# State of Minnesota
# HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

## H. F. No. 2199

02/13/2012 Authored by Lanning
The bill was read for the first time and referred to the Committee on Government Operations and Elections
03/26/2012 Adoption of Report: Pass as Amended and re-referred to the Committee on Ways and Means

A bill for an act

relating to retirement; statewide and local retirement plans; revising certain statutory actuarial assumptions; requiring comprehensive annual retirement plan fund reporting by Minnesota Management and Budget, modifying various Department of Human Services employment classifications eligible for correctional retirement coverage; modifying certain health care savings plan provisions; clarifying transfer eligibility for the unclassified state employees retirement program; making various modifications in retirement plans administered by the Public Employees Retirement Association, making various revisions in the public employees privatization law; making various administrative changes in the Teachers Retirement Association law, including revising state and local aid programs inherited from the former Minneapolis Teachers Retirement Fund Association; making various modifications to conform with the federal Internal Revenue Code retirement plan requirements; updating the public pension fund investment laws, merging the Fairmont Police Relief Association and the Virginia fire consolidation account with the public employees police and fire retirement plan; making various volunteer fire retirement law changes; and making various small group or single person retirement authorizations; amending Minnesota Statutes 2010, sections 11A.07, subdivision 4; 11A.14, subdivision 14; 11A.24; 16A.06, subdivision 9; 69.011, subdivision 1; 69.051, subdivisions 1, 1a, 3; 69.77, subdivision 9; 69.772, subdivision 4; 69.773, subdivision 5; 69.775; 69.80; 126C.41, subdivision 3; 352.91, subdivisions 3c, 3d, 3f; 352.98, subdivisions 3, 4, 5, 8; 352D.02, subdivision 3; 353.01, subdivision 47; 353.50, subdivision 7; 353.656, subdivision 2; 353F.02, subdivision 4; 353F.04, subdivision 1; 353F.07; 353G.08, by adding a subdivision; 354.51, subdivision 5; 354A.08; 354A.12, subdivision 3c; 356.215, subdivisions 1, 11; 356.219, subdivisions 1, 8; 356.415, subdivision 1d; 356.611, subdivisions 2, 3, 3a, 4, by adding a subdivision; 356.635, subdivisions 6, 9; 356A.01, subdivision 19; 356A.06, subdivisions 6, 7; 423A.02, subdivision 3; 424A.001, subdivision 4; 424A.01, subdivision 6; 424A.016, subdivisions 5, 6; 424A.02, subdivisions 1, 7, 9; 424A.04, subdivision 3; 424A.06, subdivision 2; Minnesota Statutes 2011 Supplement, sections 69.77, subdivisions 1a, 4; 353.01, subdivisions 2a, 6, 16; 353.668, subdivision 4; 356.215, subdivision 8; Laws 2002, chapter 392, article 1, section 8; proposing coding for new law in Minnesota Statutes, chapters 16A; 353; 354; repealing Minnesota Statutes 2010, sections 128D.18; 352.91, subdivision 3e; 354A.12, subdivision 3b; 356.219, subdivision 4; 423A.06; Laws 1947, chapter 624, sections 1; 2; 3; 4; 5; 6; 8; 9; 10; 11; 12; 13; 14; 15; 16; 17; 18; 19; 21; 22; Laws 1953, chapter 399, as amended; Laws 1961, chapter 420, sections 2, as amended; 3; 4; 5, as amended;

6; Laws 1963, chapter 407, section 1, as amended; Laws 1963, chapter 423; Laws 1965, chapter 546, sections 1; 2, as amended; 3; Laws 1969, chapter 578, sections 1; 2; 3; Laws 1974, chapter 183, as amended; Laws 1982, chapter 574, section 1; Laws 1982, chapter 578, article 1, section 14; Laws 1983, chapter 69, section 1; Laws 1984, chapter 547, section 27; Laws 1987, chapter 372, article 2, section 14; Laws 1988, chapter 709, sections 1, as amended; 2; Laws 1991, chapter 62, sections 1; 2; Laws 1992, chapter 465, section 1; Laws 1999, chapter 222, article 3, sections 3; 4; 5.

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

## ARTICLE 1

## STATUTORY ACTUARIAL ASSUMPTION AND CONFORMING CHANGES

Section 1. Minnesota Statutes 2010, section 356.215, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to 356.23, each of the terms in the following paragraphs has the meaning given.

(b) "Actuarial valuation" means a set of calculations prepared by an actuary retained under section 356.214 if so required under section 3.85, or otherwise, by an approved actuary, to determine the normal cost and the accrued actuarial liabilities of a benefit plan, according to the entry age actuarial cost method and based upon stated assumptions including, but not limited to rates of interest, mortality, salary increase, disability, withdrawal, and retirement and to determine the payment necessary to amortize over a stated period any unfunded accrued actuarial liability disclosed as a result of the actuarial valuation of the benefit plan.

(c) "Approved actuary" means a person who is regularly engaged in the business of providing actuarial services and who is a fellow in the Society of Actuaries.

(d) "Entry age actuarial cost method" means an actuarial cost method under which the actuarial present value of the projected benefits of each individual currently covered by the benefit plan and included in the actuarial valuation is allocated on a level basis over the service of the individual, if the benefit plan is governed by section 69.773, or over the earnings of the individual, if the benefit plan is governed by any other law, between the entry age and the assumed exit age, with the portion of the actuarial present value which is allocated to the valuation year to be the normal cost and the portion of the actuarial present value not provided for at the valuation date by the actuarial present value of future normal costs to be the actuarial accrued liability, with aggregation in the calculation process to be the sum of the calculated result for each covered individual and with recognition given to any different benefit formulas which may apply to various periods of service.

(e) "Experience study" means a report providing experience data and an actuarial analysis of the adequacy of the actuarial assumptions on which actuarial valuations are based.

(f) "Actuarial value of assets" means:

~~(1) For the July 1, 2009, actuarial valuation, the market value of all assets as of June 30, 2009, reduced by:~~

~~(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2006, and June 30, 2005, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2005;~~

~~(ii) 40 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2007, and June 30, 2006, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2006;~~

~~(iii) 60 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2008, and June 30, 2007, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2007;~~

~~(iv) 80 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008; and~~

~~(v) if applicable, 80 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.~~

~~(2) For the July 1, 2010, actuarial valuation, the market value of all assets as of June 30, 2010, reduced by:~~

~~(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2007, and June 30, 2006, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2006;~~

~~(ii) 40 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2008, and June 30, 2007, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2007;~~

~~(iii) 60 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008;~~

~~(iv) 80 percent of the difference between the actual net change in the market value of total assets between June 30, 2010, and June 30, 2009, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2009; and~~

~~(v) if applicable, 60 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.~~

~~(3) For the July 1, 2011, actuarial valuation, the market value of all assets as of June 30, 2011, reduced by:~~

~~(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2008, and June 30, 2007, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2007;~~

~~(ii) 40 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008;~~

~~(iii) 60 percent of the difference between the actual net change in the market value of the total assets between June 30, 2010, and June 30, 2009, and the computed increase in the market value of the total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2009;~~

~~(iv) 80 percent of the difference between the actual net change in the market value of total assets between June 30, 2011, and June 30, 2010, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2010; and~~

~~(v) if applicable, 40 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.~~

~~(4)~~ (1) For the July 1, 2012, actuarial valuation, the market value of all assets as of June 30, 2012, reduced by:

(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008;

(ii) 40 percent of the difference between the actual net change in the market value of total assets between June 30, 2010, and June 30, 2009, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2009;

(iii) 60 percent of the difference between the actual net change in the market value of total assets between June 30, 2011, and June 30, 2010, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2010;

(iv) 80 percent of the difference between the actual net change in the market value of total assets between June 30, 2012, and June 30, 2011, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2011; and

(v) if applicable, 20 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.

~~(5)~~ <u>(2)</u> For the July 1, 2013, and following actuarial valuations, the market value of all assets as of the preceding June 30, reduced by:

(i) 20 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred three years earlier and the June 30 that occurred four years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred four years earlier;

(ii) 40 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred two years earlier and the June 30 that occurred three years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred three years earlier;

(iii) 60 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred one year earlier and the June 30 that occurred two years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred two years earlier; and

(iv) 80 percent of the difference between the actual net change in the market value of total assets between the most recent June 30 and the June 30 that occurred one year earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred one year earlier.

(g) "Unfunded actuarial accrued liability" means the total current and expected future benefit obligations, reduced by the sum of the actuarial value of assets and the present value of future normal costs.

(h) "Pension benefit obligation" means the actuarial present value of credited projected benefits, determined as the actuarial present value of benefits estimated to be payable in the future as a result of employee service attributing an equal benefit amount, including the effect of projected salary increases and any step rate benefit accrual rate differences, to each year of credited and expected future employee service.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 2. Minnesota Statutes 2011 Supplement, 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:

(1) select and ultimate interest rate assumption

| plan | ultimate preretirement interest rate assumption | ultimate 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~~ 0.0 | ~~6.0~~ -2.0 until June 30, 2040, and -2.5 after June 30, 2040 |
| elective state officers retirement plan | ~~8.5~~ 0.0 | ~~6.0~~ -2.0 until June 30, 2040, and -2.5 after June 30, 2040 |
| 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 |
| Duluth teachers retirement plan | 8.5 | 8.5 |
| St. Paul teachers retirement plan | 8.5 | 8.5 |

Except for the legislators retirement plan and the elective state officers retirement plan, the select preretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 8.0 percent. Except for the legislators retirement plan and the elective state officers retirement plan, the select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 5.5 percent, except for the Duluth teachers retirement plan and the St. Paul teachers retirement plan, each with a select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, of 8.0 percent.

(2) single rate preretirement and postretirement interest rate assumption

| plan | interest rate assumption | |
|---|---|---|
| Fairmont Police Relief Association | 5.0 | ~~5.0~~ |
| 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 rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

| plan | future salary increase assumption |
|---|---|
| legislators retirement plan | 5.0% |
| judges retirement plan | ~~4.0~~ 3.0 |
| Fairmont Police Relief Association | 3.5 |
| Virginia Fire Department Relief Association | 3.5 |
| Bloomington Fire Department Relief Association | 4.0 |

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

| plan | future salary increase assumption |
|---|---|
| ~~correctional state employees retirement plan~~ | ~~assumption D~~ |
| ~~State Patrol retirement plan~~ | ~~assumption C~~ |
| local government correctional service retirement plan | assumption C |
| Duluth teachers retirement plan | assumption A |
| St. Paul teachers retirement plan | assumption B |

The select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. ~~The designated select period is five years and the designated integer is five for the general state employees retirement plan.~~ The designated select period is ten years and the designated integer is ten for all other retirement plans covered by this clause. The designated percentage rate is: (1) ~~0.2 percent for the correctional state employees retirement plan, the State Patrol retirement plan, and the local government correctional service retirement plan; (2)~~ 0.6 percent for the general state employees retirement plan; and ~~(3)~~ (2) 0.3 percent for the teachers retirement plan, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

| age | A | B | C | ~~D~~ |
|---|---|---|---|---|
| 16 | 8.00% | 6.90% | ~~7.7500%~~ 9.00% | ~~7.2500%~~ |
| 17 | 8.00 | 6.90 | ~~7.7500~~ 9.00 | ~~7.2500~~ |
| 18 | 8.00 | 6.90 | ~~7.7500~~ 9.00 | ~~7.2500~~ |
| 19 | 8.00 | 6.90 | ~~7.7500~~ 9.00 | ~~7.2500~~ |
| 20 | 6.90 | 6.90 | ~~7.7500~~ 9.00 | ~~7.2500~~ |
| 21 | 6.90 | 6.90 | ~~7.1454~~ 8.75 | ~~6.6454~~ |
| 22 | 6.90 | 6.90 | ~~7.0725~~ 8.50 | ~~6.5725~~ |
| 23 | 6.85 | 6.85 | ~~7.0544~~ 8.25 | ~~6.5544~~ |
| 24 | 6.80 | 6.80 | ~~7.0363~~ 8.00 | ~~6.5363~~ |
| 25 | 6.75 | 6.75 | ~~7.0000~~ 7.75 | ~~6.5000~~ |
| 26 | 6.70 | 6.70 | ~~7.0000~~ 7.50 | ~~6.5000~~ |
| 27 | 6.65 | 6.65 | ~~7.0000~~ 7.25 | ~~6.5000~~ |

| | | | | |
|---|---|---|---|---|
| 28 | 6.60 | 6.60 | ~~7.0000~~ 7.00 | ~~6.5000~~ |
| 29 | 6.55 | 6.55 | ~~7.0000~~ 6.75 | ~~6.5000~~ |
| 30 | 6.50 | 6.50 | ~~7.0000~~ 6.75 | ~~6.5000~~ |
| 31 | 6.45 | 6.45 | ~~7.0000~~ 6.50 | ~~6.5000~~ |
| 32 | 6.40 | 6.40 | ~~7.0000~~ 6.50 | ~~6.5000~~ |
| 33 | 6.35 | 6.35 | ~~7.0000~~ 6.50 | ~~6.5000~~ |
| 34 | 6.30 | 6.30 | ~~7.0000~~ 6.25 | ~~6.5000~~ |
| 35 | 6.25 | 6.25 | ~~7.0000~~ 6.25 | ~~6.5000~~ |
| 36 | 6.20 | 6.20 | ~~6.9019~~ 6.00 | ~~6.4019~~ |
| 37 | 6.15 | 6.15 | ~~6.8074~~ 6.00 | ~~6.3074~~ |
| 38 | 6.10 | 6.10 | ~~6.7125~~ 6.00 | ~~6.2125~~ |
| 39 | 6.05 | 6.05 | ~~6.6054~~ 5.75 | ~~6.1054~~ |
| 40 | 6.00 | 6.00 | ~~6.5000~~ 5.75 | ~~6.0000~~ |
| 41 | 5.90 | 5.95 | ~~6.3540~~ 5.75 | ~~5.8540~~ |
| 42 | 5.80 | 5.90 | ~~6.2087~~ 5.50 | ~~5.7087~~ |
| 43 | 5.70 | 5.85 | ~~6.0622~~ 5.25 | ~~5.5622~~ |
| 44 | 5.60 | 5.80 | ~~5.9048~~ 5.25 | ~~5.4078~~ |
| 45 | 5.50 | 5.75 | ~~5.7500~~ 5.00 | ~~5.2500~~ |
| 46 | 5.40 | 5.70 | ~~5.6940~~ 5.00 | ~~5.1940~~ |
| 47 | 5.30 | 5.65 | ~~5.6375~~ 5.00 | ~~5.1375~~ |
| 48 | 5.20 | 5.60 | ~~5.5822~~ 5.00 | ~~5.0822~~ |
| 49 | 5.10 | 5.55 | ~~5.5404~~ 5.00 | ~~5.0404~~ |
| 50 | 5.00 | 5.50 | ~~5.5000~~ 5.00 | ~~5.0000~~ |
| 51 | 4.90 | 5.45 | ~~5.4384~~ 5.00 | ~~4.9384~~ |
| 52 | 4.80 | 5.40 | ~~5.3776~~ 5.00 | ~~4.8776~~ |
| 53 | 4.70 | 5.35 | ~~5.3167~~ 5.00 | ~~4.8167~~ |
| 54 | 4.60 | 5.30 | ~~5.2826~~ 5.00 | ~~4.7826~~ |
| 55 | 4.50 | 5.25 | ~~5.2500~~ 4.75 | ~~4.7500~~ |
| 56 | 4.40 | 5.20 | ~~5.2500~~ 4.75 | ~~4.7500~~ |
| 57 | 4.30 | 5.15 | ~~5.2500~~ 4.50 | ~~4.7500~~ |
| 58 | 4.20 | 5.10 | ~~5.2500~~ 4.25 | ~~4.7500~~ |
| 59 | 4.10 | 5.05 | ~~5.2500~~ 4.25 | ~~4.7500~~ |
| 60 | 4.00 | 5.00 | ~~5.2500~~ 4.25 | ~~4.7500~~ |
| 61 | 3.90 | 5.00 | ~~5.2500~~ 4.25 | ~~4.7500~~ |
| 62 | 3.80 | 5.00 | ~~5.2500~~ 4.25 | ~~4.7500~~ |
| 63 | 3.70 | 5.00 | ~~5.2500~~ 4.25 | ~~4.7500~~ |
| 64 | 3.60 | 5.00 | ~~5.2500~~ 4.25 | ~~4.7500~~ |
| 65 | 3.50 | 5.00 | ~~5.2500~~ 4.00 | ~~4.7500~~ |
| 66 | 3.50 | 5.00 | ~~5.2500~~ 4.00 | ~~4.7500~~ |
| 67 | 3.50 | 5.00 | ~~5.2500~~ 4.00 | ~~4.7500~~ |
| 68 | 3.50 | 5.00 | ~~5.2500~~ 4.00 | ~~4.7500~~ |
| 69 | 3.50 | 5.00 | ~~5.2500~~ 4.00 | ~~4.7500~~ |
| 70 | 3.50 | 5.00 | ~~5.2500~~ 4.00 | ~~4.7500~~ |

(3) service-related ultimate future salary increase assumption

| | |
|---|---|
| general state employees retirement plan of the Minnesota State Retirement System | assumption A |
| general employees retirement plan of the Public Employees Retirement Association | assumption B |
| Teachers Retirement Association | assumption C |
| public employees police and fire retirement plan | assumption D |
| State Patrol retirement plan | assumption E |
| correctional state employees retirement plan of the Minnesota State Retirement System | assumption F |

| service length | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| 1 | ~~10.75~~ 10.50% | ~~12.25~~ 12.03% | 12.00% | 13.00% | 8.00% | 6.00% |
| 2 | ~~8.35~~ 8.10 | ~~9.15~~ 8.90 | 9.00 | 11.00 | 7.50 | 5.85 |
| 3 | ~~7.15~~ 6.90 | ~~7.75~~ 7.46 | 8.00 | 9.00 | 7.00 | 5.70 |
| 4 | ~~6.45~~ 6.20 | ~~6.85~~ 6.58 | 7.50 | 8.00 | 6.75 | 5.55 |
| 5 | ~~5.95~~ 5.70 | ~~6.25~~ 5.97 | 7.25 | 6.50 | 6.50 | 5.40 |
| 6 | ~~5.55~~ 5.30 | ~~5.75~~ 5.52 | 7.00 | 6.10 | 6.25 | 5.25 |
| 7 | ~~5.25~~ 5.00 | ~~5.45~~ 5.16 | 6.85 | 5.80 | 6.00 | 5.10 |
| 8 | ~~4.95~~ 4.70 | ~~5.15~~ 4.87 | 6.70 | 5.60 | 5.85 | 4.95 |
| 9 | ~~4.75~~ 4.50 | ~~4.85~~ 4.63 | 6.55 | 5.40 | 5.70 | 4.80 |
| 10 | ~~4.65~~ 4.40 | ~~4.65~~ 4.42 | 6.40 | 5.30 | 5.55 | 4.65 |
| 11 | ~~4.45~~ 4.20 | ~~4.45~~ 4.24 | 6.25 | 5.20 | 5.40 | 4.55 |
| 12 | ~~4.35~~ 4.10 | ~~4.35~~ 4.08 | 6.00 | 5.10 | 5.25 | 4.45 |
| 13 | ~~4.25~~ 4.00 | ~~4.15~~ 3.94 | 5.75 | 5.00 | 5.10 | 4.35 |
| 14 | ~~4.05~~ 3.80 | ~~4.05~~ 3.82 | 5.50 | 4.90 | 4.95 | 4.25 |
| 15 | ~~3.95~~ 3.70 | ~~3.95~~ 3.70 | 5.25 | 4.80 | 4.80 | 4.15 |
| 16 | ~~3.85~~ 3.60 | ~~3.85~~ 3.60 | 5.00 | 4.80 | 4.65 | 4.05 |
| 17 | ~~3.75~~ 3.50 | ~~3.75~~ 3.51 | 4.75 | 4.80 | 4.50 | 3.95 |
| 18 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 4.50 | 4.80 | 4.35 | 3.85 |
| 19 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 4.25 | 4.80 | 4.20 | 3.75 |
| 20 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 4.00 | 4.80 | 4.05 | 3.75 |
| 21 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.90 | 4.70 | 4.00 | 3.75 |
| 22 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.80 | 4.60 | 4.00 | 3.75 |
| 23 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.70 | 4.50 | 4.00 | 3.75 |
| 24 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.60 | 4.50 | 4.00 | 3.75 |
| 25 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 26 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 27 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 28 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 29 | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 30 or more | ~~3.75~~ 3.50 | ~~3.75~~ 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |

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

| plan | payroll growth assumption |
|---|---|
| general state employees retirement plan of the Minnesota State Retirement System | 3.75% |
| correctional state employees retirement plan | ~~4.50~~ <u>3.75</u> |
| State Patrol retirement plan | ~~4.50~~ <u>3.75</u> |
| ~~legislators retirement plan~~ | ~~4.50~~ |
| judges retirement plan | ~~4.00~~ <u>3.00</u> |
| general employees retirement plan of the Public Employees Retirement Association | ~~3.75~~ <u>3.75</u> |
| public employees police and fire retirement plan | ~~3.75~~ <u>3.75</u> |
| local government correctional service retirement plan | ~~4.50~~ <u>3.75</u> |
| teachers retirement plan | ~~3.75~~ <u>3.75</u> |
| Duluth teachers retirement plan | ~~4.50~~ <u>4.50</u> |
| St. Paul teachers retirement plan | ~~5.00~~ <u>5.00</u> |

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

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

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

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

<u>**EFFECTIVE DATE.** This section is effective June 30, 2012.</u>

Sec. 3. Minnesota Statutes 2010, section 356.215, subdivision 11, is amended to read:

Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial reporting purposes indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit for contribution determination purposes indicating the additional contribution sufficient to amortize the unfunded actuarial accrued liability. For the retirement plans listed in subdivision 8, paragraph (c), but excluding the MERF division of the Public Employees Retirement Association<u> and the legislators retirement plan</u>, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared, assuming annual payroll growth at the applicable percentage rate set forth in subdivision 8, paragraph (c). For all other retirement plans and for the MERF division of the Public Employees Retirement Association<u> and the legislators retirement plan</u>, the additional annual contribution must be calculated on a level annual dollar amount basis.

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

(c) For any retirement plan other than 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 MERF division of the Public Employees Retirement Association, the established date for full funding is June 30, 2031.

(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 must contain an exhibit indicating the funded ratio and the deficiency or sufficiency in annual contributions when comparing liabilities to the market value of the assets of the fund as of the close of the most recent fiscal year.

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

(l) 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. 4. **DELAYED REPORTING DATE FOR CERTAIN QUADRENNIAL EXPERIENCE STUDIES.**

Notwithstanding any provision of Minnesota Statutes, section 356.215, subdivisions 2 and 3, paragraph (c), to the contrary, the next experience studies of the general state employees retirement plan of the Minnesota State Retirement System, the general employees retirement plan of the Public Employees Retirement Association, and the Teachers Retirement Association must cover the period of July 1, 2008, through June 30, 2014, and must be filed with the applicable entities on June 30, 2015.

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

## ARTICLE 2

## CONTRIBUTION ADEQUACY REPORTING

Section 1. **[16A.106] ADEQUACY OF BUDGETED AND FORECASTED DEFINED BENEFIT PLAN RETIREMENT CONTRIBUTIONS.**

(a) On or before May 30 or the date occurring 30 days after the conclusion of the regular legislative session, whichever is later, in each odd-numbered year, the commissioner shall prepare a report to the legislature on the adequacy of the budgeted appropriations, including retirement-related state aids, and forecasted member and employer retirement contributions to meet the total calculated actuarial funding requirements of the statewide and major local defined benefit retirement plans.

(b) The total calculated actuarial funding requirements are the sum of:

(1) the normal cost;

(2) the administrative expenses as defined in section 356.20, subdivision 4, paragraph (c); and

(3) the supplemental amortization contribution requirement using the amortization target date specified in section 356.215, subdivision 11.

