

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE **S.F. No. 1808**

(SENATE AUTHORS: ROSEN)

DATE	D-PG	OFFICIAL STATUS
02/13/2012	3798	Introduction and first reading Referred to State Government Innovation and Veterans
03/23/2012	4941a 5140	Comm report: To pass as amended Second reading
03/28/2012	5257	General Orders: Stricken and re-referred to Finance
03/29/2012		Comm report: To pass as amended Second reading

A bill for an act

1.1 relating to retirement; statewide and local retirement plans; revising certain
1.2 statutory actuarial assumptions; requiring comprehensive annual retirement
1.3 plan fund reporting by Minnesota Management and Budget, modifying
1.4 various Department of Human Services employment classifications eligible
1.5 for correctional retirement coverage; modifying certain health care savings
1.6 plan provisions; clarifying transfer eligibility for the unclassified state
1.7 employees retirement program; making various modifications in retirement
1.8 plans administered by the Public Employees Retirement Association, making
1.9 various revisions in the public employees privatization law; making various
1.10 administrative changes in the Teachers Retirement Association law, including
1.11 revising state and local aid programs inherited from the former Minneapolis
1.12 Teachers Retirement Fund Association; making various modifications to conform
1.13 with the federal Internal Revenue Code retirement plan requirements; updating
1.14 the public pension fund investment laws, merging the Fairmont Police Relief
1.15 Association and the Virginia fire consolidation account with the public employees
1.16 police and fire retirement plan; making various volunteer fire retirement
1.17 law changes; and making various small group or single person retirement
1.18 authorizations; amending Minnesota Statutes 2010, sections 11A.07, subdivision
1.19 4; 11A.14, subdivision 14; 11A.24; 16A.06, subdivision 9; 69.011, subdivision
1.20 1; 69.051, subdivisions 1, 1a, 3; 69.77, subdivision 9; 69.772, subdivision 4;
1.21 69.773, subdivision 5; 69.775; 69.80; 126C.41, subdivision 3; 352.90; 352.91,
1.22 subdivisions 3c, 3d, 3e, 3f; 352.98, subdivisions 3, 4, 5, 8; 352D.02, subdivision
1.23 3; 353.01, subdivision 47; 353.50, subdivision 7; 353.656, subdivision 2;
1.24 353F.02, subdivision 4; 353F.04, subdivision 1; 353F.07; 353G.08, by adding a
1.25 subdivision; 354.51, subdivision 5; 354A.08; 354A.12, subdivision 3c; 356.215,
1.26 subdivisions 1, 11; 356.219, subdivisions 1, 8; 356.415, subdivision 1d; 356.611,
1.27 subdivisions 2, 3, 3a, 4, by adding a subdivision; 356.635, subdivisions 6, 9;
1.28 356A.01, subdivision 19; 356A.06, subdivisions 6, 7; 423A.02, subdivision 3;
1.29 424A.001, subdivision 4; 424A.01, subdivision 6; 424A.016, subdivisions 5, 6;
1.30 424A.02, subdivisions 1, 7, 9; 424A.04, subdivision 3; 424A.06, subdivision
1.31 2; Minnesota Statutes 2011 Supplement, sections 69.77, subdivisions 1a, 4;
1.32 353.01, subdivisions 2a, 6, 16; 353.668, subdivision 4; 356.215, subdivision 8;
1.33 Laws 2002, chapter 392, article 1, section 8; proposing coding for new law in
1.34 Minnesota Statutes, chapters 16A; 353; 354; repealing Minnesota Statutes 2010,
1.35 sections 128D.18; 354A.12, subdivision 3b; 356.219, subdivision 4; 423A.06;
1.36 Laws 1947, chapter 624, sections 1; 2; 3; 4; 5; 6; 8; 9; 10; 11; 12; 13; 14; 15; 16;
1.37 17; 18; 19; 21; 22; Laws 1953, chapter 399, as amended; Laws 1961, chapter 420,
1.38 sections 2, as amended; 3; 4; 5, as amended; 6; Laws 1963, chapter 407, section
1.39

2.1 1, as amended; Laws 1963, chapter 423; Laws 1965, chapter 546, sections 1; 2,
2.2 as amended; 3; Laws 1969, chapter 578, sections 1; 2; 3; Laws 1974, chapter
2.3 183, as amended; Laws 1982, chapter 574, section 1; Laws 1982, chapter 578,
2.4 article 1, section 14; Laws 1983, chapter 69, section 1; Laws 1984, chapter 547,
2.5 section 27; Laws 1987, chapter 372, article 2, section 14; Laws 1988, chapter
2.6 709, sections 1, as amended; 2; Laws 1991, chapter 62, sections 1; 2; Laws 1992,
2.7 chapter 465, section 1; Laws 1999, chapter 222, article 3, sections 3; 4; 5.

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

2.9 **ARTICLE 1**

2.10 **STATUTORY ACTUARIAL ASSUMPTION AND CONFORMING CHANGES**

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

2.12 Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to
2.13 356.23, each of the terms in the following paragraphs has the meaning given.

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

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

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

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

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3.1 (f) "Actuarial value of assets" means:

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

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

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

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

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

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

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

3.34 ~~(i) 20 percent of the difference between the actual net change in the market value of~~
3.35 ~~assets other than the Minnesota postretirement investment fund between June 30, 2007,~~
3.36 ~~and June 30, 2006, and the computed increase in the market value of assets other than the~~

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4.1 ~~Minnesota postretirement investment fund over that fiscal year period if the assets had~~
4.2 ~~earned a rate of return on assets equal to the annual percentage preretirement interest rate~~
4.3 ~~assumption used in the actuarial valuation for July 1, 2006;~~

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

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

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

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

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

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

4.33 ~~(ii) 40 percent of the difference between the actual net change in the market value of~~
4.34 ~~assets other than the Minnesota postretirement investment fund between June 30, 2009,~~
4.35 ~~and June 30, 2008, and the computed increase in the market value of assets other than the~~
4.36 ~~Minnesota postretirement investment fund over that fiscal year period if the assets had~~

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5.1 ~~earned a rate of return on assets equal to the annual percentage preretirement interest rate~~
5.2 ~~assumption used in the actuarial valuation for July 1, 2008;~~

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

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

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

5.17 ~~(4)~~ (1) For the July 1, 2012, actuarial valuation, the market value of all assets as of
5.18 June 30, 2012, reduced by:

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

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

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

5.35 (iv) 80 percent of the difference between the actual net change in the market value of
5.36 total assets between June 30, 2012, and June 30, 2011, and the computed increase in the

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6.1 market value of total assets over that fiscal year period if the assets had earned a rate of
6.2 return on assets equal to the annual percentage preretirement interest rate assumption used
6.3 in the actuarial valuation for July 1, 2011; and

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

6.8 ~~(5)~~ (2) For the July 1, 2013, and following actuarial valuations, the market value of
6.9 all assets as of the preceding June 30, reduced by:

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

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

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

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

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

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

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

7.7 Sec. 2. Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8, is
 7.8 amended to read:

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

7.12 (1) select interest rate assumptions

7.13 For the period after June 30, 2012, through at least July 1, 2014, and until the July 1
 7.14 of the calendar year next following the determination provided for in clause (2) occurs, the
 7.15 select interest rate actuarial assumptions are as follows:

plan	preretirement interest rate assumption			postretirement interest rate assumption		
	before July 1, 2012	July 1, 2012 - June 30, 2014	after June 30, 2014	before July 1, 2012	July 1, 2012 - June 30, 2014	after June 30, 2014
general state employees retirement plan of the Minnesota State Retirement System	8.5%	<u>8.25%</u>	<u>8.00%</u>	6.0%	<u>5.75%</u>	<u>5.50%</u>
correctional state employees retirement plan	8.5	<u>8.25</u>	<u>8.00</u>	6.0	<u>5.75</u>	<u>5.50</u>
State Patrol retirement plan	8.5	<u>8.25</u>	<u>8.00</u>	6.0	<u>5.75</u>	<u>5.50</u>
legislators retirement plan	8.5	<u>0.00</u>	<u>0.00</u>	6.0	<u>-2.00</u>	<u>-2.00 until June 30, 2040, and -2.50 after June 30, 2040</u>
elective state officers retirement plan	8.5	<u>0.00</u>	<u>0.00</u>	6.0	<u>-2.00</u>	<u>-2.00 until June 30, 2040, and -2.50 after June 30, 2040</u>
judges retirement plan	8.5	<u>8.25</u>	<u>8.00</u>	6.0	<u>5.75</u>	<u>5.50</u>

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8.1	general public employees	8.5	<u>8.25</u>	<u>8.00</u>	6.0	<u>5.75</u>	<u>5.50</u>
8.2	retirement plan of the Public						
8.3	<u>Employees Retirement</u>						
8.4	<u>Association</u>						
8.5	public employees police and	8.5	<u>8.25</u>	<u>8.00</u>	6.0	<u>5.75</u>	<u>5.50</u>
8.6	fire retirement plan						
8.7	local government	8.5	<u>8.25</u>	<u>8.00</u>	6.0	<u>5.75</u>	<u>5.50</u>
8.8	correctional service						
8.9	retirement plan						
8.10	teachers retirement plan	8.5	<u>8.25</u>	<u>8.00</u>	6.0	<u>5.75</u>	<u>5.50</u>
8.11	Duluth teachers retirement	8.5	<u>8.25</u>	<u>8.00</u>	8.5	<u>8.25</u>	<u>8.00</u>
8.12	plan						
8.13	St. Paul teachers retirement	8.5	<u>8.25</u>	<u>8.00</u>	8.5	<u>8.25</u>	<u>8.00</u>
8.14	plan						

8.15 (2) ultimate interest rate assumptions

8.16 Once, after July 1, 2014, the geometric average dollar weighted rate of return for a
 8.17 ten fiscal year period, as calculated by the approved actuary retained by the applicable
 8.18 retirement system or plan and disclosed in the actuarial valuation under this section,
 8.19 indicates that the investment performance of the applicable retirement plan equals or
 8.20 exceeds 8.5 percent, beginning July 1 of the calendar year next following the date
 8.21 on which the actuarial valuation containing that result is filed with the Legislative
 8.22 Commission on Pensions and Retirement, the ultimate interest rate actuarial assumptions
 8.23 for that retirement plan are as follows:

8.24		<u>preretirement</u>	<u>postretirement</u>
8.25		<u>interest rate</u>	<u>interest rate</u>
8.26	<u>plan</u>	<u>assumption</u>	<u>assumption</u>
8.27	<u>general state employees retirement plan</u>	<u>8.5%</u>	<u>6.0%</u>
8.28	<u>correctional state employees retirement plan</u>	<u>8.5</u>	<u>6.0</u>
8.29	<u>State Patrol retirement plan</u>	<u>8.5</u>	<u>6.0</u>
8.30	<u>judges retirement plan</u>	<u>8.5</u>	<u>6.0</u>
8.31	<u>general public employees retirement plan</u>	<u>8.5</u>	<u>6.0</u>
8.32	<u>public employees police and fire retirement plan</u>	<u>8.5</u>	<u>6.0</u>
8.33	<u>local government correctional service</u>	<u>8.5</u>	<u>6.0</u>
8.34	<u>retirement plan</u>		
8.35	<u>teachers retirement plan</u>	<u>8.5</u>	<u>6.0</u>
8.36	<u>Duluth teachers retirement plan</u>	<u>8.5</u>	<u>8.5</u>
8.37	<u>St. Paul teachers retirement plan</u>	<u>8.5</u>	<u>8.5</u>

8.38 (3) special preretirement and postretirement interest rate assumptions

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9.1		<u>preretirement</u>	<u>postretirement</u>
9.2		<u>interest rate</u>	<u>interest rate</u>
9.3	<u>plan</u>	<u>assumption</u>	<u>assumption</u>
9.4	<u>legislators retirement plan</u>	<u>0.0%</u>	<u>-2.00% until June 30, 2040, and</u>
9.5			<u>-2.50% after June 30, 2040</u>
9.6	<u>elective state officers retirement plan</u>	<u>0.0%</u>	<u>-2.00% until June 30, 2040, and</u>
9.7			<u>-2.50% after June 30, 2040</u>

(4) single rate preretirement and postretirement interest rate assumption

9.9		<u>interest rate</u>	
9.10	<u>plan</u>	<u>assumption</u>	
9.11	Fairmont Police Relief Association	5.0	5.0
9.12	Virginia Fire Department Relief Association	5.0	5.0
9.13	Bloomington Fire Department Relief Association	6.0	6.0
9.14	local monthly benefit volunteer firefighters relief	5.0	5.0
9.15	associations		

(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

9.21	<u>plan</u>	<u>future salary increase assumption</u>
9.22	legislators retirement plan	5.0%
9.23	judges retirement plan	4.0 <u>3.0</u>
9.24	Fairmont Police Relief Association	3.5
9.25	Virginia Fire Department Relief Association	3.5
9.26	Bloomington Fire Department Relief	4.0
9.27	Association	

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

9.30	<u>plan</u>	<u>future salary increase assumption</u>
9.31	correctional state employees retirement plan	assumption D
9.32	State Patrol retirement plan	assumption E
9.33	local government correctional service retirement plan	assumption C
9.34	Duluth teachers retirement plan	assumption A
9.35	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,

10.1 and is added to the applicable future salary
 10.2 increase assumption. ~~The designated select~~
 10.3 ~~period is five years and the designated~~
 10.4 ~~integer is five for the general state employees~~
 10.5 ~~retirement plan.~~ The designated select period
 10.6 is ten years and the designated integer is ten
 10.7 for all other retirement plans covered by
 10.8 this clause. The designated percentage rate
 10.9 is: (1) ~~0.2 percent for the correctional state~~
 10.10 ~~employees retirement plan, the State Patrol~~
 10.11 ~~retirement plan, and the local government~~
 10.12 ~~correctional service retirement plan;~~ (2)
 10.13 0.6 percent for the general state employees
 10.14 retirement plan; and ~~(3)~~ (2) 0.3 percent for
 10.15 the teachers retirement plan, the Duluth
 10.16 Teachers Retirement Fund Association,
 10.17 and the St. Paul Teachers Retirement
 10.18 Fund Association. The select calculation
 10.19 for the Duluth Teachers Retirement Fund
 10.20 Association is 8.00 percent per year for
 10.21 service years one through seven, 7.25 percent
 10.22 per year for service years seven and eight,
 10.23 and 6.50 percent per year for service years
 10.24 eight and nine.

10.25 The ultimate future salary increase assumption is:

10.26 age	A	B	C	D
10.27 16	8.00%	6.90%	7.7500% <u>9.00%</u>	7.2500%
10.28 17	8.00	6.90	7.7500 <u>9.00</u>	7.2500
10.29 18	8.00	6.90	7.7500 <u>9.00</u>	7.2500
10.30 19	8.00	6.90	7.7500 <u>9.00</u>	7.2500
10.31 20	6.90	6.90	7.7500 <u>9.00</u>	7.2500
10.32 21	6.90	6.90	7.1454 <u>8.75</u>	6.6454
10.33 22	6.90	6.90	7.0725 <u>8.50</u>	6.5725
10.34 23	6.85	6.85	7.0544 <u>8.25</u>	6.5544
10.35 24	6.80	6.80	7.0363 <u>8.00</u>	6.5363
10.36 25	6.75	6.75	7.0000 <u>7.75</u>	6.5000
10.37 26	6.70	6.70	7.0000 <u>7.50</u>	6.5000
10.38 27	6.65	6.65	7.0000 <u>7.25</u>	6.5000

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11.1	28	6.60	6.60	7.0000 <u>7.00</u>	6.5000
11.2	29	6.55	6.55	7.0000 <u>6.75</u>	6.5000
11.3	30	6.50	6.50	7.0000 <u>6.75</u>	6.5000
11.4	31	6.45	6.45	7.0000 <u>6.50</u>	6.5000
11.5	32	6.40	6.40	7.0000 <u>6.50</u>	6.5000
11.6	33	6.35	6.35	7.0000 <u>6.50</u>	6.5000
11.7	34	6.30	6.30	7.0000 <u>6.25</u>	6.5000
11.8	35	6.25	6.25	7.0000 <u>6.25</u>	6.5000
11.9	36	6.20	6.20	6.9019 <u>6.00</u>	6.4019
11.10	37	6.15	6.15	6.8074 <u>6.00</u>	6.3074
11.11	38	6.10	6.10	6.7125 <u>6.00</u>	6.2125
11.12	39	6.05	6.05	6.6054 <u>5.75</u>	6.1054
11.13	40	6.00	6.00	6.5000 <u>5.75</u>	6.0000
11.14	41	5.90	5.95	6.3540 <u>5.75</u>	5.8540
11.15	42	5.80	5.90	6.2087 <u>5.50</u>	5.7087
11.16	43	5.70	5.85	6.0622 <u>5.25</u>	5.5622
11.17	44	5.60	5.80	5.9048 <u>5.25</u>	5.4078
11.18	45	5.50	5.75	5.7500 <u>5.00</u>	5.2500
11.19	46	5.40	5.70	5.6940 <u>5.00</u>	5.1940
11.20	47	5.30	5.65	5.6375 <u>5.00</u>	5.1375
11.21	48	5.20	5.60	5.5822 <u>5.00</u>	5.0822
11.22	49	5.10	5.55	5.5404 <u>5.00</u>	5.0404
11.23	50	5.00	5.50	5.5000 <u>5.00</u>	5.0000
11.24	51	4.90	5.45	5.4384 <u>5.00</u>	4.9384
11.25	52	4.80	5.40	5.3776 <u>5.00</u>	4.8776
11.26	53	4.70	5.35	5.3167 <u>5.00</u>	4.8167
11.27	54	4.60	5.30	5.2826 <u>5.00</u>	4.7826
11.28	55	4.50	5.25	5.2500 <u>4.75</u>	4.7500
11.29	56	4.40	5.20	5.2500 <u>4.75</u>	4.7500
11.30	57	4.30	5.15	5.2500 <u>4.50</u>	4.7500
11.31	58	4.20	5.10	5.2500 <u>4.25</u>	4.7500
11.32	59	4.10	5.05	5.2500 <u>4.25</u>	4.7500
11.33	60	4.00	5.00	5.2500 <u>4.25</u>	4.7500
11.34	61	3.90	5.00	5.2500 <u>4.25</u>	4.7500
11.35	62	3.80	5.00	5.2500 <u>4.25</u>	4.7500
11.36	63	3.70	5.00	5.2500 <u>4.25</u>	4.7500
11.37	64	3.60	5.00	5.2500 <u>4.25</u>	4.7500
11.38	65	3.50	5.00	5.2500 <u>4.00</u>	4.7500
11.39	66	3.50	5.00	5.2500 <u>4.00</u>	4.7500
11.40	67	3.50	5.00	5.2500 <u>4.00</u>	4.7500
11.41	68	3.50	5.00	5.2500 <u>4.00</u>	4.7500
11.42	69	3.50	5.00	5.2500 <u>4.00</u>	4.7500
11.43	70	3.50	5.00	5.2500 <u>4.00</u>	4.7500

