

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 628

02/14/2013 Authored by Murphy, M., and Nelson

The bill was read for the first time and referred to the Committee on Government Operations

A bill for an act

relating to retirement; Minnesota State Retirement System plans; clarifying language; removing obsolete language; revising outdated requirements; revising contribution rate revision procedures; revising disability standards and disability benefit administration procedures; merging the elected state officers retirement plan into the legislators retirement plan; revising pension commission standards provision; revising pension plan financial report contents provision; amending Minnesota Statutes 2012, sections 3.85, subdivision 10; 3A.011; 3A.03, subdivision 3; 3A.07; 3A.115; 3A.13; 3A.15; 352.01, subdivision 17b; 352.03, subdivision 8; 352.045, by adding subdivisions; 352.113, subdivisions 4, 6, 8, by adding subdivisions; 352.22, subdivision 3; 352.955, subdivisions 1, 3; 352B.011, subdivision 13; 352B.10, by adding a subdivision; 352D.04, subdivision 2; 356.20, subdivision 4; 356.214, subdivision 1; 356.215, subdivision 8; 356.30, subdivision 3; 356.401, subdivision 3; 356.415, subdivisions 1a, 2; proposing coding for new law in Minnesota Statutes, chapter 3A; repealing Minnesota Statutes 2012, sections 3A.02, subdivision 3; 352.045, subdivisions 3, 4; 352.955, subdivision 2; 352C.001; 352C.091, subdivision 1; 352C.10.

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

ARTICLE 1

**CLARIFYING LANGUAGE; REMOVING OBSOLETE LANGUAGE;
REVISING OUTDATED REQUIREMENTS**

Section 1. Minnesota Statutes 2012, section 352.22, subdivision 3, is amended to read:

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

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

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

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

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

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

Sec. 2. Minnesota Statutes 2012, section 352.955, subdivision 1, is amended to read:

Subdivision 1. **Election to transfer prior MSRS-general service credit.** (a) An eligible employee described in paragraph (b) may elect to transfer service credit in the general state employees retirement plan of the Minnesota State Retirement System to the correctional state employees retirement plan for eligible prior correctional employment.

(b) An eligible employee is a person who is covered by ~~Laws 2007, chapter 134, article 3, section 6, or who became eligible for retirement coverage by the correctional state employees retirement plan of the Minnesota State Retirement System under Laws 2006, chapter 271, article 2, Laws 2007, chapter 134, article 3, or legislation implementing~~ the recommendations under section 352.91, subdivision 4a.

(c) Eligible prior correctional employment is employment covered correctional service defined in Laws 2007, chapter 134, article 3, section 6, or is employment by the Department of Corrections or by the Department of Human Services that preceded the effective date of the retirement coverage transfer under Laws 2006, chapter 271, article 2, Laws 2007, chapter 134, article 3, or legislation implementing the recommendations under section 352.91, subdivision 4a by the general state employees retirement plan of the Minnesota State Retirement System, is continuous service, and is certified by the commissioner of corrections and the commissioner of human services, whichever applies, and by the commissioner of management and budget to the executive director of the

Minnesota State Retirement System as service that would qualify for correctional state employees retirement plan coverage under section 352.91, if the service ~~was~~ had been rendered after the date of coverage transfer.

(d) The election to transfer past service credit under this section must be made in writing by the applicable person on a form prescribed by the executive director of the Minnesota State Retirement System and must be filed with the executive director of the Minnesota State Retirement System on or before ~~(1) January 1, 2008, or~~ the one year anniversary of the coverage transfer, ~~whichever is later,~~ or (2) the date of the eligible employee's termination of state employment, whichever is earlier.

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

Sec. 3. Minnesota Statutes 2012, section 352.955, subdivision 3, is amended to read:

Subd. 3. **Payment of additional equivalent contributions; ~~post-June 30, 2007, coverage transfers.~~** (a) An eligible employee who is transferred to plan coverage ~~after June 30, 2007,~~ and who elects to transfer past service credit under this section must pay an additional member contribution for that prior service period. The additional member contribution is the amount computed under paragraph (b), plus the greater of the amount computed under paragraph (c), or 40 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(b) The executive director shall compute, for the most recent 12 months of service credit eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a monthly rate of 0.71 percent.

(c) The executive director shall compute, for any service credit being transferred on behalf of the eligible employee and not included under paragraph (b), the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a monthly rate of 0.71 percent.

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

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

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

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

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

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

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

Sec. 4. Minnesota Statutes 2012, section 352B.011, subdivision 13, is amended to read:

Subd. 13. **Surviving spouse.** "Surviving spouse" means a member's or former member's legally married spouse ~~who resided with the member or former member~~ at the time of death and was married to the member or former member, for a period of at least one year, during or before the time of membership.

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

5.1 **Sec. 5. REPEALER.**

6.1 (1) less than two percent, the incremental increase may be up to 0.25 percent each
6.2 for the employee and employer contribution rates;

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

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

6.7 (d) Any recommended adjustment to the contribution rates must be reported to
6.8 the chair and the executive director of the Legislative Commission on Pensions and
6.9 Retirement by January 15 following receipt of the most recent annual actuarial valuation
6.10 prepared under section 356.215. The report must include draft legislation to revise the
6.11 employee and employer contributions stated in plan law. If the Legislative Commission
6.12 on Pensions and Retirement does not recommend against the rate change or does not
6.13 recommend a modification in the rate change, the recommended adjustment becomes
6.14 effective on the first day of the first full payroll period in the fiscal year following receipt
6.15 of the most recent actuarial valuation that gave rise to the adjustment.

6.16 (e) A contribution sufficiency of up to one percent of covered payroll must be held
6.17 in reserve to be used to offset any future actuarially required contributions that are more
6.18 than the total combined employee and employer contributions.

6.19 (f) Before any reduction in contributions to eliminate a sufficiency in excess of one
6.20 percent of covered pay may be recommended, the executive director must review any
6.21 need for a change in actuarial assumptions, as recommended by the actuary retained under
6.22 section 356.214 in the most recent experience study of the general employees retirement
6.23 plan prepared under section 356.215 and the standards for actuarial work promulgated by
6.24 the Legislative Commission on Pensions and Retirement that may result in an increase
6.25 in the actuarially required contribution and must report to the Legislative Commission
6.26 on Pensions and Retirement any recommendation by the board to use the sufficiency
6.27 exceeding one percent of covered payroll to offset the impact of an actuarial assumption
6.28 change recommended by the actuary retained under section 356.214, subdivision 1, and
6.29 reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

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

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

7.2 Sec. 2. Minnesota Statutes 2012, section 352.045, is amended by adding a subdivision
7.3 to read:

7.4 Subd. 3b. **Contribution rate revision; correctional state employees retirement**
7.5 **plan and State Patrol retirement plan.** (a) Subdivision 3a applies to the correctional
7.6 state employees retirement plan under this chapter and to the State Patrol retirement plan
7.7 established under chapter 352B, except as stated in this subdivision.