The total calculated actuarial funding requirements must be as determined in the most recent actuarial valuation of the retirement plan prepared by an approved actuary under section 356.215 and the most recent standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

(c) The statewide and major local retirement plans are the defined benefit retirement plans listed in section 356.20, subdivision 2, clauses (1) to (6), (9), (12), (13), and (14).

(d) The report must also include as an exhibit as of the start of the most recent fiscal year, the following information for each statewide and major local retirement plan in a single comparative table:

(1) the year the retirement plan was enacted or established;

(2) the number of active members of the retirement plan;

(3) the number of retirement annuitants and retirement benefit recipients;

(4) whether or not the retirement plan supplements the federal Old Age, Survivors and Disability Insurance program;

(5) the complete schedule of accrued benefit obligations and projected benefit obligations from the latest actuarial valuation reports;

(6) whether or not the retirement plan permits the purchase of service credit for out-of-state service or time;

(7) the percentage of covered salary employer contributions;

(8) the percentage of covered salary member contributions;

(9) the amount of unfunded actuarial accrued liability calculated using the actuarial value of assets and the market value of assets;

(10) the percentage that assets, at actuarial value and at market value, represent of the actuarial accrued liability;

(11) the normal retirement age or ages;

(12) the salary base definition and the percentage of salary base benefit accrual rate per year of service credit formula for a normal retirement annuity;

(13) the amount of automatic postretirement adjustment;

(14) whether or not service credit is available for military service and any limitation on its acquisition;

(15) the vesting period for a disability benefit and the definition of a disability qualifying for a disability benefit;

(16) investment performance and interest rate actuarial assumptions;

(17) the amortization target date;

(18) four fiscal years running statistics of active retirement plan members;

(19) four fiscal years running statistics of retirement annuitants and retirement benefit recipients;

(20) four fiscal years running statistics of deferred annuitants;

(21) four fiscal years running statistics of unfunded actuarial accrued liability determined on an actuarial value of assets basis and on a market value of assets basis;

(22) four fiscal years running statistics of the percentage that assets, at actuarial value and at market value, represent of the actuarial accrued liability;

(23) four fiscal years running statistics of actuarial value of assets; and

(24) four fiscal years running statistics of market value of assets.

(e) The report under this section also must be included on the Web site of the department.

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

## ARTICLE 3

## MSRS-CORRECTIONAL PLAN MEMBERSHIP CHANGES

Section 1. Minnesota Statutes 2010, section 352.91, subdivision 3c, is amended to read:

Subd. 3c. **Nursing personnel.** (a) "Covered correctional service" means service by a state employee in one of the employment positions at a correctional facility or at the Minnesota Security Hospital, or in the Minnesota sex offender program that are specified in paragraph (b) if at least 75 percent of the employee's working time is spent in direct contact with inmates or patients and the fact of this direct contact is certified to the executive director by the appropriate commissioner.

(b) The employment positions are as follows:

(1) registered nurse - senior;

(2) registered nurse;

(3) registered nurse - principal;

(4) licensed practical nurse 2; ~~and~~

(5) registered nurse advance practice; and

(6) psychiatric advance practice registered nurse.

**EFFECTIVE DATE.** (a) This section is effective retroactively from August 22, 2011.

(b) Service credit under the correctional state employees retirement plan rather than under the general state employees retirement plan for the period between August 22, 2011, and the day following enactment is contingent on the state employee and the Department of Human Services paying the difference between the applicable employee and employer contributions in the two retirement plans under Minnesota Statutes, section 352.017, subdivision 2.

Sec. 2. Minnesota Statutes 2010, section 352.91, subdivision 3d, is amended to read:

Subd. 3d. **Other correctional personnel.** (a) "Covered correctional service" means service by a state employee in one of the employment positions at a correctional facility or at the Minnesota Security Hospital specified in paragraph (b) if at least 75 percent of the employee's working time is spent in direct contact with inmates or patients and the fact of this direct contact is certified to the executive director by the appropriate commissioner.

(b) The employment positions are:

(1) automotive mechanic;

(2) baker;

(3) central services administrative specialist, intermediate;

(4) central services administrative specialist, principal;

(5) chaplain;

(6) chief cook;

(7) clinical program therapist 1;

(8) clinical program therapist 2;

(9) clinical program therapist 3;

(10) clinical program therapist 4;

(11) cook;

~~(8)~~ (12) cook coordinator;

~~(9) corrections program therapist 1;~~

~~(10) corrections program therapist 2;~~

~~(11) corrections program therapist 3;~~

~~(12) corrections program therapist 4;~~

(13) corrections inmate program coordinator;

(14) corrections transitions program coordinator;

(15) corrections security caseworker;

(16) corrections security caseworker career;

(17) corrections teaching assistant;

(18) delivery van driver;

(19) dentist;

(20) electrician supervisor;

(21) general maintenance worker lead;

(22) general repair worker;

(23) library/information research services specialist;

(24) library/information research services specialist senior;

(25) library technician;

(26) painter lead;

(27) plant maintenance engineer lead;

(28) plumber supervisor;

(29) psychologist 1;

(30) psychologist 3;

(31) recreation therapist;

(32) recreation therapist coordinator;

(33) recreation program assistant;

(34) recreation therapist senior;

(35) sports medicine specialist;

(36) work therapy assistant;

(37) work therapy program coordinator; and

(38) work therapy technician.

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

Sec. 3. Minnesota Statutes 2010, section 352.91, subdivision 3f, is amended to read:

Subd. 3f. **Additional Department of Human Services personnel.** (a) "Covered correctional service" means service by a state employee in one of the employment positions specified in paragraph (b) at the Minnesota Security Hospital or in the Minnesota sex offender program if at least 75 percent of the employee's working time is spent in direct contact with patients and the determination of this direct contact is certified to the executive director by the commissioner of human services.

(b) The employment positions are:

(1) behavior analyst 2;

(2) behavior analyst 3;

(3) certified occupational therapy assistant 1;

(4) certified occupational therapy assistant 2;

(5) chemical dependency counselor senior;

(6) client advocate;

(7) clinical program therapist 3;

(8) clinical program therapist 4;

(9) customer services specialist principal;

~~(8)~~ (10) dental assistant registered;

~~(9)~~ (11) group supervisor;

~~(10)~~ (12) group supervisor assistant;

~~(11)~~ (13) human services support specialist;

~~(12)~~ (14) licensed alcohol and drug counselor;

~~(13)~~ (15) licensed practical nurse 1;

~~(14)~~ (16) management analyst 3;

~~(15)~~ (17) occupational therapist;

~~(16)~~ (18) occupational therapist, senior;

~~(17)~~ (19) psychologist 1;

~~(18)~~ (20) psychologist 2;

~~(19)~~ (21) psychologist 3;

~~(20)~~ (22) recreation program assistant;

~~(21)~~ (23) recreation therapist lead;

~~(22)~~ (24) recreation therapist senior;

~~(23)~~ (25) rehabilitation counselor senior;

~~(24)~~ (26) security supervisor;

~~(25)~~ (27) skills development specialist;

~~(26)~~ (28) social worker senior;

~~(27)~~ (29) social worker specialist;

~~(28)~~ (30) social worker specialist, senior;

~~(29)~~ (31) special education program assistant;

~~(30)~~ (32) speech pathology clinician;

~~(31)~~ (33) work therapy assistant; and

~~(32)~~ (34) work therapy program coordinator.

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

Sec. 4. **REPEALER.**

Minnesota Statutes 2010, section 352.91, subdivision 3e, is repealed.

**EFFECTIVE DATE.** This section is effective as of the day after the last day of the last full pay period in May 2013.

## ARTICLE 4

## HEALTH CARE SAVINGS PLAN MODIFICATIONS

Section 1. Minnesota Statutes 2010, section 352.98, subdivision 3, is amended to read:

Subd. 3. **Contributions.** (a) Contributions to the plan must be defined in a personnel policy or in a collective bargaining agreement of a public employer or political subdivision. The executive director may offer different types of trusts permitted under the Internal Revenue Code to best meet the needs of different employer units.

(b) Contributions to the plan by or on behalf of the participant must be held in trust for reimbursement of eligible health-related expenses for participants and their dependents following termination from public employment or ~~during active employment~~ in other circumstances set forth in the plan document. The executive director shall maintain a separate account of the contributions made by or on behalf of each participant and the earnings thereon. The executive director shall make available a limited range of investment options, and each participant may direct the investment of the accumulations in the participant's account among the investment options made available by the executive director.

(c) This section does not obligate a public employer to meet and negotiate in good faith with the exclusive bargaining representative of any public employee group regarding an employer contribution to a postretirement or active employee health care savings plan authorized by this section and section 356.24, subdivision 1, clause (7). It is not the intent of the legislature to authorize the state to incur new funding obligations for the costs of retiree health care or the costs of administering retiree health care plans or accounts.

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

Sec. 2. Minnesota Statutes 2010, section 352.98, subdivision 4, is amended to read:

Subd. 4. **Reimbursement for health-related expenses.** The executive director shall reimburse participants at least quarterly for eligible health-related expenses, as allowable by federal and state law, until the participant exhausts the accumulation in the participant's account. If a participant dies prior to exhausting the participant's account balance, the participant's spouse or dependents are eligible to be reimbursed for health care expenses from the account until the account balance is exhausted. If an account balance remains after the death of a participant and all of the participant's legal dependents, the remainder of the account must be paid to the participant's beneficiaries or, if none, to ~~the participant's estate~~ a living person or persons named by the personal representative of the estate. The person or persons named must use the account for reimbursement of allowable health care expenses.

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

Sec. 3. Minnesota Statutes 2010, section 352.98, subdivision 5, is amended to read:

Subd. 5. **Fees.** The executive director is authorized to charge ~~uniform~~ fees to participants to cover the ongoing cost of operating the plan. ~~Any fees not needed must revert to participant accounts or be used to reduce plan fees the following year.~~ The fees must be deposited in an administrative fee account. On January 1, following the end of the prior fiscal year, the executive director shall estimate the amount needed to cover plan expenses, record keeping costs, and custodial fees for the new fiscal year. If the balance of the administrative fee account is in excess of this amount, the excess must revert to participant accounts, or plan fees must be reduced to eliminate the excess, or the executive director may use a combination of both approaches to eliminate the excess.

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

Sec. 4. Minnesota Statutes 2010, section 352.98, subdivision 8, is amended to read:

Subd. 8. **Exemption from process.** Assets in a ~~health-care~~ health care savings plan account described in this section must be used for the reimbursement of ~~healthcare~~ health care expenses and are not assignable or subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518A.53.

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

## ARTICLE 5

## MSRS-UNCLASSIFIED RETIREMENT PROGRAM MODIFICATIONS

Section 1. Minnesota Statutes 2010, section 352D.02, subdivision 3, is amended to read:

Subd. 3. **Transfer to general employees retirement plan.** (a) If permitted under paragraph (b), an employee referred to in subdivision 1, paragraph (c), clauses (2) to (4), (6) to (14), and (16) to (18), who is credited with shares in the unclassified program~~,~~ and ~~who~~ has credit for allowable service~~, not later than one month following the termination~~

~~of covered employment,~~ may elect to terminate participation in the unclassified program and be covered by the general employees retirement plan ~~by filing a written election with the executive director~~.

(b) An employee specified in paragraph (a) is permitted to terminate participation in the unclassified program and be covered by the general employees retirement plan if the employee:

(1) was employed before July 1, 2010, and has at least ten years of allowable service ~~as of the date of the election~~; or ~~if the employee~~

(2) was first employed after June 30, 2010, and has no more than seven years of allowable service ~~as of the date of the election~~.

The election must be in writing on a form provided by the executive director, and can be made no later than one month following the termination of covered employment.

~~(b)~~ (c) If the transfer election is made, the executive director shall ~~then~~ redeem the employee's total shares and ~~shall~~ credit to the employee's account in the general employees retirement plan the amount of contributions that would have been ~~so~~ credited had the employee been covered by the general employees retirement plan during the employee's entire covered employment ~~or elective state service~~. The balance of money ~~so~~ redeemed and not credited to the employee's account must be transferred to the general employees retirement plan, except that the executive director must determine:

(1) the employee ~~contribution~~ contributions paid to the unclassified program ~~must be compared to~~; and

(2) the employee contributions that would have been paid to the general employees retirement plan for the comparable period, if the individual had been covered by that plan.

If clause (1) is greater than clause (2), the difference must be refunded to the employee as provided in section 352.22. If clause (2) is greater than clause (1), the difference must be paid by the employee within six months of electing general employees retirement plan coverage or before the effective date of the annuity, whichever is sooner.

~~(c)~~ (d) An election under paragraph ~~(a)~~ (b) to transfer coverage to the general employees retirement plan is irrevocable during any period of covered employment.

~~(d)~~ (e) A person referenced in subdivision 1, paragraph (c), clause (1), (5), or (15), who is credited with employee shares in the unclassified program is not permitted to terminate participation in the unclassified program and be covered by the general employees retirement plan.

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

# ARTICLE 6

# PERA-ADMINISTERED RETIREMENT PLAN MODIFICATIONS

Section 1. Minnesota Statutes 2011 Supplement, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under sections 353.27, subdivision 12, and 353.35;

(3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

(4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;

(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates

public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

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

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary, excluding overtime pay, during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate, excluding overtime pay, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for

purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under ~~subdivision 40~~ section 353.0162.

(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.

(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association under chapter 353A or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "allowable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

(d) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, and the period of service credited under paragraph (a), clause (1), after the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19. For an active member who was an active member of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, and the period of service credited under paragraph (a), clause (1), after the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19.

(e) MS 2002 [Expired]

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

Sec. 2. Minnesota Statutes 2010, section 353.01, subdivision 47, is amended to read:

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

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

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

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

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

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

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

(i) 50 percent after five years;

(ii) 60 percent after six years;

(iii) 70 percent after seven years;

(iv) 80 percent after eight years;

(v) 90 percent after nine years; and

(vi) 100 percent after ten years.

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

Sec. 3. Minnesota Statutes 2010, section 353.50, subdivision 7, is amended to read:

Subd. 7. **MERF division account contributions.** (a) After June 30, 2010, the member and employer contributions to the MERF division account are governed by this subdivision.

(b) An active member covered by the MERF division must make an employee contribution of 9.75 percent of the total salary of the member as defined in section 353.01, subdivision 10. The employee contribution must be made by payroll deduction by the member's employing unit under section 353.27, subdivision 4, and is subject to the provisions of section 353.27, subdivisions 7, 7a, 7b, 12, 12a, and 12b.

(c) The employer regular contribution to the MERF division account with respect to an active MERF division member is 9.75 percent of the total salary of the member as defined in section 353.01, subdivision 10.

(d) The employer additional contribution to the MERF division account with respect to an active member of the MERF division is 2.68 percent of the total salary of the member as defined in section 353.01, subdivision 10, plus the employing unit's share of $3,900,000 that the employing unit paid or is payable to the former Minneapolis Employees Retirement Fund under Minnesota Statutes 2008, section 422A.101, subdivision 1a, 2, or 2a, during calendar year 2009, as was certified by the former executive director of the former Minneapolis Employees Retirement Fund.

(e) Annually after June 30, 2012, the employer supplemental contribution to the MERF division account by the city of Minneapolis, Special School District No. 1, Minneapolis, a Minneapolis-owned public utility, improvement, or municipal activity, Hennepin county, the Metropolitan Council, the Metropolitan Airports Commission, and the Minnesota State Colleges and Universities system is the larger of the following:

(1) the amount by which the total actuarial required contribution determined under section 356.215 by the approved actuary retained by the Public Employees Retirement Association in the most recent actuarial valuation of the MERF division and based on a June 30, 2031, amortization date, after subtracting the contributions under paragraphs (b), (c), and (d), exceeds $22,750,000 or $24,000,000, whichever applies; or

(2) the amount of $27,000,000, but the total supplemental contribution amount plus the contributions under paragraphs (c) and (d) may not exceed $34,000,000. Each employing unit's share of the total employer supplemental contribution amount is equal to the applicable portion specified in paragraph ~~(g)~~ (h). The initial total actuarial required contribution after June 30, 2012, must be calculated using the mortality assumption change recommended on September 30, 2009, for the Minneapolis Employees Retirement Fund by the approved consulting actuary retained by the Minneapolis Employees Retirement Fund board.

(f) Before January 31, each employing unit must be invoiced for its share of the total employer supplemental contribution amount under paragraph (e). The amount is payable by the employing unit in two parts. The first half of the amount due is payable on or before the July 31 following the date of the invoice, and the second half of the amount due is payable on or before December 15. Each invoice must be based on the actuarial valuation report prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement as of the valuation date occurring 18 months earlier.

~~(f)~~ (g) Notwithstanding any provision of paragraph (c), (d), or (e) to the contrary, as of August 1 annually, if the amount of the retirement annuities and benefits paid from the MERF division account during the preceding fiscal year, multiplied by the factor of 1.035, exceeds the market value of the assets of the MERF division account on the preceding June 30, plus state aid of $9,000,000, $22,750,000, or $24,000,000, whichever applies, plus the amounts payable under paragraphs (b), (c), (d), and (e) during the preceding fiscal year, multiplied by the factor of 1.035, the balance calculated is a special additional employer contribution. The special additional employer contribution under this paragraph is payable in addition to any employer contribution required under paragraphs (c), (d), and (e), and is payable on or before the following June 30. The special additional employer contribution under this paragraph must be allocated as specified in paragraph ~~(g)~~ (h).

~~(g)~~ (h) The employer supplemental contribution under paragraph (e) or the special additional employer contribution under paragraph ~~(f)~~ (g) must be allocated between the city of Minneapolis, Special School District No. 1, Minneapolis, any Minneapolis-owned public utility, improvement, or municipal activity, the Minnesota State Colleges and

Universities system, Hennepin County, the Metropolitan Council, and the Metropolitan Airports Commission in proportion to their share of the actuarial accrued liability of the former Minneapolis Employees Retirement Fund as of July 1, 2009, as calculated by the approved actuary retained under section 356.214 as part of the actuarial valuation prepared as of July 1, 2009, under section 356.215 and the Standards for Actuarial Work adopted by the Legislative Commission on Pensions and Retirement.

~~(h)~~ (i) The employer contributions under paragraphs (c), (d), ~~and~~ (e), and (g) must be paid as provided in section 353.28.

~~(i)~~ (j) Contributions under this subdivision are subject to the provisions of section 353.27, subdivisions 4, 7, 7a, 7b, 11, 12, 12a, 12b, 13, and 14.

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

Sec. 4. Minnesota Statutes 2010, section 353.656, subdivision 2, is amended to read:

Subd. 2. **Benefits paid under workers' compensation law.** (a) If a member~~, as described in subdivision 1, is injured under circumstances which entitle the member to receive benefits under the~~ becomes disabled and receives a disability benefit as specified in this section and is also entitled to receive lump sum or periodic benefits under workers' compensation ~~law, the member shall receive the same benefits as provided in subdivision 1, with disability benefits paid reimbursed and future benefits reduced by all periodic or lump-sum amounts, other than those amounts excluded under paragraph (b), paid to the member under the workers' compensation law, after deduction of amount of attorney fees, authorized under applicable workers' compensation laws, paid by a disabilitant if the total of~~ laws, the single life annuity actuarial equivalent disability benefit amount and the workers' compensation ~~benefit exceeds:~~ amount must be added. The computation must exclude any attorney fees paid by the disabilitant as authorized under applicable workers' compensation laws. The computation must also exclude permanent partial disability payments provided under section 176.101, subdivision 2a, and retraining payments under section 176.102, subdivision 11, if the permanent partial disability or retraining payments are reported to the executive director in a manner specified by the executive director.

(b) The equivalent salary is the amount determined under clause (1) or (2), whichever is greater:

(1) the salary the disabled member received as of the date of the disability; or

(2) the salary currently payable for the same employment position or ~~an employment position~~ substantially similar ~~to the one the person held as of the date of the disability, whichever is greater. The disability benefit must be reduced to that amount which, when~~

~~added to the workers' compensation benefits, does not exceed the greater of the salaries described in clauses (1) and (2)~~ positions in the applicable government subdivision.

~~(b) Permanent partial disability payments provided for in section 176.101, subdivision 2a, and retraining payments provided for in section 176.102, subdivision 11, must not be offset from disability payments due under paragraph (a) if the amounts of the permanent partial or retraining payments are reported to the executive director in a manner specified by the executive director.~~

(c) If the amount determined under paragraph (a) exceeds the equivalent salary determined under paragraph (b), the disability benefit amount must be reduced to that amount which, when added to the workers' compensation benefits, equals the equivalent salary.

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

Sec. 5. **PERA-ADMINISTERED RETIREMENT PLANS; STUDY OF UPDATED MEMBERSHIP WAGE THRESHOLD FIGURE.**

(a) The Public Employees Retirement Association shall: (1) identify the options for revising the membership threshold salary under Minnesota Statutes, section 353.01, subdivisions 2a and 2b, for membership in a retirement plan administered by the association; (2) determine the actuarial impact on the retirement plans administered by the association, the financial impact on participating employers, and the financial impact on prospective public employees of each option; and (3) formulate the recommendations for structuring each identified option.

(b) The Public Employees Retirement Association shall report its findings and recommendations of its study to the chair, the vice chair, and the executive director of the Legislative Commission on Pensions and Retirement. The report must be filed with the commission on or before February 15, 2013.

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

## ARTICLE 7

## REVISIONS IN THE PERA PRIVATIZATION LAW

Section 1. Minnesota Statutes 2010, section 353F.02, subdivision 4, is amended to read:

Subd. 4. **Medical facility.** "Medical facility" means:

(1) Bridges Medical Services;

(2) Cedarview Care Center in Steele County;

~~(2)~~ (3) the City of Cannon Falls Hospital;

~~(3)~~ (4) the Chris Jenson Health and Rehabilitation Center in St. Louis County;

~~(4)~~ (5) Clearwater County Memorial Hospital doing business as Clearwater Health Services in Bagley;

~~(5)~~ (6) the Dassel Lakeside Community Home;

~~(6)~~ (7) the Douglas County Hospital, with respect to the Mental Health Unit;

~~(7)~~ (8) the Fair Oaks Lodge, Wadena;

~~(8)~~ (9) the Glencoe Area Health Center;

~~(9)~~ (10) Hutchinson Area Health Care;

~~(10)~~ (11) the Lakefield Nursing Home;

~~(11)~~ (12) the Lakeview Nursing Home in Gaylord;

~~(12)~~ (13) the Luverne Public Hospital;

~~(13)~~ (14) the Oakland Park Nursing Home;

~~(14)~~ (15) the RenVilla Nursing Home;

~~(15)~~ (16) the Rice Memorial Hospital in Willmar, with respect to the Department of Radiology and the Department of Radiation/Oncology;

~~(16)~~ (17) the St. Peter Community Health Care Center;

(18) the Traverse Care Center in Traverse County;

~~(17)~~ (19) the Waconia-Ridgeview Medical Center;

~~(18)~~ (20) the Weiner Memorial Medical Center, Inc.;

~~(19)~~ (21) the Wheaton Community Hospital; and

~~(20)~~ (22) the Worthington Regional Hospital.

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

Sec. 2. Minnesota Statutes 2010, section 353F.04, subdivision 1, is amended to read:

Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of a terminated medical facility or other public employing unit employee is subject to augmentation under section 353.71, subdivision 2, of the edition of Minnesota Statutes published in the year in which the privatization occurred, except that the rate of augmentation is as specified in ~~paragraph (b) or (c), whichever is applicable~~ this subdivision.

(b) This paragraph applies if the legislation adding the medical facility or other employing unit to section 353F.02, subdivision 4 or 5, as applicable, was enacted before July 26, 2005, and became effective before January 1, 2008, for the Hutchinson Area Health Care or before January 1, 2007, for all other medical facilities and all other employing units. For a terminated medical facility or other public employing unit employee, the augmentation rate is 5.5 percent compounded annually until January 1 following the year in which the person attains age 55. From that date to the effective date of retirement, the augmentation rate is 7.5 percent compounded annually.

(c) If paragraph (b) is not applicable, and if the effective date of the privatization is before January 1, 2011, the augmentation rate is four percent compounded annually until January 1, following the year in which the person attains age 55. From that date to the effective date of retirement, the augmentation rate is six percent compounded annually.