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12.1	(3) service-related ultimate future salary increase assumption							
12.2	general state employees retirement plan of the							assumption A
12.3	Minnesota State Retirement System							
12.4	general employees retirement plan of the Public							assumption B
12.5	Employees Retirement Association							
12.6	Teachers Retirement Association							assumption C
12.7	public employees police and fire retirement plan							assumption D
12.8	<u>State Patrol retirement plan</u>							<u>assumption E</u>
12.9	<u>correctional state employees retirement plan of the</u>							<u>assumption F</u>
12.10	<u>Minnesota State Retirement System</u>							
12.11	service							
12.12	length	A	B	C	D	E	F	
12.13	1	10.75 <u>10.50%</u>	12.25 <u>12.03%</u>	12.00%	13.00%	<u>8.00%</u>	<u>6.00%</u>	
12.14	2	8.35 <u>8.10</u>	9.15 <u>8.90</u>	9.00	11.00	<u>7.50</u>	<u>5.85</u>	
12.15	3	7.15 <u>6.90</u>	7.75 <u>7.46</u>	8.00	9.00	<u>7.00</u>	<u>5.70</u>	
12.16	4	6.45 <u>6.20</u>	6.85 <u>6.58</u>	7.50	8.00	<u>6.75</u>	<u>5.55</u>	
12.17	5	5.95 <u>5.70</u>	6.25 <u>5.97</u>	7.25	6.50	<u>6.50</u>	<u>5.40</u>	
12.18	6	5.55 <u>5.30</u>	5.75 <u>5.52</u>	7.00	6.10	<u>6.25</u>	<u>5.25</u>	
12.19	7	5.25 <u>5.00</u>	5.45 <u>5.16</u>	6.85	5.80	<u>6.00</u>	<u>5.10</u>	
12.20	8	4.95 <u>4.70</u>	5.15 <u>4.87</u>	6.70	5.60	<u>5.85</u>	<u>4.95</u>	
12.21	9	4.75 <u>4.50</u>	4.85 <u>4.63</u>	6.55	5.40	<u>5.70</u>	<u>4.80</u>	
12.22	10	4.65 <u>4.40</u>	4.65 <u>4.42</u>	6.40	5.30	<u>5.55</u>	<u>4.65</u>	
12.23	11	4.45 <u>4.20</u>	4.45 <u>4.24</u>	6.25	5.20	<u>5.40</u>	<u>4.55</u>	
12.24	12	4.35 <u>4.10</u>	4.35 <u>4.08</u>	6.00	5.10	<u>5.25</u>	<u>4.45</u>	
12.25	13	4.25 <u>4.00</u>	4.15 <u>3.94</u>	5.75	5.00	<u>5.10</u>	<u>4.35</u>	
12.26	14	4.05 <u>3.80</u>	4.05 <u>3.82</u>	5.50	4.90	<u>4.95</u>	<u>4.25</u>	
12.27	15	3.95 <u>3.70</u>	3.95 <u>3.70</u>	5.25	4.80	<u>4.80</u>	<u>4.15</u>	
12.28	16	3.85 <u>3.60</u>	3.85 <u>3.60</u>	5.00	4.80	<u>4.65</u>	<u>4.05</u>	
12.29	17	3.75 <u>3.50</u>	3.75 <u>3.51</u>	4.75	4.80	<u>4.50</u>	<u>3.95</u>	
12.30	18	3.75 <u>3.50</u>	3.75 <u>3.50</u>	4.50	4.80	<u>4.35</u>	<u>3.85</u>	
12.31	19	3.75 <u>3.50</u>	3.75 <u>3.50</u>	4.25	4.80	<u>4.20</u>	<u>3.75</u>	
12.32	20	3.75 <u>3.50</u>	3.75 <u>3.50</u>	4.00	4.80	<u>4.05</u>	<u>3.75</u>	
12.33	21	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.90	4.70	<u>4.00</u>	<u>3.75</u>	
12.34	22	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.80	4.60	<u>4.00</u>	<u>3.75</u>	
12.35	23	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.70	4.50	<u>4.00</u>	<u>3.75</u>	
12.36	24	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.60	4.50	<u>4.00</u>	<u>3.75</u>	
12.37	25	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.50	4.50	<u>4.00</u>	<u>3.75</u>	
12.38	26	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.50	4.50	<u>4.00</u>	<u>3.75</u>	
12.39	27	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.50	4.50	<u>4.00</u>	<u>3.75</u>	
12.40	28	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.50	4.50	<u>4.00</u>	<u>3.75</u>	
12.41	29	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.50	4.50	<u>4.00</u>	<u>3.75</u>	
12.42	30 or	3.75 <u>3.50</u>	3.75 <u>3.50</u>	3.50	4.50	<u>4.00</u>	<u>3.75</u>	
12.43	more							

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

plan	payroll growth assumption
13.5 general state employees retirement plan of the	3.75%
13.6 Minnesota State Retirement System	
13.7 correctional state employees retirement plan	4.50 3.75
13.8 State Patrol retirement plan	4.50 3.75
13.9 legislators retirement plan	4.50
13.10 judges retirement plan	4.00 3.00
13.11 general employees retirement plan of the Public	3.75 3.75
13.12 Employees Retirement Association	
13.13 public employees police and fire retirement plan	3.75 3.75
13.14 local government correctional service retirement plan	4.50 3.75
13.15 teachers retirement plan	3.75 3.75
13.16 Duluth teachers retirement plan	4.50 4.50
13.17 St. Paul teachers retirement plan	5.00 5.00

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

- 13.21 (1) has been proposed by the governing board of the applicable retirement plan;
- 13.22 (2) is accompanied by the concurring recommendation of the actuary retained under
- 13.23 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the
- 13.24 most recent actuarial valuation report if section 356.214 does not apply; and
- 13.25 (3) has been approved or deemed approved under subdivision 18.

13.26 **EFFECTIVE DATE.** This section is effective June 30, 2012.

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

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

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14.1 growth at the applicable percentage rate set forth in subdivision 8, paragraph (c). For all
14.2 other retirement plans and for the MERF division of the Public Employees Retirement
14.3 Association and the legislators retirement plan, the additional annual contribution must be
14.4 calculated on a level annual dollar amount basis.

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

14.15 (c) For any retirement plan other than the general employees retirement plan of the
14.16 Public Employees Retirement Association, if there has been a change in any or all of the
14.17 actuarial assumptions used for calculating the actuarial accrued liability of the fund, a
14.18 change in the benefit plan governing annuities and benefits payable from the fund, a
14.19 change in the actuarial cost method used in calculating the actuarial accrued liability of all
14.20 or a portion of the fund, or a combination of the three, and the change or changes, by itself
14.21 or by themselves and without inclusion of any other items of increase or decrease, produce
14.22 a net increase in the unfunded actuarial accrued liability in the fund, the established date
14.23 for full funding must be determined using the following procedure:

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

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

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

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

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

15.10 (vi) the period in which the unfunded actuarial accrued liability amount determined
15.11 in item (iii) is amortized by the total level annual dollar or level percentage amortization
15.12 contribution computed under item (v) must be calculated using the interest assumption
15.13 specified in subdivision 8 in effect after any applicable change, rounded to the nearest
15.14 integral number of years, but not to exceed 30 years from the end of the plan year in
15.15 which the determination of the established date for full funding using the procedure set
15.16 forth in this clause is made and not to be less than the period of years beginning in the
15.17 plan year in which the determination of the established date for full funding using the
15.18 procedure set forth in this clause is made and ending by the date for full funding in effect
15.19 before the change; and

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

15.23 (d) For the MERF division of the Public Employees Retirement Association, the
15.24 established date for full funding is June 30, 2031.

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

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

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

15.31 (h) For the judges retirement plan, the established date for full funding is June
15.32 30, 2038.

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

15.35 (j) For the St. Paul Teachers Retirement Fund Association, the established date for
15.36 full funding is June 30 of the 25th year from the valuation date. In addition to other

16.1 requirements of this chapter, the annual actuarial valuation must contain an exhibit
16.2 indicating the funded ratio and the deficiency or sufficiency in annual contributions when
16.3 comparing liabilities to the market value of the assets of the fund as of the close of the
16.4 most recent fiscal year.

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

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

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

16.14 Sec. 4. **DELAYED REPORTING DATE FOR CERTAIN QUADRENNIAL**
16.15 **EXPERIENCE STUDIES.**

16.16 Notwithstanding any provision of Minnesota Statutes, section 356.215, subdivisions
16.17 2 and 3, paragraph (c), to the contrary, the next experience studies of the general state
16.18 employees retirement plan of the Minnesota State Retirement System, the general
16.19 employees retirement plan of the Public Employees Retirement Association, and the
16.20 Teachers Retirement Association must cover the period of July 1, 2008, through June 30,
16.21 2014, and must be filed with the applicable entities on June 30, 2015.

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

16.23 **ARTICLE 2**

16.24 **CONTRIBUTION ADEQUACY REPORTING**

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

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

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

- 17.1 (1) the normal cost;
17.2 (2) the administrative expenses as defined in section 356.20, subdivision 4,
17.3 paragraph (c); and
17.4 (3) the supplemental amortization contribution requirement using the amortization
17.5 target date specified in section 356.215, subdivision 11.

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

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

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

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

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

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

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

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

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

17.24 (7) the percentage of covered salary employer contributions;

17.25 (8) the percentage of covered salary member contributions;

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

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

17.30 (11) the normal retirement age or ages;

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

17.33 (13) the amount of automatic postretirement adjustment;

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

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

18.3 (16) investment performance and interest rate actuarial assumptions;

18.4 (17) the amortization target date;

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

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

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

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

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

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

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

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

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

18.18 **ARTICLE 3**

18.19 **MSRS-CORRECTIONAL PLAN MEMBERSHIP CHANGES**

18.20 Section 1. Minnesota Statutes 2010, section 352.90, is amended to read:

18.21 **352.90 POLICY.**

18.22 It is the policy of the legislature to provide special retirement benefits for and
18.23 special contributions by certain correctional employees who may be required to retire at
18.24 an early age because they lose the mental or physical capacity required to maintain the
18.25 safety, security, discipline, and custody of inmates at state correctional facilities or of
18.26 patients at the Minnesota Security Hospital, of patients in the Minnesota sex offender
18.27 program, or of patients in the Minnesota ~~extended treatment options program~~ specialty
18.28 health system-Cambridge.

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

18.30 Subd. 3c. **Nursing personnel.** (a) "Covered correctional service" means service by
18.31 a state employee in one of the employment positions at a correctional facility or at the
18.32 Minnesota Security Hospital, or in the Minnesota sex offender program that are specified
18.33 in paragraph (b) if at least 75 percent of the employee's working time is spent in direct

19.1 contact with inmates or patients and the fact of this direct contact is certified to the
19.2 executive director by the appropriate commissioner.

19.3 (b) The employment positions are as follows:

19.4 (1) registered nurse - senior;

19.5 (2) registered nurse;

19.6 (3) registered nurse - principal;

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

19.8 (5) registered nurse advance practice; and

19.9 (6) psychiatric advance practice registered nurse.

19.10 **EFFECTIVE DATE.** (a) This section is effective retroactively from August 22,
19.11 2011.

19.12 (b) Service credit under the correctional state employees retirement plan rather
19.13 than under the general state employees retirement plan for the period between August
19.14 22, 2011, and the day following enactment is contingent on the state employee and the
19.15 Department of Human Services paying the difference between the applicable employee
19.16 and employer contributions in the two retirement plans under Minnesota Statutes, section
19.17 352.017, subdivision 2.

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

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

19.24 (b) The employment positions are:

19.25 (1) automotive mechanic;

19.26 (2) baker;

19.27 (3) central services administrative specialist, intermediate;

19.28 (4) central services administrative specialist, principal;

19.29 (5) chaplain;

19.30 (6) chief cook;

19.31 (7) clinical program therapist 1;

19.32 (8) clinical program therapist 2;

19.33 (9) clinical program therapist 3;

19.34 (10) clinical program therapist 4;

19.35 (11) cook;

- 20.1 ~~(8)~~ (12) cook coordinator;
- 20.2 ~~(9) corrections program therapist 1;~~
- 20.3 ~~(10) corrections program therapist 2;~~
- 20.4 ~~(11) corrections program therapist 3;~~
- 20.5 ~~(12) corrections program therapist 4;~~
- 20.6 (13) corrections inmate program coordinator;
- 20.7 (14) corrections transitions program coordinator;
- 20.8 (15) corrections security caseworker;
- 20.9 (16) corrections security caseworker career;
- 20.10 (17) corrections teaching assistant;
- 20.11 (18) delivery van driver;
- 20.12 (19) dentist;
- 20.13 (20) electrician supervisor;
- 20.14 (21) general maintenance worker lead;
- 20.15 (22) general repair worker;
- 20.16 (23) library/information research services specialist;
- 20.17 (24) library/information research services specialist senior;
- 20.18 (25) library technician;
- 20.19 (26) painter lead;
- 20.20 (27) plant maintenance engineer lead;
- 20.21 (28) plumber supervisor;
- 20.22 (29) psychologist 1;
- 20.23 (30) psychologist 3;
- 20.24 (31) recreation therapist;
- 20.25 (32) recreation therapist coordinator;
- 20.26 (33) recreation program assistant;
- 20.27 (34) recreation therapist senior;
- 20.28 (35) sports medicine specialist;
- 20.29 (36) work therapy assistant;
- 20.30 (37) work therapy program coordinator; and
- 20.31 (38) work therapy technician.

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

20.33 Sec. 4. Minnesota Statutes 2010, section 352.91, subdivision 3e, is amended to read:

20.34 Subd. 3e. **Minnesota ~~extended treatment options program~~ specialty health**

20.35 **system-Cambridge.** (a) "Covered correctional service" means service by a state employee

21.1 in one of the employment positions with the Minnesota ~~extended treatment options~~
21.2 ~~program~~ specialty health system-Cambridge specified in paragraph (b) if at least 75
21.3 percent of the employee's working time is spent in direct contact with patients who are in
21.4 the Minnesota ~~extended treatment options program~~ specialty health system-Cambridge
21.5 and if service in such a position is certified to the executive director by the commissioner
21.6 of human services.

21.7 (b) The employment positions are:

- 21.8 (1) behavior analyst 1;
- 21.9 (2) behavior analyst 2;
- 21.10 (3) behavior analyst 3;
- 21.11 (4) group supervisor;
- 21.12 (5) group supervisor assistant;
- 21.13 (6) human services support specialist;
- 21.14 (7) residential program lead;
- 21.15 (8) psychologist 2;
- 21.16 (9) recreation program assistant;
- 21.17 (10) recreation therapist senior;
- 21.18 (11) registered nurse senior;
- 21.19 (12) skills development specialist;
- 21.20 (13) social worker senior;
- 21.21 (14) social worker specialist; and
- 21.22 (15) speech pathology specialist.

21.23 Sec. 5. Minnesota Statutes 2010, section 352.91, subdivision 3f, is amended to read:

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

21.30 (b) The employment positions are:

- 21.31 (1) behavior analyst 2;
- 21.32 (2) behavior analyst 3;
- 21.33 (3) certified occupational therapy assistant 1;
- 21.34 (4) certified occupational therapy assistant 2;
- 21.35 (5) chemical dependency counselor senior;

- 22.1 (6) client advocate;
- 22.2 (7) clinical program therapist 3;
- 22.3 (8) clinical program therapist 4;
- 22.4 (9) customer services specialist principal;
- 22.5 ~~(8)~~ (10) dental assistant registered;
- 22.6 ~~(9)~~ (11) group supervisor;
- 22.7 ~~(10)~~ (12) group supervisor assistant;
- 22.8 ~~(11)~~ (13) human services support specialist;
- 22.9 ~~(12)~~ (14) licensed alcohol and drug counselor;
- 22.10 ~~(13)~~ (15) licensed practical nurse 1;
- 22.11 ~~(14)~~ (16) management analyst 3;
- 22.12 ~~(15)~~ (17) occupational therapist;
- 22.13 ~~(16)~~ (18) occupational therapist, senior;
- 22.14 ~~(17)~~ (19) psychologist 1;
- 22.15 ~~(18)~~ (20) psychologist 2;
- 22.16 ~~(19)~~ (21) psychologist 3;
- 22.17 ~~(20)~~ (22) recreation program assistant;
- 22.18 ~~(21)~~ (23) recreation therapist lead;
- 22.19 ~~(22)~~ (24) recreation therapist senior;
- 22.20 ~~(23)~~ (25) rehabilitation counselor senior;
- 22.21 ~~(24)~~ (26) security supervisor;
- 22.22 ~~(25)~~ (27) skills development specialist;
- 22.23 ~~(26)~~ (28) social worker senior;
- 22.24 ~~(27)~~ (29) social worker specialist;
- 22.25 ~~(28)~~ (30) social worker specialist, senior;
- 22.26 ~~(29)~~ (31) special education program assistant;
- 22.27 ~~(30)~~ (32) speech pathology clinician;
- 22.28 ~~(31)~~ (33) work therapy assistant; and
- 22.29 ~~(32)~~ (34) work therapy program coordinator.

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

22.31 **ARTICLE 4**

22.32 **HEALTH CARE SAVINGS PLAN MODIFICATIONS**

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

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

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

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

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

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

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

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

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

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

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

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

24.13 Subd. 8. **Exemption from process.** Assets in a ~~health-care~~ health care savings
24.14 plan account described in this section must be used for the reimbursement of ~~healthcare~~
24.15 health care expenses and are not assignable or subject to execution, levy, attachment,
24.16 garnishment, or other legal process, except as provided in section 518.58, 518.581, or
24.17 518A.53.

