

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 277

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
02/06/2013	160	Introduction and first reading Referred to State and Local Government See SF489, Art. 3, Sec. 1-12, 14, 30

A bill for an act

1.1 relating to retirement; Public Employees Retirement Association; clarifying
 1.2 coverage of student employees and extending duration of excluded work-study
 1.3 positions; revising military service credit purchase provision for consistency with
 1.4 federal code; clarifying average salary for benefit purposes; clarifying MERF
 1.5 division benefit eligibility; adding Lake County Sunrise Home to privatization
 1.6 chapter; making other administrative changes; amending Minnesota Statutes
 1.7 2012, sections 353.01, subdivisions 2b, 16, 17a, 29; 353.27, subdivision 7;
 1.8 353.34, subdivisions 1, 2; 353.50, subdivisions 3, 6; 353.657, subdivisions 2, 2a,
 1.9 3; 353F.02, subdivision 4; 356.635, subdivision 1.

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

1.12 Section 1. Minnesota Statutes 2012, section 353.01, subdivision 2b, is amended to read:

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

1.17 (1) persons whose salary from one governmental subdivision never exceeds \$425 in
 1.18 a month;

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

1.22 (3) election officers or election judges;

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

1.25 (5) except as otherwise specified in subdivision 12a, employees who are hired for
 1.26 a temporary position as defined under subdivision 12a, and employees who resign from

2.1 a nontemporary position and accept a temporary position within 30 days in the same
2.2 governmental subdivision;

2.3 (6) employees who are employed by reason of work emergency caused by fire,
2.4 flood, storm, or similar disaster;

2.5 (7) employees who by virtue of their employment in one governmental subdivision
2.6 are required by law to be a member of and to contribute to any of the plans or funds
2.7 administered by the Minnesota State Retirement System, the Teachers Retirement
2.8 Association, the Duluth Teachers Retirement Fund Association, the St. Paul Teachers
2.9 Retirement Fund Association, or any police or firefighters relief association governed by
2.10 section 69.77 that has not consolidated with the Public Employees Retirement Association,
2.11 or any local police or firefighters consolidation account who have not elected the type of
2.12 benefit coverage provided by the public employees police and fire fund under sections
2.13 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4, 5, or 6,
2.14 who have not elected public employees police and fire plan benefit coverage. This clause
2.15 must not be construed to prevent a person from being a member of and contributing to
2.16 the Public Employees Retirement Association and also belonging to and contributing to
2.17 another public pension plan or fund for other service occurring during the same period
2.18 of time. A person who meets the definition of "public employee" in subdivision 2 by
2.19 virtue of other service occurring during the same period of time becomes a member of the
2.20 association unless contributions are made to another public retirement fund on the salary
2.21 based on the other service or to the Teachers Retirement Association by a teacher as
2.22 defined in section 354.05, subdivision 2;

2.23 (8) persons who are members of a religious order and are excluded from coverage
2.24 under the federal Old Age, Survivors, Disability, and Health Insurance Program for the
2.25 performance of service as specified in United States Code, title 42, section 410(a)(8)(A),
2.26 as amended through January 1, 1987, if no irrevocable election of coverage has been made
2.27 under section 3121(r) of the Internal Revenue Code of 1954, as amended;

2.28 (9) employees of a governmental subdivision who have not reached the age of
2.29 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time
2.30 basis at an accredited school, college, or university in an undergraduate, graduate, or
2.31 professional-technical program, or a public or charter high school;

2.32 (10) resident physicians, medical interns, and pharmacist residents and pharmacist
2.33 interns who are serving in a degree or residency program in public hospitals or clinics;

2.34 (11) students who are serving for up to five years in an internship or residency program
2.35 sponsored by a governmental subdivision, including an accredited educational institution;

3.1 (12) persons who hold a part-time adult supplementary technical college license who
3.2 render part-time teaching service in a technical college;

3.3 (13) except for employees of Hennepin County or Hennepin Healthcare System, Inc.,
3.4 foreign citizens who are employed by a governmental subdivision under a work permit, or
3.5 an H-1b visa initially issued or extended for a combined period less than three years of
3.6 employment. Upon extension of the employment beyond the three-year period, the foreign
3.7 citizens must be reported for membership beginning the first of the month thereafter
3.8 provided the monthly earnings threshold as provided under subdivision 2a is met;