(d) If the effective date of the privatization is after December 31, 2010, the applicable augmentation rate depends on the result of computations specified in section 353F.025, subdivision 1. If those computations indicate no loss or a net gain to the fund of the general employees retirement plan of the Public Employees Retirement Association, the augmentation rate is 2.0 percent compounded annually until the effective date of retirement. If the computations under that subdivision indicate a net loss to the fund if a 2.0 percent augmentation rate is used, but a net gain or no loss if a 1.0 percent rate is used, then the augmentation rate is 1.0 percent compounded annually until the effective date of retirement.

(e) The term "effective date of the privatization" as used in this subdivision means the "effective date" as defined in section 353F.02, subdivision 3.

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

Sec. 3. Minnesota Statutes 2010, section 353F.07, is amended to read:

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

Notwithstanding any provision of chapter 353 to the contrary, terminated medical facility or other public employing unit employees may receive a refund of employee accumulated contributions plus interest ~~at the rate of six percent per year compounded annually~~ as provided in ~~accordance with~~ section 353.34, subdivision 2, ~~of the edition of Minnesota Statutes published in the year in which the privatization occurred,~~ at any time after the transfer of employment to the successor employer ~~to~~ of the terminated medical facility or other public employing unit. If a terminated medical facility or other public employing unit employee has received a refund from a pension plan ~~enumerated~~ listed in section 356.30, subdivision 3, the person may not repay that refund unless the person again becomes a member of one of those ~~enumerated~~ listed plans and complies with section 356.30, subdivision 2.

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

## ARTICLE 8

## TRA ADMINISTRATIVE CHANGES AND RELATED MODIFICATIONS

Section 1. Minnesota Statutes 2010, section 16A.06, subdivision 9, is amended to read:

Subd. 9. **First class city teacher retirement funds aids reporting.** Each year, on or before April 15, the commissioner of management and budget shall report to the chairs of the senate Finance Committee and the house of representatives Ways and Means Committee on expenditures for state aids to the ~~Minneapolis and Saint~~ St. Paul Teacher Retirement Fund ~~associations~~ Association, and to the Teachers Retirement Association on behalf of the merged Minneapolis Teachers Retirement Fund Association, under sections 354.435, 354A.12, and 423A.02, subdivision 3. This report shall include the amounts expended in the most recent fiscal year and estimates of expected expenditures for the current and next fiscal year.

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

Sec. 2. Minnesota Statutes 2010, section 126C.41, subdivision 3, is amended to read:

Subd. 3. **Retirement levies.** (a) In 1991 and each year thereafter, a district to which this subdivision applies may levy an additional amount required for contributions to the general employees retirement plan of the Public Employees Retirement Association as the successor of the Minneapolis Employees Retirement Fund as a result of the maximum dollar amount limitation on state contributions to that plan imposed under section 353.505. The additional levy must not exceed the most recent amount certified by the executive director of the Public Employees Retirement Association as the district's share of the contribution requirement in excess of the maximum state contribution under section 353.505.

(b) For taxes payable in 1994 and thereafter, Special School District No. 1, Minneapolis, and Independent School District No. 625, St. Paul, may levy for the increase in the employer retirement fund contributions, under Laws 1992, chapter 598, article 5, section 1.

(c) If the employer retirement fund contributions under section 354A.12, subdivision 2a, are increased for fiscal year 1994 or later fiscal years, Special School District No. 1, Minneapolis, and Independent School District No. 625, St. Paul, may levy in payable 1994 or later an amount equal to the amount derived by applying the net increase in the employer retirement fund contribution rate of the respective teacher retirement fund association between fiscal year 1993 and the fiscal year beginning in the year after the levy is certified to the total covered payroll of the applicable teacher retirement fund association. If an applicable school district levies under this paragraph, they may not levy under paragraph (b).

(d) In addition to the levy authorized under paragraph (c), Special School District No. 1, Minneapolis, may also levy payable in 1997 or later an amount equal to the contributions under section ~~423A.02~~ 354.435, subdivision ~~3~~ 2, and may also levy in payable 1994 or later an amount equal to the state aid contribution under section ~~354A.12~~ 354.435, subdivision ~~3b~~ 1. Independent School District No. 625, St. Paul, may levy payable in 1997 or later an amount equal to the supplemental contributions under section 423A.02, subdivision 3.

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

Sec. 3. **[354.435] ADDITIONAL CONTRIBUTIONS BY SPECIAL SCHOOL DISTRICT NO. 1 AND CITY OF MINNEAPOLIS.**

Subdivision 1. **Special direct state matching aid.** (a) Special School District No. 1, Minneapolis, and the city of Minneapolis must make additional employer contributions to the Teachers Retirement Association in the amounts specified in paragraph (b). These contributions can be made from any available source. If made in whole or in part by a levy, the levy may be classified as that of a special taxing district for purposes of sections 275.065 and 276.04, and for all other property tax purposes.

(b) Each fiscal year $1,250,000 must be contributed by Special School District No. 1, Minneapolis, and $1,250,000 must be contributed by the city of Minneapolis to the Teachers Retirement Association and the state shall match this total by paying to the Teachers Retirement Association $2,500,000. The superintendent of Special School District No. 1, Minneapolis, the mayor of the city of Minneapolis, and the executive director of the Teachers Retirement Association shall jointly certify to the commissioner of management and budget the total amount that has been contributed by Special School District No. 1, Minneapolis, and by the city of Minneapolis to the Teachers Retirement Association. Any certification to the commissioner of management and budget must be made quarterly. If the certifications for a fiscal year exceed the maximum annual direct state matching aid amount in any quarter, the amount of direct state matching aid payable to the Teachers Retirement Association must be limited to the balance of the maximum annual direct state matching aid amount available. The amount required under this paragraph, subject to the maximum direct state matching aid amount, is appropriated annually to the commissioner of management and budget.

(c) The commissioner of management and budget may prescribe the form of the certifications required under paragraph (b).

Subd. 2. **Additional contributions.** In addition to any other required contributions, on or before June 30 each fiscal year, Special School District No. 1, Minneapolis, and the city of Minneapolis must each make an additional contribution to the Teachers Retirement Association of $1,000,000.

Subd. 3. **Procedure for recovery of deficient or delinquent amounts.** If Special School District No. 1, Minneapolis, or the city of Minneapolis fails to pay the full amount required under subdivision 1, paragraph (b), or 2, in a timely manner, the executive director is authorized to use section 354.512, or any other process in law to ensure full payment is obtained.

Subd. 4. **Expiration.** This section expires effective the first day of the fiscal year next following the fiscal year in which the Teachers Retirement Association has no unfunded actuarial accrued liability as determined by the actuarial valuation prepared under section 356.215 by the approved actuary retained under section 356.214.

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

Sec. 4. Minnesota Statutes 2010, section 354.51, subdivision 5, is amended to read:

Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the event that full required member contributions are not deducted from the salary of a teacher, payment must be made as follows:

(1) Payment of shortages in member deductions on salary earned after June 30, 1957, and before July 1, 1981, may be made any time before retirement. Payment must include interest at an annual rate of 8.5 percent compounded annually from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest must be credited to the fund. If payment of a shortage in deductions is not made, the formula service credit of the member must be prorated under section 354.05, subdivision 25, clause (3).

(2) Payment of shortages in member deductions on salary earned after June 30, 1981, are the sole obligation of the employing unit and are payable by the employing unit upon notification by the executive director of the shortage with interest at an annual rate of 8.5 percent compounded annually from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest must be credited to the fund. Effective July 1, 1986, the employing unit shall also pay the employer contributions as specified in section 354.42, subdivisions 3 and 5 for the shortages. If the shortage payment is not paid by the employing unit within 60 days of notification, and if the executive director does not use the recovery procedure in section 354.512, the executive director shall certify the amount of the shortage ~~payment~~ to the

applicable county auditor, who shall spread a levy in the amount of the shortage payment over the taxable property of the taxing district of the employing unit if the employing unit is supported by property taxes~~, or to the commissioner of management and budget, who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit if the employing unit is not supported by property taxes~~.

(3) Payment may not be made for shortages in member deductions on salary earned before July 1, 1957, for shortages in member deductions on salary paid or payable under paragraph (b), or for shortages in member deductions for persons employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution that exceeds the most recent 36 months.

(b) For a person who is employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution, upon the person's election under section 354B.21 of retirement coverage under this chapter, the shortage in member deductions on the salary for employment by the Minnesota State Colleges and Universities system institution of less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution for the most recent 36 months and the associated employer contributions must be paid by the Minnesota State Colleges and Universities system institution, plus annual compound interest at the rate of 8.5 percent from the end of the fiscal year in which the shortage occurred to the end of the month in which the Teachers Retirement Association coverage election is made. ~~If the shortage payment is not made by the institution within 60 days of notification, the executive director shall certify the amount of the shortage payment to the commissioner of management and budget, who shall deduct the amount from any state appropriation to the system.~~ An individual electing coverage under this paragraph shall repay the amount of the shortage in member deductions, plus interest, through deduction from salary or compensation payments within the first year of employment after the election under section 354B.21, subject to the limitations in section 16D.16. The Minnesota State Colleges and Universities system may use any means available to recover amounts which were not recovered through deductions from salary or compensation payments. No payment of the shortage in member deductions under this paragraph may be made for a period longer than the most recent 36 months.

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

Sec. 5. **[354.512] RECOVERY OF DEFICIENCIES.**

In addition to any other remedies permitted under law, if an employing unit or other entity required by law to make any form of payment to the Teachers Retirement Association fails to make full payment within 60 days of notification, the executive director is authorized to certify the amount of deficiency to the commissioner of management and budget, who shall deduct the amount from any state aid or appropriation applicable to the employing unit or entity, and transmit the withheld aid or appropriation to the executive director for deposit in the fund.

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

Sec. 6. Minnesota Statutes 2010, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. **Termination of supplemental contributions and direct matching and state aid.** ~~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 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.

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

Sec. 7. Minnesota Statutes 2011 Supplement, 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 |
| Duluth teachers retirement plan | 8.5 | 8.5 |
| St. Paul teachers retirement plan | 8.5 | 8.5 |
| Fairmont Police Relief Association | 5.0 | 5.0 |
| 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 rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

| plan | future salary increase assumption |
|---|---|
| legislators retirement plan | 5.0% |
| judges retirement plan | 4.0 |
| Fairmont Police Relief Association | 3.5 |
| Virginia Fire Department Relief Association | 3.5 |
| Bloomington Fire Department Relief Association | 4.0 |

(2) age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

| plan | future salary increase assumption |
|---|---|
| correctional state employees retirement plan | assumption D |
| State Patrol retirement plan | assumption C |
| local government correctional service retirement plan | assumption C |
| Duluth teachers retirement plan | assumption A |
| St. Paul teachers retirement plan | assumption B |

For plans other than the Duluth teachers retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. ~~The designated select period is five years and the designated integer is five for the general state employees retirement plan.~~ The designated select period is ten years and the designated integer is ten for all ~~other~~ retirement plans covered by this clause. The designated percentage rate is: (1) 0.2 percent for the correctional state employees retirement plan, the State Patrol retirement plan, and the local government correctional service retirement plan; and (2) ~~0.6 percent for the general state employees retirement plan; and (3)~~ 0.3 percent for the ~~teachers retirement plan, the Duluth Teachers Retirement Fund Association, and the~~ St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

| age | A | B | C | D |
|---|---|---|---|---|
| 16 | 8.00% | 6.90% | 7.7500% | 7.2500% |
| 17 | 8.00 | 6.90 | 7.7500 | 7.2500 |
| 18 | 8.00 | 6.90 | 7.7500 | 7.2500 |
| 19 | 8.00 | 6.90 | 7.7500 | 7.2500 |
| 20 | 6.90 | 6.90 | 7.7500 | 7.2500 |
| 21 | 6.90 | 6.90 | 7.1454 | 6.6454 |
| 22 | 6.90 | 6.90 | 7.0725 | 6.5725 |
| 23 | 6.85 | 6.85 | 7.0544 | 6.5544 |
| 24 | 6.80 | 6.80 | 7.0363 | 6.5363 |
| 25 | 6.75 | 6.75 | 7.0000 | 6.5000 |

| | | | | |
|---|---|---|---|---|
| 26 | 6.70 | 6.70 | 7.0000 | 6.5000 |
| 27 | 6.65 | 6.65 | 7.0000 | 6.5000 |
| 28 | 6.60 | 6.60 | 7.0000 | 6.5000 |
| 29 | 6.55 | 6.55 | 7.0000 | 6.5000 |
| 30 | 6.50 | 6.50 | 7.0000 | 6.5000 |
| 31 | 6.45 | 6.45 | 7.0000 | 6.5000 |
| 32 | 6.40 | 6.40 | 7.0000 | 6.5000 |
| 33 | 6.35 | 6.35 | 7.0000 | 6.5000 |
| 34 | 6.30 | 6.30 | 7.0000 | 6.5000 |
| 35 | 6.25 | 6.25 | 7.0000 | 6.5000 |
| 36 | 6.20 | 6.20 | 6.9019 | 6.4019 |
| 37 | 6.15 | 6.15 | 6.8074 | 6.3074 |
| 38 | 6.10 | 6.10 | 6.7125 | 6.2125 |
| 39 | 6.05 | 6.05 | 6.6054 | 6.1054 |
| 40 | 6.00 | 6.00 | 6.5000 | 6.0000 |
| 41 | 5.90 | 5.95 | 6.3540 | 5.8540 |
| 42 | 5.80 | 5.90 | 6.2087 | 5.7087 |
| 43 | 5.70 | 5.85 | 6.0622 | 5.5622 |
| 44 | 5.60 | 5.80 | 5.9048 | 5.4078 |
| 45 | 5.50 | 5.75 | 5.7500 | 5.2500 |
| 46 | 5.40 | 5.70 | 5.6940 | 5.1940 |
| 47 | 5.30 | 5.65 | 5.6375 | 5.1375 |
| 48 | 5.20 | 5.60 | 5.5822 | 5.0822 |
| 49 | 5.10 | 5.55 | 5.5404 | 5.0404 |
| 50 | 5.00 | 5.50 | 5.5000 | 5.0000 |
| 51 | 4.90 | 5.45 | 5.4384 | 4.9384 |
| 52 | 4.80 | 5.40 | 5.3776 | 4.8776 |
| 53 | 4.70 | 5.35 | 5.3167 | 4.8167 |
| 54 | 4.60 | 5.30 | 5.2826 | 4.7826 |
| 55 | 4.50 | 5.25 | 5.2500 | 4.7500 |
| 56 | 4.40 | 5.20 | 5.2500 | 4.7500 |
| 57 | 4.30 | 5.15 | 5.2500 | 4.7500 |
| 58 | 4.20 | 5.10 | 5.2500 | 4.7500 |
| 59 | 4.10 | 5.05 | 5.2500 | 4.7500 |
| 60 | 4.00 | 5.00 | 5.2500 | 4.7500 |
| 61 | 3.90 | 5.00 | 5.2500 | 4.7500 |
| 62 | 3.80 | 5.00 | 5.2500 | 4.7500 |
| 63 | 3.70 | 5.00 | 5.2500 | 4.7500 |
| 64 | 3.60 | 5.00 | 5.2500 | 4.7500 |
| 65 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 66 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 67 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 68 | 3.50 | 5.00 | 5.2500 | 4.7500 |

| | | | | |
|---|---|---|---|---|
| 69 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 70 | 3.50 | 5.00 | 5.2500 | 4.7500 |

(3) service-related ultimate future salary increase assumption

| | |
|---|---|
| general state employees retirement plan of the Minnesota State Retirement System | assumption A |
| general employees retirement plan of the Public Employees Retirement Association | assumption B |
| Teachers Retirement Association | assumption C |
| public employees police and fire retirement plan | assumption D |

| service length | A | B | C | D |
|---|---|---|---|---|
| 1 | 10.75% | 12.25% | 12.00% | 13.00% |
| 2 | 8.35 | 9.15 | 9.00 | 11.00 |
| 3 | 7.15 | 7.75 | 8.00 | 9.00 |
| 4 | 6.45 | 6.85 | 7.50 | 8.00 |
| 5 | 5.95 | 6.25 | 7.25 | 6.50 |
| 6 | 5.55 | 5.75 | 7.00 | 6.10 |
| 7 | 5.25 | 5.45 | 6.85 | 5.80 |
| 8 | 4.95 | 5.15 | 6.70 | 5.60 |
| 9 | 4.75 | 4.85 | 6.55 | 5.40 |
| 10 | 4.65 | 4.65 | 6.40 | 5.30 |
| 11 | 4.45 | 4.45 | 6.25 | 5.20 |
| 12 | 4.35 | 4.35 | 6.00 | 5.10 |
| 13 | 4.25 | 4.15 | 5.75 | 5.00 |
| 14 | 4.05 | 4.05 | 5.50 | 4.90 |
| 15 | 3.95 | 3.95 | 5.25 | 4.80 |
| 16 | 3.85 | 3.85 | 5.00 | 4.80 |
| 17 | 3.75 | 3.75 | 4.75 | 4.80 |
| 18 | 3.75 | 3.75 | 4.50 | 4.80 |
| 19 | 3.75 | 3.75 | 4.25 | 4.80 |
| 20 | 3.75 | 3.75 | 4.00 | 4.80 |
| 21 | 3.75 | 3.75 | 3.90 | 4.70 |
| 22 | 3.75 | 3.75 | 3.80 | 4.60 |
| 23 | 3.75 | 3.75 | 3.70 | 4.50 |
| 24 | 3.75 | 3.75 | 3.60 | 4.50 |
| 25 | 3.75 | 3.75 | 3.50 | 4.50 |
| 26 | 3.75 | 3.75 | 3.50 | 4.50 |
| 27 | 3.75 | 3.75 | 3.50 | 4.50 |
| 28 | 3.75 | 3.75 | 3.50 | 4.50 |
| 29 | 3.75 | 3.75 | 3.50 | 4.50 |
| 30 or more | 3.75 | 3.75 | 3.50 | 4.50 |

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

| plan | payroll growth assumption |
|---|---|
| general state employees retirement plan of the Minnesota State Retirement System | 3.75% |
| correctional state employees retirement plan | 4.50 |
| State Patrol retirement plan | 4.50 |
| legislators retirement plan | 4.50 |
| judges retirement plan | 4.00 |
| general employees retirement plan of the Public Employees Retirement Association | 3.75 |
| public employees police and fire retirement plan | 3.75 |
| local government correctional service retirement plan | 4.50 |
| teachers retirement plan | 3.75 |
| Duluth teachers retirement plan | 4.50 |
| St. Paul teachers retirement plan | 5.00 |

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

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

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

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

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

Sec. 8. Minnesota Statutes 2010, section 356.415, subdivision 1d, is amended to read:

Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers Retirement Association are entitled to a postretirement adjustment annually on January 1, as follows:

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

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

(3) for January 1, 2013, and each successive January 1 until funding stability is restored, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months before the January 1 increase, an annual postretirement increase of 1/12 of two percent for each month the person has been receiving an annuity or benefit must be applied, effective January 1, ~~following the year in~~ for which the person has been retired for at least six months but less than ~~12~~ 18 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 before the January 1 increase, 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~~ for which the person has been retired for at least six months but less than ~~12~~ 18 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. 9. Minnesota Statutes 2010, 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), prior to June 30 Independent School District No. 625, St. Paul, must make ~~contributions~~ an additional contribution of $800,000 each year 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)~~ (c) 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. 10. **REPEALER.**

Minnesota Statutes 2010, sections 128D.18; and 354A.12, subdivision 3b, are repealed.

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

## ARTICLE 9

## FEDERAL INTERNAL REVENUE CODE CONFORMITY PROVISIONS

Section 1. Minnesota Statutes 2010, section 356.611, subdivision 2, is amended to read:

Subd. 2. **Federal compensation limits.** (a) For members of a covered pension plan enumerated in section 356.30, subdivision 3, and of the plan established under chapter 353D, compensation in excess of the limitation specified in section 401(a)(17) of the Internal Revenue Code, as amended, for changes in the cost of living under section 401(a)(17)(B) of the Internal Revenue Code, may not be included for contribution and benefit computation purposes.

(b) Notwithstanding paragraph (a), for members specified in paragraph (a) who first contributed to a plan specified in that paragraph before July 1, 1995, the annual compensation limit specified in ~~Internal Revenue Code~~ section 401(a)(17) of the Internal Revenue Code on June 30, 1993, applies if that provides a greater allowable annual compensation.

(c) To the extent required by sections 3401(h) and 414(u)(12) of the federal Internal Revenue Code, an individual receiving a differential wage payment as defined in section 3401(h)(2) of the federal Internal Revenue Code from an employer shall be treated as employed by that employer, and the differential wage payment will be treated as compensation for purposes of applying the limits on annual additions under section 415(c) of the federal Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2009.

Sec. 2. Minnesota Statutes 2010, section 356.611, subdivision 3, is amended to read:

Subd. 3. **Maximum benefit limitations.** ~~A member's~~ An annuitant's annual benefit, if necessary, must be reduced to the extent required by section 415(b) of the federal Internal Revenue Code, as adjusted by the United States secretary of the treasury under section 415(d) of the federal Internal Revenue Code for any applicable increases in the cost of living, including applicable increases in the cost of living after the member's termination of employment. ~~For purposes of section 415 of the federal Internal Revenue Code, the limitation year of a pension plan covered by this section must be the fiscal year or calendar year of that plan, whichever is applicable.~~ If an annuitant participated in more than one pension plan in which the employer participates, the benefits under each plan must be reduced proportionately, if necessary, to satisfy the applicable limitation.

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

Sec. 3. Minnesota Statutes 2010, section 356.611, subdivision 3a, is amended to read:

Subd. 3a. **Maximum annual addition limitation, defined contribution plans.** The annual additions on behalf of a member to ~~the~~ a defined contribution plan ~~established under chapter 352D or 353D~~ for any limitation year ~~beginning after December 31, 2001,~~ shall not exceed the ~~lesser of 100 percent of the member's compensation, as defined for purposes of~~ applicable limitation on annual additions under section 415(c) of the federal Internal Revenue Code~~; or $40,000~~, as adjusted by the United States secretary of the treasury under section 415(d) of the federal Internal Revenue Code.

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

Sec. 4. Minnesota Statutes 2010, section 356.611, subdivision 4, is amended to read:

Subd. 4. **Compensation.** ~~(a)~~ For purposes of this section, compensation means a member's compensation actually paid or made available for any limitation year including all items of remuneration described in federal treasury regulation section 1.415 (c)-2(b) and excluding all items of remuneration described in federal treasury regulation section 1.415 (c)-2(c). Compensation for pension plan purposes for any limitation year shall not exceed the applicable federal compensation limit described in subdivision 2.

~~(b) Compensation for any period includes:~~

~~(1) any elective deferral as defined in section 402(g)(3) of the federal Internal Revenue Code;~~

~~(2) any elective amounts that are not includable in a member's gross income by reason of sections 125 or 457 of the federal Internal Revenue Code; and~~

~~(3) any elective amounts that are not includable in a member's gross income by reason of section 132(f)(4) of the federal Internal Revenue Code.~~

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

Sec. 5. Minnesota Statutes 2010, section 356.611, is amended by adding a subdivision to read:

Subd. 5. **Limitation year.** Unless otherwise specifically provided, for purposes of section 415 of the federal Internal Revenue Code, the limitation year of a pension plan covered by this section is the calendar year or fiscal year, whichever is applicable.

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

Sec. 6. Minnesota Statutes 2010, section 356.635, subdivision 6, is amended to read:

Subd. 6. **Eligible retirement plan.** (a) An "eligible retirement plan" is:

(1) an individual retirement account under section 408(a) or 408A of the federal Internal Revenue Code;

(2) an individual retirement annuity plan under section 408(b) of the federal Internal Revenue Code;

(3) an annuity plan under section 403(a) of the federal Internal Revenue Code;

(4) a qualified trust plan under section 401(a) of the federal Internal Revenue Code that accepts the distributee's eligible rollover distribution;

(5) an annuity contract under section 403(b) of the federal Internal Revenue Code;

(6) an eligible deferred compensation plan under section 457(b) of the federal Internal Revenue Code, which is maintained by a state or local government and which agrees to separately account for the amounts transferred into the plan; or

(7) in the case of an eligible rollover distribution to a nonspousal beneficiary, an individual account or annuity treated as an inherited individual retirement account under section 402(c)(11) of the federal Internal Revenue Code.