7.8 (b) Any limitations on the amount of contribution rate changes stated in subdivision
7.9 3a apply only to the amount of the employee contribution revision. The employer
7.10 contribution for the correctional state employees retirement plan or the State Patrol
7.11 retirement plan, whichever is applicable, must be adjusted so that the employer
7.12 contribution is equal to 60 percent of the sum of employee plus employer contributions.

7.13 (c) For the State Patrol retirement plan, a contribution sufficiency of up to two
7.14 percent of covered payroll, rather than one percent, may be held in reserves without taking
7.15 action to reduce employee and employer contributions.

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

7.17 Sec. 3. Minnesota Statutes 2012, section 352D.04, subdivision 2, is amended to read:

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

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

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

7.23 (d) For members of the legislature, the contributions under this subdivision also must
7.24 be made on per diem payments received during a regular or special legislative session, but
7.25 may not be made on per diem payments received outside of a regular or special legislative
7.26 session, on the additional compensation attributable to a leadership position under section
7.27 3.099, subdivision 3, living expense payments under section 3.101, or special session
7.28 living expense payments under section 3.103.

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

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

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

Sec. 4. **REPEALER.**

Minnesota Statutes 2012, section 352.045, subdivisions 3 and 4, are repealed.

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

ARTICLE 3

**REVISING COMMISSION STANDARDS AND FINANCIAL REPORT
CONTENTS PROVISIONS**

Section 1. Minnesota Statutes 2012, section 3.85, subdivision 10, is amended to read:

Subd. 10. **Standards for pension valuations and cost estimates.** The commission shall adopt standards prescribing specific detailed methods to calculate, evaluate, and display current and proposed law liabilities, costs, and actuarial equivalents of all public employee pension plans in Minnesota. These standards shall be consistent with chapter 356 and be updated annually. At a minimum, the standards must not shall contain a valuation requirement requirements that is inconsistent comply with generally accepted accounting principles applicable to government pension plans. The standards may include additional financial, funding, or valuation requirements that are not required under generally accepted accounting principles applicable to government pension plans.

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

Sec. 2. Minnesota Statutes 2012, section 356.20, subdivision 4, is amended to read:

Subd. 4. **Contents of financial report.** (a) The financial report required by this section must contain financial statements and disclosures that indicate the financial operations and position of the retirement plan and fund. The report must conform with generally accepted governmental accounting principles, applied on a consistent basis. The report must be audited.

(b) The report must include, ~~as part of its exhibits or its footnotes, an actuarial disclosure item based on a statement that~~ the actuarial valuation calculations prepared by the actuary retained under section 356.214 or by the actuary retained by the retirement fund or plan, whichever applies, ~~according to~~ comply with applicable actuarial requirements enumerated in section 356.215, and specified in the most recent standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement. The actuarial value of assets, the actuarial accrued liabilities, ~~including accrued reserves,~~ and the unfunded actuarial accrued liability of the fund or plan must be disclosed. The

9.1 ~~disclosure item report~~ must contain a ~~declaration~~ certification by the actuary retained
9.2 under section 356.214 or the actuary retained by the fund or plan, whichever applies,
9.3 specifying that ~~the required reserves for any retirement, disability, or survivor~~ normal
9.4 cost and the actuarial accrued liabilities for all benefits provided under a benefit formula
9.5 are computed in accordance with the entry age actuarial cost method and in accordance
9.6 with the most recent applicable standards for actuarial work adopted by the Legislative
9.7 Commission on Pensions and Retirement.

9.8 (c) The report must contain an itemized exhibit describing the administrative
9.9 expenses of the plan, including, but not limited to, the following items, classified on a
9.10 consistent basis from year to year, and with any further meaningful detail:

- 9.11 (1) personnel expenses;
- 9.12 (2) communication-related expenses;
- 9.13 (3) office building and maintenance expenses;
- 9.14 (4) professional services fees; and
- 9.15 (5) other expenses.

9.16 (d) The report must contain an itemized exhibit describing the investment expenses
9.17 of the plan, including, but not limited to, the following items, classified on a consistent
9.18 basis from year to year, and with any further meaningful detail:

- 9.19 (1) internal investment-related expenses; and
- 9.20 (2) external investment-related expenses.

9.21 (e) Any additional statements or exhibits or more detailed or subdivided itemization
9.22 of a disclosure item that will enable the management of the plan to portray a true
9.23 interpretation of the plan's financial condition must be included in the additional
9.24 statements or exhibits.

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

9.26 **ARTICLE 4**

9.27 **DISABILITY BENEFIT ADMINISTRATION REVISIONS**

9.28 Section 1. Minnesota Statutes 2012, section 352.01, subdivision 17b, is amended to read:

9.29 Subd. 17b. **Duty disability, physical or psychological.** "Duty disability, physical
9.30 or psychological," for a correctional employee, means an occupational disability that is
9.31 the direct result of an injury incurred during, or a disease arising out of, the performance
9.32 of normal duties or the performance of less frequent duties either of which are present
9.33 inherent dangers specific to the correctional employee.

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

Sec. 2. Minnesota Statutes 2012, section 352.03, subdivision 8, is amended to read:

Subd. 8. **Medical adviser.** ~~The state commissioner of health or other executive director may contract with an accredited independent organization specializing in disability determinations, licensed physician physicians, or physicians on the staff of the commissioner of health as designated by the commissioner may designate shall, to be the medical adviser of to the director system.~~

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

Sec. 3. Minnesota Statutes 2012, section 352.113, subdivision 4, is amended to read:

Subd. 4. **Medical or psychological examinations; authorization for payment of benefit.** (a) Any physician, psychologist, chiropractor, or physician assistant providing any service specified in this section must be licensed.

(b) An applicant shall provide medical, chiropractic, or psychological a detailed report signed by a physician, and at least one additional report signed by a physician, chiropractor, psychologist, or physician assistant with evidence to support an application for total and permanent disability.

(b) ~~The director shall have the employee examined by at least one additional licensed chiropractor, physician, or psychologist designated by the medical adviser. The chiropractors, physicians, or psychologists shall make written reports to the director concerning the employee's disability including must include an expert opinions as to opinion regarding whether the employee is permanently and totally disabled within the meaning of section 352.01, subdivision 17, and that the disability arose before the employee was placed on any paid or unpaid leave of absence or terminated public service.~~

(c) If there is medical evidence that supports the expectation that at some point the person applying for the disability benefit will no longer be disabled, the decision granting the disability benefit may provide for a termination date upon which the total and permanent disability can be expected to no longer exist. When a termination date is part of the decision granting benefits, prior to the benefit termination the executive director shall review any evidence provided by the disabled employee to show that the disabling condition for which benefits were initially granted continues. If the benefits cease, the disabled employee may follow the appeal procedures described in section 356.96 or may reapply for disability benefits using the process described in this subdivision.

(d) Any claim to disability must be supported by a report from the employer indicating that there is no available work that the employee can perform with the disabling condition and that all reasonable accommodations have been considered. Upon request of the executive director, an employer shall provide evidence of the steps the employer has

11.1 taken to attempt to provide reasonable accommodations and continued employment to
 11.2 the claimant.

11.3 ~~(e)~~ (e) The director shall also obtain written certification from the employer
 11.4 stating whether the employment has ceased or whether the employee is on sick leave of
 11.5 absence because of a disability that will prevent further service to the employer and as a
 11.6 consequence that the employee is not entitled to compensation from the employer.

11.7 ~~(d)~~ (f) The medical adviser shall consider the reports of the physicians, physician
 11.8 assistants, psychologists, and chiropractors and any other evidence supplied by the
 11.9 employee or other interested parties. If the medical adviser finds the employee totally and
 11.10 permanently disabled, the adviser shall make appropriate recommendation to the director
 11.11 in writing together with the date from which the employee has been totally disabled. The
 11.12 director shall then determine if the disability occurred within 18 months of filing the
 11.13 application, while still in the employment of the state, and the propriety of authorizing
 11.14 payment of a disability benefit as provided in this section.

11.15 ~~(e)~~ (g) A terminated employee may apply for a disability benefit within 18 months of
 11.16 termination as long as the disability occurred while in the employment of the state. The
 11.17 fact that an employee is placed on leave of absence without compensation because of
 11.18 disability does not bar that employee from receiving a disability benefit.

11.19 ~~(f)~~ (h) Unless the payment of a disability benefit has terminated because the
 11.20 employee is no longer totally disabled, or because the employee has reached normal
 11.21 retirement age as provided in this section, the disability benefit must cease with the last
 11.22 payment received by the disabled employee or which had accrued during the lifetime of the
 11.23 employee unless there is a spouse surviving. In that event, the surviving spouse is entitled
 11.24 to the disability benefit for the calendar month in which the disabled employee died.

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

11.26 Sec. 4. Minnesota Statutes 2012, section 352.113, is amended by adding a subdivision
 11.27 to read:

11.28 **Subd. 4b. Independent medical examination or vocational rehabilitation**
 11.29 **counseling.** Any individual applying for or receiving disability benefits shall submit
 11.30 to an independent medical examination or an assessment by a certified rehabilitation
 11.31 counselor if requested by the executive director or designee. The examination must be
 11.32 paid for by the system.

11.33 Sec. 5. Minnesota Statutes 2012, section 352.113, subdivision 6, is amended to read:

Subd. 6. **Regular medical or psychological examinations.** At least once each year during the first five years following the allowance of a disability benefit to any employee, and at least once in every three-year period thereafter, the director may require any disabled employee to ~~undergo a~~ provide medical, chiropractic, or psychological ~~examination~~ evidence to support the continuation of the total and permanent disability. ~~The examination must be made at the place of residence of the employee, or at any place mutually agreed upon,~~ evidence must be in a form and manner prescribed by the executive director for review by an expert or experts designated by the medical adviser and engaged by the director. ~~If any examination indicates~~ the medical information provided to the medical adviser indicates that the employee is no longer permanently and totally disabled, or is engaged in or can engage in a gainful occupation, payments of the disability benefit by the fund must be discontinued. The payments must be discontinued as soon as the employee is reinstated to the payroll following a sick leave of absence, but in no case may payment be made for more than 60 days after the medical adviser finds that the employee is no longer permanently and totally disabled.

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

Sec. 6. Minnesota Statutes 2012, section 352.113, subdivision 8, is amended to read:

Subd. 8. **Refusal of examination.** ~~If a disabled employee person applying for a disability benefit refuses to submit to an expert a medical or psychological examination, the disability application shall be rejected. If a disability benefit recipient refuses to submit to a medical or psychological examination as required, payments by the fund must be discontinued and the director shall revoke all rights of the employee in any disability benefit.~~

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

Sec. 7. Minnesota Statutes 2012, section 352.113, is amended by adding a subdivision to read:

Subd. 14. **Disabilitant earnings reports.** Disability benefit recipients must report all earnings from reemployment and income from workers' compensation to the system annually by May 15 in a format prescribed by the executive director. If the form is not submitted by June 15, benefits must be suspended effective July 1. If the form deemed acceptable by the executive director is received after the June 15 deadline, benefits shall be reinstated retroactive to July 1.

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

13.1 Sec. 8. Minnesota Statutes 2012, section 352B.10, is amended by adding a subdivision
13.2 to read:

13.3 Subd. 7. **Disabilitant earnings reports.** Disability benefit recipients must report
13.4 all earnings from reemployment and income from workers' compensation to the system
13.5 annually by May 15 in a format prescribed by the executive director. If the form is not
13.6 submitted by June 15, benefits must be suspended effective July 1. If the form deemed
13.7 acceptable by the executive director is received after the June 15 deadline, benefits shall
13.8 be reinstated retroactive to July 1.

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

13.10 **ARTICLE 5**

13.11 **MERGER OF ELECTED STATE OFFICERS RETIREMENT PLAN INTO** 13.12 **THE LEGISLATORS RETIREMENT PLAN**

13.13 Section 1. Minnesota Statutes 2012, section 3A.011, is amended to read:

13.14 **3A.011 ADMINISTRATION OF PLAN PLANS.**

13.15 The executive director and the board of directors of the Minnesota State Retirement
13.16 System shall administer the legislators retirement plan plans specified in accordance this
13.17 chapter consistent with this chapter and chapter chapters 245 and 356A.

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

13.19 Sec. 2. Minnesota Statutes 2012, section 3A.03, subdivision 3, is amended to read:

13.20 Subd. 3. **Legislators retirement fund.** (a) The legislators retirement fund, a special
13.21 retirement fund, is created within the state treasury ~~and must be credited with assets equal~~
13.22 ~~to the participation of the legislators retirement plan in the Minnesota postretirement~~
13.23 ~~investment fund as of June 30, 2009, and any investment proceeds on those assets.~~

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

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

13.27 Sec. 3. Minnesota Statutes 2012, section 3A.07, is amended to read:

13.28 **3A.07 APPLICATION.**

13.29 (a) Except as provided in paragraph (b) and section 3A.17, this chapter applies
13.30 to members of the legislature in service after July 1, 1965, who otherwise meet the
13.31 requirements of this chapter.