3.9 (14) public hospital employees who elected not to participate as members of the
3.10 association before 1972 and who did not elect to participate from July 1, 1988, to October
3.11 1, 1988;

3.12 (15) except as provided in section 353.86, volunteer ambulance service personnel, as
3.13 defined in subdivision 35, but persons who serve as volunteer ambulance service personnel
3.14 may still qualify as public employees under subdivision 2 and may be members of the
3.15 Public Employees Retirement Association and participants in the general employees
3.16 retirement plan or the public employees police and fire plan, whichever applies, on the
3.17 basis of compensation received from public employment service other than service as
3.18 volunteer ambulance service personnel;

3.19 (16) except as provided in section 353.87, volunteer firefighters, as defined in
3.20 subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties,
3.21 but a person who is a volunteer firefighter may still qualify as a public employee under
3.22 subdivision 2 and may be a member of the Public Employees Retirement Association and
3.23 a participant in the general employees retirement plan or the public employees police
3.24 and fire plan, whichever applies, on the basis of compensation received from public
3.25 employment activities other than those as a volunteer firefighter;

3.26 (17) pipefitters and associated trades personnel employed by Independent School
3.27 District No. 625, St. Paul, with coverage under a collective bargaining agreement by the
3.28 pipefitters local 455 pension plan who were either first employed after May 1, 1997, or,
3.29 if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter
3.30 241, article 2, section 12;

3.31 (18) electrical workers, plumbers, carpenters, and associated trades personnel who
3.32 are employed by Independent School District No. 625, St. Paul, or the city of St. Paul,
3.33 who have retirement coverage under a collective bargaining agreement by the Electrical
3.34 Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan,
3.35 or the pension plan applicable to Carpenters Local 87 who were either first employed after

4.1 May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under
4.2 Laws 2000, chapter 461, article 7, section 5;

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

4.12 (20) plumbers who are employed by the Metropolitan Airports Commission, with
4.13 coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan,
4.14 who either were first employed after May 1, 2001, or if first employed before May 2,
4.15 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article
4.16 10, section 6;

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

4.20 (22) persons who are provided supported employment or work-study positions by a
4.21 governmental subdivision and who participate in an employment or industries program
4.22 maintained for the benefit of these persons where the governmental subdivision limits
4.23 the position's duration up to three five years or less, including persons participating in a
4.24 federal or state subsidized on-the-job training, work experience, senior citizen, youth, or
4.25 unemployment relief program where the training or work experience is not provided as a
4.26 part of, or for, future permanent public employment;

4.27 (23) independent contractors and the employees of independent contractors;

4.28 (24) reemployed annuitants of the association during the course of that
4.29 reemployment; and

4.30 (25) persons appointed to serve on a board or commission of a governmental
4.31 subdivision or an instrumentality thereof.

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

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

5.1 Sec. 2. Minnesota Statutes 2012, section 353.01, subdivision 16, is amended to read:

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

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

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

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

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

5.14 (5) a period of authorized personal, parental, or medical leave of absence without
5.15 pay, including a leave of absence covered under the federal Family Medical Leave Act,
5.16 that does not exceed one year, and for which a member obtained service credit for each
5.17 month in the leave period by payment under section 353.0161 to the fund made in place of
5.18 salary deductions. An employee must return to public service and render a minimum of
5.19 three months of allowable service in order to be eligible to make payment under section
5.20 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the
5.21 employee must be granted allowable service credit for the purchased period;

5.22 (6) a periodic, repetitive leave that is offered to all employees of a governmental
5.23 subdivision. The leave program may not exceed 208 hours per annual normal work cycle
5.24 as certified to the association by the employer. A participating member obtains service
5.25 credit by making employee contributions in an amount or amounts based on the member's
5.26 average salary, excluding overtime pay, that would have been paid if the leave had not been
5.27 taken. The employer shall pay the employer and additional employer contributions on
5.28 behalf of the participating member. The employee and the employer are responsible to pay
5.29 interest on their respective shares at the rate of 8.5 percent a year, compounded annually,
5.30 from the end of the normal cycle until full payment is made. An employer shall also make
5.31 the employer and additional employer contributions, plus 8.5 percent interest, compounded
5.32 annually, on behalf of an employee who makes employee contributions but terminates
5.33 public service. The employee contributions must be made within one year after the end of
5.34 the annual normal working cycle or within 30 days after termination of public service,
5.35 whichever is sooner. The executive director shall prescribe the manner and forms to be

6.1 used by a governmental subdivision in administering a periodic, repetitive leave. Upon
6.2 payment, the member must be granted allowable service credit for the purchased period;

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

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

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

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

7.14 (9) a period specified under section 353.0162.