(b) For distributions of after-tax contributions which are not includable in gross income, the after-tax portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the federal Internal Revenue Code, to a Roth individual retirement account described in section 408A of the federal Internal Revenue Code, or to a qualified ~~defined contribution~~ plan described in either section 401(a) or 403(a) of the federal Internal Revenue Code, that agrees to separately account for the amounts transferred, including separately accounting for the portion of the distribution which is includable in gross income and the portion of the distribution which is not includable.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2008.

Sec. 7. Minnesota Statutes 2010, section 356.635, subdivision 9, is amended to read:

Subd. 9. **Military service.** Contributions, benefits, including death and disability benefits under section 401(a)(37) of the federal Internal Revenue Code, and service credit with respect to qualified military service must be provided according to section 414(u) of the federal Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2007.

## ARTICLE 10

## AUTHORIZED PUBLIC PENSION FUND INVESTMENT REVISIONS

Section 1. Minnesota Statutes 2010, section 11A.07, subdivision 4, is amended to read:

Subd. 4. **Duties and powers.** The director, at the direction of the state board, shall:

(1) plan, direct, coordinate, and execute administrative and investment functions in conformity with the policies and directives of the state board and the requirements of this chapter and of chapter 356A;

(2) prepare and submit biennial and annual budgets to the board and with the approval of the board submit the budgets to the Department of Management and Budget;

(3) employ professional and clerical staff as necessary. Employees whose primary responsibility is to invest or manage money or employees who hold positions designated as unclassified under section 43A.08, subdivision 1a, are in the unclassified service of the state. Other employees are in the classified service. Unclassified employees who are not covered by a collective bargaining agreement are employed under the terms and conditions of the compensation plan approved under section 43A.18, subdivision 3b;

(4) report to the state board on all operations under the director's control and supervision;

(5) maintain accurate and complete records of securities transactions and official activities;

(6) establish a policy relating to the purchase and sale of securities on the basis of competitive offerings or bids. The policy is subject to board approval;

(7) cause securities acquired to be kept in the custody of the commissioner of management and budget or other depositories consistent with chapter 356A, as the state board deems appropriate;

(8) prepare and file with the director of the Legislative Reference Library, by December 31 of each year, a report summarizing the activities of the state board, the council, and the director during the preceding fiscal year. The report must be prepared so as to provide the legislature and the people of the state with a clear, comprehensive summary of the portfolio composition, the transactions, the total annual rate of return, and the yield to the state treasury and to each of the funds whose assets are invested by the state board, and the recipients of business placed or commissions allocated among the various commercial banks, investment bankers, money managers, and brokerage organizations and the amount of these commissions or other fees. ~~The report must contain financial statements for funds managed by the board prepared in accordance with generally accepted accounting principles.~~ The report must include an executive summary;

(9) include on the state board's Web site its annual report and an executive summary of its quarterly reports;

(10) require state officials from any department or agency to produce and provide access to any financial documents the state board deems necessary in the conduct of its investment activities;

(11) receive and expend legislative appropriations; and

(12) undertake any other activities necessary to implement the duties and powers set forth in this subdivision consistent with chapter 356A.

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

Sec. 2. Minnesota Statutes 2010, section 11A.14, subdivision 14, is amended to read:

Subd. 14. **Reports required.** As of each valuation date, or as often as the state board determines, each participant shall be informed of the number of units owned and the current value of the units. ~~Annually, the state board shall provide each participant financial statements prepared in accordance with generally accepted accounting principles.~~

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

Sec. 3. Minnesota Statutes 2010, section 11A.24, is amended to read:

**11A.24 AUTHORIZED INVESTMENTS.**

Subdivision 1. **Securities generally.** (a) The state board ~~shall have the authority~~ is authorized to purchase, sell, lend ~~or~~, and exchange the ~~following~~ securities specified in this section, for funds or accounts specifically made subject to this section, including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency.

These securities may be owned directly or through shares in exchange-traded or mutual funds, or as units in commingled trusts ~~that own the securities described in subdivisions 2 to 6~~, subject to any limitations as specified in this section.

(b) Any agreement to lend securities must be concurrently collateralized with cash or securities with a market value of not less than 100 percent of the market value of the loaned securities at the time of the agreement. Any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. Only securities authorized by this section, excluding those under subdivision 6, paragraph (a), clauses (1) to ~~(4)~~ (3), may be accepted as collateral or offsetting securities.

Subd. 2. **Government obligations.** The state board ~~may~~ is authorized to invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness ~~provided~~ if the issue is backed by the full faith and credit of the issuer or if the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which the board may invest under this subdivision ~~include~~ are guaranteed or insured issues of ~~(a)~~:

(1) the United States, its agencies, its instrumentalities, or organizations created and regulated by an act of Congress; ~~(b)~~

(2) the Dominion of Canada ~~and~~ or any of its provinces, provided the principal and interest ~~is~~ are payable in United States dollars; ~~(c)~~

(3) any of the states ~~and~~ or any of their municipalities, political subdivisions, agencies or instrumentalities; ~~(d) the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or~~ and

(4) any ~~other~~ United States government sponsored organization of which the United States is a member, ~~provided~~ if the principal and interest ~~is~~ are payable in United States dollars.

Subd. 3. **Corporate obligations.** (a) The state board ~~may~~ is authorized to invest funds in bonds, notes, debentures, transportation equipment obligations, ~~or~~ and any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state ~~thereof~~ of the United States, or the Dominion of Canada or any Canadian province ~~thereof provided that~~ if:

(1) the principal and interest of obligations of corporations incorporated or organized under the laws of the Dominion of Canada or any Canadian province ~~thereof shall be~~ are payable in United States dollars; and

(2) the obligations ~~shall be~~ are rated among the top four quality categories by a nationally recognized rating agency.

(b) The state board may invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories as provided in paragraph (a), clause (2), ~~provided that~~ if:

(1) the aggregate value of these obligations ~~may~~ does not exceed five percent of the market ~~or book~~ value~~, whichever is less,~~ of the fund for which the state board is investing;

(2) the state board's participation is limited to 50 percent of a single offering subject to this paragraph; and

(3) the state board's participation is limited to 25 percent of an issuer's obligations subject to this paragraph.

Subd. 4. **Other obligations.** (a) The state board ~~may~~ is authorized to invest funds in~~ bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage securities and asset backed securities, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions~~:

(1) bankers acceptances and deposit notes ~~of United States banks are limited to those~~ if issued by ~~banks~~ a United States bank that is rated in the highest four quality categories by a nationally recognized rating agency;

(2) certificates of deposit ~~are limited to those~~ if issued by ~~(i)~~ a United States ~~banks and savings institutions that are~~ bank or savings institution that is rated in the top four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies~~;~~, or ~~(ii)~~ certificates of deposits issued by a credit ~~unions~~ union in ~~amounts up to~~ an amount within the limit of the insurance coverage provided by the National Credit Union Administration;

(3) commercial paper ~~is limited to those~~ if issued by a United States ~~corporations~~ corporation or ~~their~~ its Canadian ~~subsidiaries~~ subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency;

(4) mortgage securities ~~shall be~~ and asset-backed securities if rated in the top four quality categories by a nationally recognized rating agency;

(5) ~~collateral for~~ repurchase agreements and reverse repurchase agreements ~~is limited to~~ if collateralized with letters of credit ~~and~~ or securities authorized in this section;

(6) guaranteed investment contracts ~~are limited to those~~ if issued by an insurance ~~companies~~ company or ~~banks~~ a bank that is rated in the top four quality categories by a nationally recognized rating agency or ~~to~~ alternative guaranteed investment contracts ~~where~~ if the underlying assets comply with the requirements of this section;

(7) savings accounts ~~are limited to those~~ if fully insured by a federal ~~agencies~~ agency; and

(8) ~~asset backed securities shall be rated in the top four quality categories by a nationally recognized rating agency~~ guaranty fund certificates, surplus notes, or debentures if issued by a domestic mutual insurance company.

(b) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates of deposit and collateralization agreements executed by the state board under paragraph (a), clause (2).

(c) In addition to investments authorized by paragraph (a), clause (4), the state board ~~may~~ is authorized to purchase from the Minnesota Housing Finance Agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The state board may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The state board may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the state board comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The state board may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

Subd. 5. **Corporate stocks.** The state board ~~may~~ is authorized to invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or ~~the~~ any of its states~~ thereof~~, the Dominion of Canada or any of its provinces, or any corporation listed on an exchange that is regulated by an agency of the United States or of the Canadian national government~~, if they conform to the following provisions:~~.

~~(a) The aggregate value of corporate stock investments, as adjusted for realized profits and losses, shall not exceed 85 percent of the market or book value, whichever is less, of a fund, less the aggregate value of investments according to subdivision 6;~~

~~(b) Investments shall~~ An investment in any corporation must not exceed five percent of the total outstanding shares of ~~any one~~ that corporation, except that the state board may hold up to 20 percent of the shares of a real estate investment trust and up to 20 percent of the shares of a closed-end mutual fund.

Subd. 5a. **Asset mix limitations.** The aggregate value of investments under subdivision 5, plus the aggregate value of all investments under subdivision 6, must not exceed 85 percent of the market value of a fund.

Subd. 6. **Other investments.** (a) In addition to the investments authorized in subdivisions 1 to 5, and subject to the provisions in paragraph (b), the state board ~~may~~ is authorized to invest funds in:

(1) ~~venture capital~~ equity and debt investment businesses through participation in limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations;

(2) real estate ownership interests or loans secured by mortgages or deeds of trust or shares of real estate investment trusts through investment in limited partnerships, ~~bank sponsored~~ bank-sponsored collective funds, trusts, mortgage participation agreements, and insurance company commingled accounts, including separate accounts;

~~(3) regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940, and closed-end mutual funds listed on an exchange regulated by a governmental agency;~~

~~(4)~~ (3) resource investments through limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations; and

~~(5)~~ (4) international securities.

(b) The investments authorized in paragraph (a) must conform to the following provisions:

(1) the aggregate value of all investments made ~~according to~~ under paragraph (a), clauses (1) to ~~(4)~~ (3), may not exceed 35 percent of the market value of the fund for which the state board is investing;

(2) there must be at least four unrelated owners of the investment other than the state board for investments made under paragraph (a), clause (1), (2), or (3)~~, or (4)~~;

(3) state board participation in an investment vehicle is limited to 20 percent thereof for investments made under paragraph (a), clause (1), (2), or (3)~~, or (4)~~; and

(4) state board participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The state board may not engage in any activity as a limited partner which creates general liability.

(c) All financial, business, or proprietary data collected, created, received, or maintained by the state board in connection with investments authorized by paragraph (a), clause (1), (2), or ~~(4)~~ (3), are nonpublic data under section 13.02, subdivision 9. As used in this paragraph, "financial, business, or proprietary data" means data, as determined by the responsible authority for the state board, that is of a financial, business, or proprietary nature, the release of which could cause competitive harm to the state board, the legal entity in which the state board has invested or has considered an investment, the managing entity of an investment, or a portfolio company in which the legal entity holds an interest. As used in this section, "business data" is data described in section 13.591, subdivision 1. Regardless of whether they could be considered financial, business, or proprietary data, the following data received, prepared, used, or retained by the state board in connection with investments authorized by paragraph (a), clause (1), (2), or ~~(4)~~ (3), are public at all times:

(1) the name and industry group classification of the legal entity in which the state board has invested or in which the state board has considered an investment;

(2) the state board commitment amount, if any;

(3) the funded amount of the state board's commitment to date, if any;

(4) the market value of the investment by the state board;

(5) the state board's internal rate of return for the investment, including expenditures and receipts used in the calculation of the investment's internal rate of return; and

(6) the age of the investment in years.

Subd. 7. **Appropriation.** There is annually appropriated to the state board, from the assets of the funds for which the state board invests ~~pursuant~~ relating to authorized investments under subdivision 6, ~~clause~~ paragraph (a), sums sufficient to pay the costs for the management of these ~~funds~~ assets by private management firms.

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

Sec. 4. Minnesota Statutes 2010, section 69.77, subdivision 9, is amended to read:

Subd. 9. **Local police and paid fire relief association investment authority.** (a) The ~~funds~~ special fund of the association must be invested in securities that are authorized investments under section 356A.06, subdivision 6 or 7, whichever applies. ~~Notwithstanding any provision of section 356A.06, subdivision 6 or 7 to the contrary, the special fund of the relief association may be additionally invested in:~~

~~(1) open-end investment companies registered under the federal Investment Company Act of 1940, if the portfolio investments of the investment companies comply with the type of securities authorized for investment under section 356A.06, subdivision 7, up to 75 percent of the market value of the assets of the fund; and~~

~~(2) domestic government and corporate debt obligations that are not rated in the top four quality categories by a nationally recognized rating agency, and comparable unrated securities if the percentage of these assets does not exceed five percent of the total assets of the special fund or 15 percent of the special fund's nonequity assets, whichever is less,~~

~~the special fund's participation is limited to 50 percent of a single offering of the debt obligations, and the special fund's participation is limited to 25 percent of an issuer's debt obligations that are not rated in the top four quality categories. Securities held by the association before June 2, 1989, that do not meet the requirements of this subdivision may be retained after that date if they were proper investments for the association on that date.~~

(b) ~~The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify special fund assets for investment by the State Board of Investment under section 11A.17. The governing board of the association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.~~ The governing board of the association may select and appoint a qualified private firm to measure management performance and return on investment, and the firm ~~shall~~ must use the formula or formulas developed by the state board under section 11A.04, clause (11).

(c) The governing board of the association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.

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

Sec. 5. Minnesota Statutes 2010, section 69.775, is amended to read:

**69.775 INVESTMENTS.**

(a) The special fund assets of a relief association governed by sections 69.771 to 69.776 must be invested in securities that are authorized investments under section 356A.06, subdivision 6 or 7, whichever applies.

~~(b) Notwithstanding the foregoing, up to 75 percent of the market value of the assets of the special fund, not including any money market mutual funds, may be invested in open-end investment companies registered under the federal Investment Company Act of 1940, if the portfolio investments of the investment companies comply with the type of securities authorized for investment under section 356A.06, subdivision 7.~~

~~(c) Securities held by the associations before June 2, 1989, that do not meet the requirements of this section may be retained after that date if they were proper investments for the association on that date.~~

~~(d) The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify special fund assets for investment by the State Board of Investment under section 11A.17.~~

~~(e) The governing board of the association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.~~

~~(f)~~ (b) The governing board of the association may select and appoint a qualified private firm to measure management performance and return on investment, and the firm ~~shall~~ must use the formula or formulas developed by the state board under section 11A.04, clause (11).

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

Sec. 6. Minnesota Statutes 2010, section 354A.08, is amended to read:

**354A.08 AUTHORIZED INVESTMENTS.**

~~(a)~~ In addition to investments authorized under section 356A.06, subdivision 7, a teachers retirement fund association may receive, hold, and dispose of~~:~~

~~(1)~~ real estate or personal property acquired by it, whether the acquisition was by purchase~~,~~ or any other lawful means, as provided in this chapter or in the association's articles of incorporation~~; and~~.

~~(2) domestic government and corporate debt obligations that are not rated in the top four quality categories by a nationally recognized rating agency, and comparable unrated securities if the percentage of these assets does not exceed five percent of the total assets of the pension plan or 15 percent of the pension plan's nonequity assets, whichever is less, if the pension plan's participation is limited to 50 percent of a single offering of the debt obligations, and if the pension plan's participation is limited to 25 percent of an issuer's debt obligations that are not rated in the top four quality categories.~~

~~(b) In addition to other authorized real estate investments, an association may also invest funds in Minnesota situs nonfarm real estate ownership interests or loans secured by mortgages or deeds of trust. The board may also certify assets for investment by the State Board of Investment as provided under section 11A.17.~~

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

Sec. 7. Minnesota Statutes 2010, section 356.219, subdivision 1, is amended to read:

Subdivision 1. **Report required.** (a) ~~Except as indicated in subdivision 4,~~ The State Board of Investment, on behalf of the public pension funds and programs for which it is the investment authority, and any Minnesota public pension plan that is not fully invested through the State Board of Investment, including a local police or firefighters relief association governed by sections 69.77 or 69.771 to 69.775, shall report the information specified in subdivision 3 to the state auditor. The state auditor may prescribe a form or forms for the purposes of the reporting requirements contained in this section.

(b) A local police or firefighters relief association governed by section 69.77 or sections 69.771 to 69.775 is fully invested during a given calendar year for purposes of this section if all assets of the applicable pension plan beyond sufficient cash equivalent investments to cover six months expected expenses are invested under section 11A.17. The board of any fully invested public pension plan remains responsible for submitting investment policy statements and subsequent revisions as required by subdivision 3, paragraph (a).

(c) For purposes of this section, the State Board of Investment is considered to be the investment authority for any Minnesota public pension fund required to be invested by the State Board of Investment under section 11A.23, or for any Minnesota public pension fund authorized to invest in the supplemental investment fund under section 11A.17 and which is fully invested by the State Board of Investment.

(d) This section does not apply to the following plans:

(1) the Minnesota unclassified employees retirement program under chapter 352D;

(2) the public employees defined contribution plan under chapter 353D;

(3) the individual retirement account plans under chapters 354B and 354D;

(4) the higher education supplemental retirement plan under chapter 354C;

(5) any alternative retirement benefit plan established under section 383B.914; and

(6) the University of Minnesota faculty retirement plan.

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

Sec. 8. Minnesota Statutes 2010, section 356.219, subdivision 8, is amended to read:

Subd. 8. **Timing of reports.** (a) For salaried firefighter relief associations, police relief associations, and volunteer firefighter relief associations, the information required under this section must be submitted by the due date for reports required under section 69.051, subdivision 1 or 1a, as applicable. If a relief association satisfies the definition of a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report required under section 69.051, subdivision 1 or 1a, as applicable, the chief administrative officer of the covered pension plan shall certify that compliance on a form prescribed by the state auditor. The state auditor shall transmit annually to the State Board of Investment a list or lists of covered pension plans which submitted certifications in order to facilitate reporting by the State Board of Investment under paragraph (c).

(b) For ~~the Minneapolis Teachers Retirement Fund Association,~~ the St. Paul Teachers Retirement Fund Association, the Duluth Teachers Retirement Fund Association, ~~the Minneapolis Employees Retirement Fund,~~ and the University of Minnesota faculty supplemental retirement plan, ~~and the applicable administrators for the University of Minnesota faculty retirement plan and the individual retirement account plans under chapters 354B and 354D,~~ the information required under this section must be submitted to the state auditor by June 1 of each year.

(c) The State Board of Investment, on behalf of pension funds specified in subdivision 1, paragraph (c), must report information required under this section by September 1 of each year.

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

Sec. 9. Minnesota Statutes 2010, section 356A.01, subdivision 19, is amended to read:

Subd. 19. **Pension fund.** "Pension fund" means the assets amassed and held in a pension plan, other than the general fund, as reserves for present and future payment of benefits and administrative expenses. For a retirement plan governed by section 69.77 or by chapter 424A, the term means the relief association special fund.

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

Sec. 10. Minnesota Statutes 2010, section 356A.06, subdivision 6, is amended to read:

Subd. 6. **Limited list of authorized investment securities.** (a) ~~Except to the extent otherwise authorized by law,~~ **Authority.** This subdivision specifies the investment authority for a limited list plan. A limited list plan is a covered pension plan ~~may invest its assets only in investment securities authorized by this subdivision if the plan~~ that does not:

(1) have pension fund assets with a ~~book~~ market value in excess of $1,000,000;

(2) use the services of an investment advisor registered with the Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940, or registered as an investment advisor in accordance with sections 80A.58, and 80A.60, for the investment of at least 60 percent of its pension fund assets, calculated on ~~book~~ market value;

(3) use the services of the State Board of Investment for the investment of at least 60 percent of its pension fund assets, calculated on ~~book~~ market value; or

(4) use a combination of the services of an investment advisor meeting the requirements of clause (2) and the services of the State Board of Investment for the investment of at least 75 percent of its pension fund assets, calculated on ~~book~~ market value.

(b) **Investment agency appointment authority.** ~~securities authorized for~~ The governing board of a covered pension plan ~~covered by this subdivision are:~~ may select and appoint investment agencies to act for or on its behalf.

(c) **Savings accounts; similar vehicles.** A limited list plan is authorized to invest in:

(1) certificates of deposit issued, to the extent of available insurance or collateralization, by a financial institution that is a member of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, that is insured by the National Credit Union Administration, or that is authorized to do business in this state and has deposited with the chief administrative officer of the plan a sufficient amount of marketable securities as collateral in accordance with section 118A.03;

(2) guaranteed investment contracts, limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply with the requirements of this paragraph; and

(3) savings accounts, ~~to the extent of available insurance, with a financial institution that is a member of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation;~~ limited to those fully insured by federal agencies.

~~(3)~~ (d) **Government-backed obligations.** A limited list plan is authorized to invest in governmental obligations as further specified in this paragraph, including bonds, notes, bills, ~~or other fixed obligations, issued by the United States, an agency or instrumentality of the United States, an organization established and regulated by an act of Congress or by a state, state agency or instrumentality, municipality, or other governmental or political subdivision that~~ mortgages, and other evidences of indebtedness, if the issue is backed by the full faith and credit of the issuer or if the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which plans are authorized to invest under this paragraph are guaranteed or insured issues of:

~~(i) for the obligation in question, issues an obligation that equals or exceeds the stated investment yield of debt securities not exempt from federal income taxation and of comparable quality;~~

~~(ii) for an obligation that is a revenue bond, has been completely self-supporting for the last five years; and~~

~~(iii) for an obligation other than a revenue bond, has issued an obligation backed by the full faith and credit of the applicable taxing jurisdiction and has not been in default on the payment of principal or interest on the obligation in question or any other nonrevenue bond obligation during the preceding ten years;~~

(1) the United States, one of its agencies, one of its instrumentalities, or an organization created and regulated by an act of Congress;

(2) the Dominion of Canada or one of its provinces if the principal and interest are payable in United States dollars;

(3) a state or one of its municipalities, political subdivisions, agencies, or instrumentalities; or

(4) any United States government-sponsored organization of which the United States is a member if the principal and interest are payable in United States dollars.

~~(4)~~ (e) **Corporate obligations.** A limited list plan is authorized to invest in corporate obligations, including bonds, notes, debentures, ~~or other regularly issued and readily marketable evidences of indebtedness issued by a corporation organized under the laws of any state that during the preceding five years has had on average annual net pretax earnings at least 50 percent greater than the annual interest charges and principal payments on the total issued debt of the corporation during that period and that, for the obligation in question, has issued an obligation rated in one of the top three quality categories by Moody's Investors Service, Incorporated, or Standard and Poor's Corporation; and~~

~~(5) shares in an open-end investment company registered under the federal Investment Company Act of 1940, if the portfolio investments of the company are limited to investments that meet the requirements of clauses (1) to (4).~~ transportation equipment obligations, or any other longer-term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any of its states, or the Dominion of Canada or any of its provinces if:

(1) the principal and interest are payable in United States dollars; and

(2) the obligations are rated among the top four quality categories by a nationally recognized rating agency.

(f) **Mutual fund authority, limited list authorized assets.** Securities authorized under paragraphs (c) to (e) may be owned directly or through shares in exchange-traded funds, or through open-end mutual funds, or as units of commingled trusts.

(g) **Extended mutual fund authority.** Notwithstanding restrictions in other paragraphs of this subdivision, a limited list plan is authorized to invest the assets of the special fund in exchange-traded funds and open-end mutual funds, if their portfolio investments comply with the type of securities authorized for investment under section

356A.06, subdivision 7, paragraphs (c) to (g). Investments under this paragraph must not exceed 75 percent of the assets of the special fund, not including any money market investments through mutual or exchange-traded funds.

