

2.1 ~~The select preretirement interest rate assumption for the period through June 30, 2017,~~
 2.2 ~~is eight percent.~~

2.3 ~~(2) single rate interest rate assumption~~

2.4		<u>interest rate</u>
2.5		<u>investment return</u>
2.6	plan	assumption
2.7	<u>teachers retirement plan</u>	<u>7.5%</u>
2.8	general state employees retirement plan	8% <u>7.5</u>
2.9	correctional state employees retirement plan	<u>8 7.5</u>
2.10	State Patrol retirement plan	<u>8 7.5</u>
2.11	legislators retirement plan, and for the	0
2.12	constitutional officers calculation of total plan	
2.13	liabilities	
2.14	judges retirement plan	<u>8 7.5</u>
2.15	general public employees retirement plan	8
2.16	public employees police and fire retirement plan	8
2.17	local government correctional service retirement	8
2.18	plan	
2.19	St. Paul teachers retirement plan	<u>8 7.5</u>
2.20	Bloomington Fire Department Relief Association	6
2.21	local monthly benefit volunteer firefighter relief	5
2.22	associations	
2.23	monthly benefit retirement plans in the statewide	6
2.24	volunteer firefighter retirement plan	

2.25 ~~(b)(1) If funding stability has been attained, The~~ actuarial valuation for each of the
 2.26 covered retirement plans listed in section 356.415, subdivision 2, must use a take into account
 2.27 the postretirement adjustment rate actuarial assumption equal to the postretirement adjustment
 2.28 rate or rates applicable to the plan as specified in section 354A.27, subdivision 7; 354A.29,
 2.29 subdivision 9; 7, or 356.415, subdivision 1, whichever applies.

2.30 ~~(2) If funding stability has not been attained, the valuation must use a select postretirement~~
 2.31 ~~adjustment rate actuarial assumption equal to the postretirement adjustment rate specified~~
 2.32 ~~in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a,~~
 2.33 ~~1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the approved actuary~~
 2.34 ~~estimates that the plan will attain the defined funding stability measure, and thereafter an~~
 2.35 ~~ultimate postretirement adjustment rate actuarial assumption equal to the postretirement~~
 2.36 ~~adjustment rate under section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415,~~
 2.37 ~~subdivision 1, for the applicable period or periods beginning when funding stability is~~
 2.38 ~~projected to be attained.~~

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

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5%
judges retirement plan	2.75
Bloomington Fire Department Relief Association	4

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

plan	future salary increase assumption
local government correctional service retirement plan	assumption B
St. Paul teachers retirement plan	assumption A

For plans other than the St. Paul teachers retirement plan and the local government correctional service retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for the local government correctional service retirement plan and 15 for the St. Paul Teachers Retirement Fund Association. The designated percentage rate is 0.2 percent for the St. Paul Teachers Retirement Fund Association.

The ultimate future salary increase assumption is:

age	A	B
16	5.9%	8.75%
17	5.9	8.75
18	5.9	8.75

4.1	19	5.9	8.75
4.2	20	5.9	8.75
4.3	21	5.9	8.5
4.4	22	5.9	8.25
4.5	23	5.85	8
4.6	24	5.8	7.75
4.7	25	5.75	7.5
4.8	26	5.7	7.25
4.9	27	5.65	7
4.10	28	5.6	6.75
4.11	29	5.55	6.5
4.12	30	5.5	6.5
4.13	31	5.45	6.25
4.14	32	5.4	6.25
4.15	33	5.35	6.25
4.16	34	5.3	6
4.17	35	5.25	6
4.18	36	5.2	5.75
4.19	37	5.15	5.75
4.20	38	5.1	5.75
4.21	39	5.05	5.5
4.22	40	5	5.5
4.23	41	4.95	5.5
4.24	42	4.9	5.25
4.25	43	4.85	5
4.26	44	4.8	5
4.27	45	4.75	4.75
4.28	46	4.7	4.75
4.29	47	4.65	4.75
4.30	48	4.6	4.75
4.31	49	4.55	4.75
4.32	50	4.5	4.75
4.33	51	4.45	4.75
4.34	52	4.4	4.75
4.35	53	4.35	4.75
4.36	54	4.3	4.75
4.37	55	4.25	4.5
4.38	56	4.2	4.5