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

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

7.29 (d) No member may receive more than 12 months of allowable service credit in a
7.30 year either for vesting purposes or for benefit calculation purposes. For an active member
7.31 who was an active member of the former Minneapolis Firefighters Relief Association
7.32 on December 29, 2011, "allowable service" is the period of service credited by the
7.33 Minneapolis Firefighters Relief Association as reflected in the transferred records of the
7.34 association up to December 30, 2011, and the period of service credited under paragraph
7.35 (a), clause (1), after December 30, 2011. For an active member who was an active member
7.36 of the former Minneapolis Police Relief Association on December 29, 2011, "allowable

8.1 service" is the period of service credited by the Minneapolis Police Relief Association as
 8.2 reflected in the transferred records of the association up to December 30, 2011, and the
 8.3 period of service credited under paragraph (a), clause (1), after December 30, 2011.

8.4 (e) MS 2002 [Expired]

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

8.6 Sec. 3. Minnesota Statutes 2012, section 353.01, subdivision 17a, is amended to read:

8.7 Subd. 17a. **Average salary.** (a) "Average salary," ~~for purposes of calculating a~~
 8.8 ~~retirement annuity under section 353.29, subdivision 3 unless otherwise specified,~~ means
 8.9 an amount equivalent to the average of the highest salary of the member, police officer,
 8.10 or firefighter, whichever applies, upon which employee contributions were paid for any
 8.11 five successive years of allowable service, based on dates of salary periods as listed on
 8.12 salary deduction reports. Average salary must be based upon all allowable service if
 8.13 this service is less than five years.

8.14 (b) "Average salary" may not include any reduced salary paid during a period
 8.15 in which the employee is entitled to benefit payments from workers' compensation for
 8.16 temporary disability, unless the average salary is higher, including this period.

8.17 (c) "Average salary," for purposes of calculating benefits for a surviving spouse or
 8.18 dependent children under section 353.657, subdivision 2 or 3, means the average of the
 8.19 full-time monthly base salary rate in effect during the last six months of allowable service.
 8.20 If the employment during the last six months of allowable service was part-time, the
 8.21 average salary must be prorated based on the actual number of hours worked.

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

8.23 Sec. 4. Minnesota Statutes 2012, section 353.01, subdivision 29, is amended to read:

8.24 Subd. 29. **Designated beneficiary.** "Designated beneficiary" means the person or₂
 8.25 ~~organization, trust, or estate~~ organization, trust, or estate designated by a member, former member, ~~disabilitant, or~~
 8.26 ~~retired member in writing, signed and filed with the association before the death of the~~
 8.27 ~~member, former member, disabilitant, or retired member,~~ or a person legally authorized
 8.28 to act on behalf of the member or former member to receive a refund of the balance of
 8.29 the member's or former member's accumulated deductions after death. A beneficiary
 8.30 designation is valid if it is made in the form prescribed by the executive director and
 8.31 is received by the association on or before the date of death of the member or former
 8.32 member. If a beneficiary designation is deemed to be invalid for any reason, any remaining

9.1 balance of the member's or former member's accumulated deductions are subject to the
9.2 provisions of section 353.32, subdivisions 4 and 5.

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

9.4 Sec. 5. Minnesota Statutes 2012, section 353.27, subdivision 7, is amended to read:

9.5 Subd. 7. **Adjustment for erroneous receipts or disbursements.** (a) Except
9.6 as provided in paragraph (b), erroneous employee deductions and erroneous employer
9.7 contributions and additional employer contributions to the general employees retirement
9.8 plan of the Public Employees Retirement Association or to the public employees police
9.9 and fire retirement plan for a person who otherwise does not qualify for membership
9.10 under this chapter, are considered:

9.11 (1) valid if the initial erroneous deduction began before January 1, 1990. Upon
9.12 determination of the error by the association, the person may continue membership in the
9.13 association while employed in the same position for which erroneous deductions were
9.14 taken, or file a written election to terminate membership and apply for a refund upon
9.15 termination of public service or defer an annuity under section 353.34; or

9.16 (2) invalid, if the initial erroneous employee deduction began on or after January 1,
9.17 1990. Upon determination of the error, the association shall refund all erroneous employee
9.18 deductions and all erroneous employer contributions as specified in paragraph (e). No
9.19 person may claim a right to continued or past membership in the association based on
9.20 erroneous deductions which began on or after January 1, 1990.

9.21 (b) Erroneous deductions taken from the salary of a person who did not qualify
9.22 for membership in the general employees retirement plan of the Public Employees
9.23 Retirement Association or in the public employees police and fire retirement plan by
9.24 virtue of concurrent employment before July 1, 1978, which required contributions to
9.25 another retirement fund or relief association established for the benefit of officers and
9.26 employees of a governmental subdivision, are invalid. Upon discovery of the error,
9.27 allowable service credit for all invalid service is forfeited and, upon termination of public
9.28 service, the association shall refund all erroneous employee deductions to the person, with
9.29 interest as determined under section 353.34, subdivision 2, and all erroneous employer
9.30 contributions without interest to the employer. This paragraph has both retroactive and
9.31 prospective application.

9.32 (c) Adjustments to correct employer contributions and employee deductions taken
9.33 in error from amounts which are not salary under section 353.01, subdivision 10, must
9.34 be made as specified in paragraph (e). The period of adjustment must be limited to the

10.1 fiscal year in which the error is discovered by the association and the immediate two
10.2 preceding fiscal years.

10.3 (d) If there is evidence of fraud or other misconduct on the part of the employee or
10.4 the employer, the board of trustees may authorize adjustments to the account of a member
10.5 or former member to correct erroneous employee deductions and employer contributions
10.6 on invalid salary and the recovery of any overpayments for a period longer than provided
10.7 for under paragraph (c).

10.8 (e) Upon discovery of the receipt of erroneous employee deductions and employer
10.9 contributions under paragraph (a), clause (2), or paragraph (c), the association must require
10.10 the employer to discontinue the erroneous employee deductions and erroneous employer
10.11 contributions reported on behalf of a member. Upon discontinuation, the association must:

10.12 (1) for a member, provide a refund in the amount of the invalid employee deductions
10.13 with interest on the invalid employee deductions at the rate specified under section 353.34,
10.14 subdivision 2, from the received date of each invalid salary transaction through the date
10.15 the credit or refund is made;

10.16 (2) for a former member who:

10.17 (i) is not receiving a retirement annuity or benefit, return the erroneous employee
10.18 deductions to the former member through a refund with interest at the rate specified under
10.19 section 353.34, subdivision 2, from the received date of each invalid salary transaction
10.20 through the date the credit or refund is made; or

10.21 (ii) is receiving a retirement annuity or disability benefit, or a person who is
10.22 receiving an optional annuity or survivor benefit, for whom it has been determined an
10.23 overpayment must be recovered, adjust the payment amount and recover the overpayments
10.24 as provided under this section; and

10.25 (3) return the invalid employer contributions reported on behalf of a member or
10.26 former member to the employer by providing a credit against future contributions payable
10.27 by the employer.

10.28 (f) In the event that a salary warrant or check from which a deduction for the
10.29 retirement fund was taken has been canceled or the amount of the warrant or check
10.30 returned to the funds of the department making the payment, a refund of the sum
10.31 deducted, or any portion of it that is required to adjust the deductions, must be made
10.32 to the department or institution.

10.33 (g) ~~If the accrual date of any association discovers that a retirement annuity, survivor~~
10.34 ~~benefit, or disability benefit is within the limitation period specified in paragraph (c), and~~
10.35 ~~an overpayment has resulted~~ has been incorrectly calculated by using invalid service or
10.36 salary, or due to any erroneous calculation procedure, the association must recalculate

11.1 the annuity or benefit payable and ~~recover any~~ begin payment of the corrected annuity or
 11.2 benefit effective the first of the month following discovery of the error. Any overpayment
 11.3 resulting from the incorrect calculation must be recovered as provided under subdivision
 11.4 7b, if the accrual date, or any adjustment in the amount of the annuity or benefit calculated
 11.5 after the accrual date, except adjustments required under section 353.656, subdivision 4,
 11.6 falls within the current fiscal year and the two immediate previous fiscal years.

11.7 (h) Notwithstanding the provisions of this subdivision, the association may apply
 11.8 the Revenue Procedures defined in the federal Internal Revenue Service Employee Plans
 11.9 Compliance Resolution System and not issue a refund of erroneous employee deductions
 11.10 and employer contributions or not recover a small overpayment of benefits if the cost to
 11.11 correct the error would exceed the amount of the member refund or overpayment.

11.12 (i) Any fees or penalties assessed by the federal Internal Revenue Service for any
 11.13 failure by an employer to follow the statutory requirements for reporting eligible members
 11.14 and salary must be paid by the employer.

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

11.16 Sec. 6. Minnesota Statutes 2012, section 353.34, subdivision 1, is amended to read:

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

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

11.25 (c) An individual who terminates public service covered by the Public Employees
 11.26 Retirement Association general employees retirement plan, the MERF division, the Public
 11.27 Employees Retirement Association police and fire retirement plan, or the public employees
 11.28 local government correctional service retirement plan, and who is employed by a different
 11.29 employer and who becomes an active member covered by one of the other two plans, may
 11.30 receive a refund of employee contributions plus annual compound interest from the plan
 11.31 from which the member terminated service at the applicable rate specified in subdivision 2.

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

11.33 Sec. 7. Minnesota Statutes 2012, section 353.34, subdivision 2, is amended to read:

12.1 Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person
 12.2 who ceases to be a public employee is entitled to receive a refund in an amount equal to
 12.3 accumulated deductions with annual compound interest to the first day of the month
 12.4 in which the refund is processed.

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

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

12.12 (d) If the refund payable to a member is based on employee deductions that are
 12.13 determined to be invalid under section 353.27, subdivision 7, the interest payable on the
 12.14 invalid employee deductions is four percent.

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

12.16 Sec. 8. Minnesota Statutes 2012, section 353.50, subdivision 3, is amended to read:

12.17 Subd. 3. **Service credit and benefit liability transfer.** (a) All allowable service
 12.18 credit and salary credit of the members of the Minneapolis Employees Retirement Fund
 12.19 as specified in the records of the Minneapolis Employees Retirement Fund through June
 12.20 30, 2010, are transferred to the MERF division of the Public Employees Retirement
 12.21 Association and are credited by the MERF division. ~~Annuities or benefits of persons~~
 12.22 ~~who are active members of the former Minneapolis Employees Retirement Fund on~~
 12.23 ~~June 30, 2010, must be calculated under Minnesota Statutes 2008, sections 422A.11;~~
 12.24 ~~422A.12; 422A.13; 422A.14; 422A.15; 422A.151; 422A.155; 422A.156; 422A.16;~~
 12.25 ~~422A.17; 422A.18; 422A.19; 422A.20; and 422A.23, but are only eligible for automatic~~
 12.26 ~~postretirement adjustments after December 31, 2010, under section 356.415.~~

12.27 (b) The liability for the payment of annuities and benefits of the Minneapolis
 12.28 Employees Retirement Fund retirees and benefit recipients as specified in the records of
 12.29 the Minneapolis Employees Retirement Fund on June 29, 2010, is transferred to the
 12.30 MERF division of the Public Employees Retirement Association on June 30, 2010.

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

12.32 Sec. 9. Minnesota Statutes 2012, section 353.50, subdivision 6, is amended to read:

13.1 Subd. 6. **Benefits. (a) Retired, disabled, deferred, and inactive member benefits.**

13.2 The annuities and benefits of, or attributable to, retired, disabled, deferred, or inactive
 13.3 Minneapolis Employees Retirement Fund members with that status as of June 30, 2010,
 13.4 ~~with the exception of post-December 31, 2010, postretirement adjustments, which~~
 13.5 ~~are governed by paragraph (b);~~ as calculated under Minnesota Statutes 2008, sections
 13.6 422A.11; 422A.12; 422A.13; 422A.14; 422A.15; 422A.151; 422A.155; 422A.156;
 13.7 422A.16; 422A.17; 422A.18; 422A.19; 422A.20; and 422A.23, continue in force ~~after the~~
 13.8 ~~administrative consolidation under Laws 2010, chapter 359, article 11.~~

13.9 **(b) Benefits; benefit eligibility for June 30, 2010, active members.** Persons who
 13.10 were active members of the former Minneapolis Employees Retirement Fund on June
 13.11 30, 2010, upon satisfying eligibility requirements stated in the applicable sections of
 13.12 Minnesota Statutes 2008 specified in paragraph (a), are entitled to annuities or benefits
 13.13 specified in those sections. Eligibility for a formula retirement annuity includes the
 13.14 requirement in Minnesota Statutes 2008, sections 422A.13 and 422A.16, that the
 13.15 terminating member has attained retirement age, which is age 60 if the person has at least
 13.16 ten years of service credit, or any age if the person has 30 or more years of service credit.

13.17 ~~(b) (c) Postretirement adjustments.~~ After December 31, 2010, annuities and
 13.18 benefits from the MERF division are eligible for annual automatic postretirement
 13.19 adjustments solely under section 356.415.

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

13.21 Sec. 10. Minnesota Statutes 2012, section 353.657, subdivision 2, is amended to read:

13.22 Subd. 2. **Benefit amount. (a)** The spouse of a deceased member is entitled to
 13.23 receive a monthly benefit for life equal to the following percentage of the member's
 13.24 average ~~full-time monthly salary rate~~, as defined in section 353.01, subdivision 17a,
 13.25 paragraph (c), as a member of the police and fire plan ~~in effect over the last six months of~~
 13.26 ~~allowable service preceding the month in which death occurred:~~

13.27 (1) if the death was a line of duty death, 60 percent of the ~~stated~~ average salary
 13.28 is payable; and

13.29 (2) if the death was not a line of duty death or if death occurred while receiving
 13.30 disability benefits that accrued before July 1, 2007, 50 percent of the ~~stated~~ average salary
 13.31 is payable.

13.32 (b) ~~If the member was a part-time employee in the position for which the employee~~
 13.33 ~~qualified for participation in the police and fire plan, the monthly survivor benefit is based~~
 13.34 ~~on the salary rate in effect for that member's part-time service during the last six months~~
 13.35 ~~of allowable service. If the member's status changed from full time to part time for due~~

14.1 to health reasons during the last year 12 months of employment, notwithstanding the
14.2 definition of average salary in section 353.01, subdivision 17a, paragraph (c), the average
14.3 salary used to compute the monthly survivor benefit is must be based on the full-time
14.4 salary rate of the position held as a member of the police and fire plan in effect over the
14.5 last six months of allowable service preceding the month in which the death occurred.

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

14.7 Sec. 11. Minnesota Statutes 2012, section 353.657, subdivision 2a, is amended to read:

14.8 Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member
14.9 who has attained the age of at least 50 years and either who is vested under section
14.10 353.01, subdivision 47, or who has credit for at least 30 years of allowable service,
14.11 regardless of age attained, dies before the annuity or disability benefit becomes payable,
14.12 notwithstanding any designation of beneficiary to the contrary, the surviving spouse may
14.13 elect to receive a death while eligible survivor benefit.

14.14 (b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision
14.15 20, a former spouse of the member, if any, is entitled to a portion of the death while
14.16 eligible survivor benefit if stipulated under the terms of a marriage dissolution decree
14.17 filed with the association. If there is no surviving spouse or child or children, a former
14.18 spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision
14.19 1, if provided for in a marriage dissolution decree but not a death while eligible survivor
14.20 benefit despite the terms of a marriage dissolution decree filed with the association.

14.21 (c) The benefit may be elected instead of a refund with interest under section 353.32,
14.22 subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and
14.23 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity
14.24 which the member could have qualified for on the date of death, computed as provided in
14.25 sections 353.651, ~~subdivisions 2 and~~ subdivision 3, and 353.30, subdivision 3.

14.26 (d) The surviving spouse may apply for the annuity at any time after the date
14.27 on which the deceased employee would have attained the required age for retirement
14.28 based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71,
14.29 subdivision 2, apply to a deferred annuity payable under this subdivision.

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

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

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

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

15.9 Sec. 12. Minnesota Statutes 2012, section 353.657, subdivision 3, is amended to read:

15.10 Subd. 3. **Dependent children.** (a) A dependent child, as defined in section 353.01,
 15.11 subdivision 15, is entitled to receive a monthly benefit equal to ten percent of the member's
 15.12 average ~~full-time monthly salary rate~~, as defined in section 353.01, subdivision 17a,
 15.13 paragraph (c), as a member of the police and fire plan in effect over the last six months of
 15.14 allowable service preceding the month in which death occurred.

15.15 (b) If the member's status changed from full-time to part-time due to health reasons
 15.16 during the last 12 months of employment, notwithstanding the definition of average salary
 15.17 in section 353.01, subdivision 17a, paragraph (c), the average salary used to compute the
 15.18 monthly dependent child benefit must be based on the full-time salary rate of the position
 15.19 held as a member of the police and fire plan in effect over the last six months of allowable
 15.20 service preceding the month in which the death occurred.

15.21 (c) Payments for the benefit of a dependent child must be made to the surviving
 15.22 parent, or to the legal guardian of the child or to any adult person with whom the child
 15.23 may at the time be living, provided only that the parent or other person to whom any
 15.24 amount is to be paid advises the board in writing that the amount will be held or used in
 15.25 trust for the benefit of the child.

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

15.27 Sec. 13. Minnesota Statutes 2012, section 353F.02, subdivision 4, is amended to read:

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

- 15.29 (1) Bridges Medical Services;
- 15.30 (2) Cedarview Care Center in Steele County;
- 15.31 (3) the City of Cannon Falls Hospital;
- 15.32 (4) the Chris Jenson Health and Rehabilitation Center in St. Louis County;

- 16.1 (5) Cornerstone Nursing and Rehab Center in Clearwater County Memorial Hospital
 16.2 ~~doing business as Clearwater Health Services in Bagley;~~
 16.3 (6) the Dassel Lakeside Community Home;
 16.4 (7) the Douglas County Hospital, with respect to the Mental Health Unit;
 16.5 (8) the Fair Oaks Lodge, Wadena;
 16.6 (9) the Glencoe Area Health Center;
 16.7 (10) Hutchinson Area Health Care;
 16.8 (11) Lake County Sunrise Home;
 16.9 ~~(11)~~ (12) the Lakefield Nursing Home;
 16.10 ~~(12)~~ (13) the Lakeview Nursing Home in Gaylord;
 16.11 ~~(13)~~ (14) the Luverne Public Hospital;
 16.12 ~~(14)~~ (15) the Oakland Park Nursing Home;
 16.13 ~~(15)~~ (16) the RenVilla Nursing Home;
 16.14 ~~(16)~~ (17) the Rice Memorial Hospital in Willmar, with respect to the Department
 16.15 of Radiology and the Department of Radiation/Oncology;
 16.16 ~~(17)~~ (18) the St. Peter Community Health Care Center;
 16.17 ~~(18)~~ (19) the Traverse Care Center in Traverse County;
 16.18 ~~(19)~~ (20) the Waconia-Ridgeview Medical Center;
 16.19 ~~(20)~~ (21) the Weiner Memorial Medical Center, Inc.;
 16.20 ~~(21)~~ (22) the Wheaton Community Hospital; and
 16.21 ~~(22)~~ (23) the Worthington Regional Hospital.

16.22 Sec. 14. Minnesota Statutes 2012, section 356.635, subdivision 1, is amended to read:

- 16.23 Subdivision 1. **Retirement benefit commencement.** (a) The retirement benefit of a
 16.24 member who has terminated employment must begin no later than the later of April 1 of
 16.25 the calendar year following the calendar year that the member attains the federal minimum
 16.26 distribution age under section 401(a)(9) of the Internal Revenue Code or April 1 of the
 16.27 calendar year following the calendar year in which the member terminated employment.
 16.28 (b) The consent requirements of section 411(a)(11) of the Internal Revenue Code
 16.29 do not apply to the extent that a distribution is required to satisfy the requirements of
 16.30 section 401(a)(9).