(h) **Supplemental fund authority.** The governing body of a limited list plan may certify special fund assets to the State Board of Investment for investment under section 11A.17.

(i) **Assets mix restrictions.** A limited list plan must conform to the asset mix limitations specified in section 356A.06, subdivision 7.

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

Sec. 11. Minnesota Statutes 2010, section 356A.06, subdivision 7, is amended to read:

Subd. 7. **Expanded list of authorized investment securities.** (a) **Authority.** ~~Except to the extent otherwise authorized by law,~~ A covered pension plan not described by subdivision 6, paragraph (a), is an expanded list plan and shall invest its assets ~~only in accordance with~~ as specified in this subdivision. The governing board of an expanded list plan may select and appoint investment agencies to act for or on its behalf.

(b) **Securities generally; investment forms.** ~~The covered pension~~ An expanded list plan ~~has the authority~~ is authorized to purchase, sell, lend, ~~or~~ and exchange the investment securities ~~specified in paragraphs (c) to (i)~~ authorized under this subdivision, including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned directly or through shares in exchange-traded or mutual funds, or as units in commingled trusts ~~that own the securities described in paragraphs (c) to (i), including real estate investment trusts and insurance company commingled accounts, including separate accounts~~, subject to any limitations specified in this subdivision.

(c) **Government obligations.** ~~The covered pension~~ An expanded list plan ~~may~~ is authorized to invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness if the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which funds may be invested under this paragraph ~~include~~ are guaranteed or insured issues of:

(1) the United States, one of its agencies, one of its instrumentalities, or ~~organizations~~ an organization created and regulated by an act of Congress;

(2) the Dominion of Canada ~~and~~ or one of its provinces~~, provided~~ if the principal and interest ~~is~~ are payable in United States dollars;

(3) ~~the states and their~~ a state or one of its municipalities, political subdivisions, agencies, or instrumentalities; and

(4) ~~the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or any other~~ a United States ~~government sponsored~~ government-sponsored organization of which the United States is a member~~, provided~~ if the principal and interest ~~is~~ are payable in United States dollars.

(d) **Investment-grade corporate obligations.** ~~The covered pension~~ An expanded list plan ~~may~~ is authorized to invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any ~~state thereof~~ of its states, or the Dominion of Canada or any ~~province thereof~~ of its provinces if ~~they conform to the following provisions~~:

(1) the principal and interest ~~of obligations of corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof must be~~ are payable in United States dollars; and

(2) the obligations ~~must be~~ are rated among the top four quality categories by a nationally recognized rating agency.

(e) **Below-investment-grade corporate obligations.** An expanded list plan is authorized to invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories by a nationally recognized rating agency if:

(1) the aggregate value of these obligations does not exceed five percent of the covered pension plan's market value;

(2) the covered pension plan's participation is limited to 50 percent of a single offering subject to this paragraph; and

(3) the covered pension plan's participation is limited to 25 percent of an issuer's obligations subject to this paragraph.

~~(e)~~ (f) **Other obligations.** (1) ~~The covered pension~~ An expanded list plan ~~may~~ is authorized to invest funds in ~~bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage participation certificates and pools, asset backed securities, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions~~:

(i) bankers acceptances and deposit notes ~~of United States banks are limited to those~~ if issued by ~~banks~~ a United States bank that is rated in the highest four quality categories by a nationally recognized rating agency;

(ii) certificates of deposit ~~are limited to those~~ if issued by ~~(A)~~ a United States ~~banks and~~ bank or savings ~~institutions that are~~ institution rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies~~;~~, or ~~(B)~~ if issued by a credit ~~unions~~ union in ~~amounts up to~~ an amount within the limit of the insurance coverage provided by the National Credit Union Administration;

(iii) commercial paper ~~is limited to those~~ if issued by a United States ~~corporations~~ corporation or ~~their~~ its Canadian ~~subsidiaries~~ subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency;

(iv) mortgage ~~participation or pass through certificates evidencing interests in pools of first mortgages or trust deeds on improved real estate located in the United States where the loan to value ratio for each loan as calculated in accordance with section 61A.28, subdivision 3, does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3~~ securities and asset-backed securities if rated in the top four quality categories by a nationally recognized rating agency;

(v) ~~collateral for~~ repurchase agreements and reverse repurchase agreements ~~is limited to~~ if collateralized with letters of credit ~~and~~ or securities authorized in this section;

(vi) guaranteed investment contracts ~~are limited to those~~ if issued by an insurance ~~companies~~ company or ~~banks~~ a bank that is rated in the top four quality categories by a nationally recognized rating agency or ~~to~~ alternative guaranteed investment contracts ~~where~~ if the underlying assets comply with the requirements of this subdivision;

(vii) savings accounts ~~are limited to those~~ if fully insured by a federal ~~agencies~~ agency; and

(viii) ~~asset backed securities must be rated in the top four quality categories by a nationally recognized rating agency~~ guaranty fund certificates, surplus notes, or debentures if issued by a domestic mutual insurance company.

(2) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates of deposit and collateralization agreements executed by the covered pension plan under clause (1), item (ii).

(3) In addition to investments authorized by clause (1), item (iv), ~~the covered pension~~ an expanded list plan ~~may~~ is authorized to purchase from the Minnesota Housing Finance Agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The covered pension plan may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the

issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The covered pension plan may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the covered pension plan comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The covered pension plan may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

~~(f)~~ (g) **Corporate stocks.** ~~The covered pension~~ An expanded list plan ~~may~~ is authorized to invest ~~funds~~ in stocks or convertible issues of any corporation organized under the laws of the United States or ~~the~~ any of its states ~~thereof~~, any corporation organized under the laws of the Dominion of Canada or any of its provinces, or any corporation listed on an exchange that is regulated by an agency of the United States or of the Canadian national government~~, if they conform to the following provisions:~~.

~~(1) the aggregate value of investments under this paragraph, plus paragraphs (g) and (k), plus equity investments under paragraphs (h), (i), and (j), as adjusted for realized gains and losses, must not exceed 85 percent of the market or book value, whichever is less, of a fund; and~~

~~(2) investments~~ An investment in any corporation must not exceed five percent of the total outstanding shares of ~~any one~~ that corporation, except that an expanded list plan may hold up to 20 percent of the shares of a real estate investment trust and up to 20 percent of the shares of a closed mutual fund.

~~(g) **Developed market foreign stocks investments.** In addition to investments authorized under paragraph (f), the covered pension fund may invest in foreign stock sold on an exchange in any developed market country that is included in the Europe, Australia, and Far East Index.~~

~~(h) **Commingled or mutual investments.** The covered pension plan may invest in index funds or mutual funds, including index mutual funds, through bank-sponsored collective funds and shares of open-end investment companies registered under the Federal Investment Company Act of 1940, to the extent that these funds comply with paragraphs (c) to (j).~~

~~(i) **Real estate investment trust; related investments.** The covered pension plan may invest in real estate investment trusts secured by mortgages or deeds of trust and sold on an exchange, and insurance company commingled accounts, including separate accounts, of a debt or equity nature.~~

~~(j) **Exchange traded funds.** The covered pension plan may invest funds in exchange traded funds, subject to the maximums, the requirements, and the limitations set forth in paragraphs (c) to (i), as applicable.~~

~~(k)~~ (h) **Other investments.** (1) In addition to the investments authorized in paragraphs (b) to ~~(j)~~ (g), and subject to the provisions in clause (2), ~~the covered pension~~ an expanded list plan ~~may~~ is authorized to invest funds in:

(i) ~~venture capital~~ equity and debt investment businesses through participation in limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations;

(ii) real estate ownership interests or loans secured by mortgages or deeds of trust or shares of real estate investment trusts, through investment in limited partnerships~~ or bank sponsored~~, bank-sponsored collective funds, trusts, mortgage participation agreements, and insurance company commingled accounts, including separate accounts;

~~(iii) regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940 to the extent that a fund or a portion of a fund does not qualify under paragraph (h);~~

~~(iv)~~ (iii) resource investments through limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations; and

~~(v)~~ (iv) international ~~debt securities and emerging market equity~~ securities.

(2) The investments authorized in clause (1) must conform to the following provisions:

(i) the aggregate value of all investments made ~~according to~~ under clause (1), ~~including allocated amounts of index and mutual funds~~ items (i), (ii), and (iii), may not exceed ~~20~~ 35 percent of the market value of the fund for which the ~~covered pension~~ expanded list plan is investing;

(ii) there must be at least four unrelated owners of the investment other than the ~~covered pension~~ expanded list plan for investments made under clause (1), item (i), (ii), or (iii)~~, or (iv)~~;

(iii) ~~covered pension plan~~ the expanded list plan's participation in an investment vehicle is limited to 20 percent thereof for investments made under clause (1), item (i), (ii), or (iii)~~, or (iv)~~;~~ and~~

(iv) ~~covered pension plan~~ the expanded list plan's participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The ~~covered pension~~ expanded list plan may not engage in any activity as a limited partner which creates general liability~~.~~; and

(v) for volunteer firefighter relief associations, emerging market equity and international debt investments authorized under clause (1), item (iv), must not exceed 15 percent of the association's special fund market value.

(i) **Supplemental plan investments.** The governing body of an expanded list plan may certify assets to the State Board of Investment for investment under section 11A.17.

(j) **Asset mix limitations.** The aggregate value of an expanded list plan's investments under paragraphs (g) and (h) and equity investments under paragraph (i), regardless of the form in which these investments are held, must not exceed 85 percent of the covered plan's market value.

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

Sec. 12. **INVESTMENT AUTHORITY TRANSITION PROVISION.**

If any investment by the State Board of Investment or any covered pension plan fund was an authorized investment under law in effect immediately before the effective date of applicable sections of this act, but is not authorized by this act, the applicable assets must be liquidated before June 30, 2013.

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

Sec. 13. **REPEALER.**

Minnesota Statutes 2010, section 356.219, subdivision 4, is repealed.

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

## ARTICLE 11

## LOCAL RELIEF ASSOCIATION OR CONSOLIDATION ACCOUNT MERGERS WITH PERA-P&F

Section 1. Minnesota Statutes 2011 Supplement, section 69.77, subdivision 1a, is amended to read:

Subd. 1a. **Covered retirement plans.** The provisions of this section apply to ~~the following local retirement plans:~~

~~(1)~~ the Bloomington Firefighters Relief Association~~;~~.

~~(2) the Fairmont Police Relief Association; and~~

~~(3) the Virginia Fire Department Relief Association.~~

**EFFECTIVE DATE.** (a) For the Fairmont Police Relief Association, this section is effective as of the date for consolidation set by the board of the Public Employees

Retirement Association in consultation with the State Board of Investment, but not later than June 29, 2012.

(b) For the Virginia fire consolidation account, this section is effective on June 29, 2012, which is the effective date of merger.

Sec. 2. Minnesota Statutes 2011 Supplement, section 69.77, subdivision 4, is amended to read:

Subd. 4. **Relief association financial requirements; minimum municipal obligation.** (a) The officers of the relief association shall determine the financial requirements of the relief association and minimum obligation of the municipality for the following calendar year in accordance with the requirements of this subdivision. The financial requirements of the relief association and the minimum obligation of the municipality must be determined on or before the submission date established by the municipality under subdivision 5.

(b) The financial requirements of the relief association for the following calendar year must be based on the most recent actuarial valuation or survey of the special fund of the association if more than one fund is maintained by the association, or of the association, if only one fund is maintained, prepared in accordance with sections 356.215, subdivisions 4 to 15, and 356.216, as required under subdivision 10. If an actuarial estimate is prepared by the actuary of the relief association as part of obtaining a modification of the benefit plan of the relief association and the modification is implemented, the actuarial estimate must be used in calculating the subsequent financial requirements of the relief association.

(c) If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the total of the amounts calculated under clauses (1), (2), and (3), constitute the financial requirements of the relief association for the following year. If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the amount calculated under clauses (1) and (2) constitute the financial requirements of the relief association for the following year. The financial requirement elements are:

(1) the normal level cost requirement for the following year, expressed as a dollar amount, which must be determined by applying the normal level cost of the relief association as reported in the actuarial valuation or survey and expressed as a percentage of covered payroll to the estimated covered payroll of the active membership of the relief association, including any projected change in the active membership, for the following year;

(2) for the Bloomington Fire Department Relief Association~~, the Fairmont Police Relief Association, and the Virginia Fire Department Relief Association~~, to the dollar amount of normal cost determined under clause (1) must be added an amount equal to the dollar amount of the administrative expenses of the special fund of the association if more than one fund is maintained by the association, or of the association if only one fund is maintained, for the most recent year, multiplied by the factor of 1.035. The administrative expenses are those authorized under section 69.80; and

(3) to the dollar amount of normal cost and expenses determined under clauses (1) and (2) must be added an amount equal to the level annual dollar amount which is sufficient to amortize the unfunded actuarial accrued liability as determined from the actuarial valuation or survey of the fund, using an interest assumption set at the applicable rate specified in section 356.215, subdivision 8, by that fund's amortization date as specified in paragraph (d).

(d) ~~The Virginia Fire Department Relief Association special fund amortization date is December 31, 2010. The Fairmont Police Relief Association special fund amortization date is December 31, 2020.~~ The Bloomington Fire Department Relief Association special fund amortization date is determined under section 356.216, clause (2). The amortization date specified in this paragraph supersedes any amortization date specified in any applicable special law.

(e) The minimum obligation of the municipality is an amount equal to the financial requirements of the relief association reduced by the estimated amount of member contributions from covered salary anticipated for the following calendar year and the estimated amounts anticipated for the following calendar year from the applicable state aid program established under sections 69.011 to 69.051 receivable by the relief association after any allocation made under section 69.031, subdivision 5, paragraph (b), clause (2), or 423A.01, subdivision 2, paragraph (a), clause (6), from the local police and salaried firefighters' relief association amortization aid program established under section 423A.02, subdivision 1, from the supplementary amortization state-aid program established under section 423A.02, subdivision 1a, and from the additional amortization state aid under section 423A.02, subdivision 1b.

**EFFECTIVE DATE.** (a) For the Fairmont Police Relief Association, this section is effective as of the date for consolidation set by the board of the Public Employees Retirement Association in consultation with the State Board of Investment, but not later than June 29, 2012.

(b) For the Virginia fire consolidation account, this section is effective on June 29, 2012, which is the effective date of merger.

Sec. 3. Minnesota Statutes 2011 Supplement, section 353.668, subdivision 4, is amended to read:

Subd. 4. **Transfer of assets; transfer of title to assets.** (a) On the effective date of the consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, the chief administrative officer of the Minneapolis Police Relief Association shall transfer the entire assets of the special fund of the Minneapolis Police Relief Association other than the health insurance account to the public employees police and fire retirement fund at market value. Unless ineligible or inappropriate, the transfer must be in the form of investment securities and must include any accounts receivable that are determined by the State Board of Investment as being capable of being collected. An amount, in cash, must be transferred by the city of Minneapolis equal to the market value recognized by the relief association of investment securities that are determined by the executive director of the State Board of Investment not to be in compliance with the requirements and limitations set forth in sections 11A.09, 11A.14, 11A.23, and 11A.24 or not to be appropriate for retention in light of the established investment objectives of the State Board of Investment or of accounts receivable determined by the executive director of the State Board of Investment as being incapable of being collected. Legal and beneficial title to assets that are determined noncompliant or inappropriate securities or that are uncollectible accounts receivable are transferred to the city of Minneapolis on the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19. Any accounts payable on the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, are an obligation of the public employees police and fire retirement fund and reduce the asset value for purposes of subdivision 6. The transferred assets must be deposited in the public employees police and fire retirement fund. The amount of the health insurance account as of the date of the consolidation must remain deposited in the financial institution retained by the former Minneapolis Police Relief Association on May 1, 2011, and that financial institution must act as the custodian of the account. The health insurance account may be transferred from the financial institution that holds the account to a successor financial institution on June 30, 2012, under the requirements of this subdivision and the terms of an agreement between the Minneapolis Police Relief Association and the successor financial institution dated December 30, 2011, that provides for the transfer. The financial institution shall perform all trustee and fiduciary duties with respect to the account as a condition to the retention of the account. The executive director of the Minneapolis Police Relief Association, prior to the effective date of consolidation, shall estimate three calendar years of the administrative expenses related to the operation of the account and shall prepay those expenses from the account to the financial institution prior to the effective date of consolidation. After the three-year prepayment period, the beneficiaries of the account are responsible for the payment of the administrative expenses related to the operation of the account.

(b) Upon the transfer of assets to the State Board of Investment under paragraph (a), legal title to those transferred assets vests with the State Board of Investment on behalf of the public employees police and fire retirement plan, and beneficial title to the transferred assets remains with the former membership of the former Minneapolis Police Relief Association.

(c) The public employees police and fire retirement plan and fund is the successor in interest to all claims for or against the Minneapolis Police Relief Association. The public employees police and fire retirement plan and fund is not liable for any claim against the Minneapolis Police Relief Association, its governing board, or its administrative staff acting in a fiduciary capacity, under chapter 356A or common law, which is founded upon a claim of a breach of fiduciary duty if the act or acts constituting the claimed breach were not undertaken in good faith. The public employees police and fire retirement plan may assert any applicable defense to any claim in any judicial or administrative proceeding that the Minneapolis Police Relief Association, its board, or its administrative staff would otherwise have been entitled to assert, and the public employees police and fire retirement plan may assert any applicable defense that it has in its capacity as a statewide agency.

(d) The Public Employees Retirement Association shall indemnify any former fiduciary of the Minneapolis Police Relief Association consistent with the provisions of section 356A.11. The indemnification may be effected by the purchase by the Public Employees Retirement Association of reasonable fiduciary liability tail insurance for the officers and directors of the former Minneapolis Police Relief Association. Consistent with section 69.80, the relief association may purchase reasonable fiduciary liability tail insurance for its officers and directors prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19.

(e) Office equipment and other physical assets of the special fund of the Minneapolis Police Relief Association that are not needed by the Public Employees Retirement Association may be sold by the special fund of the Minneapolis Police Relief Association to the general fund of the Minneapolis Police Relief Association or to any successor fraternal organization of the Minneapolis Police Relief Association at fair market value, with the proceeds of that sale deposited in the public employees police and fire retirement fund and included in the transferred asset value under subdivision 6.

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

Sec. 4. **[353.669] CONSOLIDATION OF THE FAIRMONT POLICE RELIEF ASSOCIATION.**

Subdivision 1. **Membership transfer.** On the effective date of consolidation, the retired members, including surviving spouses, of the Fairmont Police Relief Association are transferred to the public employees police and fire retirement plan, are no longer members of the former Fairmont Police Relief Association, and are members of the public employees police and fire retirement plan.

Subd. 2. **Benefit liability transfer.** The liability for the payment of retirement annuities, service pensions, and survivor benefits of the retired members, service pensioners, surviving spouses, and any other retirement benefit recipients of the former Fairmont Police Relief Association, as contained in the transferred records of the former relief association, is transferred to the public employees police and fire retirement plan on the effective date of consolidation.

Subd. 3. **Transfer of records.** On the effective date of consolidation, the chief administrative officer of the Fairmont Police Relief Association shall transfer all records and documents relating to the special fund of the former Fairmont Police Relief Association to the executive director of the Public Employees Retirement Association. To the extent possible, original copies of all records and documents must be transferred.

Subd. 4. **Transfer of assets; transfer of title to assets.** (a) On the effective date of consolidation, the chief administrative officer of the Fairmont Police Relief Association shall transfer the entire assets of the special fund of the Fairmont Police Relief Association to the public employees police and fire retirement fund at market value. Unless ineligible or inappropriate as determined by the State Board of Investment, the transfer must be in the form of investment securities and must include any accounts receivable that are determined by the State Board of Investment as being capable of being collected. The city of Fairmont must transfer, in cash, an amount equal to the market value, as recognized by the relief association of any investment securities that are determined by the executive director of the State Board of Investment to be not in compliance with the requirements and limitations set forth in sections 11A.09, 11A.14, 11A.23, and 11A.24, or to be inappropriate for retention in light of the established investment objectives of the State Board of Investment, or of any accounts receivable that are determined by the executive director as being incapable of being collected. The legal and beneficial title to assets that are determined to be noncompliant or inappropriate securities or that are determined to be uncollectable accounts receivable are transferred from the relief association special fund to the city of Fairmont as of the effective date of consolidation. Any accounts payable of the special fund of the Fairmont Police Relief Association on the effective date of consolidation, are an obligation of the public employees police and fire retirement fund and reduce the value of the transferred relief association special fund assets for purposes of subdivision 6. Assets transferred from the special fund of the Fairmont Police Relief Association must be deposited in the public employees police and fire retirement fund and must be managed by the State Board of Investment through the Minnesota combined investment funds under section 11A.14.

(b) Upon the transfer of the assets to the management of the State Board of Investment under paragraph (a), legal title to those transferred assets vests with the State Board of Investment on behalf of the public employees police and fire retirement plan, and beneficial title to the transferred assets remains with the former membership of the former Fairmont Police Relief Association.

(c) The public employees police and fire retirement plan and fund is the successor in interest to all claims for and against the Fairmont Police Relief Association. The public employees police and fire retirement plan and fund is not liable for any claim against the Fairmont Police Relief Association or its governing board acting in a fiduciary capacity under chapter 356A or under common law which is founded upon a claim of a breach of fiduciary duty if the act or acts constituting the claimed breach were not undertaken in good faith. The public employees police and fire retirement plan may assert any applicable defense to any claim in any judicial or administrative proceeding that the former Fairmont Police Relief Association or its former governing board would otherwise have been entitled to assert and the public employees police and fire retirement plan may assert any applicable defense that it has in its capacity as a statewide agency.

(d) The Public Employees Retirement Association shall indemnify any former fiduciary of the Fairmont Police Relief Association consistent with the provisions of section 356A.11. The indemnification may be effected by the purchase by the Public Employees Retirement Association of reasonable fiduciary liability tail insurance for the officers and directors of the former Fairmont Police Relief Association.

Subd. 5. **Benefits.** (a) The annuities, service pensions, and other retirement benefits of or attributable to retired members and surviving spouses of the Fairmont Police Relief Association who had that status as of the effective date of consolidation, continue after consolidation in the same amount and under the same terms as provided under Minnesota Statutes 2000, sections 423.41 to 423.46, 423.48 to 423.59, 423.61, and 423.62; Laws 1963, chapter 423; Laws 1977, chapter 100; and Laws 1999, chapter 222, article 3, section 4, except as provided in paragraph (b).

(b) The annual base salary figure for pension and benefit determinations upon consolidation and for the balance of calendar year 2012 is $106,666.67. After December

31, 2012, annual postretirement adjustments of pensions and benefits in force must be calculated solely under section 356.415, subdivision 1c.

Subd. 6. **Calculation of final funded status; employer contributions.** (a) As of the effective date of consolidation, the approved actuary retained by the Public Employees Retirement Association under section 356.214 shall determine the final funded status of the Fairmont Police Relief Association special fund. The final funded status is the present value of future benefits payable from the Fairmont Police Relief Association as of the effective date of consolidation after subtracting the market value of the transferred assets of the Fairmont Police Relief Association as of the effective date of consolidation. The present value of future benefits figure must be calculated using the applicable actuarial assumptions for the public employees police and fire retirement plan specified in or established under section 356.215. If there is a remainder present value of future benefits amount, the city of Fairmont shall pay to the public employees police and fire retirement fund an amount sufficient, on a level annual dollar basis, to amortize the calculated remainder present value of future benefits amount by December 31, 2020. Payments shall be made annually on or before December 31, beginning in 2012.

(b) If there are assets of the former Fairmont Police Relief Association in excess of the present value of future benefits as of the effective date of consolidation, these assets must be credited to an interest bearing suspense account within the public employees police and fire retirement fund, must be used to offset any amount payable under paragraph (c) until June 30, 2015, and, after June 30, 2015, must be paid to the city of Fairmont. The suspense account must be credited with the same rate of investment return as the public employees police and fire retirement fund.