5.1	57	4.15	4.25
5.2	58	4.1	4
5.3	59	4.05	4
5.4	60	4	4
5.5	61	4	4
5.6	62	4	4
5.7	63	4	4
5.8	64	4	4
5.9	65	4	3.75
5.10	66	4	3.75
5.11	67	4	3.75
5.12	68	4	3.75
5.13	69	4	3.75
5.14	70	4	3.75

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

5.16	general state employees retirement plan of the Minnesota State Retirement System	assumption A					
5.17							
5.18	general employees retirement plan of the Public Employees Retirement Association	assumption B					
5.19							
5.20	Teachers Retirement Association	assumption C					
5.21	public employees police and fire retirement plan	assumption D					
5.22	State Patrol retirement plan	assumption E					
5.23	correctional state employees retirement plan of the Minnesota State Retirement System	assumption F					
5.24							

5.25	service						
5.26	length	A	B	C	D	E	F
5.27	1	10.25%	11.78%	12%	12.75%	7.75%	5.75%
5.28	2	7.85	8.65	9	10.75	7.25	5.6
5.29	3	6.65	7.21	8	8.75	6.75	5.45
5.30	4	5.95	6.33	7.5	7.75	6.5	5.3
5.31	5	5.45	5.72	7.25	6.25	6.25	5.15
5.32	6	5.05	5.27	7	5.85	6	5
5.33	7	4.75	4.91	6.85	5.55	5.75	4.85
5.34	8	4.45	4.62	6.7	5.35	5.6	4.7
5.35	9	4.25	4.38	6.55	5.15	5.45	4.55
5.36	10	4.15	4.17	6.4	5.05	5.3	4.4
5.37	11	3.95	3.99	6.25	4.95	5.15	4.3
5.38	12	3.85	3.83	6	4.85	5	4.2

6.1	13	3.75	3.69	5.75	4.75	4.85	4.1
6.2	14	3.55	3.57	5.5	4.65	4.7	4
6.3	15	3.45	3.45	5.25	4.55	4.55	3.9
6.4	16	3.35	3.35	5	4.55	4.4	3.8
6.5	17	3.25	3.26	4.75	4.55	4.25	3.7
6.6	18	3.25	3.25	4.5	4.55	4.1	3.6
6.7	19	3.25	3.25	4.25	4.55	3.95	3.5
6.8	20	3.25	3.25	4	4.55	3.8	3.5
6.9	21	3.25	3.25	3.9	4.45	3.75	3.5
6.10	22	3.25	3.25	3.8	4.35	3.75	3.5
6.11	23	3.25	3.25	3.7	4.25	3.75	3.5
6.12	24	3.25	3.25	3.6	4.25	3.75	3.5
6.13	25	3.25	3.25	3.5	4.25	3.75	3.5
6.14	26	3.25	3.25	3.5	4.25	3.75	3.5
6.15	27	3.25	3.25	3.5	4.25	3.75	3.5
6.16	28	3.25	3.25	3.5	4.25	3.75	3.5
6.17	29	3.25	3.25	3.5	4.25	3.75	3.5
6.18	30 or more	3.25	3.25	3.5	4.25	3.75	3.5

6.19 (d) The actuarial valuation must use the applicable following payroll growth assumption
6.20 for calculating the amortization requirement for the unfunded actuarial accrued liability
6.21 where the amortization retirement is calculated as a level percentage of an increasing payroll:

6.22	plan	payroll growth assumption
6.23	general state employees retirement plan of the Minnesota	3.5%
6.24	State Retirement System	
6.25	correctional state employees retirement plan	3.5
6.26	State Patrol retirement plan	3.5
6.27	judges retirement plan	2.75
6.28	general employees retirement plan of the Public	3.5
6.29	Employees Retirement Association	
6.30	public employees police and fire retirement plan	3.5
6.31	local government correctional service retirement plan	3.5
6.32	teachers retirement plan	3.75
6.33	St. Paul teachers retirement plan	4

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

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

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

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

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 356.215, subdivision 11, is amended to read:

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

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

(c) For any retirement plan, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by itself or by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the

8.1 unfunded actuarial accrued liability in the fund, the established date for full funding must
8.2 be determined using the following procedure:

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

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

8.10 (iii) the unfunded actuarial accrued liability of the fund must be determined in accordance
8.11 with any new plan provisions governing annuities and benefits payable from the fund and
8.12 any new actuarial assumptions and the remaining plan provisions governing annuities and
8.13 benefits payable from the fund and actuarial assumptions in effect before the change;

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

8.20 (v) the level annual dollar or level percentage amortization contribution under item (iv)
8.21 must be added to the level annual dollar amortization contribution or level percentage
8.22 calculated under item (ii);

8.23 (vi) the period in which the unfunded actuarial accrued liability amount determined in
8.24 item (iii) is amortized by the total level annual dollar or level percentage amortization
8.25 contribution computed under item (v) must be calculated using the interest assumption
8.26 specified in subdivision 8 in effect after any applicable change, rounded to the nearest
8.27 integral number of years, but not to exceed 30 years from the end of the plan year in which
8.28 the determination of the established date for full funding using the procedure set forth in
8.29 this clause is made and not to be less than the period of years beginning in the plan year in
8.30 which the determination of the established date for full funding using the procedure set forth
8.31 in this clause is made and ending by the date for full funding in effect before the change;
8.32 and

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

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

(e) For the Teachers Retirement Association, the established date for full funding is June 30, ~~2037~~ 2047.

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

(g) For the judges retirement plan, the established date for full funding is June 30, ~~2038~~ 2047.

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

(i) For the St. Paul Teachers Retirement Fund Association, the established date for full funding is June 30, ~~2042~~. ~~In addition to other requirements of this chapter, the annual actuarial valuation must contain an exhibit indicating the funded ratio and the deficiency or sufficiency in annual contributions when comparing liabilities to the market value of the assets of the fund as of the close of the most recent fiscal year~~ 2047.

(j) For the general state employees retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, ~~2040~~ 2047.

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

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. **[356.59] INTEREST RATES.**

Subdivision 1. **Applicable interest rates.** Whenever the payment of interest is required with respect to any payment, including refunds, remittances, shortages, contributions, or repayments, the rate of interest is the rate or rates specified in subdivisions 2 to 5 for each public retirement plan.

10.1 Subd. 2. **Minnesota State Retirement System.** The interest rates for all retirement plans
10.2 administered by the Minnesota State Retirement System are as follows:

	<u>Annual</u>	<u>Monthly</u>
10.3 <u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
10.4 <u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>	<u>0.667 percent</u>
10.5 <u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

10.6
10.7 Subd. 3. **Teachers Retirement Association.** The interest rates for the retirement plan
10.8 administered by the Teachers Retirement Association are as follows:

	<u>Annual</u>	<u>Monthly</u>
10.9 <u>before July 1, 2017</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
10.10 <u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

10.11
10.12 Subd. 4. **St. Paul Teachers Retirement Fund Association.** The interest rates for the
10.13 retirement plan administered by the St. Paul Teachers Retirement Fund Association are as
10.14 follows:

	<u>Annual</u>	<u>Monthly</u>
10.15 <u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
10.16 <u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>	<u>0.667 percent</u>
10.17 <u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

10.18
10.19 **EFFECTIVE DATE.** This section is effective July 1, 2017.

10.20 Sec. 4. **REPEALER.**

10.21 Minnesota Statutes 2016, section 356.415, subdivision 1, is repealed.

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

10.23 **ARTICLE 2**

10.24 **MINNESOTA STATE RETIREMENT SYSTEM**

10.25 Section 1. Minnesota Statutes 2016, section 3A.03, subdivision 2, is amended to read:

10.26 Subd. 2. **Refund.** (a) A former member who has made contributions under subdivision
10.27 1 and who is no longer a member of the legislature is entitled to receive, upon written
10.28 application to the executive director on a form prescribed by the executive director, a refund
10.29 from the general fund of all contributions credited to the member's account with interest
10.30 computed as provided in section 352.22, subdivision 2.

10.31 (b) The refund of contributions as provided in paragraph (a) terminates all rights of a
10.32 former member of the legislature and the survivors of the former member under this chapter.

(c) If the former member of the legislature again becomes a member of the legislature after having taken a refund as provided in paragraph (a), the member is a member of the unclassified employees retirement program of the Minnesota State Retirement System.

(d) However, the member may reinstate the rights and credit for service previously forfeited under this chapter if the member repays all refunds taken, plus interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date on which the refund was taken to the date on which the refund is repaid.

(e) No person may be required to apply for or to accept a refund.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 352.01, subdivision 13a, is amended to read:

Subd. 13a. **Reduced salary during period of workers' compensation.** An employee on leave of absence receiving temporary workers' compensation payments and a reduced salary or no salary from the employer who is entitled to allowable service credit for the period of absence, may make payment to the fund for the difference between salary received, if any, and the salary the employee would normally receive if not on leave of absence during the period. The employee shall pay an amount equal to the employee and employer contribution rate under section 352.04, subdivisions 2 and 3, on the differential salary amount for the period of the leave of absence.

The employing department, at its option, may pay the employer amount on behalf of its employees. Payment made under this subdivision must include interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year~~ applicable annual rate or rates specified in section 356.59, subdivision 2, and must be completed within one year of the return from leave of absence.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 352.017, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in this chapter may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 352.04, subdivision 2, is amended to read:

Subd. 2. **Employee contributions.** (a) The employee contribution to the fund must be equal to the following percent of salary:

from July 1, 2010, to June 30, 2014	5
from July 1, 2014, and thereafter <u>to June 30, 2017</u>	5.5
<u>after June 30, 2017</u>	<u>6</u>

(b) These contributions must be made by deduction from salary as provided in subdivision 4.

(c) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

13.1 Sec. 5. Minnesota Statutes 2016, section 352.04, subdivision 3, is amended to read:

13.2 Subd. 3. **Employer contributions.** (a) The employer contribution to the fund must be
13.3 equal to the following percent of salary:

13.4	from July 1, 2010, to June 30, 2014	5
13.5	from July 1, 2014, and thereafter <u>to June 30, 2017</u>	<u>5.5</u>
13.6	<u>from July 1, 2017, to June 30, 2018</u>	<u>6.5</u>
13.7	<u>from July 1, 2018, to June 30, 2019</u>	<u>7</u>
13.8	<u>From July 1, 2019, to June 30, 2020</u>	<u>7.5</u>
13.9	<u>after June 30, 2020</u>	<u>8</u>

13.10 (b) Contribution increases under paragraph (a) must be paid starting the first day of the
13.11 first full pay period after the effective date of the increase.

13.12 (c) The employer contribution rate must decrease to seven percent once the market value
13.13 of the assets of the general state employees retirement plan of the Minnesota State Retirement
13.14 System equals or exceeds the actuarial accrued liability of the plan as determined by the
13.15 actuary retained under section 356.214. The reduction is effective on the first day of the
13.16 first full pay period of the fiscal year immediately following the issuance of the actuarial
13.17 valuation upon which the reduction is based.

13.18 **EFFECTIVE DATE.** This section is effective July 1, 2017.

13.19 Sec. 6. Minnesota Statutes 2016, section 352.04, subdivision 8, is amended to read:

13.20 Subd. 8. **Department required to pay omitted salary deductions.** (a) If a department
13.21 fails to take deductions past due for a period of 60 days or less from an employee's salary
13.22 as provided in this section, those deductions must be taken on later payroll abstracts.

13.23 (b) If a department fails to take deductions past due for a period in excess of 60 days
13.24 from an employee's salary as provided in this section, the department, and not the employee,
13.25 must pay on later payroll abstracts the employee and employer contributions and an amount
13.26 ~~equivalent to 8.5 percent until June 30, 2015, and eight percent thereafter of the total amount~~
13.27 ~~due in lieu of interest, or if the delay in payment exceeds one year, 8.5 percent until June~~
13.28 ~~30, 2015, and eight percent thereafter compound annual interest~~ at the applicable annual
13.29 rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date
13.30 the employee and employer contributions should have been deducted to the date payment
13.31 of the total amount due is paid by the department.

13.32 (c) If a department fails to take deductions past due for a period of 60 days or less and
13.33 the employee is no longer in state service so that the required deductions cannot be taken

from the salary of the employee, the department must nevertheless pay the required employer contributions. If any department fails to take deductions past due for a period in excess of 60 days and the employee is no longer in state service, the omitted contributions must be recovered under paragraph (b).

(d) If an employee from whose salary required deductions were past due for a period of 60 days or less leaves state service before the payment of the omitted deductions and subsequently returns to state service, the unpaid amount is considered the equivalent of a refund. The employee accrues no right by reason of the unpaid amount, except that the employee may pay the amount of omitted deductions as provided in section 352.23.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. Minnesota Statutes 2016, section 352.04, subdivision 9, is amended to read:

Subd. 9. **Erroneous deductions, canceled warrants.** (a) Deductions taken from the salary of an employee for the retirement fund in excess of required amounts must, upon discovery and verification by the department making the deduction, be refunded to the employee.

