

A bill for an act

relating to retirement; Minnesota State Retirement System; Public Employees Retirement Association; Teachers Retirement Association; first class city teacher retirement fund associations; increasing certain contribution rates; suspending certain postretirement adjustments; reducing certain postretirement adjustment increase rates; reducing interest rates on refunds; reducing deferred annuity augmentation rates; eliminating interest on reemployed annuitant earnings limitation deferred accounts; increasing certain vesting requirements; increasing certain early retirement reduction rates; reducing certain benefit accrual rates; extending certain amortization periods; requiring a retirement fund investment authority study; authorizing certain bylaw amendments; amending Minnesota Statutes 2008, sections 3A.02, subdivision 4; 352.113, subdivision 1; 352.115, subdivision 1; 352.12, subdivision 2; 352.22, subdivisions 2, 3; 352.72, subdivisions 1, 2; 352.93, subdivisions 1, 2a, 3a; 352.931, subdivision 1; 352B.02, as amended; 352B.08, subdivisions 1, 2a; 352B.11, subdivision 2b; 352B.30, subdivisions 1, 2; 352F.07; 353.01, by adding a subdivision; 353.27, subdivision 3b; 353.29, subdivision 1; 353.30, subdivision 1c; 353.32, subdivisions 1, 1a; 353.34, subdivisions 1, 2, 3; 353.651, subdivisions 1, 4; 353.657, subdivisions 1, 2a; 353.71, subdivisions 1, 2; 353E.04, subdivisions 1, 4; 353E.07, subdivisions 1, 2; 353F.03; 354.42, subdivision 3, by adding subdivisions; 354A.12, subdivisions 1, 3c; 354A.27, subdivisions 5, 6, by adding a subdivision; 354A.31, subdivision 1; 354A.35, subdivision 1; 354A.37, subdivisions 2, 3, 4; 356.215, subdivision 8; 356.30, subdivision 1; 356.302, subdivisions 3, 4, 5; 356.303, subdivision 2; 356.315, subdivision 5; 356.47, subdivision 3; Minnesota Statutes 2009 Supplement, sections 352.75, subdivision 4; 352.95, subdivision 2; 353.27, subdivisions 2, 3; 353.33, subdivision 1; 353.65, subdivisions 2, 3; 354.42, subdivision 2; 354.47, subdivision 1; 354.49, subdivision 2; 354.55, subdivision 11; 354A.12, subdivision 2a; 356.215, subdivision 11; 356.415, subdivision 1, by adding subdivisions; 423A.02, subdivision 3; repealing Minnesota Statutes 2008, section 354A.27, subdivision 1.

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

Section 1. Minnesota Statutes 2008, 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 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 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, 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, 2011, whichever is earlier; ~~and~~

(3) five percent from the period end date under clause (2) ~~to~~ until the effective date of retirement or until January 1, 2011, whichever is earlier; and

(4) two percent after December 31, 2010.

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

Sec. 2. Minnesota Statutes 2008, section 352.113, subdivision 1, is amended to read:

Subdivision 1. **Age and service requirements.** (a) An employee covered by the system, who is less than normal retirement age and who becomes totally and permanently disabled after three or more years of allowable service if employed before July 1, 2010, or after five or more years of allowable service if employed after June 30, 2010, is entitled to a disability benefit in an amount provided in subdivision 3.

(b) If the disabled employee's state service has terminated at any time, the employee must have at least two years of allowable service after last becoming a state employee covered by the system.

(c) Refunds may be repaid under section 352.23 before the effective accrual date of the disability benefit under subdivision 2.

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

Sec. 3. Minnesota Statutes 2008, section 352.115, subdivision 1, is amended to read:

Subdivision 1. **Age and service requirements.** After separation from state service, any employee (1) who has attained the age of at least 55 years and who is entitled to credit for at least three years allowable service if employed before July 1, 2010, or after five or more years of allowable service if employed after June 30, 2010, or (2) who has received credit for at least 30 years allowable service regardless of age, is entitled upon application to a retirement annuity.

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

Sec. 4. Minnesota Statutes 2008, section 352.12, subdivision 2, is amended to read:

Subd. 2. **Surviving spouse benefit.** (a) If an employee or former employee has credit for at least three years allowable service if the employee was employed before July 1, 2010, or for at least five years of allowable service if the employee was employed after June 30, 2010, and dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund with interest under subdivision 1, an annuity equal to the joint and 100 percent survivor annuity which the employee or former employee could have qualified for on the date of death.

(b) If the employee 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 employee and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If the employee was under age 55 and has credit for at least three years of allowable service credit on the date of death if the employee was employed before July 1, 2010, or for at least five years of allowable service if the employee was employed after June 30, 2010, but did not yet qualify for retirement, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1 or 1a, to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(d) The surviving spouse eligible for benefits under paragraph (a) may apply for the annuity at any time after the date on which the employee or former employee would have attained the required age for retirement based on the allowable service earned. The surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for the annuity at any time after the employee's death. The annuity must be computed under sections 352.115, subdivisions 1, 2, and 3, and 352.116, subdivisions 1, 1a, and 3. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision. The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse, or upon expiration of a term certain benefit payment to a surviving spouse under subdivision 2a. An amount equal to the excess, if any, of the accumulated contributions

credited to the account of the deceased employee in excess of the total of the benefits paid and payable to the surviving spouse must be paid to the deceased employee's or former employee's last designated beneficiary or, if none, as specified under subdivision 1.

(e) Any employee or former employee may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

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

Sec. 5. Minnesota Statutes 2008, 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 at the rate of 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 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. Included with the refund is any interest paid as part of repayment of a past refund, plus interest thereon from the date of repayment.

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

Sec. 6. Minnesota Statutes 2008, 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.

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

Sec. 7. Minnesota Statutes 2008, section 352.72, subdivision 1, is amended to read:

Subdivision 1. **Entitlement to annuity.** (a) Any person who has been an employee covered by a retirement system listed in paragraph (b) is entitled when qualified to an annuity from each fund if total allowable service in all funds or in any two of these funds totals three or more years if employed before July 1, 2010, or totals five or more years if employed after June 30, 2010.

(b) This section applies to the Minnesota State Retirement System, the Public Employees Retirement Association including the Public Employees Retirement Association police and fire fund, the Teachers Retirement Association, the State Patrol Retirement Association, or any other public employee retirement system in the state with a similar provision, except as noted in paragraph (c).

(c) This section does not apply to other funds providing benefits for police officers or firefighters.

(d) No portion of the allowable service upon which the retirement annuity from one fund is based shall be again used in the computation for benefits from another fund. No refund may have been taken from any one of these funds since service entitling the employee to coverage under the system or the employee's membership in any of the associations last terminated. The annuity from each fund must be determined by the appropriate provisions of the law except that the requirement that a person must have at least ~~three~~ a specific number of years of allowable service in the respective system or association does not apply for the purposes of this section if the combined service in two or more of these funds equals ~~three or more years~~ at least the longest period of allowable service of any of the applicable retirement plans.

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

Sec. 8. Minnesota Statutes 2008, section 352.72, subdivision 2, is amended to read:

6.1 Subd. 2. **Computation of deferred annuity.** (a) The deferred annuity, if any,
6.2 accruing under subdivision 1, or section 352.22, subdivision 3, must be computed as
6.3 provided in section 352.22, subdivision 3, on the basis of allowable service before
6.4 termination of state service and augmented as provided herein. The required reserves
6.5 applicable to a deferred annuity or to an annuity for which a former employee was eligible
6.6 but had not applied or to any deferred segment of an annuity must be determined as of
6.7 the date the benefit begins to accrue and augmented by interest compounded annually
6.8 from the first day of the month following the month in which the employee ceased to be
6.9 a state employee, or July 1, 1971, whichever is later, to the first day of the month in
6.10 which the annuity begins to accrue. The rates of interest used for this purpose must be
6.11 five percent compounded annually until January 1, 1981, and three percent compounded
6.12 annually thereafter until January 1 of the year following the year in which the former
6.13 employee attains age 55 or until January 1, 2011, whichever is earlier, and from ~~that date~~
6.14 the January 1 next following the attainment of age 55 to the effective date of retirement or
6.15 until January 1, 2011, whichever is earlier, ~~the rate is~~ five percent compounded annually if
6.16 the employee became an employee before July 1, 2006, ~~and at~~ 2.5 percent compounded
6.17 annually until January 1, 2011, if the employee becomes an employee after June 30, 2006,
6.18 and two percent compounded annually after December 31, 2010, irrespective of when the
6.19 employee became a state employee. If a person has more than one period of uninterrupted
6.20 service, the required reserves related to each period must be augmented by interest under
6.21 this subdivision. The sum of the augmented required reserves so determined is the present
6.22 value of the annuity. "Uninterrupted service" for the purpose of this subdivision means
6.23 periods of covered employment during which the employee has not been separated from
6.24 state service for more than two years. If a person repays a refund, the service restored by
6.25 the repayment must be considered continuous with the next period of service for which the
6.26 employee has credit with this system. The formula percentages used for each period of
6.27 uninterrupted service must be those applicable to a new employee. The mortality table
6.28 and interest assumption used to compute the annuity must be those in effect when the
6.29 employee files application for annuity. This section does not reduce the annuity otherwise
6.30 payable under this chapter.

6.31 (b) The retirement annuity or disability benefit of, or the survivor benefit payable on
6.32 behalf of, a former state employee who terminated service before July 1, 1997, which is
6.33 not first payable until after June 30, 1997, must be increased on an actuarial equivalent
6.34 basis to reflect the change in the postretirement interest rate actuarial assumption under
6.35 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 the day following final enactment.

Sec. 9. Minnesota Statutes 2009 Supplement, section 352.75, subdivision 4, is amended to read:

Subd. 4. **Existing deferred retirees.** Any former member of the former Metropolitan Transit Commission-Transit Operating Division employees retirement fund is entitled to a retirement annuity from the Minnesota State Retirement System if the employee:

(1) is not an active employee of the Transit Operating Division of the former Metropolitan Transit Commission on July 1, 1978; (2) has at least ten years of active continuous service with the Transit Operating Division of the former Metropolitan Transit Commission as defined by the former Metropolitan Transit Commission-Transit Operating Division employees retirement plan document in effect on December 31, 1977; (3) has not received a refund of contributions; (4) has not retired or begun receiving an annuity or benefit from the former Metropolitan Transit Commission-Transit Operating Division employees retirement fund; (5) is at least 55 years old; and (6) submits a valid application for a retirement annuity to the executive director of the Minnesota State Retirement System.

The person is entitled to a retirement annuity in an amount equal to the normal old age retirement allowance calculated under the former Metropolitan Transit Commission-Transit Operating Division employees retirement fund plan document in effect on December 31, 1977, subject to an early retirement reduction or adjustment in amount on account of retirement before the normal retirement age specified in that former Metropolitan Transit Commission-Transit Operating Division employees retirement fund plan document.

The deferred retirement annuity of any person to whom this subdivision applies must be augmented. The required reserves applicable to the deferred retirement annuity, determined as of the date the allowance begins to accrue using an appropriate mortality table and an interest assumption of five percent, must be augmented by interest at the rate of five percent per year compounded annually from January 1, 1978, to January 1, 1981, ~~and~~ three percent per year compounded annually from January 1, 1981, until the date that the annuity begins to accrue or June 30, 2010, whichever is earlier, and two percent after June 30, 2010, to the first day of the month in which the annuity begins to accrue. After the commencement of the retirement annuity, the annuity is eligible for

postretirement adjustments under section 356.415. On applying for a retirement annuity under this subdivision, the person is entitled to elect a joint and survivor optional annuity under section 352.116, subdivision 3.

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

Sec. 10. Minnesota Statutes 2008, section 352.93, subdivision 1, is amended to read:

Subdivision 1. **Basis of annuity; when to apply.** After separation from state service, an employee covered under section 352.91 who has reached age 55 years and has credit for at least three years of covered correctional service or a combination of covered correctional service and general state employees state retirement plan allowable service if first employed as a state employee before July 1, 2010, or has credit for at least ten years of covered correctional service or a combination of covered correctional service and general state employees retirement plan allowable service if first employed as a state employee after June 30, 2010, is entitled upon application to a retirement annuity under this section, based only on covered correctional employees' service. Application may be made no earlier than 60 days before the date the employee is eligible to retire by reason of both age and service requirements.

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

Sec. 11. Minnesota Statutes 2008, section 352.93, subdivision 2a, is amended to read:

Subd. 2a. **Early retirement.** Any covered correctional employee who becomes at least 50 years old and who has at least three years of allowable service if first employed as a correctional state employee before July 1, 2010, or has credit for at least ten years of allowable service if first employed as a correctional state employee after June 30, 2010, is entitled upon application to a reduced retirement annuity equal to the annuity calculated under subdivision 2, reduced by two-tenths of one percent for each month that the correctional employee is under age 55 at the time of retirement if first employed as a correctional state employee before July 1, 2010, and if retired before July 1, 2015, or reduced by 0.417 percent for each month that the correctional employee is under age 55 at the time of retirement if first employed as a correctional state employee after June 30, 2010, or if first employed as a correctional state employee before July 1, 2010, and if retired after June 30, 2015.