(c) If, after the effective date of consolidation, the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and the amortization contribution by the city of Fairmont for the balance of the amortization period must be redetermined and certified to the city of Fairmont.

**EFFECTIVE DATE.** This section is effective as of the date for consolidation set by the board of the Public Employees Retirement Association in consultation with the State Board of Investment, but not later than June 29, 2012.

Sec. 5. **[353.6691] MERGER OF THE VIRGINIA FIRE DEPARTMENT RELIEF ASSOCIATION.**

Subdivision 1. **Merger authorized.** On the effective date of merger, the Virginia fire department consolidation account of the Public Employees Retirement Association under chapter 353A becomes a part of the public employees police and fire retirement plan and fund governed by sections 353.63 to 353.659.

Subd. 2. **Benefit liability transfer.** All current and future liabilities of the Virginia fire department consolidation account under chapter 353A are liabilities of the public employees police and fire retirement plan and fund as of the effective date of merger and the accrued benefits of the members of the consolidation account are the obligation of the public employees police and fire retirement plan and fund.

Subd. 3. **Transfer of assets; transfer to title assets.** On the effective date of merger, the assets of the Virginia fire department consolidation account must be transferred to the public employees police and fire retirement fund. Upon transfer, the market value of the assets of the consolidation account, less any amount of residual assets under subdivision 5, are assets of the public employees police and fire fund as of the effective date of merger, and the assets, excluding the distribution amount under subdivision 5, become an asset of the public employees police and fire retirement fund. The public employees police and fire retirement fund also must be credited as an asset with the amount of any receivable assets from employer contributions under subdivision 5.

Subd. 4. **Benefits.** A person who received a service pension, a disability benefit, or a survivor benefit from the Virginia fire department consolidation account for the month prior to the effective date of merger and who has not previously elected postretirement adjustments under section 356.415, subdivision 1c, rather than the postretirement adjustment mechanism of the Virginia Fire Department Relief Association under section 353A.08, subdivision 1, may elect future postretirement adjustments under section 356.415, subdivision 1c, or the retention of the former Virginia Fire Department Relief Association postretirement adjustment mechanism. The election must be made in writing on a form prescribed by the executive director on or before September 1, 2012. Unless modified by an election under this subdivision, the benefit plan election by any person or on behalf of any person under section 353A.08 remains binding.

Subd. 5. **Calculation of final funded status; employer contributions.** (a) As of the effective date of merger, the approved actuary retained by the Public Employees Retirement Association under section 356.214 shall determine the final funded status of the former Virginia Fire Department Relief Association special fund. The final funded status is the present value of future benefits payable from the Virginia fire department consolidation account as of the effective date of merger after subtracting the market value of the transferred assets of the Virginia fire department consolidation account as of the effective date of merger. The present value of future benefits figure must be calculated using the applicable actuarial assumptions for the public employees police and fire retirement plan specified in or established under section 356.215. If there is a remainder present value of future benefits amount, the city of Virginia shall pay to the public employees police and fire retirement fund an amount sufficient, on a level annual dollar basis, to amortize the calculated remainder present value of future benefits amount by December 31, 2020. Payments shall be made annually on or before December 31, beginning in 2012.

(b) If there are assets of the former Virginia fire department consolidation account in excess of the present value of future benefits as of the effective date of merger, these assets shall be credited to an interest bearing suspense account within the public employees police and fire retirement fund until January 1, 2013. The suspense account must be credited with the same rate of investment return as the public employees police and fire retirement fund.

(c) If, after the effective date of merger, the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and any amortization contribution by the city of Virginia for the balance of the amortization period must be redetermined and certified to the city of Virginia.

(d) On January 1, 2013, one-half of any suspense account under paragraph (b) must be paid as an additional ad hoc postretirement adjustment to the service pensioners, disabilitants, and surviving spouses of the former Virginia fire consolidation account. The additional ad hoc postretirement adjustment for each recipient is the total amount available for the adjustment divided by the total number of recipients as of January 1, 2013, of the former Virginia fire consolidation account. On January 1, 2014, if the suspense account has earned investment income equal to or greater than the preretirement interest rate assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, the balance remaining of the suspense account under paragraph (b) must be paid as an additional ad hoc postretirement adjustment to the service pensioners, disabilitants, and surviving spouses of the former Virginia fire consolidation account, divided by the total number of recipients as of January 1, 2014. Nothing in this paragraph may be deemed to authorize the payment of a postretirement adjustment to an estate.

**EFFECTIVE DATE.** This section is effective on June 29, 2012, which is the effective date of merger.

Sec. 6. Minnesota Statutes 2011 Supplement, 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 |
| Duluth teachers retirement plan | 8.5 | 8.5 |
| St. Paul teachers retirement plan | 8.5 | 8.5 |
| ~~Fairmont Police Relief Association~~ | ~~5.0~~ | ~~5.0~~ |
| ~~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 rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

| plan | future salary increase assumption |
|---|---|
| legislators retirement plan | 5.0% |
| judges retirement plan | 4.0 |
| ~~Fairmont Police Relief Association~~ | ~~3.5~~ |
| ~~Virginia Fire Department Relief Association~~ | ~~3.5~~ |
| Bloomington Fire Department Relief Association | 4.0 |

(2) age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

| plan | future salary increase assumption |
|---|---|
| correctional state employees retirement plan | assumption D |
| State Patrol retirement plan | assumption C |
| local government correctional service retirement plan | assumption C |
| Duluth teachers retirement plan | assumption A |
| St. Paul teachers retirement plan | assumption B |

The select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is five years and the designated integer is five for the general state employees retirement plan. The designated select period is ten years and the designated integer is ten for all other retirement plans covered by this clause. The designated percentage rate is: (1) 0.2 percent for the correctional state employees retirement plan, the State Patrol retirement plan, and the local government correctional service retirement plan; (2) 0.6 percent for the general state employees retirement plan; and (3) 0.3 percent for the teachers retirement plan, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

| age | A | B | C | D |
|---|---|---|---|---|
| 16 | 8.00% | 6.90% | 7.7500% | 7.2500% |
| 17 | 8.00 | 6.90 | 7.7500 | 7.2500 |
| 18 | 8.00 | 6.90 | 7.7500 | 7.2500 |
| 19 | 8.00 | 6.90 | 7.7500 | 7.2500 |
| 20 | 6.90 | 6.90 | 7.7500 | 7.2500 |
| 21 | 6.90 | 6.90 | 7.1454 | 6.6454 |
| 22 | 6.90 | 6.90 | 7.0725 | 6.5725 |
| 23 | 6.85 | 6.85 | 7.0544 | 6.5544 |
| 24 | 6.80 | 6.80 | 7.0363 | 6.5363 |
| 25 | 6.75 | 6.75 | 7.0000 | 6.5000 |
| 26 | 6.70 | 6.70 | 7.0000 | 6.5000 |
| 27 | 6.65 | 6.65 | 7.0000 | 6.5000 |
| 28 | 6.60 | 6.60 | 7.0000 | 6.5000 |
| 29 | 6.55 | 6.55 | 7.0000 | 6.5000 |
| 30 | 6.50 | 6.50 | 7.0000 | 6.5000 |
| 31 | 6.45 | 6.45 | 7.0000 | 6.5000 |
| 32 | 6.40 | 6.40 | 7.0000 | 6.5000 |
| 33 | 6.35 | 6.35 | 7.0000 | 6.5000 |
| 34 | 6.30 | 6.30 | 7.0000 | 6.5000 |
| 35 | 6.25 | 6.25 | 7.0000 | 6.5000 |
| 36 | 6.20 | 6.20 | 6.9019 | 6.4019 |
| 37 | 6.15 | 6.15 | 6.8074 | 6.3074 |
| 38 | 6.10 | 6.10 | 6.7125 | 6.2125 |
| 39 | 6.05 | 6.05 | 6.6054 | 6.1054 |
| 40 | 6.00 | 6.00 | 6.5000 | 6.0000 |
| 41 | 5.90 | 5.95 | 6.3540 | 5.8540 |
| 42 | 5.80 | 5.90 | 6.2087 | 5.7087 |
| 43 | 5.70 | 5.85 | 6.0622 | 5.5622 |
| 44 | 5.60 | 5.80 | 5.9048 | 5.4078 |
| 45 | 5.50 | 5.75 | 5.7500 | 5.2500 |
| 46 | 5.40 | 5.70 | 5.6940 | 5.1940 |
| 47 | 5.30 | 5.65 | 5.6375 | 5.1375 |
| 48 | 5.20 | 5.60 | 5.5822 | 5.0822 |
| 49 | 5.10 | 5.55 | 5.5404 | 5.0404 |
| 50 | 5.00 | 5.50 | 5.5000 | 5.0000 |
| 51 | 4.90 | 5.45 | 5.4384 | 4.9384 |
| 52 | 4.80 | 5.40 | 5.3776 | 4.8776 |
| 53 | 4.70 | 5.35 | 5.3167 | 4.8167 |
| 54 | 4.60 | 5.30 | 5.2826 | 4.7826 |
| 55 | 4.50 | 5.25 | 5.2500 | 4.7500 |
| 56 | 4.40 | 5.20 | 5.2500 | 4.7500 |
| 57 | 4.30 | 5.15 | 5.2500 | 4.7500 |

| | | | | |
|---|---|---|---|---|
| 58 | 4.20 | 5.10 | 5.2500 | 4.7500 |
| 59 | 4.10 | 5.05 | 5.2500 | 4.7500 |
| 60 | 4.00 | 5.00 | 5.2500 | 4.7500 |
| 61 | 3.90 | 5.00 | 5.2500 | 4.7500 |
| 62 | 3.80 | 5.00 | 5.2500 | 4.7500 |
| 63 | 3.70 | 5.00 | 5.2500 | 4.7500 |
| 64 | 3.60 | 5.00 | 5.2500 | 4.7500 |
| 65 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 66 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 67 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 68 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 69 | 3.50 | 5.00 | 5.2500 | 4.7500 |
| 70 | 3.50 | 5.00 | 5.2500 | 4.7500 |

(3) service-related ultimate future salary increase assumption

| | |
|---|---|
| general state employees retirement plan of the Minnesota State Retirement System | assumption A |
| general employees retirement plan of the Public Employees Retirement Association | assumption B |
| Teachers Retirement Association | assumption C |
| public employees police and fire retirement plan | assumption D |

| service length | A | B | C | D |
|---|---|---|---|---|
| 1 | 10.75% | 12.25% | 12.00% | 13.00% |
| 2 | 8.35 | 9.15 | 9.00 | 11.00 |
| 3 | 7.15 | 7.75 | 8.00 | 9.00 |
| 4 | 6.45 | 6.85 | 7.50 | 8.00 |
| 5 | 5.95 | 6.25 | 7.25 | 6.50 |
| 6 | 5.55 | 5.75 | 7.00 | 6.10 |
| 7 | 5.25 | 5.45 | 6.85 | 5.80 |
| 8 | 4.95 | 5.15 | 6.70 | 5.60 |
| 9 | 4.75 | 4.85 | 6.55 | 5.40 |
| 10 | 4.65 | 4.65 | 6.40 | 5.30 |
| 11 | 4.45 | 4.45 | 6.25 | 5.20 |
| 12 | 4.35 | 4.35 | 6.00 | 5.10 |
| 13 | 4.25 | 4.15 | 5.75 | 5.00 |
| 14 | 4.05 | 4.05 | 5.50 | 4.90 |
| 15 | 3.95 | 3.95 | 5.25 | 4.80 |
| 16 | 3.85 | 3.85 | 5.00 | 4.80 |
| 17 | 3.75 | 3.75 | 4.75 | 4.80 |
| 18 | 3.75 | 3.75 | 4.50 | 4.80 |
| 19 | 3.75 | 3.75 | 4.25 | 4.80 |
| 20 | 3.75 | 3.75 | 4.00 | 4.80 |
| 21 | 3.75 | 3.75 | 3.90 | 4.70 |

| | | | | |
|---|---|---|---|---|
| 22 | 3.75 | 3.75 | 3.80 | 4.60 |
| 23 | 3.75 | 3.75 | 3.70 | 4.50 |
| 24 | 3.75 | 3.75 | 3.60 | 4.50 |
| 25 | 3.75 | 3.75 | 3.50 | 4.50 |
| 26 | 3.75 | 3.75 | 3.50 | 4.50 |
| 27 | 3.75 | 3.75 | 3.50 | 4.50 |
| 28 | 3.75 | 3.75 | 3.50 | 4.50 |
| 29 | 3.75 | 3.75 | 3.50 | 4.50 |
| 30 or more | 3.75 | 3.75 | 3.50 | 4.50 |

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

| plan | payroll growth assumption |
|---|---|
| general state employees retirement plan of the Minnesota State Retirement System | 3.75% |
| correctional state employees retirement plan | 4.50 |
| State Patrol retirement plan | 4.50 |
| legislators retirement plan | 4.50 |
| judges retirement plan | 4.00 |
| general employees retirement plan of the Public Employees Retirement Association | 3.75 |
| public employees police and fire retirement plan | 3.75 |
| local government correctional service retirement plan | 4.50 |
| teachers retirement plan | 3.75 |
| Duluth teachers retirement plan | 4.50 |
| St. Paul teachers retirement plan | 5.00 |

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

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

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

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

**EFFECTIVE DATE.** (a) For the Fairmont Police Relief Association, this section is effective as of the date for consolidation set by the board of the Public Employees Retirement Association in consultation with the State Board of Investment, but not later than June 29, 2012.

(b) For the Virginia fire consolidation account, this section is effective on June 29, 2012, which is the effective date of merger.

Sec. 7. Laws 2002, chapter 392, article 1, section 8, is amended to read:

Sec. 8. **REVISOR INSTRUCTIONS.**

~~(a) In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall not print Minnesota Statutes, sections 423.41 to 423.62, but shall denote those sections as "[LOCAL, CITY OF FAIRMONT, POLICE PENSIONS.]."~~

~~(b)~~ In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall, in each section indicated in column A, replace the cross-reference specified in column B with the cross-reference set forth in column C:

| Column A | Column B | Column C |
|---|---|---|
| 69.021, subd. 10 | 69.77, subd. 2a | 69.77, subd. 3 |
| 69.021, subd. 10 | 69.77, subd. 2b | 69.77, subd. 4 |
| 69.021, subd. 10 | 69.77, subd. 2c | 69.77, subd. 5 |
| 299A.465, subd. 5 | 424.03 | Minnesota Statutes, 2000, 424.03 |
| 353A.07, subd. 6 | 69.77, subd. 2a | 69.77, subd. 3 |
| 353A.09, subd. 4 | 69.77, subd. 2a | 69.77, subd. 3 |
| 356.216 | 69.77, subd. 2b | 69.77, subd. 4 |
| 356.219, subd. 2 | 69.77, subd. 2g | 69.77, subd. 9 |
| 423.01, subd. 2 | 69.77, subd. 2b | 69.77, subd. 4 |
| 423A.18 | 69.77, subd. 2i | 69.77, subd. 11 |
| 423A.19, subd. 4 | 69.77, subd. 2i | 69.77, subd. 11 |
| 423B.06, subd. 1 | 69.77, subd. 2a | 69.77, subd. 3 |
| 423B.06, subd. 1 | 69.77, subd. 2b | 69.77, subd. 4 |
| 423B.06, subd. 1 | 69.77, subd. 2c | 69.77, subd. 5 |
| 423B.06, subd. 1 | 69.77, subd. 2d | 69.77, subd. 6 |
| 423B.06, subd. 1 | 69.77, subd. 2e | 69.77, subd. 7 |
| 423B.06, subd. 1 | 69.77, subd. 2f | 69.77, subd. 8 |
| 423B.21, subd. 1 | 69.77, subd. 2b | 69.77, subd. 4 |

**EFFECTIVE DATE.** This section is effective as of the date for consolidation set by the board of the Public Employees Retirement Association in consultation with the State Board of Investment, but not later than June 29, 2012.

Sec. 8. **TERMINATION OF THE FAIRMONT POLICE RELIEF ASSOCIATION.**

On the effective date of consolidation, the Fairmont Police Relief Association ceases to exist.

**EFFECTIVE DATE.** This section is effective as of the date for consolidation set by the board of the Public Employees Retirement Association in consultation with the State Board of Investment, but not later than June 29, 2012.

Sec. 9. **TERMINATION OF THE VIRGINIA FIRE DEPARTMENT RELIEF ASSOCIATION.**

On the effective date of merger, the Virginia fire department consolidation account ceases to exist.

**EFFECTIVE DATE.** This section is effective on June 29, 2012, which is the effective date of merger.

Sec. 10. **REPEALER.**

Subdivision 1. **Fairmont Police Relief Association.** (a) Laws 1963, chapter 423; and Laws 1999, chapter 222, article 3, sections 3; 4; and 5, are repealed.

(b) Minnesota Statutes 2010, section 423A.06, is repealed.

(c) The revisor shall show Minnesota Statutes, sections 423.41, 423.42, 423.43, 423.44, 423.45, 423.46, 423.48, 423.49, 423,50, 423.51, 423.52, 423.53, 423.54, 423.55, 423.56, 423.57, 423.58, 423.59, 423.61, and 423.62, as repealed.

(d) Laws 1947, chapter 624, sections 1; 2; 3; 4; 5; 6; 8; 9; 10; 11; 12; 13; 14; 15; 16; 17; 18; 19; 21; and 22, are repealed.

Subd. 2. **Virginia fire department consolidation account.** Laws 1953, chapter 399, as amended by Laws 1961, chapter 420, section 1, Laws 1961, chapter 420, section 2, Laws 1961, chapter 420, section 3, Laws 1961, chapter 420, section 4, Laws 1961, chapter 420, section 5, Laws 1961, chapter 420, section 6, Laws 1963, chapter 407, section 1, Laws 1965, chapter 546, section 1, Laws 1965, chapter 546, section 2, Laws 1965, chapter 546, section 3, Laws 1969, chapter 578, section 1, Laws 1969, chapter 578, section 2, Laws 1969, chapter 578, section 3; Laws 1961, chapter 420, sections 2, as amended by Laws 1965, chapter 546, section 2, Laws 1965, chapter 546, section 3, Laws 1969, chapter 578, section 1; 3; 4; 5, as amended by Laws 1963, chapter 407, section 1, Laws 1969, chapter 578, section 2; and 6; Laws 1963, chapter 407, section 1, as amended by Laws 1969, chapter 578, section 2; Laws 1965, chapter 546, sections 1; 2, as amended by Laws 1969, chapter 578, section 1; and 3; Laws 1969, chapter 578, sections 1; 2; and 3; Laws 1974, chapter 183, as amended by Laws 1991, chapter 62, section 1; Laws 1982, chapter 574, section 1; Laws 1982, chapter 578, article 1, section 14; Laws 1983, chapter 69, section 1; Laws 1984, chapter 547, section 27; Laws 1987, chapter 372, article 2, section 14; Laws 1988, chapter 709, sections 1, as amended by Laws 1989, chapter 319, article 4, section 2, Laws 1989, chapter 319, article 18, section 11; and 2; Laws 1991, chapter 62, sections 1; and 2; and Laws 1992, chapter 465, section 1, are repealed.

**EFFECTIVE DATE.** Subdivision 1 is effective as of the date for consolidation of the Fairmont Police Relief Association set by the board of the Public Employees Retirement Association in consultation with the State Board of Investment, but not later than June 29, 2012.

Subdivision 2 is effective for the Virginia fire consolidation account on June 29, 2012, which is the effective date of merger.

## ARTICLE 12

## VOLUNTEER FIRE RETIREMENT CHANGES

Section 1. Minnesota Statutes 2010, section 69.011, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

(a) "Commissioner" means the commissioner of revenue.

(b) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a park district subject to chapter 398;

(4) the University of Minnesota;

(5) for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation;

(6) for purposes of the police state aid program only, an American Indian tribal government with a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93;

(7) for purposes of the police state aid program only, the Metropolitan Airports Commission; and

(8) for purposes of the police state aid program only, the Department of Natural Resources and the Department of Public Safety with respect to peace officers covered under chapter 352B.

(c) "Minnesota Firetown Premium Report" means a form prescribed by the commissioner containing space for reporting by insurers of fire, lightning, sprinkler leakage and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends.

(d) "Firetown" means the area serviced by any municipality having a qualified fire department or a qualified incorporated fire department having a subsidiary volunteer firefighters' relief association.

(e) "Market value" means latest available market value of all property in a taxing jurisdiction, whether the property is subject to taxation, or exempt from ad valorem taxation obtained from information which appears on abstracts filed with the commissioner of revenue or equalized by the State Board of Equalization.

(f) "Minnesota Aid to Police Premium Report" means a form prescribed by the commissioner for reporting by each fire and casualty insurer of all premiums received upon direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for insuring against the perils contained in auto insurance coverages as reported in the Minnesota business schedule of the annual financial statement which each insurer is required to file with the commissioner in accordance with the governing laws or rules less return premiums and dividends.

(g) "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality or county as a law enforcement officer on a full-time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months prior to December 31 preceding the date of the current year's certification under subdivision 2, clause (b);

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of the ~~Minneapolis Police Relief Association, the~~ State Patrol retirement plan~~,~~ or the public employees police and fire fund.

(h) "Full-time equivalent number of peace officers providing contract service" means the integral or fractional number of peace officers which would be necessary to provide the contract service if all peace officers providing service were employed on a full-time basis as defined by the employing unit and the municipality receiving the contract service.

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (3) and (4).

(j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

(1) for the police state aid program and police relief association financial reports:

(i) the person who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body~~.~~;

(ii) in a park district, the ~~clerk is the~~ secretary of the board of park district commissioners~~.~~;

(iii) in the case of the University of Minnesota, the ~~clerk is that~~ official designated by the Board of Regents~~.~~;

(iv) for the Metropolitan Airports Commission, the ~~clerk is the~~ person designated by the commission~~.~~;

(v) for the Department of Natural Resources or the Department of Public Safety, the ~~clerk is the~~ respective commissioner~~.~~;

(vi) for a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the ~~clerk is the~~ person designated by the applicable American Indian tribal government~~.~~; and

(2) for the fire state aid program and fire relief association financial reports, the person who was elected or appointed to the specified position, or, for governmental entities other than counties, if the governing body of the governmental entity designates the position to perform the function, the chief financial official of the governmental entity or the chief administrative official of the governmental entity.

(k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the retirement plan established by chapter 353G.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 2. Minnesota Statutes 2010, section 69.051, subdivision 1, is amended to read:

Subdivision 1. **Financial report and audit.** (a) The board of each salaried firefighters relief association, police relief association, and volunteer firefighters relief association as defined in section 424A.001, subdivision 4, with assets of at least $200,000 or liabilities of at least $200,000 in the prior year or in any previous year, according to the applicable actuarial valuation or financial report if no valuation is required, shall~~: (1)~~ prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year ~~on a form prescribed by the state auditor~~, file the financial report, and submit financial statements.

(b) The financial report must contain financial statements and disclosures which present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing and funding provisions of this chapter and any other applicable laws. The financial report must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is a firefighters relief association which is directly associated with a municipal fire department or is a police relief association~~,~~; or ~~countersigned by the secretary of the independent nonprofit firefighting corporation and~~

(2) by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the volunteer firefighter relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

~~(2) file~~ (c) The financial report must be retained in its office for public inspection and ~~present it to~~ must be filed with the ~~city council~~ governing body of the government subdivision in which the associated fire department is located after the close of the fiscal year. One copy of the financial report must be furnished to the state auditor after the close of the fiscal year~~; and~~.

~~(3) submit to the state auditor~~ (d) Audited financial statements ~~which have been~~ must be attested to by a certified public accountant, ~~public accountant,~~ or the state auditor and must be filed with the state auditor within 180 days after the close of the fiscal year. The state auditor may accept this report in lieu of the report required in ~~clause (2)~~ paragraph (c).