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

24.19 ARTICLE 5

24.20 MSRS-UNCLASSIFIED RETIREMENT PROGRAM MODIFICATIONS

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

24.23 Subd. 3. **Transfer to general employees retirement plan.** (a) If permitted under
24.24 paragraph (b), an employee referred to in subdivision 1, paragraph (c), clauses (2) to (4),
24.25 (6) to (14), and (16) to (18), who is credited with shares in the unclassified program; and
24.26 ~~who has credit for allowable service, not later than one month following the termination~~
24.27 ~~of covered employment,~~ may elect to terminate participation in the unclassified program
24.28 and be covered by the general employees retirement plan ~~by filing a written election~~
24.29 ~~with the executive director.~~

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

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

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

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

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

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

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

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

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

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

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

25.29 ARTICLE 6

25.30 PERA-ADMINISTERED RETIREMENT PLAN MODIFICATIONS

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

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

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

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

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

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

26.11 (5) a period of authorized personal, parental, or medical leave of absence without
26.12 pay, including a leave of absence covered under the federal Family Medical Leave Act,
26.13 that does not exceed one year, and for which a member obtained service credit for each
26.14 month in the leave period by payment under section 353.0161 to the fund made in place of
26.15 salary deductions. An employee must return to public service and render a minimum of
26.16 three months of allowable service in order to be eligible to make payment under section
26.17 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the
26.18 employee must be granted allowable service credit for the purchased period;

26.19 (6) a periodic, repetitive leave that is offered to all employees of a governmental
26.20 subdivision. The leave program may not exceed 208 hours per annual normal work cycle
26.21 as certified to the association by the employer. A participating member obtains service
26.22 credit by making employee contributions in an amount or amounts based on the member's
26.23 average salary, excluding overtime pay, that would have been paid if the leave had not been
26.24 taken. The employer shall pay the employer and additional employer contributions on
26.25 behalf of the participating member. The employee and the employer are responsible to pay
26.26 interest on their respective shares at the rate of 8.5 percent a year, compounded annually,
26.27 from the end of the normal cycle until full payment is made. An employer shall also make
26.28 the employer and additional employer contributions, plus 8.5 percent interest, compounded
26.29 annually, on behalf of an employee who makes employee contributions but terminates
26.30 public service. The employee contributions must be made within one year after the end of
26.31 the annual normal working cycle or within 30 days after termination of public service,
26.32 whichever is sooner. The executive director shall prescribe the manner and forms to be
26.33 used by a governmental subdivision in administering a periodic, repetitive leave. Upon
26.34 payment, the member must be granted allowable service credit for the purchased period;

26.35 (7) an authorized temporary or seasonal layoff under subdivision 12, limited to three
26.36 months allowable service per authorized temporary or seasonal layoff in one calendar year.

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27.1 An employee who has received the maximum service credit allowed for an authorized
27.2 temporary or seasonal layoff must return to public service and must obtain a minimum of
27.3 three months of allowable service subsequent to the layoff in order to receive allowable
27.4 service for a subsequent authorized temporary or seasonal layoff;

27.5 (8) a period during which a member is absent from employment by a governmental
27.6 subdivision by reason of service in the uniformed services, as defined in United States
27.7 Code, title 38, section 4303(13), if the member returns to public service with the same
27.8 governmental subdivision upon discharge from service in the uniformed service within the
27.9 time frames required under United States Code, title 38, section 4312(e), provided that
27.10 the member did not separate from uniformed service with a dishonorable or bad conduct
27.11 discharge or under other than honorable conditions. The service must be credited if the
27.12 member pays into the fund equivalent employee contributions based upon the contribution
27.13 rate or rates in effect at the time that the uniformed service was performed multiplied by
27.14 the full and fractional years being purchased and applied to the annual salary rate. The
27.15 annual salary rate is the average annual salary, excluding overtime pay, during the purchase
27.16 period that the member would have received if the member had continued to be employed
27.17 in covered employment rather than to provide uniformed service, or, if the determination
27.18 of that rate is not reasonably certain, the annual salary rate is the member's average salary
27.19 rate, excluding overtime pay, during the 12-month period of covered employment rendered
27.20 immediately preceding the period of the uniformed service. Payment of the member
27.21 equivalent contributions must be made during a period that begins with the date on which
27.22 the individual returns to public employment and that is three times the length of the
27.23 military leave period, or within five years of the date of discharge from the military service,
27.24 whichever is less. If the determined payment period is less than one year, the contributions
27.25 required under this clause to receive service credit may be made within one year of the
27.26 discharge date. Payment may not be accepted following 30 days after termination of
27.27 public service under subdivision 11a. If the member equivalent contributions provided for
27.28 in this clause are not paid in full, the member's allowable service credit must be prorated
27.29 by multiplying the full and fractional number of years of uniformed service eligible for
27.30 purchase by the ratio obtained by dividing the total member contributions received by the
27.31 total member contributions otherwise required under this clause. The equivalent employer
27.32 contribution, and, if applicable, the equivalent additional employer contribution must be
27.33 paid by the governmental subdivision employing the member if the member makes the
27.34 equivalent employee contributions. The employer payments must be made from funds
27.35 available to the employing unit, using the employer and additional employer contribution
27.36 rate or rates in effect at the time that the uniformed service was performed, applied to the

28.1 same annual salary rate or rates used to compute the equivalent member contribution. The
28.2 governmental subdivision involved may appropriate money for those payments. The
28.3 amount of service credit obtainable under this section may not exceed five years unless a
28.4 longer purchase period is required under United States Code, title 38, section 4312. The
28.5 employing unit shall pay interest on all equivalent member and employer contribution
28.6 amounts payable under this clause. Interest must be computed at a rate of 8.5 percent
28.7 compounded annually from the end of each fiscal year of the leave or the break in service
28.8 to the end of the month in which the payment is received. Upon payment, the employee
28.9 must be granted allowable service credit for the purchased period; or

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

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

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

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

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29.1 "allowable service" is the period of service credited by the Minneapolis Police Relief
29.2 Association as reflected in the transferred records of the association up to the effective date
29.3 of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19,
29.4 and the period of service credited under paragraph (a), clause (1), after the effective date
29.5 of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19.

29.6 (e) MS 2002 [Expired]

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

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

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

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

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

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

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

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

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

29.30 (i) 50 percent after five years;

29.31 (ii) 60 percent after six years;

29.32 (iii) 70 percent after seven years;

29.33 (iv) 80 percent after eight years;

29.34 (v) 90 percent after nine years; and

29.35 (vi) 100 percent after ten years.

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

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

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

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

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

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

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

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

30.31 (2) the amount of \$27,000,000, but the total supplemental contribution amount
30.32 plus the contributions under paragraphs (c) and (d) may not exceed \$34,000,000. Each
30.33 employing unit's share of the total employer supplemental contribution amount is equal to
30.34 the applicable portion specified in paragraph ~~(g)~~ (h). The initial total actuarial required
30.35 contribution after June 30, 2012, must be calculated using the mortality assumption

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31.1 change recommended on September 30, 2009, for the Minneapolis Employees Retirement
31.2 Fund by the approved consulting actuary retained by the Minneapolis Employees
31.3 Retirement Fund board.

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

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

31.23 ~~(g)~~ (h) The employer supplemental contribution under paragraph (e) or the special
31.24 additional employer contribution under paragraph ~~(f)~~ (g) must be allocated between the
31.25 city of Minneapolis, Special School District No. 1, Minneapolis, any Minneapolis-owned
31.26 public utility, improvement, or municipal activity, the Minnesota State Colleges and
31.27 Universities system, Hennepin County, the Metropolitan Council, and the Metropolitan
31.28 Airports Commission in proportion to their share of the actuarial accrued liability of the
31.29 former Minneapolis Employees Retirement Fund as of July 1, 2009, as calculated by the
31.30 approved actuary retained under section 356.214 as part of the actuarial valuation prepared
31.31 as of July 1, 2009, under section 356.215 and the Standards for Actuarial Work adopted by
31.32 the Legislative Commission on Pensions and Retirement.

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

31.35 ~~(i)~~ (j) Contributions under this subdivision are subject to the provisions of section
31.36 353.27, subdivisions 4, 7, 7a, 7b, 11, 12, 12a, 12b, 13, and 14.

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

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

32.3 Subd. 2. **Benefits paid under workers' compensation law.** (a) If a member, ~~as~~
32.4 ~~described in subdivision 1, is injured under circumstances which entitle the member to~~
32.5 ~~receive benefits under the~~ becomes disabled and receives a disability benefit as specified
32.6 in this section and is also entitled to receive lump sum or periodic benefits under workers'
32.7 compensation law, the member shall receive the same benefits as provided in subdivision
32.8 1, with disability benefits paid reimbursed and future benefits reduced by all periodic or
32.9 lump-sum amounts, other than those amounts excluded under paragraph (b), paid to the
32.10 member under the workers' compensation law, after deduction of amount of attorney fees,
32.11 authorized under applicable workers' compensation laws, paid by a disabilitant if the total
32.12 of laws, the single life annuity actuarial equivalent disability benefit amount and the
32.13 workers' compensation benefit exceeds: amount must be added. The computation must
32.14 exclude any attorney fees paid by the disabilitant as authorized under applicable workers'
32.15 compensation laws. The computation must also exclude permanent partial disability
32.16 payments provided under section 176.101, subdivision 2a, and retraining payments under
32.17 section 176.102, subdivision 11, if the permanent partial disability or retraining payments
32.18 are reported to the executive director in a manner specified by the executive director.

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

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

32.22 (2) the salary currently payable for the same employment position or ~~an employment~~
32.23 ~~position~~ substantially similar to the one the person held as of the date of the disability,
32.24 ~~whichever is greater. The disability benefit must be reduced to that amount which, when~~
32.25 ~~added to the workers' compensation benefits, does not exceed the greater of the salaries~~
32.26 ~~described in clauses (1) and (2) positions in the applicable government subdivision.~~

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

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

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

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

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

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

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

33.16 **ARTICLE 7**

33.17 **REVISIONS IN THE PERA PRIVATIZATION LAW**

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

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

33.20 (1) Bridges Medical Services;

33.21 (2) Cedarview Care Center in Steele County;

33.22 ~~(2)~~ (3) the City of Cannon Falls Hospital;

33.23 ~~(3)~~ (4) the Chris Jenson Health and Rehabilitation Center in St. Louis County;

33.24 ~~(4)~~ (5) Clearwater County Memorial Hospital doing business as Clearwater Health
33.25 Services in Bagley;

33.26 ~~(5)~~ (6) the Dassel Lakeside Community Home;

33.27 ~~(6)~~ (7) the Douglas County Hospital, with respect to the Mental Health Unit;

33.28 ~~(7)~~ (8) the Fair Oaks Lodge, Wadena;

33.29 ~~(8)~~ (9) the Glencoe Area Health Center;

33.30 ~~(9)~~ (10) Hutchinson Area Health Care;

33.31 ~~(10)~~ (11) the Lakefield Nursing Home;

33.32 ~~(11)~~ (12) the Lakeview Nursing Home in Gaylord;

33.33 ~~(12)~~ (13) the Luverne Public Hospital;

- 34.1 ~~(13)~~ (14) the Oakland Park Nursing Home;
- 34.2 ~~(14)~~ (15) the RenVilla Nursing Home;
- 34.3 ~~(15)~~ (16) the Rice Memorial Hospital in Willmar, with respect to the Department
- 34.4 of Radiology and the Department of Radiation/Oncology;
- 34.5 ~~(16)~~ (17) the St. Peter Community Health Care Center;
- 34.6 (18) the Traverse Care Center in Traverse County;
- 34.7 ~~(17)~~ (19) the Waconia-Ridgeview Medical Center;
- 34.8 ~~(18)~~ (20) the Weiner Memorial Medical Center, Inc.;
- 34.9 ~~(19)~~ (21) the Wheaton Community Hospital; and
- 34.10 ~~(20)~~ (22) the Worthington Regional Hospital.

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

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

34.13 Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of

34.14 a terminated medical facility or other public employing unit employee is subject

34.15 to augmentation under section 353.71, subdivision 2, of the edition of Minnesota

34.16 Statutes published in the year in which the privatization occurred, except that the rate

34.17 of augmentation is as specified in ~~paragraph (b) or (c), whichever is applicable~~ this

34.18 subdivision.

34.19 (b) This paragraph applies if the legislation adding the medical facility or other

34.20 employing unit to section 353F.02, subdivision 4 or 5, as applicable, was enacted before

34.21 July 26, 2005, and became effective before January 1, 2008, for the Hutchinson Area

34.22 Health Care or before January 1, 2007, for all other medical facilities and all other

34.23 employing units. For a terminated medical facility or other public employing unit

34.24 employee, the augmentation rate is 5.5 percent compounded annually until January 1

34.25 following the year in which the person attains age 55. From that date to the effective date

34.26 of retirement, the augmentation rate is 7.5 percent compounded annually.

34.27 (c) If paragraph (b) is not applicable, and if the effective date of the privatization is

34.28 before January 1, 2011, the augmentation rate is four percent compounded annually until

34.29 January 1, following the year in which the person attains age 55. From that date to the

34.30 effective date of retirement, the augmentation rate is six percent compounded annually.

34.31 (d) If the effective date of the privatization is after December 31, 2010, the

34.32 applicable augmentation rate depends on the result of computations specified in section

34.33 353F.025, subdivision 1. If those computations indicate no loss or a net gain to the fund of

34.34 the general employees retirement plan of the Public Employees Retirement Association,

34.35 the augmentation rate is 2.0 percent compounded annually until the effective date of

35.1 retirement. If the computations under that subdivision indicate a net loss to the fund if
35.2 a 2.0 percent augmentation rate is used, but a net gain or no loss if a 1.0 percent rate is
35.3 used, then the augmentation rate is 1.0 percent compounded annually until the effective
35.4 date of retirement.

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

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

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

35.9 **353F.07 EFFECT ON REFUND.**

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

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

35.22 **ARTICLE 8**

35.23 **TRA ADMINISTRATIVE CHANGES AND RELATED MODIFICATIONS**

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

35.25 Subd. 9. **First class city teacher retirement funds aids reporting.** Each year,
35.26 on or before April 15, the commissioner of management and budget shall report to the
35.27 chairs of the senate Finance Committee and the house of representatives Ways and Means
35.28 Committee on expenditures for state aids to the ~~Minneapolis and Saint St. Paul~~ Teachers Retirement
35.29 Fund associations Association, and to the Teachers Retirement Association on
35.30 behalf of the merged Minneapolis Teachers Retirement Fund Association, under sections
35.31 354.435, 354A.12, and 423A.02, subdivision 3. This report shall include the amounts

36.1 expended in the most recent fiscal year and estimates of expected expenditures for the
36.2 current and next fiscal year.

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

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

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

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

36.18 (c) If the employer retirement fund contributions under section 354A.12, subdivision
36.19 2a, are increased for fiscal year 1994 or later fiscal years, Special School District No. 1,
36.20 Minneapolis, and Independent School District No. 625, St. Paul, may levy in payable
36.21 1994 or later an amount equal to the amount derived by applying the net increase in
36.22 the employer retirement fund contribution rate of the respective teacher retirement fund
36.23 association between fiscal year 1993 and the fiscal year beginning in the year after the
36.24 levy is certified to the total covered payroll of the applicable teacher retirement fund
36.25 association. If an applicable school district levies under this paragraph, they may not
36.26 levy under paragraph (b).

36.27 (d) In addition to the levy authorized under paragraph (c), Special School District
36.28 No. 1, Minneapolis, may also levy payable in 1997 or later an amount equal to the
36.29 contributions under section ~~423A.02~~ 354.435, subdivision ~~3~~ 2, and may also levy in
36.30 payable 1994 or later an amount equal to the state aid contribution under section ~~354A.12~~
36.31 354.435, subdivision ~~3~~ 1. Independent School District No. 625, St. Paul, may levy
36.32 payable in 1997 or later an amount equal to the supplemental contributions under section
36.33 423A.02, subdivision 3.

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

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

37.3 Subdivision 1. **Special direct state matching aid.** (a) Special School District No. 1,
37.4 Minneapolis, and the city of Minneapolis must make additional employer contributions
37.5 to the Teachers Retirement Association in the amounts specified in paragraph (b). These
37.6 contributions can be made from any available source. If made in whole or in part by a
37.7 levy, the levy may be classified as that of a special taxing district for purposes of sections
37.8 275.065 and 276.04, and for all other property tax purposes.

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

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

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

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

37.35 Subd. 4. **Expiration.** This section expires effective the first day of the fiscal year
37.36 next following the fiscal year in which the Teachers Retirement Association has no

38.1 unfunded actuarial accrued liability as determined by the actuarial valuation prepared
38.2 under section 356.215 by the approved actuary retained under section 356.214.

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

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

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

38.8 (1) Payment of shortages in member deductions on salary earned after June 30,
38.9 1957, and before July 1, 1981, may be made any time before retirement. Payment must
38.10 include interest at an annual rate of 8.5 percent compounded annually from the end of the
38.11 fiscal year in which the shortage occurred to the end of the month in which payment is
38.12 made and the interest must be credited to the fund. If payment of a shortage in deductions
38.13 is not made, the formula service credit of the member must be prorated under section
38.14 354.05, subdivision 25, clause (3).