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

Sec. 12. Minnesota Statutes 2008, section 352.93, subdivision 3a, is amended to read:

Subd. 3a. **Optional annuities.** The board may establish optional annuity forms to pay a higher amount from the date of retirement until an employee is first eligible to draw Social Security benefits, reaches age 65, or up to reaches the age the employee is eligible to receive unreduced Social Security benefits, at which time the monthly benefits must be reduced. The optional annuity forms must be actuarially equivalent to the normal single life annuity form provided in subdivision 2. The optional annuity forms must be ~~approved~~ certified as actuarially equivalent by the actuary retained under section 356.214.

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

Sec. 13. Minnesota Statutes 2008, section 352.931, subdivision 1, is amended to read:

Subdivision 1. **Surviving spouse benefit.** (a) If the correctional employee was at least age 50, has credit for at least three years of allowable service if first employed as a correctional state employee before July 1, 2010, or has credit for at least ten years of allowable service if first employed as a correctional state employee after June 30, 2010, and dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund under section 352.12, subdivision 1, an annuity for life equal to the joint and 100 percent survivor annuity which the employee could have qualified for had the employee terminated service on the date of death. The election may be made at any time after the date of death of the employee. The surviving spouse benefit begins to accrue as of the first of the month next following the date on which the application for the benefit was filed.

(b) If the employee was under age 50, dies, and had credit for at least three years of allowable service ~~credit~~ on the date of death if first employed as a correctional state employee before July 1, 2010, or had credit for at least ten years of allowable service on the date of death if first employed as a correctional state employee after June 30, 2010, but did not yet qualify for retirement, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the early retirement reduction under section 352.93, subdivision 2a, to age 50, and one-half of the early retirement reduction from age 50 to the age payment begins. The surviving spouse eligible for surviving spouse benefits under this paragraph may apply for the annuity at any time after the employee's death. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision.

(c) The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse. Any employee may request in writing, with the

signed consent of the spouse, that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

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

Sec. 14. Minnesota Statutes 2009 Supplement, section 352.95, subdivision 2, is amended to read:

Subd. 2. **Regular disability; computation of benefit.** A covered correctional employee who was hired before July 1, 2009, after rendering at least one year of covered correctional service, or a covered correctional employee who was first hired after June 30, 2009, after rendering at least three years of covered correctional plan service if first employed as a correctional state employee before July 1, 2010, or after rendering at least ten years of covered correctional plan service if first employed as a correctional state employee after June 30, 2010, and who is determined to have a regular disability, physical or psychological, as defined under section 352.01, subdivision 17c, is entitled to a regular disability benefit. The regular disability benefit must be based on covered correctional service only. The regular disability benefit must be computed as provided in section 352.93, subdivisions 1 and 2. The regular disability benefit of a covered correctional employee who was first hired before July 1, 2009, and who is determined to have a regular disability, physical or psychological, under this subdivision must be computed as though the employee had at least 15 years of covered correctional service.

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

Sec. 15. Minnesota Statutes 2008, section 352B.02, as amended by Laws 2009, chapter 101, article 2, section 109; and Laws 2009, chapter 169, article 1, section 23; article 2, section 16; and article 4, sections 3 and 4, is amended to read:

352B.02 STATE PATROL RETIREMENT FUND.

Subdivision 1. **Fund created; membership.** A State Patrol retirement fund is established. Its membership consists of all persons defined in section 352B.011, subdivision 10.

Subd. 1a. **Member contributions.** (a) The member contribution is ~~10.40 percent~~ the following percentage of the member's salary:-

(1) before the first day of the first pay period beginning after July 1, 2011 10.40 percent

(2) on or after the first day of the first pay period beginning after July 1, 2011 11.20 percent

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

11.3 Subd. 1b. **Salary deductions.** Member contribution amounts must be deducted each
11.4 pay period by the department head, who shall have the total amount of the deductions paid
11.5 to the commissioner of management and budget for deposit in the State Patrol retirement
11.6 fund, and have a detailed report of all deductions made each pay period to the executive
11.7 director of the Minnesota State Retirement System.

11.8 Subd. 1c. **Employer contributions.** (a) In addition to member contributions,
11.9 department heads shall pay a sum equal to ~~15.60 percent~~ the specified percentage of the
11.10 salary upon which deductions were made, which constitutes the employer contribution
11.11 to the fund: as follows:

11.12 (1) before the first day of the first pay
11.13 period beginning after July 1, 2011 15.60 percent

11.14 (2) on or after the first day of the first
11.15 pay period beginning after July 1, 2011 16.80 percent

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

11.18 Subd. 1d. **Additional employer contributions.** (a) In addition to the regular
11.19 employer contribution under subdivision 1c, department heads shall pay a sum equal to
11.20 ten percent of the salary upon which member contribution deductions were made, which is
11.21 the additional employer contribution to the fund.

11.22 (b) Department additional employer contributions must be paid from departmental
11.23 appropriations or revenue.

11.24 Subd. ~~1d~~ 1e. **Fund revenue and expenses.** The amounts provided for in this section
11.25 must be credited to the State Patrol retirement fund. All money received must be deposited
11.26 by the commissioner of management and budget in the State Patrol retirement fund. The
11.27 fund must be used to pay the administrative expenses of the retirement fund, and the
11.28 benefits and annuities provided in this chapter.

11.29 Subd. ~~1e~~ 1f. **Audit; regular actuarial valuation; supplemental valuations.** (a)
11.30 The legislative auditor shall audit the fund.

11.31 (b) Any actuarial valuation of the fund required under section 356.215 must be
11.32 prepared by the actuary retained under section 356.214.

11.33 (c) Any approved actuary retained by the executive director under section 352.03,
11.34 subdivision 6, may perform actuarial valuations and experience studies to supplement
11.35 those performed by the actuary retained under section 356.214. Any supplemental
11.36 actuarial valuation or experience studies must be filed with the executive director of the
11.37 Legislative Commission on Pensions and Retirement.

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

12.2 Sec. 16. Minnesota Statutes 2008, section 352B.08, subdivision 1, is amended to read:

12.3 Subdivision 1. **Eligibility; when to apply; accrual.** (a) Every member who is
12.4 credited with three or more years of allowable service if first employed before July 1,
12.5 2010, or with at least five years of allowable service if first employed after June 30, 2010,
12.6 is entitled to separate from state service and upon becoming 50 years old, is entitled to
12.7 receive a life annuity, upon separation from state service.

12.8 (b) Members ~~shall~~ must apply for an annuity in a form and manner prescribed by the
12.9 executive director.

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

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

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

12.15 Sec. 17. Minnesota Statutes 2008, section 352B.08, subdivision 2a, is amended to read:

12.16 Subd. 2a. **Early retirement.** Any member who has become at least 50 years old and
12.17 who has at least three years of allowable service if first employed before July 1, 2010, or
12.18 who has at least five years of allowable service if first employed after June 30, 2010, is
12.19 entitled upon application to a reduced retirement annuity equal to the annuity calculated
12.20 under subdivision 2, reduced by one-tenth of one percent for each month that the member
12.21 is under age 55 at the time of retirement if first employed before July 1, 2010, or reduced
12.22 by two-tenths of one percent for each month that the member is under age 55 at the time of
12.23 retirement if first employed after June 30, 2010.

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

12.25 Sec. 18. Minnesota Statutes 2008, section 352B.11, subdivision 2b, is amended to read:

12.26 Subd. 2b. **Surviving spouse benefit eligibility.** (a) If an active member with three or
12.27 more years of allowable service if first employed before July 1, 2010, or with at least five
12.28 years of allowable service if first employed after June 30, 2010, dies before attaining age
12.29 55, the surviving spouse is entitled to the benefit specified in subdivision 2c, paragraph (b).

12.30 (b) If an active member with less than three years of allowable service if first
12.31 employed before July 1, 2010, or with fewer than five years of allowable service if first

employed after June 30, 2010, dies at any age, the surviving spouse is entitled to receive the benefit specified in subdivision 2c, paragraph (c).

(c) If an active member with three or more years of allowable service if first employed before July 1, 2010, or with at least five years of allowable service if first employed after June 30, 2010, dies on or after attaining exact age 55, the surviving spouse is entitled to receive the benefits specified in subdivision 2c, paragraph (d).

(d) If a disabilitant dies while receiving a disability benefit under section 352B.10 or before the benefit under that section commenced, and an optional annuity was not elected under section 352B.10, subdivision 5, the surviving spouse is entitled to receive the benefit specified in subdivision 2c, paragraph (b).

(e) If a former member with three or more years of allowable service if first employed before July 1, 2010, or with at least five years of allowable service if first employed after June 30, 2010, who terminated from service and has not received a refund or commenced receipt of any other benefit provided by this chapter, dies, the surviving spouse is entitled to receive the benefit specified in subdivision 2c, paragraph (e).

(f) If a former member with less than three years of allowable service if first employed before July 1, 2010, or with fewer than five years of allowable service if first employed after June 30, 2010, who terminated from service and has not received a refund or commenced receipt of any other benefit, if applicable, provided by this chapter, dies, the surviving spouse is entitled to receive the refund specified in subdivision 2c, paragraph (f).

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

Sec. 19. Minnesota Statutes 2008, section 352B.30, subdivision 1, is amended to read:

Subdivision 1. **Entitlement to annuity.** Any person who has been an employee covered by the Minnesota State Retirement System, or a member of the Public Employees Retirement Association including the Public Employees Retirement Association Police and Fire Fund, or the Teachers Retirement Association, or the State Patrol retirement fund, or any other public employee retirement system in Minnesota having a like provision but excluding all other funds providing benefits for police or firefighters is entitled when qualified to an annuity from each fund if total allowable service in all funds or in any two of these funds totals ~~three or more~~ the number of years of allowable service required by the applicable retirement plan with the longest vesting period for the person. No part of the allowable service upon which the retirement annuity from one fund is based may again be used in the computation for benefits from another fund. The member must not have taken a refund from any one of these funds since service entitling the member to coverage under the system or membership in any of the associations last terminated.

14.1 The annuity from each fund must be determined by the appropriate law except that the
14.2 requirement that a person must have at least ~~three~~ a specific number of years allowable
14.3 service in the respective system or association does not apply for the purposes of this
14.4 section if the combined service in two or more of these funds equals ~~three or more~~ the
14.5 number of years of allowable service required by the applicable retirement plan with
14.6 the longest vesting period for the person.

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

14.8 Sec. 20. Minnesota Statutes 2008, section 352B.30, subdivision 2, is amended to read:

14.9 Subd. 2. **Computation of deferred annuity.** Deferred annuities must be computed
14.10 according to this chapter on the basis of allowable service before termination of service
14.11 and augmented as provided in this chapter. The required reserves applicable to a deferred
14.12 annuity must be augmented by interest compounded annually from the first day of the
14.13 month following the month in which the member terminated service, or July 1, 1971,
14.14 whichever is later, to the first day of the month in which the annuity begins to accrue. The
14.15 rates of interest used for this purpose ~~shall~~ must be five percent per year compounded
14.16 annually until January 1, 1981, ~~and after that date~~ three percent per year compounded
14.17 annually after January 1, 1981, until January 1, 2011, if the employee became an employee
14.18 before July 1, 2006, and at 2.5 percent compounded annually if the employee becomes
14.19 an employee after June 30, 2006, and two percent per year compounded annually after
14.20 December 31, 2010, irrespective of when the employee was first employed. The mortality
14.21 table and interest assumption used to compute the annuity ~~shall~~ must be those in effect
14.22 when the member files application for annuity.

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

14.24 Sec. 21. Minnesota Statutes 2008, section 352F.07, is amended to read:

14.25 **352F.07 EFFECT ON REFUND.**

14.26 Notwithstanding any provision of chapter 352 to the contrary, terminated hospital
14.27 employees may receive a refund of employee accumulated contributions plus interest
14.28 ~~at the rate of six percent per year compounded annually~~ in accordance with ~~Minnesota~~
14.29 ~~Statutes 1994~~, section 352.22, subdivision 2, at any time after the transfer of employment
14.30 to Fairview, University of Minnesota Physicians, or University Affiliated Family
14.31 Physicians. If a terminated hospital employee has received a refund from a pension plan
14.32 enumerated in section 356.30, subdivision 3, the person may not repay that refund unless

15.1 the person again becomes a member of one of those enumerated plans and complies
15.2 with section 356.30, subdivision 2.