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 3. Minnesota Statutes 2010, section 69.051, subdivision 1a, is amended to read:

Subd. 1a. **Financial statement.** (a) The board of each volunteer firefighters relief association, as defined in section 424A.001, subdivision 4, that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show the sources and amounts of all money received; all disbursements, accounts payable and accounts receivable; the amount of money remaining in the treasury; total assets including a listing of all investments; the accrued liabilities; and all items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement required under paragraph (a) must be certified by an independent public accountant or auditor or by the auditor or accountant who regularly examines or audits the financial transactions of the municipality. In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment upon any exceptions to the report. The independent accountant or auditor must have at least five years of public accounting, auditing, or similar experience, and must not be an active, inactive, or retired member of the relief association or the fire or police department.

(c) The detailed statement required under paragraph (a) must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality~~,~~; or~~,~~

(2) where applicable, by the ~~secretary of the independent nonprofit firefighting corporation and by the~~ municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation~~.~~ and by the secretary of the independent nonprofit firefighting corporation; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters' relief association board must file the detailed statement required under paragraph (a) in the relief association office for public inspection and present it to the city council within 45 days after the close of the fiscal year, and must submit a copy of the detailed statement to the state auditor within 90 days of the close of the fiscal year.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 4. Minnesota Statutes 2010, section 69.051, subdivision 3, is amended to read:

Subd. 3. **Report by certain municipalities.** (a) Each municipality which has an organized fire department but which does not have a firefighters' relief association governed by section 69.77 or sections 69.771 to 69.775 and which is not exempted under paragraph (b) shall annually prepare a detailed financial report of the receipts and disbursements by the municipality for fire protection service during the preceding calendar year, on a form prescribed by the state auditor. The financial report must contain any information which the state auditor deems necessary to disclose the sources of receipts and the purpose of disbursements for fire protection service. The financial report must be signed by the municipal clerk or clerk-treasurer of the municipality. The financial report must be filed by the municipal clerk or clerk-treasurer with the state auditor on or before July 1 annually. ~~The state auditor shall forward one copy to the county auditor of the county wherein the municipality is located.~~ The municipality shall not qualify initially to receive, or be entitled subsequently to retain, state aid under this chapter if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

(b) Each municipality that has an organized fire department and provides retirement coverage to its firefighters through the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G qualifies to have fire state aid transmitted to and retained in the statewide lump-sum volunteer firefighter retirement fund without filing a detailed financial report if the executive director of the Public Employees Retirement Association certifies compliance by the municipality with the requirements of sections 353G.04 and 353G.08, paragraph (e), and by the applicable fire chief with the requirements of section 353G.07.

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

Sec. 5. Minnesota Statutes 2010, section 69.772, subdivision 4, is amended to read:

Subd. 4. **Certification of financial requirements and minimum municipal obligation; levy.** (a) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 3 ~~to the governing body of the municipality~~ on or before August 1 of each year. The certification must be made to the entity that is responsible for satisfying the minimum obligation with respect to the special fund of the relief association. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.

(b) The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section 69.051. The schedule forms related to the determination of the financial requirements must be filed with the state auditor by March 31, annually, if the relief association is required to file a financial statement under section 69.051, subdivision 1a, or by June 30, annually, if the relief association is required to file a financial report and audit under section 69.051, subdivision 1.

~~(b)~~ (c) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue.

~~(c)~~ (d) The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

~~(d)~~ (e) If the municipality does not include the full amount of the minimum municipal obligations in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the certified minimum municipal obligation on the taxable property of the municipality.

~~(e)~~ (f) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 69.771, subdivision 3, paragraph (c), clause (5), the state auditor may request a copy of the certifications under this subdivision from the relief association or from the city. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 6. Minnesota Statutes 2010, section 69.773, subdivision 5, is amended to read:

Subd. 5. **Minimum municipal obligation.** (a) The officers of the relief association shall determine the minimum obligation of the municipality with respect to the special fund of the relief association for the following calendar year on or before August 1 of each year in accordance with the requirements of this subdivision.

(b) The minimum obligation of the municipality with respect to the special fund is an amount equal to the financial requirements of the special fund of the relief association determined under subdivision 4, reduced by the estimated amount of any fire state aid payable under sections 69.011 to 69.051 reasonably anticipated to be received by the municipality for transmittal to the special fund of the relief association during the following year and the amount of any anticipated contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(c) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 4 and this subdivision ~~to the governing body of the municipality~~ by August 1 of each year.

<u>The certification must be made to the entity that is responsible for satisfying the minimum obligation with respect to the special fund of the relief association. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.</u>

<u>(d)</u> The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section 69.051.

~~(d)~~ <u>(e)</u> The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue. The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law or charter upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

~~(e)~~ <u>(f)</u> If the municipality does not include the full amount of the minimum municipal obligation in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the minimum municipal obligation on the taxable property of the municipality.

~~(f)~~ <u>(g)</u> If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 69.771, subdivision 3, paragraph (c), clause (5), the state auditor may request from the relief association or from the city a copy of the certifications under this subdivision. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

<u>**EFFECTIVE DATE.** This section is effective July 1, 2012.</u>

Sec. 7. Minnesota Statutes 2010, section 69.80, is amended to read:

**69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.**

(a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a police, salaried firefighters', or volunteer firefighters' relief association organized under any law of this state:

(1) office expense, including, but not limited to, rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) salaries of the ~~president, secretary, and treasurer~~ officers of the association, or their designees, and ~~any other official~~ salaries of the members of the board of trustees of the ~~relief~~ association ~~to whom a salary is payable under bylaws or articles of incorporation in effect on January 1, 1986~~ if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section 69.77, 69.772, or 69.773, and ~~their~~ the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit, actuarial, medical, legal, and investment and performance evaluation expenses;

(5) filing and application fees payable by the relief association to federal or other governmental entities;

(6) reimbursement to the officers and members of the board of trustees, or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

~~(6)~~ (7) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) Any other expenses of the relief association must be paid from the general fund of the association, if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this section. If a relief association has a special fund and a general fund, and any expense of the relief association that is directly related to the purposes for which both funds were established, the payment of that expense must be apportioned between the two funds on the basis of the benefits derived by each fund.

**EFFECTIVE DATE.** This section is effective July 1, 2012, with respect to the amendment to paragraph (a), clause (2), and is effective retroactively from January 1, 2010, with respect to the amendment to paragraph (a), clauses (5), (6), and (7).

Sec. 8. Minnesota Statutes 2010, section 353G.08, is amended by adding a subdivision to read:

Subd. 2a. **Additional municipal contributions authorized.** (a) At the discretion of the municipality or the independent nonprofit firefighting corporation associated with a fire department covered by a voluntary statewide lump-sum volunteer firefighter retirement plan account, the municipality or the corporation may make additional contributions to the applicable account.

(b) The executive director of the Public Employees Retirement Association may specify requirements as to the form, timing, and accompanying information for contributions made under this subdivision.

(c) Any contributions made under this subdivision must be included as total present assets of the account for the calculation of any subsequent annual funding requirements for the account under subdivision 1 or for the calculation of any cash flow funding requirement under subdivision 2.

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

Sec. 9. Minnesota Statutes 2010, section 424A.001, subdivision 4, is amended to read:

Subd. 4. **Relief association.** (a) "Relief association" or "volunteer firefighters' relief association" means ~~(1)~~ a volunteer firefighters' relief association or a volunteer firefighters' division or account of a partially salaried and partially volunteer firefighters' relief association that is:

(1) organized and incorporated as a nonprofit corporation to provide retirement benefits to volunteer firefighters under chapter 317A and any laws of the state~~,~~;

(2) is governed by this chapter and ~~chapter 69,~~ sections 69.771 to 69.775; and

(3) is directly associated with:

(i) a fire department established by municipal ordinance; ~~or~~

~~(2) any separately incorporated volunteer firefighters' relief association that is subsidiary to and that provides service pension and retirement benefit coverage for members of~~ (ii) an independent nonprofit firefighting corporation that is organized under the provisions of chapter 317A~~, is governed by this chapter,~~ and that operates ~~exclusively~~ primarily for firefighting purposes; or

(iii) a fire department operated as or by a joint powers entity that operates primarily for firefighting purposes.

(b) "Relief association" or "volunteer firefighters' relief association" does not mean:

(1) the Bloomington Fire Department Relief Association governed by section 69.77; Minnesota Statutes 2000, chapter 424; and Laws 1965, chapter 446, as amended; or

(2) the voluntary statewide lump-sum volunteer firefighter retirement plan governed by Minnesota Statutes, chapter 353G.

(c) A relief association or volunteer firefighters' relief association is a governmental entity that receives and manages public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response.

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

Sec. 10. Minnesota Statutes 2010, section 424A.01, subdivision 6, is amended to read:

Subd. 6. **Return to active firefighting after break in service.** (a) The requirements of this section apply to all breaks in service, except breaks in service mandated by federal or state law.

(b)(1) If a firefighter who has ceased to perform or supervise fire suppression and fire prevention duties for at least 60 days resumes performing active firefighting with the fire department associated with the relief association, if the bylaws of the relief association so permit, the firefighter may again become an active member of the relief association. A firefighter who returns to active service and membership is subject to the service pension calculation requirements under this section.

(2) A firefighter who has been granted an approved leave of absence not exceeding one year by the fire department or by the relief association is exempt from the minimum period of resumption service requirement of this section.

(3) A person who has a break in service not exceeding one year but has not been granted an approved leave of absence and who has not received a service pension or disability benefit may be made exempt from the minimum period of resumption service requirement of this section by the relief association bylaws.

(4) If the bylaws so provide, a firefighter who returns to active relief association membership under this paragraph may continue to collect a monthly service pension, notwithstanding the service pension eligibility requirements under chapter 424A.

(c) If a former firefighter who has received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the resumption service period if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2. No firefighter may be paid a service pension more than once for the same period of service.

(d) If a former firefighter who has not received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the original and resumption service ~~period~~ periods if the firefighter meets the ~~minimum period of resumption service specified in the relief association bylaws and the~~ service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and resumption years of service credit.

(e) A firefighter who returns to active lump-sum relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c)~~ or (d)~~ must have, upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a lump-sum service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, a second lump-sum service pension for the resumption service period must be calculated ~~to apply~~ by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of the resumption service. ~~No firefighter may be paid a service pension twice for the same period of service. If a lump-sum service pension had not been paid to the firefighter upon the firefighter's previous cessation of duties and the firefighter meets the minimum service requirement of section 424A.016, subdivision 3, or 424A.02, subdivision 2, a service pension must be calculated to apply the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of service credit.~~

(f) A firefighter who had not been paid a lump-sum service pension returns to active relief association membership under paragraph (b), who ~~does~~ did not ~~qualify for a service pension under paragraph (d)~~ meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section ~~424A.016, subdivision 3, or~~ 424A.02, subdivision 2, based on the firefighter's ~~previous~~ original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension ~~calculated~~ for the ~~previous years of~~ original and resumption service ~~based on~~ periods calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous cessation of duties. The service pension for a firefighter who returns to active lump-sum relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(g) If a firefighter receiving a monthly benefit service pension returns to active monthly benefit relief association membership under paragraph (b), and if the relief association bylaws do not allow for the firefighter to continue collecting a monthly service pension, any monthly benefit service pension payable to the firefighter is suspended as of the first day of the month next following the date on which the firefighter returns to active membership. If the firefighter was receiving a monthly benefit service pension, and qualifies for a service pension under paragraph (c), the firefighter is entitled to an additional monthly benefit service pension upon a subsequent cessation of duties calculated based on the resumption service credit and the service pension accrual amount in effect on the date of the termination of the resumption service. A suspended initial service pension resumes as of the first of the month next following the termination of the resumption service. If the firefighter was not receiving a monthly benefit service pension and meets the minimum service requirement of section 424A.02, subdivision 2, a service pension must be calculated ~~to apply~~ by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of service credit.

(h) A firefighter who was not receiving a monthly benefit service pension returns to active relief association membership under paragraph (b), who ~~does~~ did not ~~qualify for a service pension under paragraph (d)~~ meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's ~~previous~~ original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension ~~calculated~~ for the ~~previous years of~~ original and resumption service ~~based on~~ periods calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous cessation of duties. The service pension for a firefighter who returns to active relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(i) For defined contribution plans, a firefighter who returns to active relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c) or (d) must have, upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, and if the firefighter meets the minimum service requirement of section 424A.016, subdivision 3, based on the resumption years of service, a second service pension for the resumption service period must be calculated to include allocations credited to the firefighter's individual account during the resumption period of service and deductions for administrative expenses, if applicable.

(j) For defined contribution plans, if a firefighter who had not been paid a service pension returns to active relief association membership under paragraph (b), and who meets the minimum service requirement of section 424A.016, subdivision 3, based on the firefighter's original and resumption years of service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated to include allocations credited to the firefighter's individual account during the resumption period of service and deductions for administrative expenses, if applicable, less any amounts previously forfeited under section 424A.016, subdivision 4.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 11. Minnesota Statutes 2010, section 424A.016, subdivision 5, is amended to read:

Subd. 5. **Service pension installment payments.** (a) A defined contribution relief association, if the governing bylaws so provide, may pay, at the option of the ~~retiring member~~ intended recipient and in lieu of a single payment of a service pension or a survivor benefit, the service pension or survivor benefit in installments.

(b) The election of installment payments is irrevocable and must be made by the ~~retiring member~~ intended recipient in writing and filed with the secretary of the relief association no later than 30 days before the commencement of payment of the service pension or survivor benefit.

(c) The amount of the installment payments must be the fractional portion of the remaining account balance equal to one divided by the number of remaining annual installment payments.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 12. Minnesota Statutes 2010, section 424A.016, subdivision 6, is amended to read:

Subd. 6. **Deferred service pensions.** (a) A member of a relief association is entitled to a deferred service pension if the member:

(1) has completed the lesser of the minimum period of active service with the fire department specified in the bylaws or 20 years of active service with the fire department;

(2) has completed at least five years of active membership in the relief association; and

(3) separates from active service and membership ~~before reaching age 50 or the minimum age for retirement and commencement of a service pension specified in the~~

~~bylaws governing the relief association if that age is greater than age 50~~. The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

(b) The deferred service pension is payable when the former member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and when the former member makes a valid written application.

(c) A defined contribution relief association may, if its governing bylaws so provide, credit interest or additional investment performance on the deferred lump-sum service pension during the period of deferral. If provided for in the bylaws, the interest must be paid:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association~~ or~~;

(2) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested in a separate investment vehicle held by the relief association; or

~~(2)~~ (3) at the investment return on the assets of the special fund of the defined contribution volunteer firefighter relief association in proportion to the share of the assets of the special fund to the credit of each individual deferred member account through the accounting date on which the investment return is recognized by and credited to the special fund.

(d) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable as follows:

(1) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (1) or (3), beginning on the date that the member separates from active service and membership and ending on the accounting date immediately before the deferred member commences receipt of the deferred service pension; or

(2) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (2), beginning on the date that the member

separates from active service and membership and ending on the date that the separate investment vehicle is valued immediately before the date on which the deferred member commences receipt of the deferred service pension.

(e) The deferred service pension is governed by and must be calculated under the general statute, special law, relief association articles of incorporation, and relief association bylaw provisions applicable on the date on which the member separated from active service with the fire department and active membership in the relief association.

**EFFECTIVE DATE.** (a) This section is effective January 1, 2013.

(b) This section applies only to persons becoming deferred service pensioners after January 1, 2013.

Sec. 13. Minnesota Statutes 2010, section 424A.02, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** (a) A defined benefit relief association, when its articles of incorporation or bylaws so provide, may pay out of the assets of its special fund a defined benefit service pension to each of its members who: (1) separates from active service with the fire department; (2) reaches age 50; (3) completes at least five years of active service as an active member of the municipal fire department to which the relief association is associated; (4) completes at least five years of active membership with the relief association before separation from active service; and (5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association. A service pension computed under this section may be prorated monthly for fractional years of service as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month. The service pension earned by a volunteer firefighter under this chapter and the articles of incorporation and bylaws of the volunteer firefighters' relief association may be paid whether or not the municipality or nonprofit firefighting corporation to which the relief association is associated qualifies for the receipt of fire state aid under chapter 69.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the date of the payment of the service pension. During the period of inactive membership, the member is not entitled to receive disability benefit coverage, is not entitled to receive additional service credit towards computation of a service pension, and is considered to have the status of a person entitled to a deferred service pension under subdivision 7.

(c) No municipality or nonprofit firefighting corporation may delegate the power to take final action in setting a service pension or ancillary benefit amount or level to the board of trustees of the relief association or to approve in advance a service pension or ancillary benefit amount or level equal to the maximum amount or level that this chapter would allow rather than a specific dollar amount or level.

~~(d) No relief association as defined in section 424A.001, subdivision 4, may pay a defined benefit service pension or disability benefit to a former member of the relief association if that person has not separated from active service with the fire department to which the relief association is directly associated, unless:~~

~~(1) the person is employed subsequent to retirement by the municipality or the independent nonprofit firefighting corporation, whichever applies, to perform duties within the municipal fire department or corporation on a full-time basis;~~

~~(2) the governing body of the municipality or of the corporation has filed its determination with the board of trustees of the relief association that the person's experience with and service to the fire department in that person's full-time capacity would be difficult to replace; and~~

~~(3) the bylaws of the relief association were amended to provide for the payment of a service pension or disability benefit for such full-time employees.~~

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

Sec. 14. Minnesota Statutes 2010, section 424A.02, subdivision 7, is amended to read:

Subd. 7. **Deferred service pensions.** (a) A member of a defined benefit relief association is entitled to a deferred service pension if the member:

(1) has completed the lesser of either the minimum period of active service with the fire department specified in the bylaws or 20 years of active service with the fire department;

(2) has completed at least five years of active membership in the relief association; and

(3) separates from active service and membership ~~before reaching age 50 or the minimum age for retirement and commencement of a service pension specified in the~~

~~bylaws governing the relief association if that age is greater than age 50~~. The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

(b) The deferred service pension is payable when the former member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and when the former member makes a valid written application.

(c) A defined benefit relief association that provides a lump-sum service pension governed by subdivision 3 may, when its governing bylaws so provide, pay interest on the deferred lump-sum service pension during the period of deferral. If provided for in the bylaws, interest must be paid in one of the following manners:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association ~~or~~;

(2) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested in a separate investment vehicle held by the relief association; or

~~(2)~~ (3) at an interest rate of up to five percent, compounded annually, as set by the board of directors and approved as provided in subdivision 10.

(d) Interest under paragraph (c), clause ~~(2)~~ (3), is payable following the date on which the municipality has approved the deferred service pension interest rate established by the board of trustees.

(e) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable as follows:

(1) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (1) or (3), beginning on the date that the member separates from active service and membership and ending on the accounting date immediately before the deferred member commences receipt of the deferred service pension; or

(2) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (2), beginning on the date that the member

separates from active service and membership and ending on the date that the separate investment vehicle is valued immediately before the date on which the deferred member commences receipt of the deferred service pension.

(f) For a deferred service pension that is transferred to a separate account established and maintained by the relief association or separate investment vehicle held by the relief association, the deferred member bears the full investment risk subsequent to transfer and in calculating the accrued liability of the volunteer firefighters relief association that pays a lump-sum service pension, the accrued liability for deferred service pensions is equal to the separate relief association account balance or the fair market value of the separate investment vehicle held by the relief association.

~~(f)~~ (g) The deferred service pension is governed by and must be calculated under the general statute, special law, relief association articles of incorporation, and relief association bylaw provisions applicable on the date on which the member separated from active service with the fire department and active membership in the relief association.

**EFFECTIVE DATE.** (a) This section is effective January 1, 2013.

(b) This section applies only to persons becoming deferred service pensioners after January 1, 2013.

Sec. 15. Minnesota Statutes 2010, section 424A.02, subdivision 9, is amended to read:

Subd. 9. **Limitation on ancillary benefits.** A defined benefit relief association, including any volunteer firefighters relief association governed by section 69.77 or any volunteer firefighters division of a relief association governed by chapter 424, may only pay ancillary benefits which would constitute an authorized disbursement as specified in section 424A.05 subject to the following requirements or limitations:

(1) with respect to a defined benefit relief association in which governing bylaws provide solely for a lump-sum service pension to a retiring member, or provide a retiring member the choice of either a lump-sum service pension or a monthly service pension and the lump-sum service pension was chosen, no ancillary benefit may be paid to any former member or paid to any person on behalf of any former member after the former member (i) terminates active service with the fire department and active membership in the relief association; and (ii) commences receipt of a service pension as authorized under this section; and

(2) with respect to any defined benefit relief association, no ancillary benefit paid or payable to any member, to any former member, or to any person on behalf of any member or former member, may exceed in amount the total earned service pension of the member or former member. The total earned service pension must be calculated by multiplying

the service pension amount specified in the bylaws of the relief association at the time of death or disability, whichever applies, by the years of service credited to the member or former member. The years of service must be determined as of (i) the date the member or former member became entitled to the ancillary benefit; or (ii) the date the member or former member died entitling a survivor or the estate of the member or former member to an ancillary benefit. The ancillary benefit must be calculated without regard to whether the member had attained the minimum amount of service and membership credit specified in the governing bylaws. For active members, the amount of a permanent disability benefit or a survivor benefit must be equal to the member's total earned service pension except that the bylaws of a defined benefit relief association may provide for the payment of a survivor benefit in an amount not to exceed five times the yearly service pension amount specified in the bylaws on behalf of any member who dies before having performed five years of active service in the fire department with which the relief association is affiliated.

(3)(i) If a lump sum survivor or death benefit is payable under the articles of incorporation or bylaws, the benefit must be paid:

(A) as a survivor benefit to the surviving spouse of the deceased firefighter;

(B) as a survivor benefit to the surviving children of the deceased firefighter if no surviving spouse;

(C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no surviving spouse or surviving children; or

(D) as a death benefit to the estate of the deceased active or deferred firefighter if no surviving children and no beneficiary designated.

(ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly or partially, the spouse's entitlement to a survivor benefit.

(4)(i) If a monthly benefit survivor or death benefit is payable under the articles of incorporation or bylaws, the benefit must be paid:

(A) as a survivor benefit to the surviving spouse of the deceased firefighter;

(B) as a survivor benefit to the surviving children of the deceased firefighter if no surviving spouse;

(C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no surviving spouse or surviving children; or

(D) as a death benefit to the estate of the deceased active or deferred firefighter if no surviving spouse, no surviving children, and no beneficiary designated.

(ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly or partially, the spouse's entitlement to a survivor benefit.

(iii) For purposes of this clause, if the relief association bylaws authorize a monthly survivor benefit payable to a designated beneficiary, the relief association bylaws may limit the total survivor benefit amount payable.

(5) For purposes of this section, for a monthly benefit volunteer fire relief association or for a combination lump-sum and monthly benefit volunteer fire relief association where a monthly benefit service pension has been elected by or a monthly benefit is payable with respect to a firefighter, a designated beneficiary must be a natural person. For purposes of this section, for a lump-sum volunteer fire relief association or for a combination lump-sum and monthly benefit volunteer fire relief association where a lump-sum service pension has been elected by or a lump-sum benefit is payable with respect to a firefighter, a trust created under chapter 501B may be a designated beneficiary. If a trust is payable to the surviving children organized under chapter 501B as authorized by this section and there is no surviving spouse, the survivor benefit may be paid to the trust, notwithstanding a requirement of this section to the contrary.

**EFFECTIVE DATE.** This section is effective January 1, 2013.

Sec. 16. Minnesota Statutes 2010, section 424A.04, subdivision 3, is amended to read:

Subd. 3. **Conditions on relief association consultants.** (a) If a volunteer firefighter relief association employs or contracts with a consultant to provide legal or financial advice, the secretary of the relief association shall obtain and the consultant shall provide to the secretary of the relief association a copy of the consultant's certificate of insurance.

(b) A consultant is any person who is employed under contract to provide legal or financial advice and who is or who represents to the volunteer firefighter relief association that the person is:

(1) an actuary;

(2) ~~a licensed public accountant or~~ a certified public accountant;

(3) an attorney;

(4) an investment advisor or manager, or an investment counselor;

(5) an investment advisor or manager selection consultant;

(6) a pension benefit design advisor or consultant; or

(7) any other financial consultant.