(b) Members of the legislature who were elected for the first time after June 30, 1997, or members of the legislature who were elected before July 1, 1997, and who, after July 1, 1998, elect not to be members of the plan established by this chapter are covered by the unclassified employees retirement program governed by chapter 352D.

(c) The post-July 1, 1998, coverage election under paragraph (b) is irrevocable and must be made on a form prescribed by the director. The second chance referendum election under Laws 2002, chapter 392, article 15, also is irrevocable.

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

Sec. 4. Minnesota Statutes 2012, section 3A.115, is amended to read:

**3A.115 RETIREMENT ALLOWANCE APPROPRIATION;
POSTRETIREMENT ADJUSTMENT.**

(a) The amount necessary to fund the retirement allowance granted under this chapter to a former legislator retiring after June 30, 2003, or to that legislator's survivor, and the retirement allowance granted under section 3A.17 to a former constitutional officer or the survivor of that constitutional officer is appropriated from the general fund to the director to pay pension obligations due to the retiree.

(b) The amount necessary to fund the retirement allowance granted under this chapter to a former legislator retiring before July 1, 2003, must be paid from the legislators retirement fund created under section 3A.03, subdivision 3, until the assets of the fund are exhausted and at that time, the amount necessary to fund the retirement allowances under this paragraph is appropriated from the general fund to the director to pay pension obligations to the retiree and survivor.

(c) Retirement allowances payable to retired legislators and their survivors under this chapter must be adjusted as provided in sections 3A.02, subdivision 6, and 356.415.

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

Sec. 5. Minnesota Statutes 2012, section 3A.13, is amended to read:

**3A.13 EXEMPTION FROM PROCESS AND TAXATION; HEALTH
PREMIUM DEDUCTION.**

(a) The provisions of section 356.401 apply to the ~~legislators retirement plan~~ plans specified in this chapter.

(b) The executive director of the Minnesota State Retirement System must, at the request of a retired legislator or constitutional officer who is enrolled in a health insurance plan covering state employees, deduct the person's health insurance premiums from the

15.1 person's annuity and transfer the amount of the premium to a health insurance carrier
15.2 covering state employees.

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

15.4 Sec. 6. Minnesota Statutes 2012, section 3A.15, is amended to read:

15.5 **3A.15 COORDINATED PROGRAM PROGRAMS OF THE LEGISLATORS**
15.6 **RETIREMENT PLAN.**

15.7 The coordinated program of the legislators retirement plan is created. The provisions
15.8 of sections 3A.01 to 3A.13 apply to the coordinated program and basic programs of the
15.9 legislators retirement plan.

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

15.11 **SPECIAL COVERAGE; CONSTITUTIONAL OFFICERS**

15.12 Sec. 7. **[3A.17] CONSTITUTIONAL OFFICERS.**

15.13 Subdivision 1. **Application.** (a) This section specifies the retirement plan applicable
15.14 to a former constitutional officer who was first elected to a constitutional office after July
15.15 1, 1967, and before July 1, 1997. The plan includes the applicable portions of chapter
15.16 352C and chapter 356 in effect on the date on which the person terminated active service
15.17 as a constitutional officer.

15.18 (b) Nothing in this section, this act, or Laws 2006, chapter 271, article 10, section
15.19 33, subdivision 2, is intended to increase or reduce the benefits of former constitutional
15.20 officers or their survivors or to adversely modify their eligibility for benefits in effect
15.21 as of June 30, 2012.

15.22 Subd. 2. **Benefit adjustments.** Retirement allowances payable to retired
15.23 constitutional officers and surviving spouse benefits payable must be adjusted under
15.24 section 356.415.

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

15.26 Sec. 8. Minnesota Statutes 2012, section 356.214, subdivision 1, is amended to read:

15.27 Subdivision 1. **Actuary retention.** (a) The governing board or managing or
15.28 administrative official of each public pension plan and retirement fund or plan enumerated
15.29 in paragraph (b) shall contract with an established actuarial consulting firm to conduct
15.30 annual actuarial valuations and related services. The principal from the actuarial

16.1 consulting firm on the contract must be an approved actuary under section 356.215,
16.2 subdivision 1, paragraph (c).

16.3 (b) Actuarial services must include the preparation of actuarial valuations and
16.4 related actuarial work for the following retirement plans:

16.5 (1) the teachers retirement plan, Teachers Retirement Association;

16.6 (2) the general state employees retirement plan, Minnesota State Retirement System;

16.7 (3) the correctional employees retirement plan, Minnesota State Retirement System;

16.8 (4) the State Patrol retirement plan, Minnesota State Retirement System;

16.9 (5) the judges retirement plan, Minnesota State Retirement System;

16.10 (6) the general employees retirement plan, Public Employees Retirement

16.11 Association, including the MERF division;

16.12 (7) the public employees police and fire plan, Public Employees Retirement

16.13 Association;

16.14 (8) the Duluth teachers retirement plan, Duluth Teachers Retirement Fund

16.15 Association;

16.16 (9) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund

16.17 Association;

16.18 (10) the legislators retirement plan, Minnesota State Retirement System; and

16.19 ~~(11) the elective state officers retirement plan, Minnesota State Retirement System;~~

16.20 and

16.21 ~~(12)~~ (11) the local government correctional service retirement plan, Public

16.22 Employees Retirement Association.

16.23 (c) The actuarial valuation for the legislators retirement plan must include a separate
16.24 calculation of total plan actuarial accrued liabilities due to constitutional officer coverage
16.25 under section 3A.17.

16.26 ~~(e)~~ (d) The contracts must require completion of the annual actuarial valuation
16.27 calculations on a fiscal year basis, with the contents of the actuarial valuation calculations
16.28 as specified in section 356.215, and in conformity with the standards for actuarial work
16.29 adopted by the Legislative Commission on Pensions and Retirement.

16.30 The contracts must require completion of annual experience data collection and
16.31 processing and a quadrennial published experience study for the plans listed in paragraph
16.32 (b), clauses (1), (2), and (6), as provided for in the standards for actuarial work adopted by
16.33 the commission. The experience data collection, processing, and analysis must evaluate
16.34 the following:

16.35 (1) individual salary progression;

16.36 (2) the rate of return on investments based on the current asset value;

- 17.1 (3) payroll growth;
- 17.2 (4) mortality;
- 17.3 (5) retirement age;
- 17.4 (6) withdrawal; and
- 17.5 (7) disablement.

17.6 ~~(d)~~ (e) The actuary shall annually prepare a report to the governing or managing
 17.7 board or administrative official and the legislature, summarizing the results of the actuarial
 17.8 valuation calculations. The actuary shall include with the report any recommendations
 17.9 concerning the appropriateness of the support rates to achieve proper funding of
 17.10 the retirement plans by the required funding dates. The actuary shall, as part of the
 17.11 quadrennial experience study, include recommendations on the appropriateness of the
 17.12 actuarial valuation assumptions required for evaluation in the study.

17.13 ~~(e)~~ (f) If the actuarial gain and loss analysis in the actuarial valuation calculations
 17.14 indicates a persistent pattern of sizable gains or losses, the governing or managing board
 17.15 or administrative official shall direct the actuary to prepare a special experience study for
 17.16 a plan listed in paragraph (b), clause (3), (4), (5), (7), (8), (9), (10), (11), or (12), in the
 17.17 manner provided for in the standards for actuarial work adopted by the commission.

17.18 Sec. 9. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

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

17.22 (1) select and ultimate interest rate assumption

| 17.23 | | ultimate | ultimate |
|-------|--|----------------|-------------------------------------|
| 17.24 | | preretirement | postretirement |
| 17.25 | | interest rate | interest rate |
| 17.26 | plan | assumption | assumption |
| 17.27 | general state employees retirement plan | 8.5% | 6.0% |
| 17.28 | correctional state employees retirement plan | 8.5 | 6.0 |
| 17.29 | State Patrol retirement plan | 8.5 | 6.0 |
| 17.30 | legislators retirement plan, and for the | 0.0 | -2.0 until June 30, |
| 17.31 | <u>constitutional officers calculation of total plan</u> | | 2040, and -2.5 after |
| 17.32 | <u>liabilities</u> | | June 30, 2040 <u>0.0</u> |
| 17.33 | elective state officers retirement plan | 0.0 | -2.0 until June 30, |
| 17.34 | | | 2040, and -2.5 after |
| 17.35 | | | June 30, 2040 |
| 17.36 | judges retirement plan | 8.5 | 6.0 |
| 17.37 | general public employees retirement plan | 8.5 | 6.0 |
| 17.38 | public employees police and fire retirement plan | 8.5 | 6.0 |
| 17.39 | local government correctional service | 8.5 | 6.0 |
| 17.40 | retirement plan | | |

| | | | |
|------|-----------------------------------|-----|-----|
| 18.1 | teachers retirement plan | 8.5 | 6.0 |
| 18.2 | Duluth teachers retirement plan | 8.5 | 8.5 |
| 18.3 | St. Paul teachers retirement plan | 8.5 | 8.5 |

18.4 Except for the legislators retirement plan and the ~~elective-state~~ constitutional officers
 18.5 ~~retirement plan~~ calculation of total plan liabilities, the select preretirement interest rate
 18.6 assumption for the period after June 30, 2012, through June 30, 2017, is 8.0 percent.
 18.7 Except for the legislators retirement plan and the ~~elective-state~~ constitutional officers
 18.8 ~~retirement plan~~ calculation of total plan liabilities, the select postretirement interest rate
 18.9 assumption for the period after June 30, 2012, through June 30, 2017, is 5.5 percent,
 18.10 except for the Duluth teachers retirement plan and the St. Paul teachers retirement plan,
 18.11 each with a select postretirement interest rate assumption for the period after June 30,
 18.12 2012, through June 30, 2017, of 8.0 percent.

18.13 (2) single rate preretirement and postretirement interest rate assumption

| | | |
|-------|---|---------------|
| 18.14 | | interest rate |
| 18.15 | plan | assumption |
| 18.16 | Bloomington Fire Department Relief Association | 6.0 |
| 18.17 | local monthly benefit volunteer firefighters relief | 5.0 |
| 18.18 | associations | |

18.19 (b) The actuarial valuation must use the applicable following single rate future salary
 18.20 increase assumption, the applicable following modified single rate future salary increase
 18.21 assumption, or the applicable following graded rate future salary increase assumption:

18.22 (1) single rate future salary increase assumption

| | | |
|-------|------------------------------------|-----------------------------------|
| 18.23 | plan | future salary increase assumption |
| 18.24 | legislators retirement plan | 5.0% |
| 18.25 | judges retirement plan | 3.0 |
| 18.26 | Bloomington Fire Department Relief | 4.0 |
| 18.27 | Association | |

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

| | | |
|-------|---|-----------------------------------|
| 18.30 | plan | future salary increase assumption |
| 18.31 | local government correctional service retirement plan | assumption C |
| 18.32 | Duluth teachers retirement plan | assumption A |
| 18.33 | St. Paul teachers retirement plan | assumption B |

18.34 For plans other than the Duluth teachers
 18.35 retirement plan, the select calculation
 18.36 is: during the designated select period, a
 18.37 designated percentage rate is multiplied by

19.1 the result of the designated integer minus T,
 19.2 where T is the number of completed years
 19.3 of service, and is added to the applicable
 19.4 future salary increase assumption. The
 19.5 designated select period is ten years and the
 19.6 designated integer is ten for all retirement
 19.7 plans covered by this clause. The designated
 19.8 percentage rate is 0.3 percent for the St. Paul
 19.9 Teachers Retirement Fund Association. The
 19.10 select calculation for the Duluth Teachers
 19.11 Retirement Fund Association is 8.00 percent
 19.12 per year for service years one through seven,
 19.13 7.25 percent per year for service years seven
 19.14 and eight, and 6.50 percent per year for
 19.15 service years eight and nine.

19.16 The ultimate future salary increase assumption is:

| 19.17 | age | A | B | C |
|-------|-----|-------|-------|-------|
| 19.18 | 16 | 8.00% | 6.90% | 9.00% |
| 19.19 | 17 | 8.00 | 6.90 | 9.00 |
| 19.20 | 18 | 8.00 | 6.90 | 9.00 |
| 19.21 | 19 | 8.00 | 6.90 | 9.00 |
| 19.22 | 20 | 6.90 | 6.90 | 9.00 |
| 19.23 | 21 | 6.90 | 6.90 | 8.75 |
| 19.24 | 22 | 6.90 | 6.90 | 8.50 |
| 19.25 | 23 | 6.85 | 6.85 | 8.25 |
| 19.26 | 24 | 6.80 | 6.80 | 8.00 |
| 19.27 | 25 | 6.75 | 6.75 | 7.75 |
| 19.28 | 26 | 6.70 | 6.70 | 7.50 |
| 19.29 | 27 | 6.65 | 6.65 | 7.25 |
| 19.30 | 28 | 6.60 | 6.60 | 7.00 |
| 19.31 | 29 | 6.55 | 6.55 | 6.75 |
| 19.32 | 30 | 6.50 | 6.50 | 6.75 |
| 19.33 | 31 | 6.45 | 6.45 | 6.50 |
| 19.34 | 32 | 6.40 | 6.40 | 6.50 |
| 19.35 | 33 | 6.35 | 6.35 | 6.50 |
| 19.36 | 34 | 6.30 | 6.30 | 6.25 |
| 19.37 | 35 | 6.25 | 6.25 | 6.25 |
| 19.38 | 36 | 6.20 | 6.20 | 6.00 |
| 19.39 | 37 | 6.15 | 6.15 | 6.00 |
| 19.40 | 38 | 6.10 | 6.10 | 6.00 |

| | | | | |
|-------|----|------|------|------|
| 20.1 | 39 | 6.05 | 6.05 | 5.75 |
| 20.2 | 40 | 6.00 | 6.00 | 5.75 |
| 20.3 | 41 | 5.90 | 5.95 | 5.75 |
| 20.4 | 42 | 5.80 | 5.90 | 5.50 |
| 20.5 | 43 | 5.70 | 5.85 | 5.25 |
| 20.6 | 44 | 5.60 | 5.80 | 5.25 |
| 20.7 | 45 | 5.50 | 5.75 | 5.00 |
| 20.8 | 46 | 5.40 | 5.70 | 5.00 |
| 20.9 | 47 | 5.30 | 5.65 | 5.00 |
| 20.10 | 48 | 5.20 | 5.60 | 5.00 |
| 20.11 | 49 | 5.10 | 5.55 | 5.00 |
| 20.12 | 50 | 5.00 | 5.50 | 5.00 |
| 20.13 | 51 | 4.90 | 5.45 | 5.00 |
| 20.14 | 52 | 4.80 | 5.40 | 5.00 |
| 20.15 | 53 | 4.70 | 5.35 | 5.00 |
| 20.16 | 54 | 4.60 | 5.30 | 5.00 |
| 20.17 | 55 | 4.50 | 5.25 | 4.75 |
| 20.18 | 56 | 4.40 | 5.20 | 4.75 |
| 20.19 | 57 | 4.30 | 5.15 | 4.50 |
| 20.20 | 58 | 4.20 | 5.10 | 4.25 |
| 20.21 | 59 | 4.10 | 5.05 | 4.25 |
| 20.22 | 60 | 4.00 | 5.00 | 4.25 |
| 20.23 | 61 | 3.90 | 5.00 | 4.25 |
| 20.24 | 62 | 3.80 | 5.00 | 4.25 |
| 20.25 | 63 | 3.70 | 5.00 | 4.25 |
| 20.26 | 64 | 3.60 | 5.00 | 4.25 |
| 20.27 | 65 | 3.50 | 5.00 | 4.00 |
| 20.28 | 66 | 3.50 | 5.00 | 4.00 |
| 20.29 | 67 | 3.50 | 5.00 | 4.00 |
| 20.30 | 68 | 3.50 | 5.00 | 4.00 |
| 20.31 | 69 | 3.50 | 5.00 | 4.00 |
| 20.32 | 70 | 3.50 | 5.00 | 4.00 |

20.33 (3) service-related ultimate future salary increase assumption

| | | |
|-------|---|--------------|
| 20.34 | general state employees retirement plan of the | assumption A |
| 20.35 | Minnesota State Retirement System | |
| 20.36 | general employees retirement plan of the Public | assumption B |
| 20.37 | Employees Retirement Association | |
| 20.38 | Teachers Retirement Association | assumption C |
| 20.39 | public employees police and fire retirement plan | assumption D |
| 20.40 | State Patrol retirement plan | assumption E |
| 20.41 | correctional state employees retirement plan of the | assumption F |
| 20.42 | Minnesota State Retirement System | |

| | | | | | | | |
|-------|---------|--------|--------|--------|--------|-------|-------|
| 21.1 | service | | | | | | |
| 21.2 | length | A | B | C | D | E | F |
| 21.3 | 1 | 10.50% | 12.03% | 12.00% | 13.00% | 8.00% | 6.00% |
| 21.4 | 2 | 8.10 | 8.90 | 9.00 | 11.00 | 7.50 | 5.85 |
| 21.5 | 3 | 6.90 | 7.46 | 8.00 | 9.00 | 7.00 | 5.70 |
| 21.6 | 4 | 6.20 | 6.58 | 7.50 | 8.00 | 6.75 | 5.55 |
| 21.7 | 5 | 5.70 | 5.97 | 7.25 | 6.50 | 6.50 | 5.40 |
| 21.8 | 6 | 5.30 | 5.52 | 7.00 | 6.10 | 6.25 | 5.25 |
| 21.9 | 7 | 5.00 | 5.16 | 6.85 | 5.80 | 6.00 | 5.10 |
| 21.10 | 8 | 4.70 | 4.87 | 6.70 | 5.60 | 5.85 | 4.95 |
| 21.11 | 9 | 4.50 | 4.63 | 6.55 | 5.40 | 5.70 | 4.80 |
| 21.12 | 10 | 4.40 | 4.42 | 6.40 | 5.30 | 5.55 | 4.65 |
| 21.13 | 11 | 4.20 | 4.24 | 6.25 | 5.20 | 5.40 | 4.55 |
| 21.14 | 12 | 4.10 | 4.08 | 6.00 | 5.10 | 5.25 | 4.45 |
| 21.15 | 13 | 4.00 | 3.94 | 5.75 | 5.00 | 5.10 | 4.35 |
| 21.16 | 14 | 3.80 | 3.82 | 5.50 | 4.90 | 4.95 | 4.25 |
| 21.17 | 15 | 3.70 | 3.70 | 5.25 | 4.80 | 4.80 | 4.15 |
| 21.18 | 16 | 3.60 | 3.60 | 5.00 | 4.80 | 4.65 | 4.05 |
| 21.19 | 17 | 3.50 | 3.51 | 4.75 | 4.80 | 4.50 | 3.95 |
| 21.20 | 18 | 3.50 | 3.50 | 4.50 | 4.80 | 4.35 | 3.85 |
| 21.21 | 19 | 3.50 | 3.50 | 4.25 | 4.80 | 4.20 | 3.75 |
| 21.22 | 20 | 3.50 | 3.50 | 4.00 | 4.80 | 4.05 | 3.75 |
| 21.23 | 21 | 3.50 | 3.50 | 3.90 | 4.70 | 4.00 | 3.75 |
| 21.24 | 22 | 3.50 | 3.50 | 3.80 | 4.60 | 4.00 | 3.75 |
| 21.25 | 23 | 3.50 | 3.50 | 3.70 | 4.50 | 4.00 | 3.75 |
| 21.26 | 24 | 3.50 | 3.50 | 3.60 | 4.50 | 4.00 | 3.75 |
| 21.27 | 25 | 3.50 | 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 21.28 | 26 | 3.50 | 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 21.29 | 27 | 3.50 | 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 21.30 | 28 | 3.50 | 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 21.31 | 29 | 3.50 | 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 21.32 | 30 or | 3.50 | 3.50 | 3.50 | 4.50 | 4.00 | 3.75 |
| 21.33 | more | | | | | | |

21.34 (c) The actuarial valuation must use the applicable following payroll growth
21.35 assumption for calculating the amortization requirement for the unfunded actuarial
21.36 accrued liability where the amortization retirement is calculated as a level percentage
21.37 of an increasing payroll:

| | | |
|-------|--|---------------------------|
| 21.38 | plan | payroll growth assumption |
| 21.39 | general state employees retirement plan of the | 3.75% |
| 21.40 | Minnesota State Retirement System | |
| 21.41 | correctional state employees retirement plan | 3.75 |
| 21.42 | State Patrol retirement plan | 3.75 |
| 21.43 | judges retirement plan | 3.00 |

| | | |
|------|---|------|
| 22.1 | general employees retirement plan of the Public | 3.75 |
| 22.2 | Employees Retirement Association | |
| 22.3 | public employees police and fire retirement plan | 3.75 |
| 22.4 | local government correctional service retirement plan | 3.75 |
| 22.5 | teachers retirement plan | 3.75 |
| 22.6 | Duluth teachers retirement plan | 4.50 |
| 22.7 | St. Paul teachers retirement plan | 5.00 |

22.8 (d) The assumptions set forth in paragraphs (b) and (c) continue to apply, unless a
 22.9 different salary assumption or a different payroll increase assumption:

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

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

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

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

22.16 Sec. 10. Minnesota Statutes 2012, section 356.30, subdivision 3, is amended to read:

22.17 Subd. 3. **Covered plans.** This section applies to the following retirement plans:

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

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

22.22 (3) the unclassified employees retirement program, established under chapter 352D;

22.23 (4) the State Patrol retirement plan, established under chapter 352B;

22.24 (5) the legislators retirement plan, established under chapter 3A, including
 22.25 constitutional officers as specified in that chapter;

22.26 ~~(6) the elective state officers retirement plan, established under chapter 352C;~~

22.27 ~~(7)~~ (6) the general employees retirement plan of the Public Employees Retirement
 22.28 Association, established under chapter 353, including the MERF division of the Public
 22.29 Employees Retirement Association;

22.30 ~~(8)~~ (7) the public employees police and fire retirement plan of the Public Employees
 22.31 Retirement Association, established under chapter 353;

22.32 ~~(9)~~ (8) the local government correctional service retirement plan of the Public
 22.33 Employees Retirement Association, established under chapter 353E;

22.34 ~~(10)~~ (9) the Teachers Retirement Association, established under chapter 354;

22.35 ~~(11)~~ (10) the St. Paul Teachers Retirement Fund Association, established under
 22.36 chapter 354A;

23.1 ~~(12)~~ (11) the Duluth Teachers Retirement Fund Association, established under
 23.2 chapter 354A; and
 23.3 ~~(13)~~ (12) the judges retirement fund, established by chapter 490.

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

23.5 Sec. 11. Minnesota Statutes 2012, section 356.401, subdivision 3, is amended to read:

23.6 Subd. 3. **Covered retirement plans.** The provisions of this section apply to the
 23.7 following retirement plans:

23.8 (1) the legislators retirement plan, established by chapter 3A, including constitutional
 23.9 officers as specified in that chapter;

23.10 (2) the general state employees retirement plan of the Minnesota State Retirement
 23.11 System, established by chapter 352;

23.12 (3) the correctional state employees retirement plan of the Minnesota State
 23.13 Retirement System, established by chapter 352;

23.14 (4) the State Patrol retirement plan, established by chapter 352B;

23.15 ~~(5) the elective state officers retirement plan, established by chapter 352C;~~

23.16 ~~(6)~~ (5) the unclassified state employees retirement program, established by chapter
 23.17 352D;

23.18 ~~(7)~~ (6) the general employees retirement plan of the Public Employees Retirement
 23.19 Association, established by chapter 353, including the MERF division of the Public
 23.20 Employees Retirement Association;

23.21 ~~(8)~~ (7) the public employees police and fire plan of the Public Employees Retirement
 23.22 Association, established by chapter 353;

23.23 ~~(9)~~ (8) the public employees defined contribution plan, established by chapter 353D;

23.24 ~~(10)~~ (9) the local government correctional service retirement plan of the Public
 23.25 Employees Retirement Association, established by chapter 353E;

23.26 ~~(11)~~ (10) the voluntary statewide lump-sum volunteer firefighter retirement plan,
 23.27 established by chapter 353G;

23.28 ~~(12)~~ (11) the Teachers Retirement Association, established by chapter 354;

23.29 ~~(13)~~ (12) the Duluth Teachers Retirement Fund Association, established by chapter
 23.30 354A;

23.31 ~~(14)~~ (13) the St. Paul Teachers Retirement Fund Association, established by chapter
 23.32 354A;

23.33 ~~(15)~~ (14) the individual retirement account plan, established by chapter 354B;

23.34 ~~(16)~~ (15) the higher education supplemental retirement plan, established by chapter
 23.35 354C; and

24.1 ~~(17)~~ (16) the judges retirement fund, established by chapter 490.

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

24.3 Sec. 12. Minnesota Statutes 2012, section 356.415, subdivision 1a, is amended to read:

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

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

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

24.20 (b) The increases provided by this subdivision commence on January 1, 2011.
24.21 Increases under this subdivision for the general state employees retirement plan, the
24.22 correctional state employees retirement plan, or the judges retirement plan terminate
24.23 on December 31 of the calendar year in which the actuarial valuation prepared by the
24.24 approved actuary under sections 356.214 and 356.215 and the standards for actuarial work
24.25 promulgated by the Legislative Commission on Pensions and Retirement indicates that the
24.26 market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial
24.27 accrued liability of the retirement plan and increases under subdivision 1 recommence
24.28 after that date. Increases under this subdivision for the legislators retirement plan or the
24.29 elected state officers retirement plan terminate on December 31 of the calendar year in
24.30 which the actuarial valuation prepared by the approved actuary under sections 356.214 and
24.31 356.215 and the standards for actuarial work promulgated by the Legislative Commission
24.32 on Pensions and Retirement indicates that the market value of assets of the general state
24.33 employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability
24.34 of the retirement plan and increases under subdivision 1 recommence after that date.

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

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

25.6 Sec. 13. Minnesota Statutes 2012, section 356.415, subdivision 2, is amended to read:

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

25.9 (1) the legislators retirement plan established under chapter 3A, including
25.10 constitutional officers as specified in that chapter;

25.11 (2) the correctional state employees retirement plan of the Minnesota State
25.12 Retirement System established under chapter 352;

25.13 (3) the general state employees retirement plan of the Minnesota State Retirement
25.14 System established under chapter 352;

25.15 (4) the State Patrol retirement plan established under chapter 352B;

25.16 ~~(5) the elective state officers retirement plan established under chapter 352C;~~

25.17 ~~(6)~~ (5) the general employees retirement plan of the Public Employees Retirement
25.18 Association established under chapter 353, including the MERF division of the Public
25.19 Employees Retirement Association;

25.20 ~~(7)~~ (6) the public employees police and fire retirement plan of the Public Employees
25.21 Retirement Association established under chapter 353;

25.22 ~~(8)~~ (7) the local government correctional employees retirement plan of the Public
25.23 Employees Retirement Association established under chapter 353E;

25.24 (9) (8) the teachers retirement plan established under chapter 354; and

25.25 ~~(10)~~ (9) the judges retirement plan established under chapter 490.

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

25.27 Sec. 14. **APPLICATION.**

25.28 Nothing in this act should be interpreted as modifying benefits or benefit eligibility
25.29 compared to law in effect immediately before the effective date of this section.

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

25.31 Sec. 15. **REPEALER.**

- 26.1 Minnesota Statutes 2012, sections 3A.02, subdivision 3; 352C.001; 352C.091,
26.2 subdivision 1; and 352C.10, are repealed.
- 26.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

APPENDIX
Article locations in 13-1547

| | | |
|-----------|---|---------------|
| ARTICLE 1 | CLARIFYING LANGUAGE; REMOVING OBSOLETE LANGUAGE; REVISING OUTDATED REQUIREMENTS | Page.Ln 1.19 |
| ARTICLE 2 | CONTRIBUTION RATE REVISION PROCEDURES: MSRS GENERAL, CORRECTIONAL, AND STATE PATROL PLANS | Page.Ln 5.4 |
| ARTICLE 3 | REVISING COMMISSION STANDARDS AND FINANCIAL REPORT CONTENTS PROVISIONS | Page.Ln 8.5 |
| ARTICLE 4 | DISABILITY BENEFIT ADMINISTRATION REVISIONS | Page.Ln 9.26 |
| ARTICLE 5 | MERGER OF ELECTED STATE OFFICERS RETIREMENT PLAN INTO THE LEGISLATORS RETIREMENT PLAN | Page.Ln 13.10 |

3A.02 RETIREMENT ALLOWANCE.

Subd. 3. **Appropriation.** The amounts required for payment of retirement allowances provided by this section are appropriated annually to the director from the legislators retirement fund or from the general fund as provided in section 3A.115. The retirement allowance is payable monthly to the recipients entitled to those retirement allowances.

352.045 PROCEDURE FOR REVISING EMPLOYEE AND EMPLOYER CONTRIBUTIONS IN CERTAIN INSTANCES.

Subd. 3. **Contribution rate revision.** Notwithstanding the contribution rate provisions stated in plan law, the employee and employer contribution rates must be adjusted:

(1) if, after July 1, 2011, the regular actuarial valuations of the applicable plan under section 356.215 indicate that there is a contribution sufficiency under subdivision 2 equal to or greater than 0.5 percent of covered payroll for two consecutive years, the employee and employer contribution rates for the applicable plan must be decreased as determined under subdivision 4 to a level such that the sufficiency equals no more than 0.25 percent of covered payroll based on the most recent actuarial valuation; or

(2) if, after July 1, 2011, the regular actuarial valuations of the applicable plan under section 356.215 indicate that there is a deficiency equal to or greater than 0.5 percent of covered payroll for two consecutive years, the employee and employer contribution rates for the applicable plan must be increased as determined under subdivision 4 to a level such that no deficiency exists based on the most recent actuarial valuation.

Subd. 4. **Reporting, commission review.** (a) The contribution rate increase or decrease must be determined by the executive director of the Minnesota State Retirement System, must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement on or before the next February 1, and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination by the executive director that a contribution deficiency or sufficiency has existed for two consecutive fiscal years based on the most recent actuarial valuations under section 356.215. If the actuarially required contribution exceeds or is less than the total support provided by the combined employee and employer contribution rates for the applicable plan by more than 0.5 percent of covered payroll, the applicable plan employee and employer contribution rates must be adjusted incrementally over one or more years to a level such that there remains a contribution sufficiency of no more than 0.25 percent of covered payroll.

(b) No incremental adjustment may exceed 0.25 percent of payroll for either the employee or employer contribution rates per year in which any adjustment is implemented. For an applicable plan, a contribution rate adjustment under this section must not be made until at least two years have passed since fully implementing a previous adjustment under this section.

352.955 TRANSFER OF PRIOR MSRS-GENERAL SERVICE CREDIT.

Subd. 2. **Payment of additional equivalent contributions; pre-July 1, 2007, coverage transfers.** (a) An eligible employee who was transferred to plan coverage before July 1, 2007, and who elects to transfer past service credit under this section must pay an additional member contribution for that prior service period. The additional member contribution is the difference between the member contribution rate or rates for the general state employees retirement plan of the Minnesota State Retirement System for the period of employment covered by the service credit to be transferred and the member contribution rate or rates for the correctional state employees retirement plan for the period of employment covered by the service credit to be transferred, plus annual compound interest at the rate of 8.5 percent.

(b) The additional equivalent member contribution under this subdivision must be paid in a lump sum. Payment must accompany the election to transfer the prior service credit. No transfer election or additional equivalent member contribution payment may be made by a person or accepted by the executive director after January 1, 2008, or the date on which the eligible employee terminates state employment, whichever is earlier.

(c) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under paragraphs (a) and (b), the applicable department shall pay an additional equivalent employer contribution amount. The additional employer contribution is the difference between the employer contribution rate or rates for the general state employees retirement plan for the period of employment covered by the

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service credit to be transferred and the employer contribution rate or rates for the correctional state employees retirement plan for the period of employment covered by the service credit to be transferred, plus annual compound interest at the rate of 8.5 percent.

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

352C.001 RETIREMENT PLAN; APPLICATION.

(a) The retirement plan applicable to a former constitutional officer who was first elected to a constitutional office after July 1, 1967, and before July 1, 1997, is the applicable portions of this chapter and chapter 356 in effect on the date on which the person terminated active service as a constitutional officer.

(b) Nothing in this section, section 352C.091, subdivision 1, or Laws 2006, chapter 271, article 10, section 33, subdivision 2, is intended to reduce the benefits of former constitutional officers or to adversely modify their eligibility for benefits in effect as of June 30, 2006.

352C.091 ADMINISTRATION.

Subdivision 1. **Administrative agency and standards.** (a) The elected officers retirement plan must be administered by the board of directors and the executive director of the Minnesota State Retirement System.

(b) The elected state officers retirement plan must be administered consistent with the applicable statutory provisions governing the plan and chapters 356 and 356A.

352C.10 BENEFIT ADJUSTMENTS.

Retirement allowances payable to retired constitutional officers and surviving spouse benefits payable must be adjusted under section 356.415.