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

15.4 Sec. 22. Minnesota Statutes 2008, section 353.01, is amended by adding a subdivision
15.5 to read:

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

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

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

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

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

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

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

15.27 (i) 50 percent after five years;

15.28 (ii) 60 percent after six years;

15.29 (iii) 70 percent after seven years;

15.30 (iv) 80 percent after eight years;

15.31 (v) 90 percent after nine years; and

15.32 (vi) 100 percent after ten years.

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

Sec. 23. Minnesota Statutes 2009 Supplement, section 353.27, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For a basic member, the employee contribution is 9.10 percent of salary. For a coordinated member, the employee contribution is ~~six percent~~ the following percentage of salary plus any contribution rate adjustment under subdivision 3b:

<u>Effective before January 1, 2011</u>	<u>6.00</u>
<u>Effective after December 31, 2010</u>	<u>6.25</u>

(b) These contributions must be made by deduction from salary as defined in section 353.01, subdivision 10, in the manner provided in subdivision 4. If any portion of a member's salary is paid from other than public funds, the member's employee contribution must be based on the total salary received by the member from all sources.

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

Sec. 24. Minnesota Statutes 2009 Supplement, section 353.27, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) For a basic member, the employer contribution is 9.10 percent of salary. For a coordinated member, the employer contribution is ~~six percent~~ the following percentage of salary plus any contribution rate adjustment under subdivision 3b:

<u>Effective before January 1, 2011</u>	<u>6.00</u>
<u>Effective after December 31, 2010</u>	<u>6.25</u>

(b) This contribution 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 the day following final enactment.

Sec. 25. Minnesota Statutes 2008, section 353.27, subdivision 3b, is amended to read:

Subd. 3b. **Change in employee and employer contributions in certain instances.**

(a) For purposes of this section:

(1) a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section

17.1 356.214 and prepared under section 356.215 and the standards for actuarial work of the
17.2 Legislative Commission on Pensions and Retirement. ~~For purposes of this section,; and~~

17.3 (2) a contribution deficiency exists if the total of the employee contributions under
17.4 subdivision 2, the employer contributions under subdivision 3, the additional employer
17.5 contribution under subdivision 3a, and any additional contribution previously imposed
17.6 under this subdivision is less than the total of the normal cost, the administrative expenses,
17.7 and the amortization contribution of the retirement plan as reported in the most recent
17.8 actuarial valuation of the retirement plan prepared by the actuary retained under section
17.9 356.214 and prepared under section 356.215 and the standards for actuarial work of the
17.10 Legislative Commission on Pensions and Retirement.

17.11 (b) Employee and employer contributions under subdivisions 2 and 3 must be
17.12 adjusted:

17.13 (1) if, on or after July 1, 2010, the regular actuarial ~~valuations~~ valuation of the
17.14 general employees retirement plan of the Public Employees Retirement Association under
17.15 section 356.215 ~~indicate~~ indicates that there is a contribution sufficiency under paragraph
17.16 (a) ~~equal to or~~ greater than ~~0.5~~ one percent of covered payroll and that the sufficiency
17.17 has existed for at least two consecutive years, the coordinated program employee and
17.18 employer contribution rates must be decreased as determined under paragraph (c) to a
17.19 level such that the sufficiency ~~equals~~ is no more greater than ~~0.25~~ one percent of covered
17.20 payroll based on the most recent actuarial valuation; or

17.21 (2) if, on or after July 1, 2010, the regular actuarial ~~valuations~~ valuation of the
17.22 general employees retirement plan of the Public Employees Retirement Association under
17.23 section 356.215 ~~indicate~~ indicates that there is a contribution deficiency equal to or greater
17.24 than 0.5 percent of covered payroll and that the deficiency has existed for at least two
17.25 consecutive years, the coordinated program employee and employer contribution rates
17.26 must be increased as determined under paragraph ~~(c)~~ (d) to a level such that no deficiency
17.27 exists based on the most recent actuarial valuation.

17.28 ~~(c) The contribution rate increase or decrease must be determined by the executive~~
17.29 ~~director of the Public Employees Retirement Association, must be reported to the chair~~
17.30 ~~and the executive director of the Legislative Commission on Pensions and Retirement~~
17.31 ~~on or before the next February 1, and, if the Legislative Commission on Pensions and~~
17.32 ~~Retirement does not recommend against the rate change or does not recommend a~~
17.33 ~~modification in the rate change, is effective on the next July 1 following the determination~~
17.34 ~~by the executive director that a contribution deficiency or sufficiency has existed for~~
17.35 ~~two consecutive fiscal years based on the most recent actuarial valuations under section~~
17.36 ~~356.215. If the actuarially required contribution exceeds or is less than the total support~~

provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, by more than ~~0.5~~ one percent of covered payroll, the coordinated program employee and employer contribution rates under subdivisions 2 and 3 must be ~~adjusted~~ decreased incrementally over one or more years by no more than 0.25 percent of pay each for employee and employer matching contribution rates to a level such that there remains a contribution sufficiency of ~~no more than 0.25~~ at least one percent of covered payroll. No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this subdivision has been fully implemented.

(d) ~~No~~ If the actuarially required contribution exceeds the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, the employee and matching employer contribution rates must be increased equally to eliminate that contribution deficiency. If the contribution deficiency is:

(1) less than two percent, the incremental ~~adjustment~~ increase may ~~exceed~~ be up to 0.25 percent for either the ~~coordinated program~~ employee and matching employer contribution rates per year in which any adjustment is implemented. A contribution rate adjustment under this subdivision must not be made until at least two years have passed since fully implementing a previous adjustment under this subdivision.

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

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

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

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

(g) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be recommended, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the general employees retirement

plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially required contribution and must report to the Legislative Commission on Pensions and Retirement any recommendation by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

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

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

Sec. 26. Minnesota Statutes 2008, section 353.29, subdivision 1, is amended to read:

Subdivision 1. **Age and allowable service requirements.** Upon termination of membership, a person who has attained normal retirement age and who ~~received credit for not less than three years of allowable service~~ is vested under section 353.01, subdivision 47, is entitled upon application to a retirement annuity. The retirement annuity is known as the "normal" retirement annuity.

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

Sec. 27. Minnesota Statutes 2008, section 353.30, subdivision 1c, is amended to read:

Subd. 1c. **Pre-July 1, 1989, members: early retirement.** Upon termination of public service, a person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, who has become at least 55 years old but not normal retirement age, and ~~has received credit for at least three years of allowable service~~ is vested under section 353.01, subdivision 47, is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in section 353.29, subdivision 3, paragraph (a), reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement.

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

Sec. 28. Minnesota Statutes 2008, 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 ~~shall be paid~~ 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. ~~Such~~ The refund ~~shall~~ must be in an amount equal to accumulated deductions plus annual compound interest thereon at the rate ~~of six percent per annum compounded annually~~ 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 ~~pursuant to~~ 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 ~~pursuant to~~ under an order of the district court.

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

Sec. 29. Minnesota Statutes 2008, section 353.32, subdivision 1a, is amended to read:

Subd. 1a. **Surviving spouse optional annuity.** (a) If a member or former member who ~~has credit for not less than three years of allowable service~~ is vested under section 353.01, subdivision 47, and who dies before the annuity or disability benefit begins to accrue under section 353.29, subdivision 7, or 353.33, subdivision 2, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive, instead of a refund with interest under subdivision 1, or surviving spouse benefits otherwise payable under section 353.31, an annuity equal to a 100 percent joint and survivor annuity computed consistent with section 353.30, subdivision 1a, 1c, or 5, whichever is applicable.

(b) If a member first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, 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 computed using section 353.30, subdivision 1b, except that the early retirement reduction under that provision will be applied from age 62 back to age 55 and one-half of the early retirement reduction from age 55 back to the age payment begins.

(c) If a member who was under age 55 and ~~has credit for at least three years of allowable service~~ who is vested under section 353.01, subdivision 47, dies, but did not qualify for retirement on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity computed using section 353.30, subdivision 1c or 5, as applicable, except that the early retirement reduction specified in the applicable

subdivision will be applied to age 55 and one-half of the early retirement reduction from age 55 back to the age payment begins.

(d) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse optional annuity if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under subdivision 1, if provided for in a marriage dissolution decree, but not a monthly surviving spouse optional annuity, despite the terms of a marriage dissolution decree filed with the association.

(e) The surviving spouse eligible for surviving spouse benefits under paragraph (a) 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. The surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity any time after the member's death.

(f) Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision.

(g) An amount equal to any excess of the accumulated contributions that were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the surviving spouse's estate.

(h) A member may specify in writing, with the signed consent of the spouse, that this subdivision does not apply and that payment may be made only to the designated beneficiary as otherwise provided by this chapter. The waiver of a surviving spouse annuity under this section does not make a dependent child eligible for benefits under subdivision 1c.

(i) If the deceased member or former member first became a public employee or a member of a public pension plan listed in section 356.30, subdivision 3, on or after July 1, 1989, a survivor annuity computed under paragraph (a) or (c) must be computed as specified in section 353.30, subdivision 5, except for the revised early retirement reduction specified in paragraph (c), if paragraph (c) is the applicable provision.

(j) For any survivor annuity determined under this subdivision, the payment is to be based on the total allowable service that the member had accrued as of the date of death and the age of the member and surviving spouse on that date.

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

Sec. 30. Minnesota Statutes 2009 Supplement, section 353.33, subdivision 1, is amended to read:

22.1 Subdivision 1. **Age, service, and salary requirements.** (a) A coordinated or
22.2 basic member who ~~has at least three years of allowable service~~ is vested under section
22.3 353.01, subdivision 47, and who becomes totally and permanently disabled before normal
22.4 retirement age, upon application as defined under section 353.031, is entitled to a disability
22.5 benefit in an amount determined under subdivision 3.

22.6 (b) If the disabled person's public service has terminated at any time, at least two of
22.7 the ~~required three~~ years of allowable service required to be vested under section 353.01,
22.8 subdivision 47, must have been rendered after last becoming an active member.

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

22.10 Sec. 31. Minnesota Statutes 2008, section 353.34, subdivision 1, is amended to read:

22.11 Subdivision 1. **Refund or deferred annuity.** (a) A former member is entitled to
22.12 either a refund of accumulated employee deductions under subdivision 2, or to a deferred
22.13 annuity under subdivision 3. Application for a refund may not be made before the date of
22.14 termination of public service. Except as specified in paragraph (b), a refund must be paid
22.15 within 120 days following receipt of the application unless the applicant has again become
22.16 a public employee required to be covered by the association.

22.17 (b) If an individual was placed on layoff under section 353.01, subdivision 12 or 12c,
22.18 a refund is not payable before termination of service under section 353.01, subdivision 11a.

22.19 (c) An individual who terminates public service covered by the Public Employees
22.20 Retirement Association general employees retirement plan, the Public Employees
22.21 Retirement Association police and fire retirement plan, or the public employees local
22.22 government ~~corrections~~ correctional service retirement plan, and who is employed by a
22.23 different employer and who becomes an active member covered by one of the other two
22.24 plans, may receive a refund of employee contributions plus ~~six percent~~ annual compound
22.25 interest compounded annually from the plan from which the member terminated service at
22.26 the applicable rate specified in subdivision 2.

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

22.28 Sec. 32. Minnesota Statutes 2008, section 353.34, subdivision 2, is amended to read:

22.29 Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person
22.30 who ceases to be a public employee ~~shall~~ is entitled to receive a refund in an amount equal
22.31 to accumulated deductions with annual compound interest to the first day of the month
22.32 in which the refund is processed ~~at the rate of six percent compounded annually based~~
22.33 ~~on fiscal year balances.~~

23.1 (b) For a person who ceases to be a public employee before July 1, 2011, the refund
23.2 interest is at the rate of six percent to June 30, 2011, and at the rate of four percent after
23.3 June 30, 2011. For a person who ceases to be a public employee after July 1, 2011, the
23.4 refund interest is at the rate of four percent.

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

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

23.9 Sec. 33. Minnesota Statutes 2008, section 353.34, subdivision 3, is amended to read:

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

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

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

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

23.26 Sec. 34. Minnesota Statutes 2009 Supplement, section 353.65, subdivision 2, is
23.27 amended to read:

23.28 Subd. 2. **Employee contribution.** The employee contribution is 9.4 percent of the
23.29 salary of the member in calendar year 2010 and is 9.6 percent of the salary of the member
23.30 in each calendar year after 2010. This contribution must be made by deduction from
23.31 salary in the manner provided in subdivision 4. Where any portion of a member's salary
23.32 is paid from other than public funds, the member's employee contribution is based on
23.33 the total salary received from all sources.

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

24.2 Sec. 35. Minnesota Statutes 2009 Supplement, section 353.65, subdivision 3, is
24.3 amended to read:

24.4 Subd. 3. **Employer contribution.** The employer contribution is 14.1 percent of the
24.5 salary of the member in calendar year 2010 and is 14.4 percent of the salary of the member
24.6 in each calendar year after 2010. This contribution must be made from funds available to
24.7 the employing subdivision by the means and in the manner provided in section 353.28.

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

24.9 Sec. 36. Minnesota Statutes 2008, section 353.651, subdivision 1, is amended to read:

24.10 Subdivision 1. **Age and allowable service requirements.** Upon separation from
24.11 public service, any police officer or firefighter member who has attained the age of at
24.12 least 55 years and who ~~received credit for not less than three years of allowable service~~
24.13 is vested under section 353.01, subdivision 47, is entitled upon application to a retirement
24.14 annuity. ~~Such retirement annuity is,~~ known as the "normal" retirement annuity.

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

24.16 Sec. 37. Minnesota Statutes 2008, section 353.651, subdivision 4, is amended to read:

24.17 Subd. 4. **Early retirement.** (a) A person who becomes a police and fire plan
24.18 member after June 30, 2007, or a former member who is reinstated as a member of the
24.19 plan after that date, who is at least 50 years of age ~~with at least three years of allowable~~
24.20 ~~service and who is vested under section 353.01, subdivision 47,~~ upon the termination of
24.21 public service is entitled upon application to a retirement annuity equal to the normal
24.22 annuity calculated under subdivision 3, reduced by two-tenths of one percent for each
24.23 month that the member is under age 55 at the time of retirement.

24.24 (b) Upon the termination of public service, any police and fire plan member not
24.25 specified in paragraph (a), upon attaining at least 50 years of age with at least three years
24.26 of allowable service is entitled upon application to a retirement annuity equal to the
24.27 normal annuity calculated under subdivision 3, reduced by one-tenth of one percent for
24.28 each month that the member is under age 55 at the time of retirement.

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

24.30 Sec. 38. Minnesota Statutes 2008, section 353.657, subdivision 1, is amended to read:

Subdivision 1. **Generally.** (a) In the event that a member of the police and fire fund dies from any cause before retirement or before becoming disabled and receiving disability benefits, the association shall grant survivor benefits to a surviving spouse, as defined in section 353.01, subdivision 20, and to a dependent child or children, as defined in section 353.01, subdivision 15, except that if the death is not a line of duty death, the member must ~~have accrued at least three years of credited service~~ be vested under section 353.01, subdivision 47.

(b) Notwithstanding the definition of surviving spouse, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a monthly surviving spouse benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The spouse and child or children are entitled to monthly benefits as provided in subdivisions 2 to 4.

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

Sec. 39. Minnesota Statutes 2008, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member who has attained the age of at least 50 years and ~~has credit for not less than three years allowable service~~ either who is vested under section 353.01, subdivision 47, or who has credit for at least 30 years of allowable service, regardless of age attained, dies before the annuity or disability benefit becomes payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive a death while eligible survivor benefit.

(b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the death while eligible survivor benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a death while eligible survivor benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The benefit may be elected instead of a refund with interest under section 353.32, subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity

which the member could have qualified for on the date of death, computed as provided in sections 353.651, subdivisions 2 and 3, and 353.30, subdivision 3.

(d) The surviving spouse 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. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision.

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

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

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

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

Sec. 40. Minnesota Statutes 2008, section 353.71, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** Any person who has been a member of a defined benefit retirement plan administered by the Public Employees Retirement Association, or a retirement plan administered by the Minnesota State Retirement System, or the Teachers Retirement Association, or any other public retirement system in the state of Minnesota having a like provision, except a fund retirement plan providing benefits for police officers or firefighters governed by sections 69.77 or 69.771 to 69.776, shall be is entitled, when qualified, to an annuity from each fund retirement plan if the total allowable service in all funds retirement plans or in any two of these funds retirement plans totals three or more years the number of years of allowable service required to receive a normal retirement annuity for that retirement plan, provided that no portion of the allowable service upon which the retirement annuity from one fund retirement plan is based is again used in the computation for benefits from another fund retirement plan and provided further that the person has not taken a refund from any one of these funds retirement plans since the person's membership in that association or system last terminated. The annuity from

27.1 each fund ~~shall~~ must be determined by the appropriate provisions of the law except that
27.2 the requirement that a person must have at least ~~three years~~ a specific minimum period
27.3 of allowable service in the respective association or system ~~shall does not~~ apply for the
27.4 purposes of this section ~~provided if~~ the combined service in two or more of these ~~funds~~
27.5 retirement plans equals ~~three or more~~ the number of years of allowable service required to
27.6 receive a normal retirement annuity for that retirement plan.

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

27.8 Sec. 41. Minnesota Statutes 2008, section 353.71, subdivision 2, is amended to read:

27.9 Subd. 2. **Deferred annuity computation; augmentation.** (a) The deferred annuity
27.10 accruing under subdivision 1, or under sections 353.34, subdivision 3, and 353.68,
27.11 subdivision 4, must be computed on the basis of allowable service prior to the termination
27.12 of public service and augmented as provided in this ~~paragraph~~ subdivision. The required
27.13 reserves applicable to a deferred annuity, or to any deferred segment of an annuity must
27.14 be determined as of the first day of the month following the month in which the former
27.15 member ceased to be a public employee, or July 1, 1971, whichever is later. ~~These~~

27.16 (b) For a person who became a public employee before July 1, 2006, whose period
27.17 of deferral began after June 30, 1971, and who terminated public employment before
27.18 January 1, 2011, the required reserves of the deferred annuity must be augmented at
27.19 the following applicable rate of or rates:

27.20 (1) five percent ~~annually compounded annually~~ annual compound interest until
27.21 January 1, 1981, and at the rate of;

27.22 (2) three percent ~~thereafter~~ annual compound interest after January 1, 1981, or until
27.23 the earlier of December 31, 2010, or after the date of the termination of public service or
27.24 the termination of membership, whichever is later, until January 1 of the year following
27.25 the year in which the former member attains age 55 and;

27.26 (3) five percent annual compound interest from ~~that date to the effective date of~~
27.27 retirement, the rate is five percent compounded annually if the employee became an
27.28 employee before July 1, 2006, and at 2.5 percent compounded annually if the employee
27.29 becomes an January 1 of the year following the year in which the former member attains
27.30 age 55, or until December 31, 2010, whichever is earlier; and

27.31 (4) one percent annual compound interest from January 1, 2011.

27.32 (c) For a person who became a public employee after June 30, 2006, and who
27.33 terminated public employment before January 1, 2011, the required reserves of the
27.34 deferred annuity must be augmented at 2.5 percent annual compound interest from the date

of termination of public service or termination of membership, whichever is earlier, until December 31, 2010, and one percent annual compound interest after December 31, 2010.

(d) For a person who terminates public employment after December 31, 2010, the required reserves of the deferred annuity must not be augmented.

(e) If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented as specified in this paragraph. The sum of the augmented required reserves is the present value of the annuity. Uninterrupted service for the purpose of this subdivision means periods of covered employment during which the employee has not been separated from public service for more than two years. If a person repays a refund, the restored service must be considered as continuous with the next period of service for which the employee has credit with this association. This section must not reduce the annuity otherwise payable under this chapter. This paragraph applies to individuals who become deferred annuitants on or after July 1, 1971. For a member who became a deferred annuitant before July 1, 1971, the paragraph applies from July 1, 1971, if the former active member applies for an annuity after July 1, 1973.

~~(b)~~ (f) 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.

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

Sec. 42. Minnesota Statutes 2008, section 353E.04, subdivision 1, is amended to read:

Subdivision 1. **Eligibility requirements.** After termination of public employment, an employee covered under section 353E.02 who has attained the age of at least 55 years and ~~has credit for not less than three years of coverage~~ who is vested under section 353.01, subdivision 47, in the local government correctional service plan is entitled, upon application, to a normal retirement annuity. Instead of a normal retirement annuity, a retiring employee may elect to receive the optional annuity provided in section 353.30, subdivision 3.

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

29.1 Sec. 43. Minnesota Statutes 2008, section 353E.04, subdivision 4, is amended to read:

29.2 Subd. 4. **Early retirement.** An employee covered under section 353E.02 who has
29.3 attained the age of at least 50 years and ~~has credit for not less than three years of coverage~~
29.4 who is vested under section 353.01, subdivision 47, in the local government correctional
29.5 service plan is entitled, upon application, to a reduced retirement annuity equal to the
29.6 annuity calculated under subdivision 3, reduced so that the reduced annuity is the actuarial
29.7 equivalent of the annuity that would be payable if the employee deferred receipt of the
29.8 annuity from the day the annuity begins to accrue until age 55.

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

29.10 Sec. 44. Minnesota Statutes 2008, section 353E.07, subdivision 1, is amended to read:

29.11 Subdivision 1. **Member at least age 50.** If a member or former member of the local
29.12 government correctional service retirement plan who has attained the age of at least 50
29.13 years and ~~has credit for not less than three years of allowable service~~ who is vested under
29.14 section 353.01, subdivision 47, dies before the annuity or disability benefit has become
29.15 payable, notwithstanding any designation of beneficiary to the contrary, the surviving
29.16 spouse may elect to receive, in lieu of a refund with interest provided in section 353.32,
29.17 subdivision 1, a surviving spouse annuity equal to the 100 percent joint and survivor
29.18 annuity for which the member could have qualified had the member terminated service
29.19 on the date of death.

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

29.21 Sec. 45. Minnesota Statutes 2008, section 353E.07, subdivision 2, is amended to read:

29.22 Subd. 2. **Member not yet age 50.** If the member was under age 50, dies, and ~~had~~
29.23 ~~credit for not less than three years of allowable service~~ was vested under section 353.01,
29.24 subdivision 47, on the date of death but did not yet qualify for retirement, the surviving
29.25 spouse may elect to receive a 100 percent joint and survivor annuity based on the age
29.26 of the employee and the surviving spouse at the time of death. The annuity is payable
29.27 using the early retirement reduction under section 353E.04, subdivision 4, to age 50 and
29.28 one-half the early retirement reduction from age 50 to the age payment begins. Sections
29.29 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity or surviving
29.30 spouse benefit payable under this subdivision.

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

Sec. 46. Minnesota Statutes 2008, section 353F.03, is amended to read:

353F.03 VESTING RULE FOR CERTAIN EMPLOYEES.

Notwithstanding any provision of chapter 353 to the contrary, a terminated medical facility or other public employing unit employee is eligible to receive a retirement annuity under section 353.29 of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, without regard to the requirement ~~for three years of allowable service~~ specified in section 353.01, subdivision 47.

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

Sec. 47. Minnesota Statutes 2009 Supplement, section 354.42, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For a basic member, the employee contribution to the fund is ~~9.0 percent~~ the following percentage of the member's salary:

<u>before July 1, 2011</u>	<u>9.0 percent</u>
<u>from July 1, 2011, until June 30, 2012</u>	<u>9.5 percent</u>
<u>from July 1, 2012, until June 30, 2013</u>	<u>10.0 percent</u>
<u>from July 1, 2013, until June 30, 2014</u>	<u>10.5 percent</u>
<u>after June 30, 2014</u>	<u>11.0 percent</u>

(b) For a coordinated member, the employee contribution is ~~5.5 percent~~ the following percentage of the member's salary:

<u>before July 1, 2011</u>	<u>5.5 percent</u>
<u>from July 1, 2011, until June 30, 2012</u>	<u>6.0 percent</u>
<u>from July 1, 2012, until June 30, 2013</u>	<u>6.5 percent</u>
<u>from July 1, 2013, until June 30, 2014</u>	<u>7.0 percent</u>
<u>after June 30, 2014</u>	<u>7.5 percent</u>

(c) 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.

(d) 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.

~~(b)~~ (e) 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 the day following final enactment.

Sec. 48. Minnesota Statutes 2008, 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, after July 1, 2006, and before July 1, 2007, is an amount equal to 5.0 percent of the salary of each of its teachers who is a coordinated member and 9.0 percent of the salary of each of its teachers who is a basic member. After July 1, 2007, the regular employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to 5.5 percent~~ the applicable following percentage of salary of each coordinated member and 9.5 percent the applicable following percentage of salary of each basic member:

<u>Period</u>	<u>Coordinated Member</u>	<u>Basic Member</u>
<u>before July 1, 2011</u>	<u>5.5 percent</u>	<u>9.5 percent</u>
<u>from July 1, 2011, until June 30, 2012</u>	<u>6.0 percent</u>	<u>10.0 percent</u>
<u>from July 1, 2012, until June 30, 2013</u>	<u>6.5 percent</u>	<u>10.5 percent</u>
<u>from July 1, 2013, until June 30, 2014</u>	<u>7.0 percent</u>	<u>11.0 percent</u>
<u>after June 30, 2014</u>	<u>7.5 percent</u>	<u>11.5 percent</u>

The additional employer contribution to the fund by Special School District No. 1, Minneapolis, ~~after July 1, 2006,~~ is an amount equal to 3.64 percent of the salary of each teacher who is a coordinated member or is a basic member.

(b) The employer contribution to the fund for every other employer is an amount equal to ~~5.0 percent~~ the applicable following percentage of the salary of each coordinated member and ~~9.0 percent~~ the applicable following percentage of the salary of each basic member ~~before July 1, 2007, and 5.5 percent of the salary of each coordinated member and 9.5 percent of the salary of each basic member after June 30, 2007.~~

<u>Period</u>	<u>Coordinated Member</u>	<u>Basic Member</u>
<u>before July 1, 2011</u>	<u>5.5 percent</u>	<u>9.5 percent</u>
<u>from July 1, 2011, until June 30, 2012</u>	<u>6.0 percent</u>	<u>10.0 percent</u>
<u>from July 1, 2012, until June 30, 2013</u>	<u>6.5 percent</u>	<u>10.5 percent</u>
<u>from July 1, 2013, until June 30, 2014</u>	<u>7.0 percent</u>	<u>11.0 percent</u>
<u>after June 30, 2014</u>	<u>7.5 percent</u>	<u>11.5 percent</u>

(c) 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.

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

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

Sec. 49. Minnesota Statutes 2008, section 354.42, is amended by adding a subdivision to read:

Subd. 4a. **Determination.** (a) For purposes of this section, a contribution sufficiency exists if the total of the employee contributions, the employer contributions, and any additional employer contributions, if applicable, exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

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

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

Sec. 50. Minnesota Statutes 2008, section 354.42, is amended by adding a subdivision to read:

Subd. 4b. **Contribution rate revision.** Notwithstanding the contribution rate provisions under subdivisions 2 and 3, the employee and employer contribution rates may be adjusted as follows:

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

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

(i) 0.25 percent if the deficiency is less than 2.00 percent of covered payroll;

(ii) 0.5 percent if the deficiency is equal to or greater than 2.00 percent of covered payroll and less than or equal to four percent; and
(iii) 0.75 percent if the deficiency is greater than four percent.

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

Sec. 51. Minnesota Statutes 2008, section 354.42, is amended by adding a subdivision to read:

Subd. 4c. **Contribution sufficiency measures.** (a) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions being collected.

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

(c) A contribution sufficiency in excess of one percent of covered pay must not be used to increase benefits, and a benefit increase must not be proposed that would initiate an automatic adjustment under this section to increase contributions. A proposed benefit improvement must include a recommendation, prepared by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement, as provided under section 356.214, subdivision 4, on the manner in which the benefit modification is to be funded.

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

Sec. 52. Minnesota Statutes 2008, section 354.42, is amended by adding a subdivision to read:

Subd. 4d. **Reporting; commission review.** A contribution rate increase or decrease under subdivision 4b, as determined by the executive director of the Teachers Retirement Association, must be reported to the chair and the executive director of the Legislative

Commission on Pensions and Retirement on or before the next February 1 and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination by the executive director that a contribution deficiency or sufficiency exists based on the most recent actuarial valuation under section 356.215.

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

Sec. 53. Minnesota Statutes 2009 Supplement, section 354.47, subdivision 1, is amended to read:

Subdivision 1. **Death before retirement.** (a) If a member dies before retirement and is covered under section 354.44, subdivision 2, and neither an optional annuity, nor a reversionary annuity, nor a benefit under section 354.46, subdivision 1, is payable to the survivors if the member was a basic member, then the surviving spouse, or if there is no surviving spouse, the designated beneficiary is entitled to an amount equal to the member's accumulated deductions with interest credited to the account of the member to the date of death of the member. If the designated beneficiary is a minor, interest must be credited to the date the beneficiary reaches legal age, or the date of receipt, whichever is earlier.

(b) If a member dies before retirement and is covered under section 354.44, subdivision 6, and neither an optional annuity, nor reversionary annuity, nor the benefit described in section 354.46, subdivision 1, is payable to the survivors if the member was a basic member, then the surviving spouse, or if there is no surviving spouse, then the designated beneficiary is entitled to an amount equal to the member's accumulated deductions credited to the account of the member as of June 30, 1957, and from July 1, 1957, to the date of death of the member, the member's accumulated deductions plus six percent interest compounded annually. a refund equal to the accumulated deductions credited to the member's account plus interest compounded annually until the member's date of death 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, 2011, four percent.

(c) If the designated beneficiary under paragraph (b) is a minor, any interest credited under that paragraph must be credited to the date the beneficiary reaches legal age, or the date of receipt, whichever is earlier.

(d) The amount of any refund payable under this subdivision must be reduced by any permanent disability payment under section 354.48 received by the member.

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

35.2 Sec. 54. Minnesota Statutes 2009 Supplement, section 354.49, subdivision 2, is
35.3 amended to read:

35.4 Subd. 2. **Calculation.** (a) Except as provided in section 354.44, subdivision 1,
35.5 any person who ceases to be a member by reason of termination of teaching service, is
35.6 entitled to receive a refund in an amount equal to the accumulated deductions credited
35.7 to the account ~~as of June 30, 1957, and after July 1, 1957, the accumulated deductions~~
35.8 ~~with interest at the rate of six percent per annum compounded annually.~~ plus interest
35.9 compounded annually using the following interest rates:

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

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

35.12 (3) after June 30, 2011, four percent.

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

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

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

35.18 Sec. 55. Minnesota Statutes 2009 Supplement, section 354.55, subdivision 11, is
35.19 amended to read:

35.20 Subd. 11. **Deferred annuity; augmentation.** (a) Any person covered under section
35.21 354.44, subdivision 6, who ceases to render teaching service, may leave the person's
35.22 accumulated deductions in the fund for the purpose of receiving a deferred annuity
35.23 at retirement.

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

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

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

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

(2) ~~three percent interest compounded annually thereafter~~ from January 1, 1981, until January 1 of the year following the year in which the deferred annuitant attains age 55;

~~From that date (3) five percent interest compounded annually from the date established in clause (2) to the effective date of retirement, the rate is five percent compounded annually, or until June 30, 2011, whichever is earlier; and~~

(4) two percent interest compounded annually after June 30, 2011.

(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, 2011, or until the effective date of retirement, whichever is earlier, and two percent interest compounded annually after June 30, 2011.

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

(m) 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) 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 the day following final enactment.

Sec. 56. Minnesota Statutes 2008, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) The contribution required to be paid by each member of a teachers retirement fund association ~~shall not be less than~~ is the percentage of total salary specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth Teachers Retirement Fund Association	
old law and new law	
coordinated programs	5.5 percent
<u>before July 1, 2011</u>	<u>5.5 percent</u>
<u>effective July 1, 2011</u>	<u>6.0 percent</u>
<u>effective July 1, 2012</u>	<u>6.5 percent</u>
St. Paul Teachers Retirement Fund Association	
basic program <u>before July 1, 2010</u>	8 percent
<u>basic program after June 30, 2010</u>	<u>8.5 percent</u>
<u>basic program after June 30, 2011</u>	<u>9.0 percent</u>
coordinated program <u>before July 1, 2010</u>	5.5 percent
<u>coordinated program after June 30, 2010</u>	<u>6.0 percent</u>
<u>coordinated program after June 30, 2011</u>	<u>6.5 percent</u>

(b) Contributions shall be made by deduction from salary and must be remitted directly to the respective 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, 2010.

Sec. 57. Minnesota Statutes 2009 Supplement, 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 teachers retirement fund associations:

(1) for any coordinated member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a regular employer contribution to the respective retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

Duluth Teachers Retirement Fund Association	4.50 percent
<u>before July 1, 2011</u>	<u>5.79 percent</u>
<u>effective July 1, 2011</u>	<u>6.29 percent</u>
<u>effective July 1, 2012</u>	<u>6.79 percent</u>
St. Paul Teachers Retirement Fund Association	
<u>before July 1, 2010</u>	4.50 percent
<u>after June 30, 2010</u>	<u>5.0 percent</u>
<u>after June 30, 2011</u>	<u>5.5 percent</u>
<u>after June 30, 2013</u>	<u>6.5 percent</u>

(2) for any 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 ~~equal to 8.00 percent of the salary of the basic member~~, according to the schedule below:

<u>before July 1, 2010</u>	<u>8.0 percent of the salary of the basic member</u>
<u>before July 1, 2011</u>	<u>8.5 percent of the salary of the basic member</u>
<u>before July 1, 2012</u>	<u>9.0 percent of the salary of the basic member</u>
<u>before July 1, 2013</u>	<u>9.5 percent of the salary of the basic member</u>
<u>before July 1, 2014</u>	<u>10.0 percent of the salary of the basic member</u>

(3) for a 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 coordinated member of ~~a teachers retirement fund association in a city of the first class~~ 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 the applicable percentage of the coordinated member's salary, as provided below:

Duluth Teachers Retirement Fund Association	1.29 percent
St. Paul Teachers Retirement Fund Association	3.84 percent

(b) The regular and additional employer contributions must be remitted directly to the respective 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.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 58. Minnesota Statutes 2008, 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 Minneapolis Teachers Retirement Fund Association by Special School District No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, must be paid to the Teachers Retirement Association and 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 2037, whichever occurs earlier. The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct state aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association ~~terminate at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained under section 356.214, equals or exceeds the accrued liability funding ratio for the Teachers Retirement Association, as determined in the most recent actuarial report for the Teachers Retirement Association by the actuary retained under section 356.214.~~ 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 2037, whichever occurs earlier.

~~(b) If the St. Paul Teachers Retirement Fund Association is funded at an amount equal to or greater than the funding ratio applicable to the Teachers Retirement Association, then any future state aid under subdivision 3a is payable to the Teachers Retirement Association.~~

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 59. Minnesota Statutes 2008, section 354A.27, subdivision 5, is amended to read:

Subd. 5. ~~Calculation~~ **Eligibility for and payment of postretirement adjustments.**

(a) Annually, after June 30, the board of trustees of the Duluth Teachers Retirement Fund Association determines the amount of any postretirement adjustment using the procedures in this subdivision and subdivision 6 or 7, whichever is applicable.

(b) Each person who has been receiving an annuity or benefit under the articles of incorporation, bylaws, or under this section for at least 12 months as of the date of the postretirement adjustment shall be eligible for a postretirement adjustment. The postretirement adjustment shall be payable each January 1. The postretirement adjustment shall be ~~equal to two percent of a permanent percentage increase as specified under subdivision 6 or 7, whichever is applicable, applied to the annuity or benefit to which the~~ person is entitled one month prior to the payment of the postretirement adjustment.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 60. Minnesota Statutes 2008, section 354A.27, subdivision 6, is amended to read:

Subd. 6. ~~Additional increase~~ **Calculation of postretirement adjustments; transitional provision.** ~~(a) In addition to the postretirement increases granted under subdivision 5, an additional percentage increase must be computed and paid under this subdivision.~~

~~(b) The board of trustees shall determine the number of annuitants or benefit recipients who have been receiving an annuity or benefit for at least 12 months as of the current June 30. These recipients are entitled to receive the surplus investment earnings additional postretirement increase.~~

~~(c) Annually, as of each June 30, the board shall determine the five-year annualized rate of return attributable to the assets of the Duluth Teachers Retirement Fund Association under the formula or formulas specified in section 11A.04, clause (11).~~

~~(d) The board shall determine the amount of excess five-year annualized rate of return over the preretirement interest assumption as specified in section 356.215.~~

~~(e) The additional percentage increase must be determined by multiplying the quantity one minus the rate of contribution deficiency, as specified in the most recent actuarial report of the actuary retained under section 356.214, times the rate of return excess as determined in paragraph (d).~~

~~(f) The additional increase is payable to all eligible annuitants or benefit recipients on the following January 1.~~

(a) For purposes of computing postretirement adjustments after the effective date of this section for eligible benefit recipients of the Duluth Teachers Retirement Fund

Association, the funding ratio of the plan, as determined by dividing the market value of assets by the actuarial accrued liability as reported in the most recent actuarial valuation prepared under sections 356.214 and 356.215, determines the postretirement increase as follows:

<u>Funding Ratio</u>	<u>Postretirement Increase</u>
<u>less than 80 percent</u>	<u>0 percent</u>
<u>at least 80 percent but less than 90 percent</u>	<u>1 percent</u>
<u>at least 90 percent</u>	<u>2 percent</u>

(b) If the funding ratio of the plan based on actuarial value, rather than market value, is at least 90 percent as reported in the most recent actuarial valuation prepared under sections 356.214 and 356.215, this subdivision expires and subsequent postretirement increases must be paid as specified under subdivision 7.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 61. Minnesota Statutes 2008, section 354A.27, is amended by adding a subdivision to read:

Subd. 7. Calculation of postretirement adjustments. (a) This subdivision applies if subdivision 6 has expired.

(b) A percentage adjustment must be computed and paid under this subdivision to eligible persons under subdivision 5. This adjustment is determined by reference to the Consumer Price Index for urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual cost-of-living adjustments to recipients of federal old-age, survivors, and disability insurance. For calculations of cost-of-living adjustments under paragraph (c), the term "average third quarter Consumer Price Index value" means the sum of the monthly index values as initially reported by the Bureau of Labor Statistics for the months of July, August, and September, divided by 3.

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

(d) The amount calculated under paragraph (c) is the full cost-of-living adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date

of benefit commencement occurred during the calendar year before the cost-of-living adjustment is applied, the full increase amount must be prorated on the basis of whole calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the cost-of-living adjustment is applied, calculated to the third decimal place.

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

(f) If the funding ratio of the plan as determined in the most recent actuarial valuation using the actuarial value of assets is less than 80 percent there will be no postretirement adjustment the following January 1.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 62. Minnesota Statutes 2008, section 354A.31, subdivision 1, is amended to read:

Subdivision 1. **Age and service requirements.** Any coordinated member or former coordinated member of the St. Paul Teachers Retirement Fund Association who has ceased to render teaching service for the school district in which the teachers retirement fund association exists and who has either attained the age of at least 55 years with not less than three years of allowable service credit or received credit for not less than 30 years of allowable service regardless of age, shall be entitled upon written application to a retirement annuity. Any coordinated member or former coordinated member of the Duluth Teachers Retirement Fund Association who has ceased to render teaching service for the school district in which the teacher retirement fund association exists and who has either attained the age of at least 55 years with not less than three years of allowable service credit if the member became an employee before July 1, 2010, or not less than five years of allowable service credit if the member became an employee after June 30, 2010, or received service credit for not less than 30 years of allowable service regardless of age, shall be entitled upon written application to a retirement annuity.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 63. Minnesota Statutes 2008, section 354A.35, subdivision 1, is amended to read:

Subdivision 1. **Death before retirement; refund.** If a coordinated member or former coordinated member dies prior to retirement or prior to the receipt of any retirement annuity or other benefit payment which is or may be payable and a surviving spouse optional annuity is not payable pursuant to subdivision 2, a refund shall be paid to the person's surviving spouse, or if there is none, to the person's designated beneficiary, or if there is none, to the legal representative of the person's estate. For a coordinated member or former coordinated member of the St. Paul Teachers Retirement Fund

43.1 Association, the refund shall be in an amount equal to the person's accumulated employee
43.2 contributions plus interest at the rate of six percent per annum compounded annually. For
43.3 a coordinated member or former coordinated member of the Duluth Teachers Retirement
43.4 Fund Association, the refund shall be in an amount equal to the person's accumulated
43.5 employee contributions plus interest at the rate of six percent per annum compounded
43.6 annually to July 1, 2010, and four percent per annum compounded annually thereafter.

43.7 **EFFECTIVE DATE.** This section is effective July 1, 2010.

43.8 Sec. 64. Minnesota Statutes 2008, section 354A.37, subdivision 2, is amended to read:

43.9 Subd. 2. **Eligibility for deferred retirement annuity.** (a) Any coordinated member
43.10 who ceases to render teaching services for the school district in which the teachers
43.11 retirement fund association is located, with sufficient allowable service credit to meet
43.12 the minimum service requirements specified in section 354A.31, subdivision 1, shall be
43.13 entitled to a deferred retirement annuity in lieu of a refund pursuant to subdivision 1. The
43.14 deferred retirement annuity shall be computed pursuant to section 354A.31 and shall be
43.15 augmented as provided in this subdivision. The deferred annuity shall commence upon
43.16 application after the person on deferred status attains at least the minimum age specified in
43.17 section 354A.31, subdivision 1.

43.18 (b) The monthly annuity amount that had accrued when the member ceased to
43.19 render teaching service must be augmented from the first day of the month following the
43.20 month during which the member ceased to render teaching service to the effective date
43.21 of retirement. There is no augmentation if this period is less than three months. For a
43.22 member of the St. Paul Teachers Retirement Fund Association, the rate of augmentation
43.23 is three percent compounded annually until January 1 of the year following the year in
43.24 which the former member attains age 55, and five percent compounded annually after that
43.25 date to the effective date of retirement if the employee became an employee before July
43.26 1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee
43.27 after June 30, 2006. For a member of the Duluth Teachers Retirement Fund Association,
43.28 the rate of augmentation is three percent compounded annually until January 1 of the year
43.29 following the year in which the former member attains age 55, five percent compounded
43.30 annually after that date to July 1, 2010, and two percent compounded annually after that
43.31 date to the effective date of retirement if the employee became an employee before
43.32 July 1, 2006, and at 2.5 percent compounded annually to July 1, 2010, and two percent
43.33 compounded annually after that date to the effective date of retirement if the employee
43.34 becomes an employee after June 30, 2006. If a person has more than one period of
43.35 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.

(c) The augmentation provided by this subdivision applies to the benefit provided in section 354A.35, subdivision 2. 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, 2010.

Sec. 65. Minnesota Statutes 2008, section 354A.37, subdivision 3, is amended to read:

Subd. 3. **Computation of refund amount.** A former coordinated member of the St. Paul Teachers Retirement Fund Association who qualifies for a refund ~~pursuant to~~ under subdivision 1 shall receive a refund equal to the amount of the former coordinated member's accumulated employee contributions with interest at the rate of six percent per annum compounded annually. A former coordinated member of the Duluth Teachers Retirement Fund Association who qualifies for a refund under subdivision 1 shall receive a refund equal to the amount of the former coordinated member's accumulated employee contributions with interest at the rate of six percent per annum compounded annually to July 1, 2010, and four percent per annum compounded annually thereafter.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 66. Minnesota Statutes 2008, section 354A.37, subdivision 4, is amended to read:

Subd. 4. **Certain refunds at normal retirement age.** Any coordinated member who has attained the normal retirement age with less than ten years of allowable service credit and has terminated active teaching service shall be entitled to a refund in lieu of

a proportionate annuity pursuant to section 356.32. The refund for a member of the St. Paul Teachers Retirement Fund Association shall be equal to the coordinated member's accumulated employee contributions plus interest at the rate of six percent compounded annually. The refund for a member of the Duluth Teachers Retirement Fund Association shall be equal to the coordinated member's accumulated employee contributions plus interest at the rate of six percent compounded annually to July 1, 2010, and four percent per annum compounded annually thereafter.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 67. Minnesota Statutes 2008, section 356.215, subdivision 8, is amended to read:

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

plan	preretirement interest rate assumption	postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	8.5	6.0
elective state officers retirement plan	8.5	6.0
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Minneapolis employees retirement plan	6.0	5.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5
Minneapolis Police Relief Association	6.0	6.0
Fairmont Police Relief Association	5.0	5.0
Minneapolis Fire Department Relief Association	6.0	6.0
Virginia Fire Department Relief Association	5.0	5.0
Bloomington Fire Department Relief Association	6.0	6.0
local monthly benefit volunteer firefighters relief associations	5.0	5.0

(b) Before July 1, 2010, the actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single

46.1 rate future salary increase assumption, or the applicable following graded rate future
46.2 salary increase assumption:

46.3 (1) single rate future salary increase assumption

46.4		future salary
46.5	plan	increase assumption
46.6	legislators retirement plan	5.0%
46.7	judges retirement plan	4.0
46.8	Minneapolis Police Relief Association	4.0
46.9	Fairmont Police Relief Association	3.5
46.10	Minneapolis Fire Department Relief	
46.11	Association	4.0
46.12	Virginia Fire Department Relief Association	3.5
46.13	Bloomington Fire Department Relief	
46.14	Association	4.0

46.15 (2) modified single rate future salary increase assumption

46.16		future salary
46.17	plan	increase assumption
46.18	Minneapolis employees	the prior calendar year amount increased first by 1.0198 percent to prior fiscal year date and then increased by 4.0 percent annually for each future year
46.19	retirement plan	
46.20		
46.21		

46.22 (3) age-related select and ultimate future salary increase assumption or graded rate
46.23 future salary increase assumption

46.24		future salary
46.25	plan	increase assumption
46.26	general state employees retirement plan	select calculation and assumption A
46.27		
46.28	correctional state employees retirement plan	assumption H <u>G</u>
46.29	State Patrol retirement plan	assumption G <u>F</u>
46.30	general public employees retirement plan	select calculation and
46.31		assumption B
46.32	public employees police and fire fund retirement plan	assumption E <u>B</u>
46.33	local government correctional service retirement plan	assumption G <u>F</u>
46.34	teachers retirement plan	assumption D <u>C</u>
46.35	Duluth teachers retirement plan	assumption E <u>D</u>
46.36	St. Paul teachers retirement plan	assumption F <u>E</u>

46.37 The select calculation is: during the
46.38 designated select period, a designated
46.39 percentage rate is multiplied by the result of
46.40 the designated integer minus T, where T is the
46.41 number of completed years of service, and is
46.42 added to the applicable future salary increase

47.1 assumption. The designated select period is
47.2 five years and the designated integer is five
47.3 for the general state employees retirement
47.4 plan ~~and the general public employees~~
47.5 ~~retirement plan~~. The designated select period
47.6 is ten years and the designated integer is ten
47.7 for all other retirement plans covered by
47.8 this clause. The designated percentage rate
47.9 is: (1) 0.2 percent for the correctional state
47.10 employees retirement plan, the State Patrol
47.11 retirement plan, the public employees police
47.12 and fire plan, and the local government
47.13 correctional service plan; (2) 0.6 percent
47.14 for the general state employees retirement
47.15 plan ~~and the general public employees~~
47.16 ~~retirement plan~~; and (3) 0.3 percent for the
47.17 teachers retirement plan, the Duluth Teachers
47.18 Retirement Fund Association, and the St.
47.19 Paul Teachers Retirement Fund Association.
47.20 The select calculation for the Duluth Teachers
47.21 Retirement Fund Association is 8.00 percent
47.22 per year for service years one through seven,
47.23 7.25 percent per year for service years seven
47.24 and eight, and 6.50 percent per year for
47.25 service years eight and nine.

47.26 The ultimate future salary increase assumption is:

47.27	age	<u>A</u>	B	<u>€ B</u>	Đ C	<u>£ D</u>	<u>₣ E</u>	<u>₧ F</u>	<u>₹ G</u>
47.28	16	5.95%	5.95%	11.00%	7.70%	8.00%	6.90%	7.7500%	7.2500%
47.29	17	5.90	5.90	11.00	7.65	8.00	6.90	7.7500	7.2500
47.30	18	5.85	5.85	11.00	7.60	8.00	6.90	7.7500	7.2500
47.31	19	5.80	5.80	11.00	7.55	8.00	6.90	7.7500	7.2500
47.32	20	5.75	5.40	11.00	5.50	6.90	6.90	7.7500	7.2500
47.33	21	5.75	5.40	11.00	5.50	6.90	6.90	7.1454	6.6454
47.34	22	5.75	5.40	10.50	5.50	6.90	6.90	7.0725	6.5725
47.35	23	5.75	5.40	10.00	5.50	6.85	6.85	7.0544	6.5544
47.36	24	5.75	5.40	9.50	5.50	6.80	6.80	7.0363	6.5363
47.37	25	5.75	5.40	9.00	5.50	6.75	6.75	7.0000	6.5000
47.38	26	5.75	5.36	8.70	5.50	6.70	6.70	7.0000	6.5000

H.F. No. 2952, 1st Engrossment - 86th Legislative Session (2009-2010) [H2952-1]

48.1	27	5.75	5.32	8.40	5.50	6.65	6.65	7.0000	6.5000
48.2	28	5.75	5.28	8.10	5.50	6.60	6.60	7.0000	6.5000
48.3	29	5.75	5.24	7.80	5.50	6.55	6.55	7.0000	6.5000
48.4	30	5.75	5.20	7.50	5.50	6.50	6.50	7.0000	6.5000
48.5	31	5.75	5.16	7.30	5.50	6.45	6.45	7.0000	6.5000
48.6	32	5.75	5.12	7.10	5.50	6.40	6.40	7.0000	6.5000
48.7	33	5.75	5.08	6.90	5.50	6.35	6.35	7.0000	6.5000
48.8	34	5.75	5.04	6.70	5.50	6.30	6.30	7.0000	6.5000
48.9	35	5.75	5.00	6.50	5.50	6.25	6.25	7.0000	6.5000
48.10	36	5.75	4.96	6.30	5.50	6.20	6.20	6.9019	6.4019
48.11	37	5.75	4.92	6.10	5.50	6.15	6.15	6.8074	6.3074
48.12	38	5.75	4.88	5.90	5.40	6.10	6.10	6.7125	6.2125
48.13	39	5.75	4.84	5.70	5.30	6.05	6.05	6.6054	6.1054
48.14	40	5.75	4.80	5.50	5.20	6.00	6.00	6.5000	6.0000
48.15	41	5.75	4.76	5.40	5.10	5.90	5.95	6.3540	5.8540
48.16	42	5.75	4.72	5.30	5.00	5.80	5.90	6.2087	5.7087
48.17	43	5.65	4.68	5.20	4.90	5.70	5.85	6.0622	5.5622
48.18	44	5.55	4.64	5.10	4.80	5.60	5.80	5.9048	5.4078
48.19	45	5.45	4.60	5.00	4.70	5.50	5.75	5.7500	5.2500
48.20	46	5.35	4.56	4.95	4.60	5.40	5.70	5.6940	5.1940
48.21	47	5.25	4.52	4.90	4.50	5.30	5.65	5.6375	5.1375
48.22	48	5.15	4.48	4.85	4.50	5.20	5.60	5.5822	5.0822
48.23	49	5.05	4.44	4.80	4.50	5.10	5.55	5.5404	5.0404
48.24	50	4.95	4.40	4.75	4.50	5.00	5.50	5.5000	5.0000
48.25	51	4.85	4.36	4.75	4.50	4.90	5.45	5.4384	4.9384
48.26	52	4.75	4.32	4.75	4.50	4.80	5.40	5.3776	4.8776
48.27	53	4.65	4.28	4.75	4.50	4.70	5.35	5.3167	4.8167
48.28	54	4.55	4.24	4.75	4.50	4.60	5.30	5.2826	4.7826
48.29	55	4.45	4.20	4.75	4.50	4.50	5.25	5.2500	4.7500
48.30	56	4.35	4.16	4.75	4.50	4.40	5.20	5.2500	4.7500
48.31	57	4.25	4.12	4.75	4.50	4.30	5.15	5.2500	4.7500
48.32	58	4.25	4.08	4.75	4.60	4.20	5.10	5.2500	4.7500
48.33	59	4.25	4.04	4.75	4.70	4.10	5.05	5.2500	4.7500
48.34	60	4.25	4.00	4.75	4.80	4.00	5.00	5.2500	4.7500
48.35	61	4.25	4.00	4.75	4.90	3.90	5.00	5.2500	4.7500
48.36	62	4.25	4.00	4.75	5.00	3.80	5.00	5.2500	4.7500
48.37	63	4.25	4.00	4.75	5.10	3.70	5.00	5.2500	4.7500
48.38	64	4.25	4.00	4.75	5.20	3.60	5.00	5.2500	4.7500
48.39	65	4.25	4.00	4.75	5.20	3.50	5.00	5.2500	4.7500
48.40	66	4.25	4.00	4.75	5.20	3.50	5.00	5.2500	4.7500
48.41	67	4.25	4.00	4.75	5.20	3.50	5.00	5.2500	4.7500
48.42	68	4.25	4.00	4.75	5.20	3.50	5.00	5.2500	4.7500
48.43	69	4.25	4.00	4.75	5.20	3.50	5.00	5.2500	4.7500

49.1	70	4.25	4.00	4.75	5.20	3.50	5.00	5.2500	4.7500
49.2	71	4.25	4.00		5.20				

49.3 (4) service-related ultimate future salary increase assumption

49.4			<u>general employees retirement plan of the Public</u>						
49.5		<u>service length</u>			<u>Employees Retirement Association</u>				
49.6		<u>1</u>			<u>12.03%</u>				
49.7		<u>2</u>			<u>8.90</u>				
49.8		<u>3</u>			<u>7.46</u>				
49.9		<u>4</u>			<u>6.58</u>				
49.10		<u>5</u>			<u>5.97</u>				
49.11		<u>6</u>			<u>5.52</u>				
49.12		<u>7</u>			<u>5.16</u>				
49.13		<u>8</u>			<u>4.87</u>				
49.14		<u>9</u>			<u>4.63</u>				
49.15		<u>10</u>			<u>4.42</u>				
49.16		<u>11</u>			<u>4.24</u>				
49.17		<u>12</u>			<u>4.08</u>				
49.18		<u>13</u>			<u>3.94</u>				
49.19		<u>14</u>			<u>3.82</u>				
49.20		<u>15</u>			<u>3.70</u>				
49.21		<u>16</u>			<u>3.60</u>				
49.22		<u>17</u>			<u>3.51</u>				
49.23		<u>18</u>			<u>3.50</u>				
49.24		<u>19</u>			<u>3.50</u>				
49.25		<u>20</u>			<u>3.50</u>				
49.26		<u>21</u>			<u>3.50</u>				
49.27		<u>22</u>			<u>3.50</u>				
49.28		<u>23</u>			<u>3.50</u>				
49.29		<u>24</u>			<u>3.50</u>				
49.30		<u>25</u>			<u>3.50</u>				
49.31		<u>26</u>			<u>3.50</u>				
49.32		<u>27</u>			<u>3.50</u>				
49.33		<u>28</u>			<u>3.50</u>				
49.34		<u>29</u>			<u>3.50</u>				
49.35		<u>30 or more</u>			<u>3.50</u>				

49.36 (c) Before July 2, 2010, the actuarial valuation must use the applicable following
49.37 payroll growth assumption for calculating the amortization requirement for the unfunded
49.38 actuarial accrued liability where the amortization retirement is calculated as a level
49.39 percentage of an increasing payroll:

49.40					payroll growth
49.41		plan			assumption
49.42		general state employees retirement plan			4.50%

50.1	correctional state employees retirement plan	4.50
50.2	State Patrol retirement plan	4.50
50.3	legislators retirement plan	4.50
50.4	judges retirement plan	4.00
50.5	general public employees retirement plan of the	
50.6	<u>Public Employees Retirement Association</u>	4.50 4.00
50.7	public employees police and fire retirement plan	4.50
50.8	local government correctional service retirement	
50.9	plan	4.50
50.10	teachers retirement plan	4.50
50.11	Duluth teachers retirement plan	4.50
50.12	St. Paul teachers retirement plan	5.00

50.13 (d) After July 1, 2010, the assumptions set forth in paragraphs (b) and (c) continue to
50.14 apply, unless a different salary assumption or a different payroll increase assumption:

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

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

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

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

50.21 Sec. 68. Minnesota Statutes 2009 Supplement, section 356.215, subdivision 11,
50.22 is amended to read:

50.23 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating
50.24 the level normal cost, the actuarial valuation of the retirement plan must contain an
50.25 exhibit for financial reporting purposes indicating the additional annual contribution
50.26 sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit
50.27 for contribution determination purposes indicating the additional contribution sufficient
50.28 to amortize the unfunded actuarial accrued liability. For the retirement plans listed in
50.29 subdivision 8, paragraph (c), the additional contribution must be calculated on a level
50.30 percentage of covered payroll basis by the established date for full funding in effect when
50.31 the valuation is prepared, assuming annual payroll growth at the applicable percentage
50.32 rate set forth in subdivision 8, paragraph (c). For all other retirement plans, the additional
50.33 annual contribution must be calculated on a level annual dollar amount basis.

50.34 (b) For any retirement plan other than the Minneapolis Employees Retirement Fund,
50.35 the general employees retirement plan of the Public Employees Retirement Association,
50.36 the general state employees retirement plan of the Minnesota State Retirement System,
50.37 and the St. Paul Teachers Retirement Fund Association, 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 other than the Minneapolis Employees Retirement Fund and the general employees retirement plan of the Public Employees Retirement Association, 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 Minneapolis Employees Retirement Fund, the established date for full funding is June 30, 2020.

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

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

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

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

(i) For the public employees police and fire retirement plan, the established date for full funding is June 30, 2038.

(j) For the St. Paul Teachers Retirement Fund Association, the established date for full funding is June 30 of the 25th year from the valuation date. In addition to other requirements of this chapter, the annual actuarial valuation shall 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.

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

(1) 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 the day following final enactment.

Sec. 69. Minnesota Statutes 2008, section 356.30, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any provisions of the laws governing the retirement plans enumerated in subdivision 3, a person who has met the qualifications of paragraph (b) may elect to receive a retirement annuity from each enumerated 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 (c).

(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 ~~totaling an amount that allows the person to receive an annuity~~ 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

~~(2)~~ (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.

(c) 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 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 each plan must be those percentages prescribed by each plan's formula as continued 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 plans must be combined in determining eligibility for and the application of each plan's provisions in 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 a covered plan must not be affected, but such service and covered salary must be used in the above calculation.

(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 the percent specified in section 356.315, subdivision 4, per year of service for any year of service or fraction thereof. The formula percentage used by the judges retirement fund must not exceed the percentage rate specified in section 356.315, subdivision 8, per year of service for any year of service or fraction thereof. The accrual rate used by the public employees police and fire plan and the State Patrol retirement plan must not exceed the percentage rate specified in section 356.315, subdivision 6, per year of service for any year of service or fraction thereof. The accrual rate or rates used by the legislators retirement plan must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c).

(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 the day following final enactment.

Sec. 70. Minnesota Statutes 2008, section 356.302, subdivision 3, is amended to read:

Subd. 3. **General employee plan eligibility requirements.** A disabled member of a covered retirement plan who has credit for allowable service in a combination of general employee retirement plans is entitled to a combined service disability benefit if the member:

(1) is less than the normal retirement age on the date of the application for the disability benefit;

(2) has become totally and permanently disabled;

(3) has credit for allowable service in any combination of general employee retirement plans totaling at least ~~three years~~ the number of years required by the applicable retirement plan with the longest service credit requirement for disability benefit receipt;

(4) has credit for at least one-half year of allowable service with the current general employee retirement plan before the commencement of the disability;

(5) has at least three continuous years of allowable service credit by the general employee retirement plan or has at least a total of three years of allowable service credit by a combination of general employee retirement plans in a 72-month period during which no interruption of allowable service credit from a termination of employment exceeded 29 days; and

(6) was not receiving a retirement annuity or disability benefit from any covered general employee retirement plan at the time of the commencement of the disability.

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

Sec. 71. Minnesota Statutes 2008, section 356.302, subdivision 4, is amended to read:

Subd. 4. **Public safety plan eligibility requirements.** A disabled member of a covered retirement plan who has credit for allowable service in a combination of public safety employee retirement plans is entitled to a combined service disability benefit if the member:

(1) has become occupationally disabled;

(2) has credit for allowable service in any combination of public safety employee retirement plans totaling at least ~~one year~~ the minimum period of service credit required by the applicable retirement plan with the longest service credit eligibility requirement for the receipt of a duty-related disability benefit if the disability is duty-related or totaling at least ~~three years~~ the minimum period of service credit required by the applicable retirement plan with the longest service credit eligibility requirement for a disability benefit that is not duty-related if the disability is not duty-related;

(3) has credit for at least one-half year of allowable service with the current public safety employee retirement plan before the commencement of the disability; and

(4) was not receiving a retirement annuity or disability benefit from any covered public safety employee retirement plan at the time of the commencement of the disability.

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

Sec. 72. Minnesota Statutes 2008, section 356.302, subdivision 5, is amended to read:

Subd. 5. **General and public safety plan eligibility requirements.** A disabled member of a covered retirement plan who has credit for allowable service in a combination of both a public safety employee retirement plan and general employee retirement plan must meet the qualifying requirements in subdivisions 3 and 4 to receive a combined service disability benefit from the applicable general employee and public safety employee retirement plans, except that the person need only be a member of a covered retirement plan at the time of the commencement of the disability, that the person must have allowable service credit for the applicable retirement plan with the longest service credit eligibility requirement for the receipt of a disability benefit, and that the minimum allowable service requirements of subdivisions 3, clauses (3) and (5), and 4, clauses (3) and (4), may be met in any combination of covered retirement plans.

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

Sec. 73. Minnesota Statutes 2008, section 356.303, subdivision 2, is amended to read:

Subd. 2. **Entitlement; eligibility.** Notwithstanding any provision of law to the contrary governing a covered retirement plan, a person who is the survivor of a deceased member of a covered retirement plan may receive a combined service survivor benefit from each covered retirement plan in which the deceased member had credit for at least one-half year of allowable service if the deceased member:

(1) had credit for sufficient allowable service in any combination of covered retirement plans to meet ~~any~~ the minimum allowable service credit requirement of the

57.1 applicable covered retirement fund with the longest allowable service credit requirement
57.2 for qualification for a survivor benefit or annuity;

57.3 (2) had credit for at least one-half year of allowable service with the most recent
57.4 covered retirement plan before the date of death and was an active member of that covered
57.5 retirement plan on the date of death; and

57.6 (3) was not receiving a retirement annuity from any covered retirement plan on the
57.7 date of death.

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

57.9 Sec. 74. Minnesota Statutes 2008, section 356.315, subdivision 5, is amended to read:

57.10 Subd. 5. **Correctional plan members.** The applicable benefit accrual rate is 2.4
57.11 percent if employed as a correctional state employee before July 1, 2010, or 2.2 percent if
57.12 employed as a correctional state employee after June 30, 2010.

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

57.14 Sec. 75. Minnesota Statutes 2009 Supplement, section 356.415, subdivision 1, is
57.15 amended to read:

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

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

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

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

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

(d) 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 353.29, subdivision 6, ~~or 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 for section 353.29, subdivision 6, ~~or age 62, 65, or normal retirement age, as selected by the member at retirement, for an annuity amount payable under section 354.35.~~ A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

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

Sec. 76. Minnesota Statutes 2009 Supplement, section 356.415, is amended by adding a subdivision to read:

Subd. 1a. Annual postretirement adjustments; Minnesota State Retirement System plans. (a) Retirement annuity, disability benefit, or survivor benefit recipients of the legislators retirement plan, the general state employees retirement plan, the correctional state employees retirement plan, the State Patrol retirement plan, the elected state officers retirement plan, the unclassified state employees retirement program, and the judges retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

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

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

(b) The increases provided by this subdivision commence on January 1, 2011. Increases under this subdivision for the general state employees retirement plan, the correctional state employees retirement plan, the State Patrol retirement plan, or the judges retirement plan terminate on December 31 of the calendar year in which the actuarial valuation 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

59.1 exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases
59.2 under subdivision 1 recommence after that date. Increases under this subdivision for
59.3 the legislators retirement plan or the elected state officers retirement plan terminate
59.4 on December 31 of the calendar year in which the actuarial valuation prepared by the
59.5 approved actuary under sections 356.214 and 356.215 and the standards for actuarial work
59.6 promulgated by the Legislative Commission on Pensions and Retirement indicates that the
59.7 market value of assets of the general state employees retirement plan equals or exceeds
59.8 90 percent of the actuarial accrued liability of the retirement plan and increases under
59.9 subdivision 1 recommence after that date.

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

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

59.15 Sec. 77. Minnesota Statutes 2009 Supplement, section 356.415, is amended by adding
59.16 a subdivision to read:

59.17 Subd. 1b. **Annual postretirement adjustments; general employees retirement**
59.18 **plan and local government correctional retirement plan of the Public Employees**
59.19 **Retirement Association.** (a) Retirement annuity, disability benefit, or survivor benefit
59.20 recipients of the general employees retirement plan of the Public Employees Retirement
59.21 Association and the local government correctional service retirement plan are entitled to a
59.22 postretirement adjustment annually on January 1, as follows:

59.23 (1) for January 1, 2011, and each successive January 1 until funding stability is
59.24 restored for the applicable retirement plan, a postretirement increase of one percent must
59.25 be applied each year, effective on January 1, to the monthly annuity or benefit amount of
59.26 each annuitant or benefit recipient who has been receiving an annuity or benefit for at least
59.27 12 full months as of the current June 30;

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

59.33 (3) for each January 1 following the restoration of funding stability for the applicable
59.34 retirement plan, a postretirement increase of 2.5 percent must be applied each year,
59.35 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 current June 30; 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 current June 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied.

(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 most recent prior actuarial valuation 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) If, after applying the increase as provided for in paragraph (a), clauses (3) and (4), the market value of the applicable retirement plan is determined in the next subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent of the actuarial accrued liability of any of the applicable Public Employees Retirement Association plans, the increase provided in paragraph (a), clauses (1) and (2), are to be applied as of the next successive January until funding stability is again restored.

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

(e) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment, as provided in section 353.29, subdivision 6, 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 for section 353.29, subdivision 6. A postretirement adjustment granted on the period-certain retirement annuity must terminate when the period-certain retirement annuity terminates.

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

Sec. 78. Minnesota Statutes 2009 Supplement, section 356.415, is amended by adding a subdivision to read:

Subd. 1c. Annual postretirement adjustments; PERA-P&F. (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police

61.1 and fire retirement plan are entitled to a postretirement adjustment annually on January
61.2 1, as follows:

61.3 (1) for January 1, 2011, and for January 1, 2012, for each annuitant or benefit
61.4 recipient who has been receiving the annuity or benefit for at least 12 full months as of the
61.5 immediate preceding June 30, an amount equal to one percent in each year;

61.6 (2) for January 1, 2011, and for January 1, 2012, for each annuitant or benefit
61.7 recipient who has been receiving the annuity or benefit for at least one full month as of the
61.8 immediate preceding June 30, an amount equal to 1/12 of one percent in each year;

61.9 (3) for January 1, 2013, and each successive January 1 that follows the loss of
61.10 funding stability as defined under paragraph (b) until funding stability as defined under
61.11 paragraph (b) is again restored, for each annuitant or benefit recipient who has been
61.12 receiving the annuity or benefit for at least 12 full months as of the immediate preceding
61.13 June 30, an amount equal to the percentage increase in the Consumer Price Index for
61.14 urban wage earners and clerical workers all items index published by the Bureau of Labor
61.15 Statistics of the United States Department of Labor between the immediate preceding June
61.16 30 and the June 30 occurring 12 months previous, but not to exceed 1.5 percent;

61.17 (4) for January 1, 2013, and each successive January 1 that follows the loss of
61.18 funding stability as defined under paragraph (b) until funding stability as defined under
61.19 paragraph (b) is again restored, for each annuitant or benefit recipient who has been
61.20 receiving the annuity or benefit for at least one full month as of the immediate preceding
61.21 June 30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index
61.22 for urban wage earners and clerical workers-all items published by the Bureau of Labor
61.23 Statistics of the United States Department of Labor between the immediate preceding
61.24 June 30 and the June 30 occurring 12 months previous for each full month of annuity
61.25 or benefit receipt, but not to exceed 1/12 of 1.5 percent for each full month of annuity
61.26 or benefit receipt;

61.27 (5) for each January 1 following the restoration of funding stability as defined
61.28 under paragraph (b) and during the continuation of funding stability as defined under
61.29 paragraph (b), for each annuitant or benefit recipient who has been receiving the annuity
61.30 or benefit for at least 12 full months as of the immediate preceding June 30, an amount
61.31 equal to the percentage increase in the Consumer Price Index for urban wage earners and
61.32 clerical workers-all items published by the Bureau of Labor Statistics of the United States
61.33 Department of Labor between the immediate preceding June 30 and the June 30 occurring
61.34 12 months previous, but not to exceed 2.5 percent; and

61.35 (6) for each January 1 following the restoration of funding stability as defined under
61.36 paragraph (b) and during the continuation of funding stability as defined under paragraph

62.1 (b), for each annuitant or benefit recipient who has been receiving the annuity or benefit
62.2 for at least one full month as of the immediate preceding June 30, an amount equal to
62.3 1/12 of the percentage increase in the Consumer Price Index for urban wage earners and
62.4 clerical workers-all items published by the Bureau of Labor Statistics of the United States
62.5 Department of Labor between the immediate preceding June 30 and the June 30 occurring
62.6 12 months previous for each full month of annuity or benefit receipt, but not to exceed
62.7 1/12 of 2.5 percent for each full month of annuity or benefit receipt.

62.8 (b) Funding stability is restored when the market value of assets of the public
62.9 employees police and fire retirement plan equals or exceeds 90 percent of the actuarial
62.10 accrued liabilities of the applicable plan in the most recent prior actuarial valuation
62.11 prepared under section 356.215 and under the standards for actuarial work of the
62.12 Legislative Commission and Pensions and Retirement by the approved actuary retained by
62.13 the Public Employees Retirement Association under section 356.214.

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

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

62.19 Sec. 79. Minnesota Statutes 2009 Supplement, section 356.415, is amended by adding
62.20 a subdivision to read:

62.21 Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.**

62.22 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers
62.23 Retirement Association are entitled to a postretirement adjustment annually on January
62.24 1, as follows:

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

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

62.31 (3) for January 1, 2013, and each successive January 1 until funding stability is
62.32 restored, for each annuitant or benefit recipient who has been receiving an annuity or
62.33 a benefit for at least six full months, an annual postretirement increase of 1/12 of two
62.34 percent for each month the person has been receiving an annuity or benefit must be

applied, effective January 1, following the year in which the person has been retired for less than 12 months;

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

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

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

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

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

Sec. 80. Minnesota Statutes 2008, 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 ~~at~~. 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 Duluth Teachers Retirement Fund Association, the annual interest is six percent from the date on which the amount was deducted from the retirement annuity to the date of payment or until June 30, 2010, whichever is earlier, and no interest after June 30, 2010. For the St. Paul Teachers Retirement Fund Association, the annual interest is the ~~compound annual~~ rate of six percent from the date that the amount was deducted from the retirement annuity to the date of payment.

(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) In lieu of the 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.

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

Sec. 81. Minnesota Statutes 2009 Supplement, section 423A.02, subdivision 3, is amended to read:

Subd. 3. Reallocation of amortization or supplementary amortization state aid. (a) Seventy percent of the difference between \$5,720,000 and the current year amortization aid and supplemental amortization aid distributed under subdivisions 1 and 1a that is not distributed for any reason to a municipality for use by a local police or salaried fire relief association must be distributed by the commissioner of revenue

according to this paragraph. The commissioner shall distribute 50 percent of the amounts derived under this paragraph to the Teachers Retirement Association, ten percent to the Duluth Teachers Retirement Fund 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 shall be made on or before June 30 each fiscal year. If the St. Paul Teachers Retirement Fund Association becomes fully funded, its eligibility for 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 and supplementary amortization aid under paragraph (a), Independent School District No. 625, St. Paul, must make contributions to the St. Paul Teachers Retirement Fund Association in accordance with the following schedule:

Fiscal Year	Amount
1996	\$ 0
1997	\$ 0
1998	\$ 200,000
1999	\$ 400,000
2000	\$ 600,000
2001 and thereafter	\$ 800,000

(c) Special School District No. 1, Minneapolis, and the city of Minneapolis must each make contributions to the Teachers Retirement Association in accordance with the following schedule:

Fiscal Year	City amount	School district amount
1996	\$ 0	\$ 0
1997	\$ 0	\$ 0
1998	\$ 250,000	\$ 250,000
1999	\$ 400,000	\$ 400,000
2000	\$ 550,000	\$ 550,000
2001	\$ 700,000	\$ 700,000
2002	\$ 850,000	\$ 850,000
2003 and thereafter	\$ 1,000,000	\$ 1,000,000

~~(d) Money contributed under paragraph (a) and either paragraph (b) or (c), as applicable, must be credited to a separate account in the applicable teachers retirement fund and may not be used in determining any benefit increases. The separate account terminates for a fund when the aid payments to the fund under paragraph (a) cease.~~

~~(e)~~ (d) Thirty percent of the difference between \$5,720,000 and the current year amortization aid and supplemental amortization aid under subdivisions 1 and 1a that is not

distributed for any reason to a municipality for use by a local police or salaried firefighter relief association 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 the day following final enactment.

Sec. 82. **LOCAL RETIREMENT FUND INVESTMENT AUTHORITIES STUDY.**

A study group consisting of representatives from pension plans subject to Minnesota Statutes, section 356A.06, subdivision 6 or 7, shall be convened by the state auditor to study investment-related provisions, authorities, and limitations under Minnesota Statutes, chapter 356A, and related sections of other chapters. Administrative support for the study group shall be provided by the state auditor. The study group shall prepare a report to include an assessment of the effectiveness of current statutory prescriptions, options for change, and recommendations for consideration by the governor and the legislature during the 2011 legislative session. The report will be provided no later than January 15, 2011, to the executive director of the Legislative Commission on Pensions and Retirement, the chair and ranking minority caucus member of the senate State and Local Government Operations and Oversight Committee, and the chair and ranking minority caucus member of the house State and Local Government Operations Reform, Technology and Elections Committee.

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

Sec. 83. **BYLAW AUTHORIZATION.**

Consistent with the requirements of Minnesota Statutes, section 354A.12, subdivision 4, the board of the Duluth Teachers Retirement Fund Association is authorized to revise the bylaws or articles of incorporation so that the requirements of this act apply to the old law coordinated program.

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

Sec. 84. **REPEALER.**

Minnesota Statutes 2008, section 354A.27, subdivision 1, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2010.

APPENDIX
Repealed Minnesota Statutes: H2952-1

**354A.27 DULUTH TEACHERS RETIREMENT FUND ASSOCIATION;
POSTRETIREMENT ADJUSTMENT MECHANISM.**

Subdivision 1. **Postretirement adjustment modification.** Any postretirement adjustment payable from the Duluth Teachers Retirement Fund Association must be computed and paid according to this section.