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

Sec. 17. Minnesota Statutes 2010, section 424A.06, subdivision 2, is amended to read:

Subd. 2. **General fund assets and revenues.** ~~To~~ (a) The general fund, if established, must be credited with the following:

(1) all ~~moneys~~ money received from dues~~,~~ other than dues payable as contributions under the bylaws of the relief association to the special fund;

(2) all money received from fines~~,~~;

(3) all money received from initiation fees~~,~~;

(4) all money received as entertainment revenues; and

(5) any ~~moneys~~ money or property donated, given, granted or devised by any person, either for the support of the general fund of the relief association or for unspecified ~~uses~~ purposes.

(b) The treasurer of the relief association is the custodian of the assets of the general fund and must be the recipient on behalf of the general fund of all revenues payable to the general fund. The treasurer shall maintain adequate records documenting any transaction involving the assets or the revenues of the general fund. These records must be open for inspection by any member of the relief association at reasonable times and places.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

## ARTICLE 13

## SMALL GROUP OR ONE PERSON RETIREMENT PROVISIONS

Section 1. Minnesota Statutes 2011 Supplement, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees; mandatory membership.** (a) Public employees whose salary exceeds $425 in any month and who are not specifically excluded under subdivision 2b or who have not been provided an option to participate under subdivision 2d, whether individually or by action of the governmental subdivision, must participate as members of the association with retirement coverage by the general employees retirement plan under this chapter, the public employees police and fire retirement plan under this chapter, or the local government correctional employees retirement plan under chapter 353E, whichever applies. Membership commences as a condition of their employment on the first day of their employment or on the first day that the eligibility criteria are met, whichever is later. Public employees include but are not limited to:

(1) persons whose salary meets the threshold in this paragraph from employment in one or more positions within one governmental subdivision;

(2) elected county sheriffs;

(3) persons who are appointed, employed, or contracted to perform governmental functions that by law or local ordinance are required of a public officer, including, but not limited to:

(i) town and city clerk or treasurer;

(ii) county auditor, treasurer, or recorder;

(iii) city manager as defined in section 353.028 who does not exercise the option provided under subdivision 2d; or

(iv) emergency management director, as provided under section 12.25;

(4) physicians under section 353D.01, subdivision 2, who do not elect public employees defined contribution plan coverage under section 353D.02, subdivision 2;

(5) full-time employees of the Dakota County Agricultural Society;

(6) employees of the Minneapolis Firefighters Relief Association or Minneapolis Police Relief Association who are not excluded employees under subdivision 2b due to coverage by the relief association pension plan and who elected general employee retirement plan coverage before August 20, 2009;~~ and~~

(7) employees of the Red Wing Port Authority who were first employed by the Red Wing Port Authority before May 1, 2011, and who are not excluded employees under subdivision 2b~~.~~; and

(8) employees of the Seaway Port Authority of Duluth who are not excluded employees under subdivision 2b.

(b) A public employee or elected official who was a member of the association on June 30, 2002, based on employment that qualified for membership coverage by the public employees retirement plan or the public employees police and fire plan under this chapter, or the local government correctional employees retirement plan under chapter 353E as of June 30, 2002, retains that membership for the duration of the person's employment in that position or incumbency in elected office. Except as provided in subdivision 28, the person shall participate as a member until the employee or elected official terminates public employment under subdivision 11a or terminates membership under subdivision 11b.

(c) If the salary of an included public employee is less than $425 in any subsequent month, the member retains membership eligibility.

(d) For the purpose of participation in the MERF division of the general employees retirement plan, public employees include employees who were members of the former Minneapolis Employees Retirement Fund on June 29, 2010, and who participate as members of the MERF division of the association.

**EFFECTIVE DATE.** (a) This section is effective the day after the board of commissioners of the Seaway Port Authority of Duluth and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(b) Authority of the Seaway Port Authority of Duluth to approve this section expires on June 30, 2012.

Sec. 2. Minnesota Statutes 2011 Supplement, section 353.01, subdivision 6, is amended to read:

Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means a county, city, town, school district within this state, or a department, unit or instrumentality of state or local government, or any public body established under state or local authority that has a governmental purpose, is under public control, is responsible for the employment and payment of the salaries of employees of the entity, and receives a major portion of its revenues from taxation, fees, assessments or from other public sources.

(b) Governmental subdivision also means the Public Employees Retirement Association, the League of Minnesota Cities, the Association of Metropolitan Municipalities, charter schools formed under section 124D.10, service cooperatives exercising retirement plan participation under section 123A.21, subdivision 5, joint powers boards organized under section 471.59, subdivision 11, paragraph (a), family service collaboratives and children's mental health collaboratives organized under section 471.59, subdivision 11, paragraph (b) or (c), provided that the entities creating the collaboratives are governmental units that otherwise qualify for retirement plan membership, public hospitals owned or operated by, or an integral part of, a governmental subdivision or governmental subdivisions, the Association of Minnesota Counties, the Minnesota Inter-county Association, the Minnesota Municipal Utilities Association, the Metropolitan Airports Commission, the University of Minnesota with respect to police officers covered by the public employees police and fire retirement plan, the Minneapolis Employees Retirement Fund for employment initially commenced after June 30, 1979, the Range Association of Municipalities and Schools, soil and water conservation districts, economic development authorities created or operating under sections 469.090 to 469.108, the Port Authority of the city of St. Paul, the Seaway Port Authority of Duluth, the Red Wing Port Authority, the Spring Lake Park Fire Department, incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning Center, the Dakota County Agricultural Society, Hennepin Healthcare System, Inc., and the Minneapolis Firefighters Relief Association and Minneapolis Police Relief Association with respect to staff covered by the Public Employees Retirement Association general plan.

(c) Governmental subdivision does not mean any municipal housing and redevelopment authority organized under the provisions of sections 469.001 to 469.047; or any port authority organized under sections 469.048 to 469.089 other than the Port Authority of the city of St. Paul or the Seaway Port Authority of Duluth and other than the Red Wing Port Authority; or any hospital district organized or reorganized prior to July 1, 1975, under sections 447.31 to 447.37 or the successor of the district; or the board of a family service collaborative or children's mental health collaborative organized under sections 124D.23, 245.491 to 245.495, or 471.59, if that board is not controlled by representatives of governmental units.

(d) A nonprofit corporation governed by chapter 317A or organized under Internal Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a governmental subdivision unless the entity has obtained a written advisory opinion from the United States Department of Labor or a ruling from the Internal Revenue Service declaring the entity to be an instrumentality of the state so as to provide that any future contributions by the entity on behalf of its employees are contributions to a governmental plan within the meaning of Internal Revenue Code, section 414(d).

(e) A public body created by state or local authority may request membership on behalf of its employees by providing sufficient evidence that it meets the requirements in paragraph (a).

(f) An entity determined to be a governmental subdivision is subject to the reporting requirements of this chapter upon receipt of a written notice of eligibility from the association.

**EFFECTIVE DATE.** (a) This section is effective the day after the board of commissioners of the Seaway Port Authority of Duluth and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(b) Authority of the Seaway Port Authority of Duluth to approve this section expires on June 30, 2012.

Sec. 3. **PERA-GENERAL; PRIOR SEAWAY PORT AUTHORITY OF DULUTH SERVICE CREDIT TRANSFER.**

Subdivision 1. **PERA-general coverage.** Employees of the Seaway Port Authority of Duluth on July 1, 2012, are public employees within the meaning of Minnesota Statutes, section 353.01, subdivisions 2 and 2a, and are members of the general employees retirement plan of the Public Employees Retirement Association as of that date.

Subd. 2. **Service and salary credit for prior Seaway Port Authority of Duluth employment.** (a) Any employee of the Seaway Port Authority of Duluth on the effective date of this section is eligible, on or after July 1, 2012, to transfer to the general employees retirement plan of the Public Employees Retirement Association prior service credit rendered in the employ of the Seaway Port Authority of Duluth as allowable service credit, but not to exceed the maximum set forth in paragraph (c), and prior salary received from employment by the Seaway Port Authority of Duluth as salary credit as provided in paragraph (b).

(b) The amount of allowable service and salary credit to be transferred to the general employees retirement plan for prior Seaway Port Authority of Duluth employment is that portion of the total prior Seaway Port Authority of Duluth employment that bears the same relationship that the assets transferred to the general employees retirement fund with respect to each applicable person bear to the full actuarial value of the benefit attributable to the prior service and salary under Minnesota Statutes, chapters 353 and 356. The full actuarial value of the benefit attributable to the prior service under Minnesota Statutes, chapters 353 and 356, is as provided in Minnesota Statutes, section 356.551. The assets transferred with respect to each applicable person is the person's account balance in the Seaway Port Authority of Duluth section 401(a) federal Internal Revenue Code retirement plan, the person's account balance in a section 457 federal Internal Revenue Code deferred compensation plan, the person's share of any purchase payment amounts that the Seaway Port Authority of Duluth irrevocably commits to contribute to the general employees retirement fund, and any purchase payment amount contributed by the applicable person to the general employees retirement fund. Any amounts from the section 401(a) federal Internal Revenue Code retirement plan, the section 457 federal Internal Revenue Code deferred compensation plan, or from a purchase payment amount provided by the Seaway Port Authority of Duluth must be made on an institution-to-institution basis.

(c) If the assets transferred with respect to an applicable person under paragraph (b) are less than the full actuarial value of the benefit attributable to the prior service under Minnesota Statutes, section 356.551, as of the date of the asset transfer, the untransferred balance of the prior service and salary may be purchased on June 30, 2014, by the applicable person or a combination of the applicable person and the Seaway Port Authority of Duluth by the payment of the balance of the full actuarial value payment amount under Minnesota Statutes, section 356.551, plus compound interest at the rate of 0.71 percent per month between the transfer date under paragraph (b) until June 30, 2014. No applicable person may purchase more allowable service and salary credit from the general employees retirement plan of the Public Employees Retirement Association than the person's period of employment by the Seaway Port Authority of Duluth rendered before the effective date of this section if the employment would have been eligible service and salary for general employees retirement plan coverage if the service had been rendered or salary received after the effective date of this section.

(d) An applicable person must provide any documentation related to eligibility under the general employees retirement plan that is required by the executive director. Allowable service and salary credit for any period must be transferred and recognized by the general employees retirement plan for an applicable person upon receipt of the associated transferred assets.

(e) Transferred service and salary credit related to the Seaway Port Authority of Duluth before July 1, 1989, does not make a person eligible for a retirement annuity under Minnesota Statutes, section 353.30, subdivision 1a.

(f) Authority to have service and salary credit transferred under this section expires on July 1, 2013, or on the date that the applicable person terminates employment by the Seaway Port Authority of Duluth, whichever is earlier.

Subd. 3. **Status of service transfer amounts.** Notwithstanding any provision of Minnesota Statutes, section 353.32, 353.34, or 353.35, to the contrary, amounts transferred to the general employees retirement fund of the Public Employees Retirement Association under subdivision 2 must be considered to be an accumulated member contribution deduction.

**EFFECTIVE DATE.** (a) This section is effective the day after the board of commissioners of the Seaway Port Authority of Duluth and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(b) Authority of the Seaway Port Authority of Duluth to approve this section expires on June 30, 2012.

Sec. 4. **TEACHERS RETIREMENT ASSOCIATION; COVERAGE ELECTION FOR CERTAIN MNSCU FACULTY MEMBER.**

(a) Notwithstanding any provision to the contrary in Minnesota Statutes, chapter 354B, an eligible person described in paragraph (b) may elect prospective and retroactive retirement coverage under paragraph (c).

(b) An eligible person is a person who:

(1) was born on February 2, 1978;

(2) was initially employed by the Minnesota State Colleges and Universities system on a part-time basis at Metropolitan State University on August 27, 2005;

(3) was also additionally employed within the Minnesota State Colleges and Universities system at Inver Hills Community College and St. Paul College; and

(4) was covered by the higher education individual retirement account plan because of a failure of Metropolitan State University to advise the eligible person about the optional election and default retirement coverage provisions of Minnesota Statutes, section 354B.21, subdivisions 2 and 3.

(c) An eligible person may elect retirement coverage by the Teachers Retirement Association rather than the higher education individual retirement account plan for faculty employment rendered after the date of the retirement coverage election under this section and for past Minnesota State Colleges and Universities system faculty employment from August 27, 2005, until the date of the retirement coverage election. The election must be made in writing, must be filed with the executive director of the Teachers Retirement Association, and must be accompanied with any relevant documentation required by the executive director of the Teachers Retirement Association.

(d) If an eligible person makes the retirement coverage election under paragraph (c), the eligible person's member contributions to the higher education individual retirement account plan must be transferred to the Teachers Retirement Association, with any earned investment returns on those contributions. If the transferred member contributions and investment earnings are less than the calculated amount of the member contribution that the eligible person would have made to the Teachers Retirement Association on the eligible person's compensation from the Minnesota State Colleges and Universities system for the period from August 27, 2005, to the date of the retirement coverage election, if the person had been covered by the Teachers Retirement Association during the period, plus annual compound interest at the rate of 8.5 percent, the eligible person shall pay the balance of that calculated member contribution obligation within 30 days of the retirement coverage election. Any payment may be made through an institution-to-institution transfer from the eligible person's account in the Minnesota state deferred compensation program or the eligible person's tax-sheltered savings account under section 403(b) of the federal Internal Revenue Code.

(e) Upon the transfer of the equivalent member contribution amount and any additional payments under paragraph (d), the balance of the eligible person's higher education individual retirement account plan account must be transferred to the Teachers Retirement Association. If the amounts under paragraph (d) and the higher education individual retirement account plan account balance under this paragraph are less than the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.551, the Minnesota State Colleges and Universities system shall pay that difference within 60 days of the retirement coverage election date.

(f) Upon the transfers and payments under paragraphs (d) and (e), the eligible person must be credited by the Teachers Retirement Association with allowable and formula service for Minnesota State Colleges and Universities system employment since August 27, 2005.

(g) The authority to make a retirement coverage election under this section expires on January 1, 2013.

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

Sec. 5. **SERVICE CREDIT PURCHASE AUTHORIZATION FOR UNCREDITED PRIOR PUBLIC EMPLOYMENT.**

(a) An eligible person described in paragraph (b) is entitled to purchase allowable service in the general employees retirement plan of the Public Employees Retirement Association under Minnesota Statutes, section 353.01, subdivision 16, for the period described in paragraph (c) upon the payment of the purchase requirement specified in paragraph (e).

(b) An eligible person is a person who:

(1) was born on September 10, 1949;

(2) was first employed by Crookston Township on July 1, 1990;

(3) was enrolled in the general employees retirement plan of the Public Employees Retirement Association on September 15, 2010; and

(4) had omitted deductions paid for allowable service for Crookston Township back to January 1, 2007.

(c) The period of prior service credit available for purchase is the period of Crookston Township employment from July 1, 1990, to December 31, 2006, if the service was not that of an independent contractor and the compensation for the service met or exceeded the applicable minimum monthly salary threshold amount for plan coverage.

(d) The eligible person must apply with the executive director of the Public Employees Retirement Association to make the service credit purchase under this section. The application must be in writing and must include all necessary relevant documentation that the executive director may require.

(e) Allowable service credit under Minnesota Statutes, section 353.01, subdivision 16, must be granted by the general employees retirement plan of the Public Employees Retirement Association to the eligible person in proportion to the portion of the prior service credit purchase payment amount bears to the total prior service credit purchase payment amount required under Minnesota Statutes, section 356.551. Of the total prior service credit purchase payment amount under Minnesota Statutes, section 356.551, the eligible person must pay a total amount equal to the employee contribution rates in effect during the uncredited employment period applied to the actual salary rates of the eligible person during the period. If the eligible person begins to make the payment, Crookston Township shall pay the remainder of the total prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.551. The executive director of the Public Employees Retirement Association shall notify the treasurer of Crookston Township that the member has begun paying the member contribution amount within 60 days of the receipt of that payment. If Crookston Township fails to pay its portion of the prior service credit purchase payment amount under this section, the executive director of the Public Employees Retirement Association shall collect the unpaid amount under Minnesota Statutes, section 353.28, subdivision 6, paragraph (a). The eligible person and Crookston Township may make monthly or quarterly installment payments of their purchase payment portions, with interest on the remaining balance of the portion at an 8.5 percent annual compounded rate.

(f) Authority for an eligible person and Crookston Township to make prior service credit purchase installment payments under this section expires on June 30, 2017, or upon the eligible person's termination of employment by Crookston Township, whereupon any unpaid installments are due in a lump sum.

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

Sec. 6. **PERA-P&F; LATE RETROACTIVE DUTY DISABILITY BENEFIT APPLICATION AUTHORIZED.**

(a) Notwithstanding any provision of Minnesota Statutes, section 353.031 or 353.656 to the contrary, an eligible person described in paragraph (b) is authorized to file, on behalf of the deceased eligible person's spouse, an application for a disability benefit from the public employees police and fire retirement plan retroactive to the date of the duty disability injury.

(b) An eligible person is the surviving spouse of a person who:

(1) was born on February 9, 1983;

(2) was initially employed as a deputy sheriff by Mahnomen County on May 9, 2005;

(3) suffered two gunshot wounds while investigating a report of gunfire in Mahnomen on February 18, 2009, including one gunshot wound to the head; and

(4) after periods at a rehabilitation hospital and at a hospice facility, died as a result of the wounds and accompanying complications on August 9, 2010.

(c) If the eligible person files the disability benefit application under paragraph (a) and if the late Mahnomen County deputy sheriff described in paragraph (b) is determined by the Public Employees Retirement Association as being disabled while in the line of duty, the eligible person is entitled to receive payment of the duty disability benefits that would have been paid before August 10, 2010, to the late Mahnomen County deputy described in paragraph (b) under Minnesota Statutes, section 353.656, subdivision 1a, if a disability benefit application had been filed in a timely manner on or after February 18, 2009.

(d) The authority to file a disability benefit application under paragraph (a) expires on July 1, 2013.

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

APPENDIX
Article locations in H2199-1

**128D.18 AID REDEDICATION.**

Notwithstanding any law to the contrary and subject to section 354A.12, subdivision 3c, special direct state aid previously paid to the Minneapolis Teachers Retirement Fund Association under sections 354A.12, subdivisions 3a and 3b, and 423A.02, must be paid to the Teachers Retirement Association.

**352.91 COVERED CORRECTIONAL SERVICE.**

Subd. 3e. **Minnesota extended treatment options program.** (a) "Covered correctional service" means service by a state employee in one of the employment positions with the Minnesota extended treatment options program specified in paragraph (b) if at least 75 percent of the employee's working time is spent in direct contact with patients who are in the Minnesota extended treatment options program and if service in such a position is certified to the executive director by the commissioner of human services.

(b) The employment positions are:

(1) behavior analyst 1;

(2) behavior analyst 2;

(3) behavior analyst 3;

(4) group supervisor;

(5) group supervisor assistant;

(6) human services support specialist;

(7) residential program lead;

(8) psychologist 2;

(9) recreation program assistant;

(10) recreation therapist senior;

(11) registered nurse senior;

(12) skills development specialist;

(13) social worker senior;

(14) social worker specialist; and

(15) speech pathology specialist.

**354A.12 CONTRIBUTIONS BY EMPLOYEE AND EMPLOYER.**

Subd. 3b. **Special direct state matching aid to Teachers Retirement Association.** (a) Special School District No. 1 must make an additional employer contribution to the Teachers Retirement Fund Association. The city of Minneapolis must make a contribution to the Teachers Retirement Association. This contribution must be made by a levy of the board of estimate and taxation of the city of Minneapolis and the levy, if made, is classified as that of a special taxing district for purposes of sections 275.065 and 276.04, and for all other property tax purposes.

(b) $1,250,000 must be contributed by Special School District No. 1 and $1,250,000 must be contributed by the city of Minneapolis to the Teachers Retirement Association under paragraph (a), and the state shall pay to the Teachers Retirement Association $2,500,000 each fiscal year. The superintendent of Special School District No. 1, the mayor of the city of Minneapolis, and the executive director of the Teachers Retirement Association shall jointly certify to the commissioner of management and budget the total amount that has been contributed by Special School District No. 1 and by the city of Minneapolis to the Teachers Retirement Association. Any certification to the commissioner of education must be made quarterly. If the total certifications for a fiscal year exceed the maximum annual direct state matching aid amount in any quarter, the amount of direct state matching aid payable to the Teachers Retirement Association must be limited to the balance of the maximum annual direct state matching aid amount available. The amount required under this paragraph, subject to the maximum direct state matching aid amount, is appropriated annually to the commissioner of management and budget.

(c) The commissioner of management and budget may prescribe the form of the certifications required under paragraph (b).

**356.219 DISCLOSURE OF PUBLIC PENSION PLAN INVESTMENT PORTFOLIO AND PERFORMANCE INFORMATION.**

Subd. 4. **Alternative reporting; certain plans.** In lieu of requirements in subdivision 3, the applicable administration for the individual retirement account plans under chapters 354B and 354D and for the University of Minnesota faculty retirement plan shall submit computed time-weighted rates of return to the Office of the State Auditor. These time-weighted rates of return must cover the most recent complete calendar year, and must be computed separately for each investment option available to plan members. To the extent feasible, the returns must be computed net of all investment costs, fees, and charges, so that the computed return reflects the net time-weighted return available to the investor. If this is not practical, the existence of any remaining investment cost, fee, or charge which could further lower the net return must be disclosed. The procedures used to compute the returns must be consistent with Bank Administration Institute studies of investment performance measurement and Association for Investment Management and Research presentation standards, or, if applicable, Securities Exchange Commission requirements. The individual who computes the returns must certify that the supplied returns comply with this subdivision. The applicable plan administrator must also submit, with the return information, the total amounts invested by the plan members, in aggregate, in each investment option as of the last day of the calendar year.

**423A.06 MINIMUM DISABILITY BENEFIT COVERAGE FOR CERTAIN POLICE OFFICERS AND FIREFIGHTERS.**

Subdivision 1. **Disability benefit coverage.** Notwithstanding any provision of law, municipal charter, municipal ordinance, municipal resolution, relief association articles of incorporation or relief association bylaws to the contrary, any person who is a member of a covered local police or salaried firefighters' relief association enumerated in subdivision 3 where the governing body of the appropriate municipality has approved the modification in the benefit plan of the relief association and who becomes disabled in the line of duty, or not in the line of duty, if the benefit is subject to the provisions of this section as specified in subdivision 3, as that disability is defined in and as that disability is determined pursuant to the statute, special law, articles of incorporation or bylaws governing the relief association, shall be entitled to a disability benefit calculated pursuant to subdivision 2.

Subd. 2. **Disability benefit amount.** The amount of the monthly disability benefit shall be equal to 40 percent of the salary payable by the municipality on the date of disability to a top grade patrol officer or a top grade firefighter, whichever is applicable. If the service pension payable to retiring members by the relief association is subject to annual automatic postretirement adjustments or is in any fashion escalated, the disability benefit shall also be adjusted or escalated in the same manner, at the same times, and in the same amounts as service pensions are adjusted or escalated.

Subd. 3. **Covered relief associations and covered type of disability benefit.** The provisions of this section shall apply to the active members of a local police or salaried firefighters' relief association contained in the following enumeration of covered relief associations if the governing body of the applicable municipality approves the modification in the benefit plan of the relief association specified in this section following consideration of an actuarial valuation which is, or an actuarial estimate based on the most recent actuarial valuation which was, prepared in accordance with sections 356.215 and 356.216, based on the benefit plan of the appropriate local relief association including the modification provided for in this subdivision and files a resolution indicating approval of the modification in the benefit plan with the secretary of state, the commissioner of commerce, and the executive director of the legislative commission on pensions and retirement on or before the first day of the tenth full month following March 24, 1982, and shall apply to the type or types of disability benefit coverage indicated:

(1) Chisholm Firefighters' Relief Association, disability not in the line of duty benefit;

(2) Crookston Firefighters' Relief Association, disability not in the line of duty benefit;

(3) Fairmont Police Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit;

(4) Hibbing Firefighters' Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit;

(5) Hibbing Police Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit;

(6) Virginia Police Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit; and

(7) West St. Paul Police Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit.