.29 Association, or the St. Paul Teachers Retirement Fund Association, or returns to work as
14.30 an employee of a labor organization that represents public employees who are association
14.31 members under this chapter, and salary for the reemployment service exceeds the annual
14.32 maximum earnings allowable for that age for the continued receipt of full benefit amounts
14.33 monthly under the federal Old Age, Survivors and Disability Insurance Program as set by
14.34 the secretary of health and human services under United States Code, title 42, section 403,

15.1 in any calendar year. If the person has not yet reached the minimum age for the receipt of
 15.2 Social Security benefits, the maximum salary for the person is equal to the annual maximum
 15.3 earnings allowable for the minimum age for the receipt of Social Security benefits.

15.4 (b) The provisions of paragraph (a) do not apply to the members of the general employees
 15.5 plan of the Public Employees Retirement Association who were former members of MERF.

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

15.7 Sec. 9. Minnesota Statutes 2016, section 353F.02, subdivision 5a, is amended to read:

15.8 Subd. 5a. **Privatized former public employer.** "Privatized former public employer"
 15.9 means a medical facility that was ~~formerly~~ included in the definition of governmental
 15.10 subdivision under section 353.01, subdivision 6, on the day before the effective date of
 15.11 privatization, that is privatized and whose employees are certified for participation under
 15.12 this chapter.

15.13 **EFFECTIVE DATE.** This section is effective for privatizations with an effective date
 15.14 of privatization under section 353F.02, subdivision 3, after June 30, 2017.

15.15 Sec. 10. Minnesota Statutes 2016, section 353F.04, subdivision 2, is amended to read:

15.16 Subd. 2. **Exceptions.** The increased augmentation rates specified in subdivision 1 do
 15.17 not apply to a privatized former public employee:

15.18 (1) beginning the first of the month in which the privatized former public employee
 15.19 becomes covered again by a retirement plan enumerated in section 356.30, subdivision 3,
 15.20 if the employee accrues at least six months of credited service in any single plan enumerated
 15.21 in section 356.30, subdivision 3, except clause (6);

15.22 (2) beginning the first of the month in which the privatized former public employee
 15.23 becomes covered again by the general employees retirement plan of the Public Employees
 15.24 Retirement Association;

15.25 (3) beginning the first of the month after a privatized former public employee terminates
 15.26 service with the ~~successor entity~~ privatized former public employer; or

15.27 (4) if the person begins receipt of a retirement annuity while employed by the employer
 15.28 which assumed operations of or purchased the privatized former public employer.

15.29 **EFFECTIVE DATE.** This section is effective for privatizations with an effective date
 15.30 of privatization under section 353F.02, subdivision 3, after June 30, 2017.

16.1 Sec. 11. Minnesota Statutes 2016, section 353F.05, is amended to read:

16.2 **353F.05 AUTHORIZATION FOR ADDITIONAL ALLOWABLE SERVICE FOR**
 16.3 **EARLY RETIREMENT PURPOSES.**

16.4 (a) For the purpose of determining eligibility for early retirement benefits provided under
 16.5 section 353.30, subdivision 1a, of the edition of Minnesota Statutes published in the year
 16.6 before the year in which the privatization occurred, and notwithstanding any provision of
 16.7 chapter 353, to the contrary, the years of allowable service for a privatized former public
 16.8 employee who transfers employment on the effective date of privatization and does not
 16.9 apply for a refund of contributions under section 353.34, subdivision 1, of the edition of
 16.10 Minnesota Statutes published in the year before the year in which the privatization occurred,
 16.11 or any similar provision, includes service with the ~~successor employer to the~~ privatized
 16.12 former public employer following the effective date. The ~~successor~~ privatized former public
 16.13 employer shall provide any reports that the executive director of the Public Employees
 16.14 Retirement Association may reasonably request to permit calculation of benefits.

16.15 (b) To be eligible for early retirement benefits under this section, the individual must
 16.16 separate from service with the ~~successor to the~~ privatized former public employer. The
 16.17 privatized former public employee, or an individual authorized to act on behalf of that
 16.18 employee, may apply for an annuity following application procedures under section 353.29,
 16.19 subdivision 4.

16.20 **EFFECTIVE DATE.** This section is effective for privatizations with an effective date
 16.21 of privatization under section 353F.02, subdivision 3, after June 30, 2017.

16.22 Sec. 12. Minnesota Statutes 2016, section 353F.057, is amended to read:

16.23 **353F.057 TERMINATION FROM SERVICE REQUIREMENT.**

16.24 Upon termination of service from the privatized former public employer ~~or any successor~~
 16.25 ~~entity~~ after the effective date of privatization, a privatized former public employee must
 16.26 separate from any employment relationship with the privatized former public employer ~~or~~
 16.27 ~~any successor entity~~ for at least 30 days to qualify to receive a retirement annuity under this
 16.28 chapter.

16.29 **EFFECTIVE DATE.** This section is effective for privatizations with an effective date
 16.30 of privatization under section 353F.02, subdivision 3, after June 30, 2017.

17.1 Sec. 13. Minnesota Statutes 2016, section 353F.06, is amended to read:

17.2 **353F.06 APPLICATION OF REEMPLOYED ANNUITANT EARNINGS**
 17.3 **LIMITATIONS.**

17.4 If a privatized former public employee satisfies the separation from service requirement
 17.5 in section 353F.057 and thereafter resumes employment with the privatized former public
 17.6 employer or ~~any successor entity~~ or a governmental subdivision under section 353.01,
 17.7 subdivision 6, the reemployed annuitant earnings limitations of section 353.37 apply.

17.8 **EFFECTIVE DATE.** This section is effective for privatizations with an effective date
 17.9 of privatization under section 353F.02, subdivision 3, after June 30, 2017.

17.10 Sec. 14. Minnesota Statutes 2016, section 353F.07, is amended to read:

17.11 **353F.07 EFFECT ON REFUND.**

17.12 Notwithstanding any provision of chapter 353 to the contrary, privatized former public
 17.13 employees may receive a refund of employee accumulated contributions plus interest as
 17.14 provided in section 353.34, subdivision 2, at any time after the transfer of employment to
 17.15 ~~the successor employer of the~~ privatized former public employer. If a privatized former
 17.16 public employee has received a refund from a pension plan listed in section 356.30,
 17.17 subdivision 3, the person may not repay that refund unless the person again becomes a
 17.18 member of one of those listed plans and complies with section 356.30, subdivision 2.

17.19 **EFFECTIVE DATE.** This section is effective for privatizations with an effective date
 17.20 of privatization under section 353F.02, subdivision 3, after June 30, 2017.

17.21 Sec. 15. **[353F.09] APPLICATION TO SALES OF PRIVATIZED FORMER PUBLIC**
 17.22 **EMPLOYERS.**

17.23 A medical facility or other employing unit shall cease to be a privatized former public
 17.24 employer and its employees shall cease to be considered privatized former public employees
 17.25 under this chapter upon the sale of the operations of the medical facility or employing unit
 17.26 to another employer or the sale of the medical facility or employing unit to another employer.
 17.27 The privatized former public employees shall be entitled to benefits accrued under this
 17.28 chapter to the date of the sale, but shall not accrue additional benefits after the date of the
 17.29 sale.

17.30 **EFFECTIVE DATE.** The section is effective for privatizations with an effective date
 17.31 of privatization under section 353F.02, subdivision 3, after June 30, 2017, and for sales of
 17.32 privatized former public employers after June 30, 2017.

18.1 Sec. 16. Minnesota Statutes 2016, section 356.32, subdivision 2, is amended to read:

18.2 Subd. 2. **Covered retirement plans.** The provisions of this section apply to the following
18.3 retirement plans:

18.4 (1) the general state employees retirement plan of the Minnesota State Retirement System,
18.5 established under chapter 352;

18.6 (2) the correctional state employees retirement plan of the Minnesota State Retirement
18.7 System, established under chapter 352;

18.8 (3) the State Patrol retirement plan, established under chapter 352B;

18.9 (4) the general employees retirement plan of the Public Employees Retirement
18.10 Association, established under chapter 353;

18.11 (5) the public employees police and fire plan of the Public Employees Retirement
18.12 Association, established under chapter 353;

18.13 (6) the local government correctional service retirement plan of the Public Employees
18.14 Retirement Association, established under chapter 353E;

18.15 (7) the Teachers Retirement Association, established under chapter 354; and

18.16 ~~(7)~~ (8) the St. Paul Teachers Retirement Fund Association, established under chapter
18.17 354A.

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

18.19 Sec. 17. Minnesota Statutes 2016, section 356.47, subdivision 3, is amended to read:

18.20 Subd. 3. **Payment.** (a) Beginning one year after the reemployment withholding period
18.21 ends relating to the reemployment that gave rise to the limitation, and the filing of a written
18.22 application, the retired member is entitled to the payment, in a lump sum, of the value of
18.23 the person's amount under subdivision 2, plus annual compound interest. For the general
18.24 state employees retirement plan, the correctional state employees retirement plan, the general
18.25 employees retirement plan of the Public Employees Retirement Association, the public
18.26 employees police and fire retirement plan, the local government correctional employees
18.27 retirement plan, and the teachers retirement plan, the annual interest rate is six percent from
18.28 the date on which the amount was deducted from the retirement annuity to the date of
18.29 payment or until January 1, 2011, whichever is earlier, and no interest after January 1, 2011.
18.30 For the St. Paul Teachers Retirement Fund Association, the annual interest is the rate of six
18.31 percent from the date that the amount was deducted from the retirement annuity to the date

19.1 of payment or June 30, 2011, whichever is earlier, and with no interest accrual after June
19.2 30, 2011.

19.3 (b) The written application must be on a form prescribed by the chief administrative
19.4 officer of the applicable retirement plan.

19.5 (c) If the retired member dies before the payment provided for in paragraph (a) is made,
19.6 the amount is payable, upon written application, to the deceased person's surviving spouse,
19.7 or if none, to the deceased person's designated beneficiary, or if none, to the deceased
19.8 person's estate.

19.9 (d) If the amount under subdivision 2 is an eligible rollover distribution as defined in
19.10 section 356.635, subdivisions 4 and 5, the applicable retirement plan shall provide notice
19.11 and an election:

19.12 (1) to the member regarding the member's right to elect a direct rollover under section
19.13 356.635, subdivisions 3 to 7, in lieu of the a direct payment of the person's amount under
19.14 subdivision 2, on or after the payment date under paragraph (a), if the federal Internal
19.15 Revenue Code so permits, the retired member may elect to have all or any portion of the
19.16 payment amount under this section paid in the form of a direct rollover to an eligible
19.17 retirement plan as defined in section 402(e) of the federal Internal Revenue Code that is
19.18 specified by the retired member. If the retired member dies with a balance remaining payable
19.19 under this section, the surviving spouse of the retired member, or if none, the deceased
19.20 person's designated beneficiary, or if none, the administrator of the deceased person's estate
19.21 may elect a direct rollover under this paragraph.; or

19.22 (2) if paragraph (c) applies and the amount is to be paid to a person who is a distributee
19.23 as defined in section 356.635, subdivision 7, to the distributee regarding the distributee's
19.24 right to elect a direct rollover under section 356.635, subdivisions 3 to 7, in lieu of a direct
19.25 payment.

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