38.15 (2) Payment of shortages in member deductions on salary earned after June 30,
38.16 1981, are the sole obligation of the employing unit and are payable by the employing
38.17 unit upon notification by the executive director of the shortage with interest at an annual
38.18 rate of 8.5 percent compounded annually from the end of the fiscal year in which the
38.19 shortage occurred to the end of the month in which payment is made and the interest
38.20 must be credited to the fund. Effective July 1, 1986, the employing unit shall also pay
38.21 the employer contributions as specified in section 354.42, subdivisions 3 and 5 for the
38.22 shortages. If the shortage payment is not paid by the employing unit within 60 days of
38.23 notification, and if the executive director does not use the recovery procedure in section
38.24 354.512, the executive director shall certify the amount of the shortage ~~payment~~ to the
38.25 applicable county auditor, who shall spread a levy in the amount of the shortage payment
38.26 over the taxable property of the taxing district of the employing unit if the employing unit
38.27 is supported by property taxes, ~~or to the commissioner of management and budget, who~~
38.28 ~~shall deduct the amount from any state aid or appropriation amount applicable to the~~
38.29 ~~employing unit if the employing unit is not supported by property taxes.~~

38.30 (3) Payment may not be made for shortages in member deductions on salary earned
38.31 before July 1, 1957, for shortages in member deductions on salary paid or payable under
38.32 paragraph (b), or for shortages in member deductions for persons employed by the
38.33 Minnesota State Colleges and Universities system in a faculty position or in an eligible
38.34 unclassified administrative position and whose employment was less than 25 percent

39.1 of a full academic year, exclusive of the summer session, for the applicable institution
39.2 that exceeds the most recent 36 months.

39.3 (b) For a person who is employed by the Minnesota State Colleges and Universities
39.4 system in a faculty position or in an eligible unclassified administrative position and
39.5 whose employment was less than 25 percent of a full academic year, exclusive of the
39.6 summer session, for the applicable institution, upon the person's election under section
39.7 354B.21 of retirement coverage under this chapter, the shortage in member deductions
39.8 on the salary for employment by the Minnesota State Colleges and Universities system
39.9 institution of less than 25 percent of a full academic year, exclusive of the summer session,
39.10 for the applicable institution for the most recent 36 months and the associated employer
39.11 contributions must be paid by the Minnesota State Colleges and Universities system
39.12 institution, plus annual compound interest at the rate of 8.5 percent from the end of the
39.13 fiscal year in which the shortage occurred to the end of the month in which the Teachers
39.14 Retirement Association coverage election is made. ~~If the shortage payment is not made by~~
39.15 ~~the institution within 60 days of notification, the executive director shall certify the amount~~
39.16 ~~of the shortage payment to the commissioner of management and budget, who shall deduct~~
39.17 ~~the amount from any state appropriation to the system.~~ An individual electing coverage
39.18 under this paragraph shall repay the amount of the shortage in member deductions, plus
39.19 interest, through deduction from salary or compensation payments within the first year of
39.20 employment after the election under section 354B.21, subject to the limitations in section
39.21 16D.16. The Minnesota State Colleges and Universities system may use any means
39.22 available to recover amounts which were not recovered through deductions from salary or
39.23 compensation payments. No payment of the shortage in member deductions under this
39.24 paragraph may be made for a period longer than the most recent 36 months.

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

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

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

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

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

40.2 Subd. 3c. **Termination of supplemental contributions and direct matching and**
40.3 **state aid.** ~~The supplemental contributions payable to the Minneapolis Teachers Retirement~~
40.4 ~~Fund Association by Special School District No. 1 and the city of Minneapolis under~~
40.5 ~~section 423A.02, subdivision 3, must be paid to the Teachers Retirement Association and~~
40.6 ~~must continue until the current assets of the fund equal or exceed the actuarial accrued~~
40.7 ~~liability of the fund as determined in the most recent actuarial report for the fund by~~
40.8 ~~the actuary retained under section 356.214, or 2037, whichever occurs earlier. The~~
40.9 supplemental contributions payable to the St. Paul Teachers Retirement Fund Association
40.10 by Independent School District No. 625 under section 423A.02, subdivision 3, or the
40.11 direct state aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association
40.12 must continue until the current assets of the fund equal or exceed the actuarial accrued
40.13 liability of the fund as determined in the most recent actuarial report for the fund by the
40.14 actuary retained under section 356.214 or until 2037, whichever occurs earlier.

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

40.16 Sec. 7. Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8, is
40.17 amended to read:

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

40.21		preretirement	postretirement
40.22		interest	interest
40.23	plan	rate assumption	rate assumption
40.24	general state employees retirement plan	8.5%	6.0%
40.25	correctional state employees retirement plan	8.5	6.0
40.26	State Patrol retirement plan	8.5	6.0
40.27	legislators retirement plan	8.5	6.0
40.28	elective state officers retirement plan	8.5	6.0
40.29	judges retirement plan	8.5	6.0
40.30	general public employees retirement plan	8.5	6.0
40.31	public employees police and fire retirement plan	8.5	6.0
40.32	local government correctional service	8.5	6.0
40.33	retirement plan		
40.34	teachers retirement plan	8.5	6.0
40.35	Duluth teachers retirement plan	8.5	8.5
40.36	St. Paul teachers retirement plan	8.5	8.5
40.37	Fairmont Police Relief Association	5.0	5.0
40.38	Virginia Fire Department Relief Association	5.0	5.0

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41.1	Bloomington Fire Department Relief	6.0	6.0
41.2	Association		
41.3	local monthly benefit volunteer firefighters	5.0	5.0
41.4	relief associations		

41.5 (b) Before July 1, 2010, the actuarial valuation must use the applicable following
 41.6 single rate future salary increase assumption, the applicable following modified single
 41.7 rate future salary increase assumption, or the applicable following graded rate future
 41.8 salary increase assumption:

41.9	(1) single rate future salary increase assumption		
41.10	plan	future salary increase assumption	
41.11	legislators retirement plan	5.0%	
41.12	judges retirement plan	4.0	
41.13	Fairmont Police Relief Association	3.5	
41.14	Virginia Fire Department Relief Association	3.5	
41.15	Bloomington Fire Department Relief	4.0	
41.16	Association		

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

41.19	plan	future salary increase assumption
41.20	correctional state employees retirement plan	assumption D
41.21	State Patrol retirement plan	assumption C
41.22	local government correctional service retirement plan	assumption C
41.23	Duluth teachers retirement plan	assumption A
41.24	St. Paul teachers retirement plan	assumption B

41.25 For plans other than the Duluth teachers
 41.26 retirement plan, the select calculation
 41.27 is: during the designated select period, a
 41.28 designated percentage rate is multiplied by
 41.29 the result of the designated integer minus T,
 41.30 where T is the number of completed years of
 41.31 service, and is added to the applicable future
 41.32 salary increase assumption. ~~The designated~~
 41.33 ~~select period is five years and the designated~~
 41.34 ~~integer is five for the general state employees~~
 41.35 ~~retirement plan.~~ The designated select period
 41.36 is ten years and the designated integer is ten
 41.37 for all ~~other~~ retirement plans covered by
 41.38 this clause. The designated percentage rate

42.1 is: (1) 0.2 percent for the correctional state
 42.2 employees retirement plan, the State Patrol
 42.3 retirement plan, and the local government
 42.4 correctional service retirement plan; and (2)
 42.5 ~~0.6 percent for the general state employees~~
 42.6 ~~retirement plan; and (3) 0.3 percent for the~~
 42.7 ~~teachers retirement plan, the Duluth Teachers~~
 42.8 ~~Retirement Fund Association, and the St.~~
 42.9 Paul Teachers Retirement Fund Association.
 42.10 The select calculation for the Duluth Teachers
 42.11 Retirement Fund Association is 8.00 percent
 42.12 per year for service years one through seven,
 42.13 7.25 percent per year for service years seven
 42.14 and eight, and 6.50 percent per year for
 42.15 service years eight and nine.

42.16 The ultimate future salary increase assumption is:

42.17 age	A	B	C	D
42.18 16	8.00%	6.90%	7.7500%	7.2500%
42.19 17	8.00	6.90	7.7500	7.2500
42.20 18	8.00	6.90	7.7500	7.2500
42.21 19	8.00	6.90	7.7500	7.2500
42.22 20	6.90	6.90	7.7500	7.2500
42.23 21	6.90	6.90	7.1454	6.6454
42.24 22	6.90	6.90	7.0725	6.5725
42.25 23	6.85	6.85	7.0544	6.5544
42.26 24	6.80	6.80	7.0363	6.5363
42.27 25	6.75	6.75	7.0000	6.5000
42.28 26	6.70	6.70	7.0000	6.5000
42.29 27	6.65	6.65	7.0000	6.5000
42.30 28	6.60	6.60	7.0000	6.5000
42.31 29	6.55	6.55	7.0000	6.5000
42.32 30	6.50	6.50	7.0000	6.5000
42.33 31	6.45	6.45	7.0000	6.5000
42.34 32	6.40	6.40	7.0000	6.5000
42.35 33	6.35	6.35	7.0000	6.5000
42.36 34	6.30	6.30	7.0000	6.5000
42.37 35	6.25	6.25	7.0000	6.5000
42.38 36	6.20	6.20	6.9019	6.4019
42.39 37	6.15	6.15	6.8074	6.3074
42.40 38	6.10	6.10	6.7125	6.2125

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43.1	39	6.05	6.05	6.6054	6.1054
43.2	40	6.00	6.00	6.5000	6.0000
43.3	41	5.90	5.95	6.3540	5.8540
43.4	42	5.80	5.90	6.2087	5.7087
43.5	43	5.70	5.85	6.0622	5.5622
43.6	44	5.60	5.80	5.9048	5.4078
43.7	45	5.50	5.75	5.7500	5.2500
43.8	46	5.40	5.70	5.6940	5.1940
43.9	47	5.30	5.65	5.6375	5.1375
43.10	48	5.20	5.60	5.5822	5.0822
43.11	49	5.10	5.55	5.5404	5.0404
43.12	50	5.00	5.50	5.5000	5.0000
43.13	51	4.90	5.45	5.4384	4.9384
43.14	52	4.80	5.40	5.3776	4.8776
43.15	53	4.70	5.35	5.3167	4.8167
43.16	54	4.60	5.30	5.2826	4.7826
43.17	55	4.50	5.25	5.2500	4.7500
43.18	56	4.40	5.20	5.2500	4.7500
43.19	57	4.30	5.15	5.2500	4.7500
43.20	58	4.20	5.10	5.2500	4.7500
43.21	59	4.10	5.05	5.2500	4.7500
43.22	60	4.00	5.00	5.2500	4.7500
43.23	61	3.90	5.00	5.2500	4.7500
43.24	62	3.80	5.00	5.2500	4.7500
43.25	63	3.70	5.00	5.2500	4.7500
43.26	64	3.60	5.00	5.2500	4.7500
43.27	65	3.50	5.00	5.2500	4.7500
43.28	66	3.50	5.00	5.2500	4.7500
43.29	67	3.50	5.00	5.2500	4.7500
43.30	68	3.50	5.00	5.2500	4.7500
43.31	69	3.50	5.00	5.2500	4.7500
43.32	70	3.50	5.00	5.2500	4.7500
43.33	(3) service-related ultimate future salary increase assumption				
43.34	general state employees retirement plan of the				assumption A
43.35	Minnesota State Retirement System				
43.36	general employees retirement plan of the Public				assumption B
43.37	Employees Retirement Association				
43.38	Teachers Retirement Association				assumption C
43.39	public employees police and fire retirement plan				assumption D
43.40	service				
43.41	length	A	B	C	D
43.42	1	10.75%	12.25%	12.00%	13.00%
43.43	2	8.35	9.15	9.00	11.00

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44.1	3	7.15	7.75	8.00	9.00
44.2	4	6.45	6.85	7.50	8.00
44.3	5	5.95	6.25	7.25	6.50
44.4	6	5.55	5.75	7.00	6.10
44.5	7	5.25	5.45	6.85	5.80
44.6	8	4.95	5.15	6.70	5.60
44.7	9	4.75	4.85	6.55	5.40
44.8	10	4.65	4.65	6.40	5.30
44.9	11	4.45	4.45	6.25	5.20
44.10	12	4.35	4.35	6.00	5.10
44.11	13	4.25	4.15	5.75	5.00
44.12	14	4.05	4.05	5.50	4.90
44.13	15	3.95	3.95	5.25	4.80
44.14	16	3.85	3.85	5.00	4.80
44.15	17	3.75	3.75	4.75	4.80
44.16	18	3.75	3.75	4.50	4.80
44.17	19	3.75	3.75	4.25	4.80
44.18	20	3.75	3.75	4.00	4.80
44.19	21	3.75	3.75	3.90	4.70
44.20	22	3.75	3.75	3.80	4.60
44.21	23	3.75	3.75	3.70	4.50
44.22	24	3.75	3.75	3.60	4.50
44.23	25	3.75	3.75	3.50	4.50
44.24	26	3.75	3.75	3.50	4.50
44.25	27	3.75	3.75	3.50	4.50
44.26	28	3.75	3.75	3.50	4.50
44.27	29	3.75	3.75	3.50	4.50
44.28	30 or more	3.75	3.75	3.50	4.50

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

44.33	plan	payroll growth assumption
44.34	general state employees retirement plan of the	3.75%
44.35	Minnesota State Retirement System	
44.36	correctional state employees retirement plan	4.50
44.37	State Patrol retirement plan	4.50
44.38	legislators retirement plan	4.50
44.39	judges retirement plan	4.00
44.40	general employees retirement plan of the Public	3.75
44.41	Employees Retirement Association	
44.42	public employees police and fire retirement plan	3.75

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45.1	local government correctional service retirement plan	4.50
45.2	teachers retirement plan	3.75
45.3	Duluth teachers retirement plan	4.50
45.4	St. Paul teachers retirement plan	5.00

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

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

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

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

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

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

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

45.15 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers
45.16 Retirement Association are entitled to a postretirement adjustment annually on January
45.17 1, as follows:

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

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

45.24 (3) for January 1, 2013, and each successive January 1 until funding stability is
45.25 restored, for each annuitant or benefit recipient who has been receiving an annuity or a
45.26 benefit for at least six full months before the January 1 increase, an annual postretirement
45.27 increase of 1/12 of two percent for each month the person has been receiving an annuity or
45.28 benefit must be applied, effective January 1, ~~following the year in~~ for which the person has
45.29 been retired for at least six months but less than 12 18 months;

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

45.34 (5) for each January 1 following the restoration of funding stability, for each
45.35 annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six

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46.1 full months before the January 1 increase, an annual postretirement increase of 1/12 of
46.2 2.5 percent for each month the person has been receiving an annuity or benefit must be
46.3 applied, effective January 1, ~~following the year in~~ for which the person has been retired
46.4 for at least six months but less than 12 18 months.

46.5 (b) Funding stability is restored when the market value of assets of the Teachers
46.6 Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities of
46.7 the Teachers Retirement Association in the most recent prior actuarial valuation prepared
46.8 under section 356.215 and the standards for actuarial work by the approved actuary
46.9 retained by the Teachers Retirement Association under section 356.214.

46.10 (c) An increase in annuity or benefit payments under this section must be made
46.11 automatically unless written notice is filed by the annuitant or benefit recipient with the
46.12 executive director of the Teachers Retirement Association requesting that the increase
46.13 not be made.

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

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

46.24 Sec. 9. Minnesota Statutes 2010, section 423A.02, subdivision 3, is amended to read:

46.25 Subd. 3. **Reallocation of amortization or supplementary amortization state**
46.26 **aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year
46.27 amortization aid and supplemental amortization aid distributed under subdivisions 1
46.28 and 1a that is not distributed for any reason to a municipality for use by a local police
46.29 or salaried fire relief association must be distributed by the commissioner of revenue
46.30 according to this paragraph. The commissioner shall distribute 50 percent of the amounts
46.31 derived under this paragraph to the Teachers Retirement Association, ten percent to the
46.32 Duluth Teachers Retirement Fund Association, and 40 percent to the St. Paul Teachers
46.33 Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the
46.34 respective funds. These payments shall be made on or before June 30 each fiscal year. If
46.35 the St. Paul Teachers Retirement Fund Association becomes fully funded, its eligibility

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47.1 for this aid ceases. Amounts remaining in the undistributed balance account at the end of
 47.2 the biennium if aid eligibility ceases cancel to the general fund.

47.3 (b) In order to receive amortization and supplementary amortization aid under
 47.4 paragraph (a), prior to June 30 Independent School District No. 625, St. Paul, must make
 47.5 contributions an additional contribution of \$800,000 each year to the St. Paul Teachers
 47.6 Retirement Fund Association in accordance with the following schedule:

47.7	Fiscal Year	Amount
47.8	1996	\$ 0
47.9	1997	\$ 0
47.10	1998	\$ 200,000
47.11	1999	\$ 400,000
47.12	2000	\$ 600,000
47.13	2001 and thereafter	\$ 800,000

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

47.17	Fiscal Year	City amount	School district amount
47.18			
47.19	1996	\$ 0	\$ 0
47.20	1997	\$ 0	\$ 0
47.21	1998	\$ 250,000	\$ 250,000
47.22	1999	\$ 400,000	\$ 400,000
47.23	2000	\$ 550,000	\$ 550,000
47.24	2001	\$ 700,000	\$ 700,000
47.25	2002	\$ 850,000	\$ 850,000
47.26	2003 and thereafter	\$ 1,000,000	\$ 1,000,000

47.27 ~~(d)~~ (c) Thirty percent of the difference between \$5,720,000 and the current year
 47.28 amortization aid and supplemental amortization aid under subdivisions 1 and 1a that is not
 47.29 distributed for any reason to a municipality for use by a local police or salaried firefighter
 47.30 relief association must be distributed under section 69.021, subdivision 7, paragraph (d),
 47.31 as additional funding to support a minimum fire state aid amount for volunteer firefighter
 47.32 relief associations.

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

47.34 Sec. 10. **REPEALER.**

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

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

48.2 **ARTICLE 9**

48.3 **FEDERAL INTERNAL REVENUE CODE CONFORMITY PROVISIONS**

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

48.5 Subd. 2. **Federal compensation limits.** (a) For members of a covered pension plan
48.6 enumerated in section 356.30, subdivision 3, and of the plan established under chapter
48.7 353D, compensation in excess of the limitation specified in section 401(a)(17) of the
48.8 Internal Revenue Code, as amended, for changes in the cost of living under section
48.9 401(a)(17)(B) of the Internal Revenue Code, may not be included for contribution and
48.10 benefit computation purposes.

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

48.16 (c) To the extent required by sections 3401(h) and 414(u)(12) of the federal Internal
48.17 Revenue Code, an individual receiving a differential wage payment as defined in section
48.18 3401(h)(2) of the federal Internal Revenue Code from an employer shall be treated
48.19 as employed by that employer, and the differential wage payment will be treated as
48.20 compensation for purposes of applying the limits on annual additions under section 415(c)
48.21 of the federal Internal Revenue Code.

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

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

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

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

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

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

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

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

49.12 Subd. 4. **Compensation.** ~~(a)~~ For purposes of this section, compensation means a
49.13 member's compensation actually paid or made available for any limitation year including
49.14 all items of remuneration described in federal treasury regulation section 1.415 (c)-2(b)
49.15 and excluding all items of remuneration described in federal treasury regulation section
49.16 1.415 (c)-2(c). Compensation for pension plan purposes for any limitation year shall not
49.17 exceed the applicable federal compensation limit described in subdivision 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

50.32 **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;

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

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

52.6 (11) receive and expend legislative appropriations; and

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

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

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

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

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

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

52.17 **11A.24 AUTHORIZED INVESTMENTS.**

52.18 Subdivision 1. **Securities generally.** (a) The state board ~~shall have the authority~~
52.19 is authorized to purchase, sell, lend ~~or, and~~ exchange the ~~following~~ securities specified
52.20 in this section, for funds or accounts specifically made subject to this section, including
52.21 puts and call options and future contracts traded on a contract market regulated by a
52.22 governmental agency or by a financial institution regulated by a governmental agency.
52.23 These securities may be owned directly or through shares in exchange-traded or mutual
52.24 funds, or as units in commingled trusts that own the securities described in subdivisions 2
52.25 to 6, subject to any limitations as specified in this section.

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

52.32 Subd. 2. **Government obligations.** The state board ~~may~~ is authorized to invest
52.33 funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness

53.1 ~~provided~~ if the issue is backed by the full faith and credit of the issuer or if the issue
53.2 is rated among the top four quality rating categories by a nationally recognized rating
53.3 agency. The obligations in which the board may invest under this subdivision ~~include~~ are
53.4 guaranteed or insured issues of ~~(a)~~:

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

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

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

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

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

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

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

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

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

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

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

53.35 Subd. 4. **Other obligations.** (a) The state board ~~may~~ is authorized to invest funds
53.36 in ~~bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage~~

54.1 ~~securities and asset backed securities, repurchase agreements and reverse repurchase~~
54.2 ~~agreements, guaranteed investment contracts, savings accounts, and guaranty fund~~
54.3 ~~certificates, surplus notes, or debentures of domestic mutual insurance companies if they~~
54.4 ~~conform to the following provisions:~~

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

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

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

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

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

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

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

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

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

54.33 (c) In addition to investments authorized by paragraph (a), clause (4), the state board
54.34 ~~may~~ is authorized to purchase from the Minnesota Housing Finance Agency all or any
54.35 part of a pool of residential mortgages, not in default, that has previously been financed
54.36 by the issuance of bonds or notes of the agency. The state board may also enter into a

55.1 commitment with the agency, at the time of any issue of bonds or notes, to purchase at
55.2 a specified future date, not exceeding 12 years from the date of the issue, the amount of
55.3 mortgage loans then outstanding and not in default that have been made or purchased from
55.4 the proceeds of the bonds or notes. The state board may charge reasonable fees for any
55.5 such commitment and may agree to purchase the mortgage loans at a price sufficient to
55.6 produce a yield to the state board comparable, in its judgment, to the yield available on
55.7 similar mortgage loans at the date of the bonds or notes. The state board may also enter
55.8 into agreements with the agency for the investment of any portion of the funds of the
55.9 agency. The agreement must cover the period of the investment, withdrawal privileges,
55.10 and any guaranteed rate of return.

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

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

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

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

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

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

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

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

56.4 ~~(4)~~ (3) resource investments through limited partnerships, trusts, private placements,
56.5 limited liability corporations, limited liability companies, limited liability partnerships,
56.6 and corporations; and

56.7 ~~(5)~~ (4) international securities.

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

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

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

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

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

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

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

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

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

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

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

57.3 (6) the age of the investment in years.

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

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

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

57.10 Subd. 9. **Local police and paid fire relief association investment authority.**

57.11 (a) The ~~funds~~ special fund of the association must be invested in securities that are
57.12 authorized investments under section 356A.06, subdivision 6 or 7, whichever applies.

57.13 ~~Notwithstanding any provision of section 356A.06, subdivision 6 or 7 to the contrary, the~~
57.14 ~~special fund of the relief association may be additionally invested in:~~

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

57.19 ~~(2) domestic government and corporate debt obligations that are not rated in the top~~
57.20 ~~four quality categories by a nationally recognized rating agency, and comparable unrated~~
57.21 ~~securities if the percentage of these assets does not exceed five percent of the total assets~~
57.22 ~~of the special fund or 15 percent of the special fund's nonequity assets, whichever is less;~~
57.23 ~~the special fund's participation is limited to 50 percent of a single offering of the debt~~
57.24 ~~obligations, and the special fund's participation is limited to 25 percent of an issuer's debt~~
57.25 ~~obligations that are not rated in the top four quality categories. Securities held by the~~
57.26 ~~association before June 2, 1989, that do not meet the requirements of this subdivision may~~
57.27 ~~be retained after that date if they were proper investments for the association on that date.~~

57.28 ~~(b) The governing board of the association may select and appoint investment~~
57.29 ~~agencies to act for and in its behalf or may certify special fund assets for investment by the~~
57.30 ~~State Board of Investment under section 11A.17. The governing board of the association~~
57.31 ~~may certify general fund assets of the relief association for investment by the State Board~~
57.32 ~~of Investment in fixed income pools or in a separately managed account at the discretion~~
57.33 ~~of the State Board of Investment as provided in section 11A.14. The governing board of~~
57.34 the association may select and appoint a qualified private firm to measure management

58.1 performance and return on investment, and the firm ~~shall~~ must use the formula or formulas
58.2 developed by the state board under section 11A.04, clause (11).

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

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

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

58.9 **69.775 INVESTMENTS.**

58.10 (a) The special fund assets of a relief association governed by sections 69.771 to
58.11 69.776 must be invested in securities that are authorized investments under section
58.12 356A.06, subdivision 6 or 7, whichever applies.

58.13 ~~(b) Notwithstanding the foregoing, up to 75 percent of the market value of the assets~~
58.14 ~~of the special fund, not including any money market mutual funds, may be invested in~~
58.15 ~~open-end investment companies registered under the federal Investment Company Act of~~
58.16 ~~1940, if the portfolio investments of the investment companies comply with the type of~~
58.17 ~~securities authorized for investment under section 356A.06, subdivision 7.~~

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

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

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

58.28 ~~(f)~~ (b) The governing board of the association may select and appoint a qualified
58.29 private firm to measure management performance and return on investment, and the
58.30 firm ~~shall~~ must use the formula or formulas developed by the state board under section
58.31 11A.04, clause (11).

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

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

59.2 **354A.08 AUTHORIZED INVESTMENTS.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

60.12 (6) the University of Minnesota faculty retirement plan.

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

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

60.15 Subd. 8. **Timing of reports.** (a) For salaried firefighter relief associations, police
60.16 relief associations, and volunteer firefighter relief associations, the information required
60.17 under this section must be submitted by the due date for reports required under section
60.18 69.051, subdivision 1 or 1a, as applicable. If a relief association satisfies the definition of
60.19 a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered
60.20 by the report required under section 69.051, subdivision 1 or 1a, as applicable, the chief
60.21 administrative officer of the covered pension plan shall certify that compliance on a form
60.22 prescribed by the state auditor. The state auditor shall transmit annually to the State Board
60.23 of Investment a list or lists of covered pension plans which submitted certifications in
60.24 order to facilitate reporting by the State Board of Investment under paragraph (c).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

62.34 ~~(4) (e) **Corporate obligations.** A limited list plan is authorized to invest in corporate~~
62.35 ~~obligations, including bonds, notes, debentures, or other regularly issued and readily~~
62.36 ~~marketable evidences of indebtedness issued by a corporation organized under the laws~~

63.1 ~~of any state that during the preceding five years has had on average annual net pretax~~
63.2 ~~earnings at least 50 percent greater than the annual interest charges and principal payments~~
63.3 ~~on the total issued debt of the corporation during that period and that, for the obligation~~
63.4 ~~in question, has issued an obligation rated in one of the top three quality categories by~~
63.5 ~~Moody's Investors Service, Incorporated, or Standard and Poor's Corporation; and~~

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

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

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

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

63.18 ~~**(g) Extended mutual fund authority.** Notwithstanding restrictions in other~~
63.19 ~~paragraphs of this subdivision, a limited list plan is authorized to invest the assets of~~
63.20 ~~the special fund in exchange-traded funds and open-end mutual funds, if their portfolio~~
63.21 ~~investments comply with the type of securities authorized for investment under section~~
63.22 ~~356A.06, subdivision 7, paragraphs (c) to (g). Investments under this paragraph must not~~
63.23 ~~exceed 75 percent of the assets of the special fund, not including any money market~~
63.24 ~~investments through mutual or exchange-traded funds.~~

63.25 ~~**(h) Supplemental fund authority.** The governing body of a limited list plan may~~
63.26 ~~certify special fund assets to the State Board of Investment for investment under section~~
63.27 ~~11A.17.~~

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

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

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

63.32 Subd. 7. **Expanded list of authorized investment securities.** (a) **Authority.**

63.33 ~~Except to the extent otherwise authorized by law, A covered pension plan not described by~~
63.34 ~~subdivision 6, paragraph (a), is an expanded list plan and shall invest its assets only in~~

64.1 ~~accordance with~~ as specified in this subdivision. The governing board of an expanded list
64.2 plan may select and appoint investment agencies to act for or on its behalf.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

65.33 (iv) ~~mortgage participation or pass through certificates evidencing interests in pools~~
65.34 ~~of first mortgages or trust deeds on improved real estate located in the United States where~~
65.35 ~~the loan to value ratio for each loan as calculated in accordance with section 61A.28,~~
65.36 ~~subdivision 3, does not exceed 80 percent for fully amortizable residential properties and~~

66.1 ~~in all other respects meets the requirements of section 61A.28, subdivision 3~~ securities
66.2 and asset-backed securities if rated in the top four quality categories by a nationally
66.3 recognized rating agency;

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

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

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

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

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

66.18 (3) In addition to investments authorized by clause (1), item (iv), ~~the covered pension~~
66.19 an expanded list plan may is authorized to purchase from the Minnesota Housing Finance
66.20 Agency all or any part of a pool of residential mortgages, not in default, that has previously
66.21 been financed by the issuance of bonds or notes of the agency. The covered pension plan
66.22 may also enter into a commitment with the agency, at the time of any issue of bonds or
66.23 notes, to purchase at a specified future date, not exceeding 12 years from the date of the
66.24 issue, the amount of mortgage loans then outstanding and not in default that have been
66.25 made or purchased from the proceeds of the bonds or notes. The covered pension plan may
66.26 charge reasonable fees for any such commitment and may agree to purchase the mortgage
66.27 loans at a price sufficient to produce a yield to the covered pension plan comparable, in
66.28 its judgment, to the yield available on similar mortgage loans at the date of the bonds or
66.29 notes. The covered pension plan may also enter into agreements with the agency for the
66.30 investment of any portion of the funds of the agency. The agreement must cover the period
66.31 of the investment, withdrawal privileges, and any guaranteed rate of return.

66.32 ~~(f)~~ (g) Corporate stocks. ~~The covered pension~~ An expanded list plan may is
66.33 authorized to invest ~~funds~~ in stocks or convertible issues of any corporation organized
66.34 under the laws of the United States or ~~the~~ any of its states ~~thereof~~, any corporation
66.35 organized under the laws of the Dominion of Canada or any of its provinces, or any

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67.1 corporation listed on an exchange that is regulated by an agency of the United States or of
67.2 the Canadian national government, if they conform to the following provisions:

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

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

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

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

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

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

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

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

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

68.1 ~~(iii) regional and mutual funds through bank sponsored collective funds and~~
68.2 ~~open-end investment companies registered under the Federal Investment Company Act of~~
68.3 ~~1940 to the extent that a fund or a portion of a fund does not qualify under paragraph (h);~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

69.6 Sec. 13. **REPEALER.**

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

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

69.9 **ARTICLE 11**

69.10 **LOCAL RELIEF ASSOCIATION OR CONSOLIDATION ACCOUNT**
69.11 **MERGERS WITH PERA-P&F**

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

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

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

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

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

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

69.23 (b) For the Virginia fire consolidation account, this section is effective on June 29,
69.24 2012, which is the effective date of merger.

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

69.27 Subd. 4. **Relief association financial requirements; minimum municipal**
69.28 **obligation.** (a) The officers of the relief association shall determine the financial
69.29 requirements of the relief association and minimum obligation of the municipality for
69.30 the following calendar year in accordance with the requirements of this subdivision.
69.31 The financial requirements of the relief association and the minimum obligation of the

70.1 municipality must be determined on or before the submission date established by the
70.2 municipality under subdivision 5.

70.3 (b) The financial requirements of the relief association for the following calendar
70.4 year must be based on the most recent actuarial valuation or survey of the special fund of
70.5 the association if more than one fund is maintained by the association, or of the association,
70.6 if only one fund is maintained, prepared in accordance with sections 356.215, subdivisions
70.7 4 to 15, and 356.216, as required under subdivision 10. If an actuarial estimate is prepared
70.8 by the actuary of the relief association as part of obtaining a modification of the benefit
70.9 plan of the relief association and the modification is implemented, the actuarial estimate
70.10 must be used in calculating the subsequent financial requirements of the relief association.

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

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

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

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

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

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

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

71.22 (b) For the Virginia fire consolidation account, this section is effective on June 29,
71.23 2012, which is the effective date of merger.

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

71.26 Subd. 4. **Transfer of assets; transfer of title to assets.** (a) On the effective date of
71.27 the consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19,
71.28 the chief administrative officer of the Minneapolis Police Relief Association shall transfer
71.29 the entire assets of the special fund of the Minneapolis Police Relief Association other
71.30 than the health insurance account to the public employees police and fire retirement fund
71.31 at market value. Unless ineligible or inappropriate, the transfer must be in the form of
71.32 investment securities and must include any accounts receivable that are determined by the
71.33 State Board of Investment as being capable of being collected. An amount, in cash, must
71.34 be transferred by the city of Minneapolis equal to the market value recognized by the relief
71.35 association of investment securities that are determined by the executive director of the

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72.1 State Board of Investment not to be in compliance with the requirements and limitations
72.2 set forth in sections 11A.09, 11A.14, 11A.23, and 11A.24 or not to be appropriate for
72.3 retention in light of the established investment objectives of the State Board of Investment
72.4 or of accounts receivable determined by the executive director of the State Board of
72.5 Investment as being incapable of being collected. Legal and beneficial title to assets that
72.6 are determined noncompliant or inappropriate securities or that are uncollectible accounts
72.7 receivable are transferred to the city of Minneapolis on the effective date of consolidation
72.8 under Laws 2011, First Special Session chapter 8, article 7, section 19. Any accounts
72.9 payable on the effective date of consolidation under Laws 2011, First Special Session
72.10 chapter 8, article 7, section 19, are an obligation of the public employees police and fire
72.11 retirement fund and reduce the asset value for purposes of subdivision 6. The transferred
72.12 assets must be deposited in the public employees police and fire retirement fund. The
72.13 amount of the health insurance account as of the date of the consolidation must remain
72.14 deposited in the financial institution retained by the former Minneapolis Police Relief
72.15 Association on May 1, 2011, and that financial institution must act as the custodian of the
72.16 account. The health insurance account may be transferred from the financial institution
72.17 that holds the account to a successor financial institution on June 30, 2012, under the
72.18 requirements of this subdivision and the terms of an agreement between the Minneapolis
72.19 Police Relief Association and the successor financial institution dated December 30,
72.20 2011, that provides for the transfer. The financial institution shall perform all trustee and
72.21 fiduciary duties with respect to the account as a condition to the retention of the account.
72.22 The executive director of the Minneapolis Police Relief Association, prior to the effective
72.23 date of consolidation, shall estimate three calendar years of the administrative expenses
72.24 related to the operation of the account and shall prepay those expenses from the account to
72.25 the financial institution prior to the effective date of consolidation. After the three-year
72.26 prepayment period, the beneficiaries of the account are responsible for the payment of the
72.27 administrative expenses related to the operation of the account.

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

72.33 (c) The public employees police and fire retirement plan and fund is the successor in
72.34 interest to all claims for or against the Minneapolis Police Relief Association. The public
72.35 employees police and fire retirement plan and fund is not liable for any claim against the
72.36 Minneapolis Police Relief Association, its governing board, or its administrative staff

73.1 acting in a fiduciary capacity, under chapter 356A or common law, which is founded upon
73.2 a claim of a breach of fiduciary duty if the act or acts constituting the claimed breach were
73.3 not undertaken in good faith. The public employees police and fire retirement plan may
73.4 assert any applicable defense to any claim in any judicial or administrative proceeding
73.5 that the Minneapolis Police Relief Association, its board, or its administrative staff would
73.6 otherwise have been entitled to assert, and the public employees police and fire retirement
73.7 plan may assert any applicable defense that it has in its capacity as a statewide agency.

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

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

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

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

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

73.31 **Subd. 2. Benefit liability transfer.** The liability for the payment of retirement
73.32 annuities, service pensions, and survivor benefits of the retired members, service
73.33 pensioners, surviving spouses, and any other retirement benefit recipients of the former
73.34 Fairmont Police Relief Association, as contained in the transferred records of the former

74.1 relief association, is transferred to the public employees police and fire retirement plan on
74.2 the effective date of consolidation.

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

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

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

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

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

75.17 Subd. 5. **Benefits.** (a) The annuities, service pensions, and other retirement benefits
75.18 of or attributable to retired members and surviving spouses of the Fairmont Police Relief
75.19 Association who had that status as of the effective date of consolidation, continue after
75.20 consolidation in the same amount and under the same terms as provided under Minnesota
75.21 Statutes 2000, sections 423.41 to 423.46, 423.48 to 423.59, 423.61, and 423.62; Laws
75.22 1963, chapter 423; Laws 1977, chapter 100; and Laws 1999, chapter 222, article 3, section
75.23 4, except as provided in paragraph (b).

75.24 (b) The annual base salary figure for pension and benefit determinations upon
75.25 consolidation and for the balance of calendar year 2012 is \$106,666.67. After December
75.26 31, 2012, annual postretirement adjustments of pensions and benefits in force must be
75.27 calculated solely under section 356.415, subdivision 1c.

75.28 Subd. 6. **Calculation of final funded status; employer contributions.** (a) As of
75.29 the effective date of consolidation, the approved actuary retained by the Public Employees
75.30 Retirement Association under section 356.214 shall determine the final funded status of
75.31 the Fairmont Police Relief Association special fund. The final funded status is the present
75.32 value of future benefits payable from the Fairmont Police Relief Association as of the
75.33 effective date of consolidation after subtracting the market value of the transferred assets
75.34 of the Fairmont Police Relief Association as of the effective date of consolidation. The
75.35 present value of future benefits figure must be calculated using the applicable actuarial
75.36 assumptions for the public employees police and fire retirement plan specified in or

76.1 established under section 356.215. If there is a remainder present value of future benefits
76.2 amount, the city of Fairmont shall pay to the public employees police and fire retirement
76.3 fund an amount sufficient, on a level annual dollar basis, to amortize the calculated
76.4 remainder present value of future benefits amount by December 31, 2020. Payments shall
76.5 be made annually on or before December 31, beginning in 2012.

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

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

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

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

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

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

76.34 Subd. 3. **Transfer of assets; transfer to title assets.** On the effective date of merger,
76.35 the assets of the Virginia fire department consolidation account must be transferred to the

77.1 public employees police and fire retirement fund. Upon transfer, the market value of the
77.2 assets of the consolidation account, less any amount of residual assets under subdivision 5,
77.3 are assets of the public employees police and fire fund as of the effective date of merger,
77.4 and the assets, excluding the distribution amount under subdivision 5, become an asset of
77.5 the public employees police and fire retirement fund. The public employees police and
77.6 fire retirement fund also must be credited as an asset with the amount of any receivable
77.7 assets from employer contributions under subdivision 5.

77.8 Subd. 4. **Benefits.** A person who received a service pension, a disability benefit, or a
77.9 survivor benefit from the Virginia fire department consolidation account for the month
77.10 prior to the effective date of merger and who has not previously elected postretirement
77.11 adjustments under section 356.415, subdivision 1c, rather than the postretirement
77.12 adjustment mechanism of the Virginia Fire Department Relief Association under section
77.13 353A.08, subdivision 1, may elect future postretirement adjustments under section
77.14 356.415, subdivision 1c, or the retention of the former Virginia Fire Department Relief
77.15 Association postretirement adjustment mechanism. The election must be made in writing
77.16 on a form prescribed by the executive director on or before September 1, 2012. Unless
77.17 modified by an election under this subdivision, the benefit plan election by any person or
77.18 on behalf of any person under section 353A.08 remains binding.

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

77.33 (b) If there are assets of the former Virginia fire department consolidation account in
77.34 excess of the present value of future benefits as of the effective date of merger, these assets
77.35 shall be credited to an interest bearing suspense account within the public employees police

78.1 and fire retirement fund until January 1, 2013. The suspense account must be credited with
 78.2 the same rate of investment return as the public employees police and fire retirement fund.

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

78.10 (d) On January 1, 2013, one-half of any suspense account under paragraph (b)
 78.11 must be paid as an additional ad hoc postretirement adjustment to the service pensioners,
 78.12 disabilitants, and surviving spouses of the former Virginia fire consolidation account. The
 78.13 additional ad hoc postretirement adjustment for each recipient is the total amount available
 78.14 for the adjustment divided by the total number of recipients as of January 1, 2013, of the
 78.15 former Virginia fire consolidation account. On January 1, 2014, if the suspense account
 78.16 has earned investment income equal to or greater than the preretirement interest rate
 78.17 assumption applicable to the public employees police and fire retirement plan under section
 78.18 356.215, subdivision 8, the balance remaining of the suspense account under paragraph (b)
 78.19 must be paid as an additional ad hoc postretirement adjustment to the service pensioners,
 78.20 disabilitants, and surviving spouses of the former Virginia fire consolidation account,
 78.21 divided by the total number of recipients as of January 1, 2014. Nothing in this paragraph
 78.22 may be deemed to authorize the payment of a postretirement adjustment to an estate.

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

78.25 Sec. 6. Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8, is
 78.26 amended to read:

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

78.30	78.31 preretirement 78.32 interest 78.33 rate assumption	78.34 postretirement 78.35 interest 78.36 rate assumption
78.37 plan		
78.38 general state employees retirement plan	78.39 8.5%	78.40 6.0%
78.41 correctional state employees retirement plan	78.42 8.5	78.43 6.0
78.44 State Patrol retirement plan	78.45 8.5	78.46 6.0
78.47 legislators retirement plan	78.48 8.5	78.49 6.0

S.F. No. 1808, 1st Engrossment - 87th Legislative Session (2011-2012) [S1808-1]

79.1	elective state officers retirement plan	8.5	6.0
79.2	judges retirement plan	8.5	6.0
79.3	general public employees retirement plan	8.5	6.0
79.4	public employees police and fire retirement plan	8.5	6.0
79.5	local government correctional service	8.5	6.0
79.6	retirement plan		
79.7	teachers retirement plan	8.5	6.0
79.8	Duluth teachers retirement plan	8.5	8.5
79.9	St. Paul teachers retirement plan	8.5	8.5
79.10	Fairmont Police Relief Association	5.0	5.0
79.11	Virginia Fire Department Relief Association	5.0	5.0
79.12	Bloomington Fire Department Relief	6.0	6.0
79.13	Association		
79.14	local monthly benefit volunteer firefighters	5.0	5.0
79.15	relief associations		

79.16 (b) Before July 1, 2010, the actuarial valuation must use the applicable following
 79.17 single rate future salary increase assumption, the applicable following modified single
 79.18 rate future salary increase assumption, or the applicable following graded rate future
 79.19 salary increase assumption:

79.20 (1) single rate future salary increase assumption

79.21	plan	future salary increase assumption
79.22	legislators retirement plan	5.0%
79.23	judges retirement plan	4.0
79.24	Fairmont Police Relief Association	3.5
79.25	Virginia Fire Department Relief Association	3.5
79.26	Bloomington Fire Department Relief	4.0
79.27	Association	

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

79.30	plan	future salary increase assumption
79.31	correctional state employees retirement plan	assumption D
79.32	State Patrol retirement plan	assumption C
79.33	local government correctional service retirement plan	assumption C
79.34	Duluth teachers retirement plan	assumption A
79.35	St. Paul teachers retirement plan	assumption B

79.36 The select calculation is: during the
 79.37 designated select period, a designated
 79.38 percentage rate is multiplied by the result of
 79.39 the designated integer minus T, where T is
 79.40 the number of completed years of service,

80.1 and is added to the applicable future salary
 80.2 increase assumption. The designated select
 80.3 period is five years and the designated
 80.4 integer is five for the general state employees
 80.5 retirement plan. The designated select period
 80.6 is ten years and the designated integer is ten
 80.7 for all other retirement plans covered by
 80.8 this clause. The designated percentage rate
 80.9 is: (1) 0.2 percent for the correctional state
 80.10 employees retirement plan, the State Patrol
 80.11 retirement plan, and the local government
 80.12 correctional service retirement plan; (2)
 80.13 0.6 percent for the general state employees
 80.14 retirement plan; and (3) 0.3 percent for the
 80.15 teachers retirement plan, the Duluth Teachers
 80.16 Retirement Fund Association, and the St.
 80.17 Paul Teachers Retirement Fund Association.
 80.18 The select calculation for the Duluth Teachers
 80.19 Retirement Fund Association is 8.00 percent
 80.20 per year for service years one through seven,
 80.21 7.25 percent per year for service years seven
 80.22 and eight, and 6.50 percent per year for
 80.23 service years eight and nine.

80.24 The ultimate future salary increase assumption is:

80.25 age	A	B	C	D
80.26 16	8.00%	6.90%	7.7500%	7.2500%
80.27 17	8.00	6.90	7.7500	7.2500
80.28 18	8.00	6.90	7.7500	7.2500
80.29 19	8.00	6.90	7.7500	7.2500
80.30 20	6.90	6.90	7.7500	7.2500
80.31 21	6.90	6.90	7.1454	6.6454
80.32 22	6.90	6.90	7.0725	6.5725
80.33 23	6.85	6.85	7.0544	6.5544
80.34 24	6.80	6.80	7.0363	6.5363
80.35 25	6.75	6.75	7.0000	6.5000
80.36 26	6.70	6.70	7.0000	6.5000
80.37 27	6.65	6.65	7.0000	6.5000
80.38 28	6.60	6.60	7.0000	6.5000

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81.1	29	6.55	6.55	7.0000	6.5000
81.2	30	6.50	6.50	7.0000	6.5000
81.3	31	6.45	6.45	7.0000	6.5000
81.4	32	6.40	6.40	7.0000	6.5000
81.5	33	6.35	6.35	7.0000	6.5000
81.6	34	6.30	6.30	7.0000	6.5000
81.7	35	6.25	6.25	7.0000	6.5000
81.8	36	6.20	6.20	6.9019	6.4019
81.9	37	6.15	6.15	6.8074	6.3074
81.10	38	6.10	6.10	6.7125	6.2125
81.11	39	6.05	6.05	6.6054	6.1054
81.12	40	6.00	6.00	6.5000	6.0000
81.13	41	5.90	5.95	6.3540	5.8540
81.14	42	5.80	5.90	6.2087	5.7087
81.15	43	5.70	5.85	6.0622	5.5622
81.16	44	5.60	5.80	5.9048	5.4078
81.17	45	5.50	5.75	5.7500	5.2500
81.18	46	5.40	5.70	5.6940	5.1940
81.19	47	5.30	5.65	5.6375	5.1375
81.20	48	5.20	5.60	5.5822	5.0822
81.21	49	5.10	5.55	5.5404	5.0404
81.22	50	5.00	5.50	5.5000	5.0000
81.23	51	4.90	5.45	5.4384	4.9384
81.24	52	4.80	5.40	5.3776	4.8776
81.25	53	4.70	5.35	5.3167	4.8167
81.26	54	4.60	5.30	5.2826	4.7826
81.27	55	4.50	5.25	5.2500	4.7500
81.28	56	4.40	5.20	5.2500	4.7500
81.29	57	4.30	5.15	5.2500	4.7500
81.30	58	4.20	5.10	5.2500	4.7500
81.31	59	4.10	5.05	5.2500	4.7500
81.32	60	4.00	5.00	5.2500	4.7500
81.33	61	3.90	5.00	5.2500	4.7500
81.34	62	3.80	5.00	5.2500	4.7500
81.35	63	3.70	5.00	5.2500	4.7500
81.36	64	3.60	5.00	5.2500	4.7500
81.37	65	3.50	5.00	5.2500	4.7500
81.38	66	3.50	5.00	5.2500	4.7500
81.39	67	3.50	5.00	5.2500	4.7500
81.40	68	3.50	5.00	5.2500	4.7500
81.41	69	3.50	5.00	5.2500	4.7500
81.42	70	3.50	5.00	5.2500	4.7500

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

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82.1	general state employees retirement plan of the	assumption A
82.2	Minnesota State Retirement System	
82.3	general employees retirement plan of the Public	assumption B
82.4	Employees Retirement Association	
82.5	Teachers Retirement Association	assumption C
82.6	public employees police and fire retirement plan	assumption D

82.7	service				
82.8	length	A	B	C	D
82.9	1	10.75%	12.25%	12.00%	13.00%
82.10	2	8.35	9.15	9.00	11.00
82.11	3	7.15	7.75	8.00	9.00
82.12	4	6.45	6.85	7.50	8.00
82.13	5	5.95	6.25	7.25	6.50
82.14	6	5.55	5.75	7.00	6.10
82.15	7	5.25	5.45	6.85	5.80
82.16	8	4.95	5.15	6.70	5.60
82.17	9	4.75	4.85	6.55	5.40
82.18	10	4.65	4.65	6.40	5.30
82.19	11	4.45	4.45	6.25	5.20
82.20	12	4.35	4.35	6.00	5.10
82.21	13	4.25	4.15	5.75	5.00
82.22	14	4.05	4.05	5.50	4.90
82.23	15	3.95	3.95	5.25	4.80
82.24	16	3.85	3.85	5.00	4.80
82.25	17	3.75	3.75	4.75	4.80
82.26	18	3.75	3.75	4.50	4.80
82.27	19	3.75	3.75	4.25	4.80
82.28	20	3.75	3.75	4.00	4.80
82.29	21	3.75	3.75	3.90	4.70
82.30	22	3.75	3.75	3.80	4.60
82.31	23	3.75	3.75	3.70	4.50
82.32	24	3.75	3.75	3.60	4.50
82.33	25	3.75	3.75	3.50	4.50
82.34	26	3.75	3.75	3.50	4.50
82.35	27	3.75	3.75	3.50	4.50
82.36	28	3.75	3.75	3.50	4.50
82.37	29	3.75	3.75	3.50	4.50
82.38	30 or more	3.75	3.75	3.50	4.50

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

S.F. No. 1808, 1st Engrossment - 87th Legislative Session (2011-2012) [S1808-1]

83.1	plan	payroll growth assumption
83.2	general state employees retirement plan of the	3.75%
83.3	Minnesota State Retirement System	
83.4	correctional state employees retirement plan	4.50
83.5	State Patrol retirement plan	4.50
83.6	legislators retirement plan	4.50
83.7	judges retirement plan	4.00
83.8	general employees retirement plan of the Public	3.75
83.9	Employees Retirement Association	
83.10	public employees police and fire retirement plan	3.75
83.11	local government correctional service retirement plan	4.50
83.12	teachers retirement plan	3.75
83.13	Duluth teachers retirement plan	4.50
83.14	St. Paul teachers retirement plan	5.00

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

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

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

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

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

83.26 (b) For the Virginia fire consolidation account, this section is effective on June 29,
 83.27 2012, which is the effective date of merger.

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

83.29 Sec. 8. **REVISOR INSTRUCTIONS.**

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

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

83.36	Column A	Column B	Column C
83.37	69.021, subd. 10	69.77, subd. 2a	69.77, subd. 3

84.1	69.021, subd. 10	69.77, subd. 2b	69.77, subd. 4
84.2	69.021, subd. 10	69.77, subd. 2c	69.77, subd. 5
84.3	299A.465, subd. 5	424.03	Minnesota Statutes, 2000, 424.03
84.4			
84.5	353A.07, subd. 6	69.77, subd. 2a	69.77, subd. 3
84.6	353A.09, subd. 4	69.77, subd. 2a	69.77, subd. 3
84.7	356.216	69.77, subd. 2b	69.77, subd. 4
84.8	356.219, subd. 2	69.77, subd. 2g	69.77, subd. 9
84.9	423.01, subd. 2	69.77, subd. 2b	69.77, subd. 4
84.10	423A.18	69.77, subd. 2i	69.77, subd. 11
84.11	423A.19, subd. 4	69.77, subd. 2i	69.77, subd. 11
84.12	423B.06, subd. 1	69.77, subd. 2a	69.77, subd. 3
84.13	423B.06, subd. 1	69.77, subd. 2b	69.77, subd. 4
84.14	423B.06, subd. 1	69.77, subd. 2c	69.77, subd. 5
84.15	423B.06, subd. 1	69.77, subd. 2d	69.77, subd. 6
84.16	423B.06, subd. 1	69.77, subd. 2e	69.77, subd. 7
84.17	423B.06, subd. 1	69.77, subd. 2f	69.77, subd. 8
84.18	423B.21, subd. 1	69.77, subd. 2b	69.77, subd. 4

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

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

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

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

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

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

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

84.35 Sec. 10. **REPEALER.**

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

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

85.4 (c) The revisor shall show Minnesota Statutes, sections 423.41, 423.42, 423.43,
85.5 423.44, 423.45, 423.46, 423.48, 423.49, 423.50, 423.51, 423.52, 423.53, 423.54, 423.55,
85.6 423.56, 423.57, 423.58, 423.59, 423.61, and 423.62, as repealed.

85.7 (d) Laws 1947, chapter 624, sections 1; 2; 3; 4; 5; 6; 8; 9; 10; 11; 12; 13; 14; 15;
85.8 16; 17; 18; 19; 21; and 22, are repealed.

85.9 Subd. 2. Virginia fire department consolidation account. Laws 1953, chapter
85.10 399, as amended by Laws 1961, chapter 420, section 1, Laws 1961, chapter 420, section 2,
85.11 Laws 1961, chapter 420, section 3, Laws 1961, chapter 420, section 4, Laws 1961, chapter
85.12 420, section 5, Laws 1961, chapter 420, section 6, Laws 1963, chapter 407, section 1,
85.13 Laws 1965, chapter 546, section 1, Laws 1965, chapter 546, section 2, Laws 1965, chapter
85.14 546, section 3, Laws 1969, chapter 578, section 1, Laws 1969, chapter 578, section 2,
85.15 Laws 1969, chapter 578, section 3; Laws 1961, chapter 420, sections 2, as amended by
85.16 Laws 1965, chapter 546, section 2, Laws 1965, chapter 546, section 3, Laws 1969, chapter
85.17 578, section 1; 3; 4; 5, as amended by Laws 1963, chapter 407, section 1, Laws 1969,
85.18 chapter 578, section 2; and 6; Laws 1963, chapter 407, section 1, as amended by Laws
85.19 1969, chapter 578, section 2; Laws 1965, chapter 546, sections 1; 2, as amended by Laws
85.20 1969, chapter 578, section 1; and 3; Laws 1969, chapter 578, sections 1; 2; and 3; Laws
85.21 1974, chapter 183, as amended by Laws 1991, chapter 62, section 1; Laws 1982, chapter
85.22 574, section 1; Laws 1982, chapter 578, article 1, section 14; Laws 1983, chapter 69,
85.23 section 1; Laws 1984, chapter 547, section 27; Laws 1987, chapter 372, article 2, section
85.24 14; Laws 1988, chapter 709, sections 1, as amended by Laws 1989, chapter 319, article 4,
85.25 section 2, Laws 1989, chapter 319, article 18, section 11; and 2; Laws 1991, chapter 62,
85.26 sections 1; and 2; and Laws 1992, chapter 465, section 1, are repealed.

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

85.31 Subdivision 2 is effective for the Virginia fire consolidation account on June 29,
85.32 2012, which is the effective date of merger.

ARTICLE 12

VOLUNTEER FIRE RETIREMENT CHANGES

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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

87.1 upon direct business received by it in this state, or by its agents for it, in cash or otherwise,
87.2 during the preceding calendar year, with reference to insurance written for insuring against
87.3 the perils contained in auto insurance coverages as reported in the Minnesota business
87.4 schedule of the annual financial statement which each insurer is required to file with
87.5 the commissioner in accordance with the governing laws or rules less return premiums
87.6 and dividends.

87.7 (g) "Peace officer" means any person:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

88.1 (vi) for a tribal police department which exercises state arrest powers under section
88.2 626.90, 626.91, 626.92, or 626.93, the ~~clerk is the~~ person designated by the applicable
88.3 American Indian tribal government; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

89.34 (c) The detailed statement required under paragraph (a) must be countersigned by:
89.35 (1) the municipal clerk or clerk-treasurer of the municipality; or;

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

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

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

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

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

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

90.31 (b) Each municipality that has an organized fire department and provides retirement
90.32 coverage to its firefighters through the voluntary statewide lump-sum volunteer firefighter
90.33 retirement plan under chapter 353G qualifies to have fire state aid transmitted to and
90.34 retained in the statewide lump-sum volunteer firefighter retirement fund without filing
90.35 a detailed financial report if the executive director of the Public Employees Retirement

91.1 Association certifies compliance by the municipality with the requirements of sections
91.2 353G.04 and 353G.08, paragraph (e), and by the applicable fire chief with the requirements
91.3 of section 353G.07.

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

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

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

91.16 (b) The financial requirements of the relief association and the minimum municipal
91.17 obligation must be included in the financial report or financial statement under section
91.18 69.051. The schedule forms related to the determination of the financial requirements
91.19 must be filed with the state auditor by March 31, annually, if the relief association is
91.20 required to file a financial statement under section 69.051, subdivision 1a, or by June 30,
91.21 annually, if the relief association is required to file a financial report and audit under
91.22 section 69.051, subdivision 1.

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

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

91.33 ~~(d)~~ (e) If the municipality does not include the full amount of the minimum
91.34 municipal obligations in its levy for any year, the officers of the relief association shall

92.1 certify that amount to the county auditor, who shall spread a levy in the amount of the
92.2 certified minimum municipal obligation on the taxable property of the municipality.

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

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

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

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

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

92.25 (c) The officers of the relief association shall certify the financial requirements of
92.26 the special fund of the relief association and the minimum obligation of the municipality
92.27 with respect to the special fund of the relief association as determined under subdivision 4
92.28 and this subdivision ~~to the governing body of the municipality~~ by August 1 of each year.
92.29 The certification must be made to the entity that is responsible for satisfying the minimum
92.30 obligation with respect to the special fund of the relief association. If the responsible
92.31 entity is a joint powers entity, the certification must be made in the manner specified in
92.32 the joint powers agreement, or if the joint powers agreement is silent on this point, the
92.33 certification must be made to the chair of the joint powers board.

93.1 (d) The financial requirements of the relief association and the minimum municipal
93.2 obligation must be included in the financial report or financial statement under section
93.3 69.051.

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

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

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

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

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

93.25 **69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.**

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

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

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94.1 (2) salaries of the ~~president, secretary, and treasurer~~ officers of the association, or
94.2 their designees, and ~~any other official~~ salaries of the members of the board of trustees of
94.3 the relief association to whom a salary is payable under bylaws or articles of incorporation
94.4 in effect on January 1, 1986 if the salary amounts are approved by the governing body of
94.5 the entity that is responsible for meeting any minimum obligation under section 69.77,
94.6 69.772, or 69.773, and their the itemized expenses of relief association officers and board
94.7 members that are incurred as a result of fulfilling their responsibilities as administrators
94.8 of the special fund;

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

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

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

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

94.19 ~~(6)~~ (7) premiums on fiduciary liability insurance and official bonds for the officers,
94.20 members of the board of trustees, and employees of the relief association.

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

94.27 **EFFECTIVE DATE.** This section is effective July 1, 2012, with respect to the
94.28 amendment to paragraph (a), clause (2), and is effective retroactively from January 1,
94.29 2010, with respect to the amendment to paragraph (a), clauses (5), (6), and (7).

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

94.32 **Subd. 2a. Additional municipal contributions authorized.** (a) At the discretion of
94.33 the municipality or the independent nonprofit firefighting corporation associated with a fire
94.34 department covered by a voluntary statewide lump-sum volunteer firefighter retirement

95.1 plan account, the municipality or the corporation may make additional contributions
95.2 to the applicable account.

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

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

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

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

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

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

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

95.19 (3) is directly associated with:

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

95.21 ~~(2) any separately incorporated volunteer firefighters' relief association that is~~
95.22 ~~subsidiary to and that provides service pension and retirement benefit coverage for~~

95.23 ~~members of (ii) an independent nonprofit firefighting corporation that is organized under~~
95.24 ~~the provisions of chapter 317A, is governed by this chapter, and that operates exclusively~~
95.25 ~~primarily for firefighting purposes; or~~

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

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

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

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

95.33 (c) A relief association or volunteer firefighters' relief association is a governmental
95.34 entity that receives and manages public money to provide retirement benefits for

96.1 individuals providing the governmental services of firefighting and emergency first
96.2 response.

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

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

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

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

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

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

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

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

96.30 (d) If a former firefighter who has not received a service pension or disability benefit
96.31 returns to active relief association membership under paragraph (b), the firefighter may
96.32 qualify for the receipt of a service pension from the relief association for the original
96.33 and resumption service ~~period~~ periods if the firefighter meets the ~~minimum period of~~
96.34 ~~resumption service specified in the relief association bylaws and the service requirements~~

97.1 of section 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and
97.2 resumption years of service credit.

97.3 (e) A firefighter who returns to active lump-sum relief association membership
97.4 under paragraph (b) and who qualifies for a service pension under paragraph (c)-or-(d)
97.5 must have, upon a subsequent cessation of duties, any service pension for the resumption
97.6 service period calculated as a separate benefit. If a lump-sum service pension had
97.7 been paid to the firefighter upon the firefighter's previous cessation of duties, a second
97.8 lump-sum service pension for the resumption service period must be calculated to apply
97.9 by applying the service pension amount in effect on the date of the firefighter's termination
97.10 of the resumption service for all years of the resumption service. No firefighter may be
97.11 paid a service pension twice for the same period of service. If a lump-sum service pension
97.12 had not been paid to the firefighter upon the firefighter's previous cessation of duties and
97.13 the firefighter meets the minimum service requirement of section 424A.016, subdivision
97.14 3, or 424A.02, subdivision 2, a service pension must be calculated to apply the service
97.15 pension amount in effect on the date of the firefighter's termination of the resumption
97.16 service for all years of service credit.

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

97.32 (g) If a firefighter receiving a monthly benefit service pension returns to active
97.33 monthly benefit relief association membership under paragraph (b), and if the relief
97.34 association bylaws do not allow for the firefighter to continue collecting a monthly service
97.35 pension, any monthly benefit service pension payable to the firefighter is suspended as
97.36 of the first day of the month next following the date on which the firefighter returns to

98.1 active membership. If the firefighter was receiving a monthly benefit service pension, and
98.2 qualifies for a service pension under paragraph (c), the firefighter is entitled to an additional
98.3 monthly benefit service pension upon a subsequent cessation of duties calculated based
98.4 on the resumption service credit and the service pension accrual amount in effect on the
98.5 date of the termination of the resumption service. A suspended initial service pension
98.6 resumes as of the first of the month next following the termination of the resumption
98.7 service. If the firefighter was not receiving a monthly benefit service pension and meets
98.8 the minimum service requirement of section 424A.02, subdivision 2, a service pension
98.9 must be calculated ~~to apply~~ by applying the service pension amount in effect on the date
98.10 of the firefighter's termination of the resumption service for all years of service credit.

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

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

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

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

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

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

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

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

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

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

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

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

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

99.30 (3) separates from active service and membership ~~before reaching age 50 or the~~
99.31 ~~minimum age for retirement and commencement of a service pension specified in the~~
99.32 ~~bylaws governing the relief association if that age is greater than age 50.~~ The requirement
99.33 that a member separate from active service and membership is waived for persons who

100.1 have discontinued their volunteer firefighter duties and who are employed on a full-time
100.2 basis under section 424A.015, subdivision 1.

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

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

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

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

100.17 ~~(2)~~ (3) at the investment return on the assets of the special fund of the defined
100.18 contribution volunteer firefighter relief association in proportion to the share of the assets
100.19 of the special fund to the credit of each individual deferred member account through
100.20 the accounting date on which the investment return is recognized by and credited to the
100.21 special fund.

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

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

100.33 (2) for a relief association that has elected to pay interest or additional investment
100.34 performance under paragraph (c), clause (2), beginning on the date that the member
100.35 separates from active service and membership and ending on the date that the separate

101.1 investment vehicle is valued immediately before the date on which the deferred member
101.2 commences receipt of the deferred service pension.

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

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

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

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

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

101.30 (b) In the case of a member who has completed at least five years of active service as
101.31 an active member of the fire department to which the relief association is associated on
101.32 the date that the relief association is established and incorporated, the requirement that
101.33 the member complete at least five years of active membership with the relief association
101.34 before separation from active service may be waived by the board of trustees of the relief
101.35 association if the member completes at least five years of inactive membership with the

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102.1 relief association before the date of the payment of the service pension. During the
102.2 period of inactive membership, the member is not entitled to receive disability benefit
102.3 coverage, is not entitled to receive additional service credit towards computation of a
102.4 service pension, and is considered to have the status of a person entitled to a deferred
102.5 service pension under subdivision 7.

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

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

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

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

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

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

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

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

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

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

102.33 (3) separates from active service and membership ~~before reaching age 50 or the~~
102.34 ~~minimum age for retirement and commencement of a service pension specified in the~~
102.35 ~~bylaws governing the relief association if that age is greater than age 50.~~ The requirement

103.1 that a member separate from active service and membership is waived for persons who
103.2 have discontinued their volunteer firefighter duties and who are employed on a full-time
103.3 basis under section 424A.015, subdivision 1.

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

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

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

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

103.18 ~~(2)~~ (3) at an interest rate of up to five percent, compounded annually, as set by the
103.19 board of directors and approved as provided in subdivision 10.

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

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

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

103.34 (2) for a relief association that has elected to pay interest or additional investment
103.35 performance under paragraph (c), clause (2), beginning on the date that the member
103.36 separates from active service and membership and ending on the date that the separate

104.1 investment vehicle is valued immediately before the date on which the deferred member
104.2 commences receipt of the deferred service pension.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

106.1 (iii) For purposes of this clause, if the relief association bylaws authorize a monthly
106.2 survivor benefit payable to a designated beneficiary, the relief association bylaws may
106.3 limit the total survivor benefit amount payable.

106.4 (5) For purposes of this section, for a monthly benefit volunteer fire relief association
106.5 or for a combination lump-sum and monthly benefit volunteer fire relief association where
106.6 a monthly benefit service pension has been elected by or a monthly benefit is payable with
106.7 respect to a firefighter, a designated beneficiary must be a natural person. For purposes
106.8 of this section, for a lump-sum volunteer fire relief association or for a combination
106.9 lump-sum and monthly benefit volunteer fire relief association where a lump-sum service
106.10 pension has been elected by or a lump-sum benefit is payable with respect to a firefighter,
106.11 a trust created under chapter 501B may be a designated beneficiary. If a trust is payable to
106.12 the surviving children organized under chapter 501B as authorized by this section and
106.13 there is no surviving spouse, the survivor benefit may be paid to the trust, notwithstanding
106.14 a requirement of this section to the contrary.

106.15 **EFFECTIVE DATE.** This section is effective January 1, 2013.

106.16 Sec. 16. Minnesota Statutes 2010, section 424A.04, subdivision 3, is amended to read:

106.17 Subd. 3. **Conditions on relief association consultants.** (a) If a volunteer firefighter
106.18 relief association employs or contracts with a consultant to provide legal or financial
106.19 advice, the secretary of the relief association shall obtain and the consultant shall provide
106.20 to the secretary of the relief association a copy of the consultant's certificate of insurance.

106.21 (b) A consultant is any person who is employed under contract to provide legal or
106.22 financial advice and who is or who represents to the volunteer firefighter relief association
106.23 that the person is:

- 106.24 (1) an actuary;
- 106.25 (2) ~~a licensed public accountant~~ or a certified public accountant;
- 106.26 (3) an attorney;
- 106.27 (4) an investment advisor or manager, or an investment counselor;
- 106.28 (5) an investment advisor or manager selection consultant;
- 106.29 (6) a pension benefit design advisor or consultant; or
- 106.30 (7) any other financial consultant.

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

106.32 Sec. 17. Minnesota Statutes 2010, section 424A.06, subdivision 2, is amended to read:

107.1 Subd. 2. **General fund assets and revenues.** ~~To~~ (a) The general fund, if established,
107.2 must be credited with the following:

107.3 (1) all ~~moneys~~ money received from dues, other than dues payable as contributions
107.4 under the bylaws of the relief association to the special fund;

107.5 (2) all money received from fines;

107.6 (3) all money received from initiation fees;

107.7 (4) all money received as entertainment revenues; and

107.8 (5) any ~~moneys~~ money or property donated, given, granted or devised by any
107.9 person, either for the support of the general fund of the relief association or for unspecified
107.10 uses purposes.

107.11 (b) The treasurer of the relief association is the custodian of the assets of the general
107.12 fund and must be the recipient on behalf of the general fund of all revenues payable to the
107.13 general fund. The treasurer shall maintain adequate records documenting any transaction
107.14 involving the assets or the revenues of the general fund. These records must be open for
107.15 inspection by any member of the relief association at reasonable times and places.

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

107.17 **ARTICLE 13**

107.18 **SMALL GROUP OR ONE PERSON RETIREMENT PROVISIONS**

107.19 Section 1. Minnesota Statutes 2011 Supplement, section 353.01, subdivision 2a,
107.20 is amended to read:

107.21 Subd. 2a. **Included employees; mandatory membership.** (a) Public employees
107.22 whose salary exceeds \$425 in any month and who are not specifically excluded under
107.23 subdivision 2b or who have not been provided an option to participate under subdivision
107.24 2d, whether individually or by action of the governmental subdivision, must participate as
107.25 members of the association with retirement coverage by the general employees retirement
107.26 plan under this chapter, the public employees police and fire retirement plan under this
107.27 chapter, or the local government correctional employees retirement plan under chapter
107.28 353E, whichever applies. Membership commences as a condition of their employment on
107.29 the first day of their employment or on the first day that the eligibility criteria are met,
107.30 whichever is later. Public employees include but are not limited to:

107.31 (1) persons whose salary meets the threshold in this paragraph from employment in
107.32 one or more positions within one governmental subdivision;

107.33 (2) elected county sheriffs;

108.1 (3) persons who are appointed, employed, or contracted to perform governmental
108.2 functions that by law or local ordinance are required of a public officer, including, but
108.3 not limited to:

108.4 (i) town and city clerk or treasurer;

108.5 (ii) county auditor, treasurer, or recorder;

108.6 (iii) city manager as defined in section 353.028 who does not exercise the option
108.7 provided under subdivision 2d; or

108.8 (iv) emergency management director, as provided under section 12.25;

108.9 (4) physicians under section 353D.01, subdivision 2, who do not elect public
108.10 employees defined contribution plan coverage under section 353D.02, subdivision 2;

108.11 (5) full-time employees of the Dakota County Agricultural Society;

108.12 (6) employees of the Minneapolis Firefighters Relief Association or Minneapolis
108.13 Police Relief Association who are not excluded employees under subdivision 2b due
108.14 to coverage by the relief association pension plan and who elected general employee
108.15 retirement plan coverage before August 20, 2009; ~~and~~

108.16 (7) employees of the Red Wing Port Authority who were first employed by the
108.17 Red Wing Port Authority before May 1, 2011, and who are not excluded employees
108.18 under subdivision 2b; and

108.19 (8) employees of the Seaway Port Authority of Duluth who are not excluded
108.20 employees under subdivision 2b.

108.21 (b) A public employee or elected official who was a member of the association on
108.22 June 30, 2002, based on employment that qualified for membership coverage by the public
108.23 employees retirement plan or the public employees police and fire plan under this chapter,
108.24 or the local government correctional employees retirement plan under chapter 353E as of
108.25 June 30, 2002, retains that membership for the duration of the person's employment in that
108.26 position or incumbency in elected office. Except as provided in subdivision 28, the person
108.27 shall participate as a member until the employee or elected official terminates public
108.28 employment under subdivision 11a or terminates membership under subdivision 11b.

108.29 (c) If the salary of an included public employee is less than \$425 in any subsequent
108.30 month, the member retains membership eligibility.

108.31 (d) For the purpose of participation in the MERF division of the general employees
108.32 retirement plan, public employees include employees who were members of the former
108.33 Minneapolis Employees Retirement Fund on June 29, 2010, and who participate as
108.34 members of the MERF division of the association.

109.1 EFFECTIVE DATE. (a) This section is effective the day after the board of
109.2 commissioners of the Seaway Port Authority of Duluth and its chief clerical officer timely
109.3 complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

109.4 (b) Authority of the Seaway Port Authority of Duluth to approve this section expires
109.5 on June 30, 2012.

109.6 Sec. 2. Minnesota Statutes 2011 Supplement, section 353.01, subdivision 6, is
109.7 amended to read:

109.8 Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means a
109.9 county, city, town, school district within this state, or a department, unit or instrumentality
109.10 of state or local government, or any public body established under state or local
109.11 authority that has a governmental purpose, is under public control, is responsible for the
109.12 employment and payment of the salaries of employees of the entity, and receives a major
109.13 portion of its revenues from taxation, fees, assessments or from other public sources.

109.14 (b) Governmental subdivision also means the Public Employees Retirement
109.15 Association, the League of Minnesota Cities, the Association of Metropolitan
109.16 Municipalities, charter schools formed under section 124D.10, service cooperatives
109.17 exercising retirement plan participation under section 123A.21, subdivision 5, joint powers
109.18 boards organized under section 471.59, subdivision 11, paragraph (a), family service
109.19 collaboratives and children's mental health collaboratives organized under section 471.59,
109.20 subdivision 11, paragraph (b) or (c), provided that the entities creating the collaboratives
109.21 are governmental units that otherwise qualify for retirement plan membership, public
109.22 hospitals owned or operated by, or an integral part of, a governmental subdivision or
109.23 governmental subdivisions, the Association of Minnesota Counties, the Minnesota
109.24 Inter-county Association, the Minnesota Municipal Utilities Association, the Metropolitan
109.25 Airports Commission, the University of Minnesota with respect to police officers covered
109.26 by the public employees police and fire retirement plan, the Minneapolis Employees
109.27 Retirement Fund for employment initially commenced after June 30, 1979, the Range
109.28 Association of Municipalities and Schools, soil and water conservation districts, economic
109.29 development authorities created or operating under sections 469.090 to 469.108, the Port
109.30 Authority of the city of St. Paul, the Seaway Port Authority of Duluth, the Red Wing
109.31 Port Authority, the Spring Lake Park Fire Department, incorporated, the Lake Johanna
109.32 Volunteer Fire Department, incorporated, the Red Wing Environmental Learning Center,
109.33 the Dakota County Agricultural Society, Hennepin Healthcare System, Inc., and the
109.34 Minneapolis Firefighters Relief Association and Minneapolis Police Relief Association
109.35 with respect to staff covered by the Public Employees Retirement Association general plan.

110.1 (c) Governmental subdivision does not mean any municipal housing and
110.2 redevelopment authority organized under the provisions of sections 469.001 to 469.047;
110.3 or any port authority organized under sections 469.048 to 469.089 other than the Port
110.4 Authority of the city of St. Paul or the Seaway Port Authority of Duluth and other than
110.5 the Red Wing Port Authority; or any hospital district organized or reorganized prior to
110.6 July 1, 1975, under sections 447.31 to 447.37 or the successor of the district; or the board
110.7 of a family service collaborative or children's mental health collaborative organized
110.8 under sections 124D.23, 245.491 to 245.495, or 471.59, if that board is not controlled
110.9 by representatives of governmental units.

110.10 (d) A nonprofit corporation governed by chapter 317A or organized under Internal
110.11 Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a
110.12 governmental subdivision unless the entity has obtained a written advisory opinion from
110.13 the United States Department of Labor or a ruling from the Internal Revenue Service
110.14 declaring the entity to be an instrumentality of the state so as to provide that any future
110.15 contributions by the entity on behalf of its employees are contributions to a governmental
110.16 plan within the meaning of Internal Revenue Code, section 414(d).

110.17 (e) A public body created by state or local authority may request membership on
110.18 behalf of its employees by providing sufficient evidence that it meets the requirements in
110.19 paragraph (a).

110.20 (f) An entity determined to be a governmental subdivision is subject to the reporting
110.21 requirements of this chapter upon receipt of a written notice of eligibility from the
110.22 association.

110.23 **EFFECTIVE DATE.** (a) This section is effective the day after the board of
110.24 commissioners of the Seaway Port Authority of Duluth and its chief clerical officer timely
110.25 complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

110.26 (b) Authority of the Seaway Port Authority of Duluth to approve this section expires
110.27 on June 30, 2012.

110.28 **Sec. 3. PERA-GENERAL; PRIOR SEAWAY PORT AUTHORITY OF DULUTH**
110.29 **SERVICE CREDIT TRANSFER.**

110.30 **Subdivision 1. PERA-general coverage.** Employees of the Seaway Port Authority
110.31 of Duluth on July 1, 2012, are public employees within the meaning of Minnesota
110.32 Statutes, section 353.01, subdivisions 2 and 2a, and are members of the general employees
110.33 retirement plan of the Public Employees Retirement Association as of that date.

110.34 **Subd. 2. Service and salary credit for prior Seaway Port Authority of Duluth**
110.35 **employment.** (a) Any employee of the Seaway Port Authority of Duluth on the effective

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111.1 date of this section is eligible, on or after July 1, 2012, to transfer to the general employees
111.2 retirement plan of the Public Employees Retirement Association prior service credit
111.3 rendered in the employ of the Seaway Port Authority of Duluth as allowable service
111.4 credit, but not to exceed the maximum set forth in paragraph (c), and prior salary received
111.5 from employment by the Seaway Port Authority of Duluth as salary credit as provided in
111.6 paragraph (b).

111.7 (b) The amount of allowable service and salary credit to be transferred to the general
111.8 employees retirement plan for prior Seaway Port Authority of Duluth employment is that
111.9 portion of the total prior Seaway Port Authority of Duluth employment that bears the same
111.10 relationship that the assets transferred to the general employees retirement fund with
111.11 respect to each applicable person bear to the full actuarial value of the benefit attributable
111.12 to the prior service and salary under Minnesota Statutes, chapters 353 and 356. The full
111.13 actuarial value of the benefit attributable to the prior service under Minnesota Statutes,
111.14 chapters 353 and 356, is as provided in Minnesota Statutes, section 356.551. The assets
111.15 transferred with respect to each applicable person is the person's account balance in the
111.16 Seaway Port Authority of Duluth section 401(a) federal Internal Revenue Code retirement
111.17 plan, the person's account balance in a section 457 federal Internal Revenue Code deferred
111.18 compensation plan, the person's share of any purchase payment amounts that the Seaway
111.19 Port Authority of Duluth irrevocably commits to contribute to the general employees
111.20 retirement fund, and any purchase payment amount contributed by the applicable person
111.21 to the general employees retirement fund. Any amounts from the section 401(a) federal
111.22 Internal Revenue Code retirement plan, the section 457 federal Internal Revenue Code
111.23 deferred compensation plan, or from a purchase payment amount provided by the Seaway
111.24 Port Authority of Duluth must be made on an institution-to-institution basis.

111.25 (c) If the assets transferred with respect to an applicable person under paragraph (b)
111.26 are less than the full actuarial value of the benefit attributable to the prior service under
111.27 Minnesota Statutes, section 356.551, as of the date of the asset transfer, the untransferred
111.28 balance of the prior service and salary may be purchased on June 30, 2014, by the
111.29 applicable person or a combination of the applicable person and the Seaway Port Authority
111.30 of Duluth by the payment of the balance of the full actuarial value payment amount under
111.31 Minnesota Statutes, section 356.551, plus compound interest at the rate of 0.71 percent per
111.32 month between the transfer date under paragraph (b) until June 30, 2014. No applicable
111.33 person may purchase more allowable service and salary credit from the general employees
111.34 retirement plan of the Public Employees Retirement Association than the person's period
111.35 of employment by the Seaway Port Authority of Duluth rendered before the effective date
111.36 of this section if the employment would have been eligible service and salary for general

112.1 employees retirement plan coverage if the service had been rendered or salary received
112.2 after the effective date of this section.

112.3 (d) An applicable person must provide any documentation related to eligibility
112.4 under the general employees retirement plan that is required by the executive director.
112.5 Allowable service and salary credit for any period must be transferred and recognized
112.6 by the general employees retirement plan for an applicable person upon receipt of the
112.7 associated transferred assets.

112.8 (e) Transferred service and salary credit related to the Seaway Port Authority of
112.9 Duluth before July 1, 1989, does not make a person eligible for a retirement annuity under
112.10 Minnesota Statutes, section 353.30, subdivision 1a.

112.11 (f) Authority to have service and salary credit transferred under this section expires
112.12 on July 1, 2013, or on the date that the applicable person terminates employment by the
112.13 Seaway Port Authority of Duluth, whichever is earlier.

112.14 Subd. 3. **Status of service transfer amounts.** Notwithstanding any provision of
112.15 Minnesota Statutes, section 353.32, 353.34, or 353.35, to the contrary, amounts transferred
112.16 to the general employees retirement fund of the Public Employees Retirement Association
112.17 under subdivision 2 must be considered to be an accumulated member contribution
112.18 deduction.

112.19 **EFFECTIVE DATE.** (a) This section is effective the day after the board of
112.20 commissioners of the Seaway Port Authority of Duluth and its chief clerical officer timely
112.21 complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

112.22 (b) Authority of the Seaway Port Authority of Duluth to approve this section expires
112.23 on June 30, 2012.

112.24 Sec. 4. **TEACHERS RETIREMENT ASSOCIATION; COVERAGE ELECTION**
112.25 **FOR CERTAIN MNSCU FACULTY MEMBER.**

112.26 (a) Notwithstanding any provision to the contrary in Minnesota Statutes, chapter
112.27 354B, an eligible person described in paragraph (b) may elect prospective and retroactive
112.28 retirement coverage under paragraph (c).

112.29 (b) An eligible person is a person who:

112.30 (1) was born on February 2, 1978;

112.31 (2) was initially employed by the Minnesota State Colleges and Universities system
112.32 on a part-time basis at Metropolitan State University on August 27, 2005;

112.33 (3) was also additionally employed within the Minnesota State Colleges and
112.34 Universities system at Inver Hills Community College and St. Paul College; and

113.1 (4) was covered by the higher education individual retirement account plan because
113.2 of a failure of Metropolitan State University to advise the eligible person about the
113.3 optional election and default retirement coverage provisions of Minnesota Statutes, section
113.4 354B.21, subdivisions 2 and 3.

113.5 (c) An eligible person may elect retirement coverage by the Teachers Retirement
113.6 Association rather than the higher education individual retirement account plan for faculty
113.7 employment rendered after the date of the retirement coverage election under this section
113.8 and for past Minnesota State Colleges and Universities system faculty employment from
113.9 August 27, 2005, until the date of the retirement coverage election. The election must
113.10 be made in writing, must be filed with the executive director of the Teachers Retirement
113.11 Association, and must be accompanied with any relevant documentation required by the
113.12 executive director of the Teachers Retirement Association.

113.13 (d) If an eligible person makes the retirement coverage election under paragraph (c),
113.14 the eligible person's member contributions to the higher education individual retirement
113.15 account plan must be transferred to the Teachers Retirement Association, with any earned
113.16 investment returns on those contributions. If the transferred member contributions and
113.17 investment earnings are less than the calculated amount of the member contribution that
113.18 the eligible person would have made to the Teachers Retirement Association on the
113.19 eligible person's compensation from the Minnesota State Colleges and Universities system
113.20 for the period from August 27, 2005, to the date of the retirement coverage election, if
113.21 the person had been covered by the Teachers Retirement Association during the period,
113.22 plus annual compound interest at the rate of 8.5 percent, the eligible person shall pay the
113.23 balance of that calculated member contribution obligation within 30 days of the retirement
113.24 coverage election. Any payment may be made through an institution-to-institution transfer
113.25 from the eligible person's account in the Minnesota state deferred compensation program
113.26 or the eligible person's tax-sheltered savings account under section 403(b) of the federal
113.27 Internal Revenue Code.

113.28 (e) Upon the transfer of the equivalent member contribution amount and any
113.29 additional payments under paragraph (d), the balance of the eligible person's higher
113.30 education individual retirement account plan account must be transferred to the Teachers
113.31 Retirement Association. If the amounts under paragraph (d) and the higher education
113.32 individual retirement account plan account balance under this paragraph are less than
113.33 the prior service credit purchase payment amount calculated under Minnesota Statutes,
113.34 section 356.551, the Minnesota State Colleges and Universities system shall pay that
113.35 difference within 60 days of the retirement coverage election date.

114.1 (f) Upon the transfers and payments under paragraphs (d) and (e), the eligible person
114.2 must be credited by the Teachers Retirement Association with allowable and formula
114.3 service for Minnesota State Colleges and Universities system employment since August
114.4 27, 2005.

114.5 (g) The authority to make a retirement coverage election under this section expires
114.6 on January 1, 2013.

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

114.8 Sec. 5. **SERVICE CREDIT PURCHASE AUTHORIZATION FOR**
114.9 **UNCREDITED PRIOR PUBLIC EMPLOYMENT.**

114.10 (a) An eligible person described in paragraph (b) is entitled to purchase allowable
114.11 service in the general employees retirement plan of the Public Employees Retirement
114.12 Association under Minnesota Statutes, section 353.01, subdivision 16, for the period
114.13 described in paragraph (c) upon the payment of the purchase requirement specified in
114.14 paragraph (e).

114.15 (b) An eligible person is a person who:

114.16 (1) was born on September 10, 1949;

114.17 (2) was first employed by Crookston Township on July 1, 1990;

114.18 (3) was enrolled in the general employees retirement plan of the Public Employees
114.19 Retirement Association on September 15, 2010; and

114.20 (4) had omitted deductions paid for allowable service for Crookston Township
114.21 back to January 1, 2007.

114.22 (c) The period of prior service credit available for purchase is the period of
114.23 Crookston Township employment from July 1, 1990, to December 31, 2006, if the service
114.24 was not that of an independent contractor and the compensation for the service met or
114.25 exceeded the applicable minimum monthly salary threshold amount for plan coverage.

114.26 (d) The eligible person must apply with the executive director of the Public
114.27 Employees Retirement Association to make the service credit purchase under this section.
114.28 The application must be in writing and must include all necessary relevant documentation
114.29 that the executive director may require.

114.30 (e) Allowable service credit under Minnesota Statutes, section 353.01, subdivision
114.31 16, must be granted by the general employees retirement plan of the Public Employees
114.32 Retirement Association to the eligible person in proportion to the portion of the prior
114.33 service credit purchase payment amount bears to the total prior service credit purchase
114.34 payment amount required under Minnesota Statutes, section 356.551. Of the total prior
114.35 service credit purchase payment amount under Minnesota Statutes, section 356.551, the

115.1 eligible person must pay a total amount equal to the employee contribution rates in effect
115.2 during the uncredited employment period applied to the actual salary rates of the eligible
115.3 person during the period. If the eligible person begins to make the payment, Crookston
115.4 Township shall pay the remainder of the total prior service credit purchase payment
115.5 amount calculated under Minnesota Statutes, section 356.551. The executive director of
115.6 the Public Employees Retirement Association shall notify the treasurer of Crookston
115.7 Township that the member has begun paying the member contribution amount within 60
115.8 days of the receipt of that payment. If Crookston Township fails to pay its portion of the
115.9 prior service credit purchase payment amount under this section, the executive director
115.10 of the Public Employees Retirement Association shall collect the unpaid amount under
115.11 Minnesota Statutes, section 353.28, subdivision 6, paragraph (a). The eligible person
115.12 and Crookston Township may make monthly or quarterly installment payments of their
115.13 purchase payment portions, with interest on the remaining balance of the portion at an 8.5
115.14 percent annual compounded rate.

115.15 (f) Authority for an eligible person and Crookston Township to make prior service
115.16 credit purchase installment payments under this section expires on June 30, 2017, or upon
115.17 the eligible person's termination of employment by Crookston Township, whereupon any
115.18 unpaid installments are due in a lump sum.

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

115.20 Sec. 6. **PERA-P&F; LATE RETROACTIVE DUTY DISABILITY BENEFIT**
115.21 **APPLICATION AUTHORIZED.**

115.22 (a) Notwithstanding any provision of Minnesota Statutes, section 353.031 or
115.23 353.656 to the contrary, an eligible person described in paragraph (b) is authorized to file,
115.24 on behalf of the deceased eligible person's spouse, an application for a disability benefit
115.25 from the public employees police and fire retirement plan retroactive to the date of the
115.26 duty disability injury.

115.27 (b) An eligible person is the surviving spouse of a person who:

115.28 (1) was born on February 9, 1983;

115.29 (2) was initially employed as a deputy sheriff by Mahnomen County on May 9, 2005;

115.30 (3) suffered two gunshot wounds while investigating a report of gunfire in

115.31 Mahnomen on February 18, 2009, including one gunshot wound to the head; and

115.32 (4) after periods at a rehabilitation hospital and at a hospice facility, died as a result
115.33 of the wounds and accompanying complications on August 9, 2010.

115.34 (c) If the eligible person files the disability benefit application under paragraph (a)
115.35 and if the late Mahnomen County deputy sheriff described in paragraph (b) is determined

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116.1 by the Public Employees Retirement Association as being disabled while in the line of
116.2 duty, the eligible person is entitled to receive payment of the duty disability benefits that
116.3 would have been paid before August 10, 2010, to the late Mahnomen County deputy
116.4 described in paragraph (b) under Minnesota Statutes, section 353.656, subdivision 1a, if
116.5 a disability benefit application had been filed in a timely manner on or after February
116.6 18, 2009.

116.7 (d) The authority to file a disability benefit application under paragraph (a) expires
116.8 on July 1, 2013.

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

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Article locations in S1808-1

ARTICLE 1	STATUTORY ACTUARIAL ASSUMPTION AND CONFORMING CHANGES	Page.Ln 2.9
ARTICLE 2	CONTRIBUTION ADEQUACY REPORTING	Page.Ln 16.23
ARTICLE 3	MSRS-CORRECTIONAL PLAN MEMBERSHIP CHANGES	Page.Ln 18.18
ARTICLE 4	HEALTH CARE SAVINGS PLAN MODIFICATIONS	Page.Ln 22.31
ARTICLE 5	MSRS-UNCLASSIFIED RETIREMENT PROGRAM MODIFICATIONS	Page.Ln 24.19
ARTICLE 6	PERA-ADMINISTERED RETIREMENT PLAN MODIFICATIONS	Page.Ln 25.29
ARTICLE 7	REVISIONS IN THE PERA PRIVATIZATION LAW	Page.Ln 33.16
ARTICLE 8	TRA ADMINISTRATIVE CHANGES AND RELATED MODIFICATIONS	Page.Ln 35.22
ARTICLE 9	FEDERAL INTERNAL REVENUE CODE CONFORMITY PROVISIONS	Page.Ln 48.2
ARTICLE 10	AUTHORIZED PUBLIC PENSION FUND INVESTMENT REVISIONS	Page.Ln 51.1
ARTICLE 11	LOCAL RELIEF ASSOCIATION OR CONSOLIDATION ACCOUNT MERGERS WITH PERA-P&F	Page.Ln 69.9
ARTICLE 12	VOLUNTEER FIRE RETIREMENT CHANGES	Page.Ln 86.1
ARTICLE 13	SMALL GROUP OR ONE PERSON RETIREMENT PROVISIONS	Page.Ln 107.17

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.

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,

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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.