(b) If a deduction for the retirement fund is taken from a salary warrant or check, and the check is canceled or the amount of the warrant or check returned to the funds of the department making the payment, the sum deducted, or the part of it required to adjust the deductions, must be refunded to the department or institution if the department applies for the refund on a form furnished by the director. The department's payments must likewise be refunded to the department.

(c) If erroneous employee deductions and employer contributions are caused by an error in plan coverage involving the plan and any other plans specified in section 356.99, that section applies. If the employee should have been covered by the plan governed by chapter 352D, 353D, 354B, or 354D, the employee deductions and employer contributions taken in error must be directly transferred to the applicable employee's account in the correct retirement plan, with interest at the ~~rate of 0.71 percent per month until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, per month, compounded annually, from the first day of the month following the month in which coverage should have commenced in the correct defined contribution plan until the end of the month in which the transfer occurs.

EFFECTIVE DATE. This section is effective July 1, 2017.

15.1 Sec. 8. Minnesota Statutes 2016, section 352.23, is amended to read:

15.2 **352.23 TERMINATION OF RIGHTS; REPAYMENT OF REFUND.**

15.3 (a) When any employee accepts a refund as provided in section 352.22, all existing
15.4 allowable service credits and all rights and benefits to which the employee was entitled
15.5 before accepting the refund terminate.

15.6 (b) Terminated service credits and rights must not again be restored until the former
15.7 employee acquires at least six months of allowable service credit after taking the last refund.
15.8 In that event, the employee may repay all refunds previously taken from the retirement fund.

15.9 (c) Repayment of refunds entitles the employee only to credit for service covered by (1)
15.10 salary deductions; (2) payments previously made in lieu of salary deductions as permitted
15.11 under law in effect when the payment in lieu of deductions was made; (3) payments made
15.12 to obtain credit for service as permitted by laws in effect when payment was made; and (4)
15.13 allowable service previously credited while receiving temporary workers' compensation as
15.14 provided in section 352.01, subdivision 11, paragraph (a), clause (3).

15.15 (d) Payments under this section for repayment of refunds are to be paid with interest at
15.16 ~~the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual
15.17 rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date
15.18 the refund was taken until the date the refund is repaid. They may be paid in a lump sum
15.19 or by payroll deduction in the manner provided in section 352.04. Payment may be made
15.20 in a lump sum up to six months after termination from service.

15.21 **EFFECTIVE DATE.** This section is effective July 1, 2017.

15.22 Sec. 9. Minnesota Statutes 2016, section 352.27, is amended to read:

15.23 **352.27 CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED**
15.24 **SERVICE.**

15.25 (a) An employee who is absent from employment by reason of service in the uniformed
15.26 services, as defined in United States Code, title 38, section 4303(13), and who returns to
15.27 state service upon discharge from service in the uniformed service within the time frames
15.28 required in United States Code, title 38, section 4312(e), may obtain service credit for the
15.29 period of the uniformed service as further specified in this section, provided that the employee
15.30 did not separate from uniformed service with a dishonorable or bad conduct discharge or
15.31 under other than honorable conditions.

(b) The employee may obtain credit by paying into the fund an equivalent employee contribution based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the employee would have received if the employee had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the employee's average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service.

(c) The equivalent employer contribution and, if applicable, the equivalent additional employer contribution provided in this chapter must be paid by the department employing the employee from funds available to the department at the time and in the manner provided in this chapter, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent employee contribution.

(d) If the employee equivalent contributions provided in this section are not paid in full, the employee's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total employee contribution received by the total employee contribution otherwise required under this section.

(e) To receive service credit under this section, the contributions specified in this section must be transmitted to the Minnesota State Retirement System during the period which begins with the date on which the individual returns to state service and which has a duration of three times the length of the uniformed service period, but not to exceed five years. If the determined payment period is less than one year, the contributions required under this section to receive service credit may be made within one year of the discharge date.

(f) The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312.

(g) The employing unit shall pay interest on all equivalent employee and employer contribution amounts payable under this section. Interest must be ~~computed at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received.

17.1 **EFFECTIVE DATE.** This section is effective July 1, 2017.

17.2 Sec. 10. Minnesota Statutes 2016, section 352.92, subdivision 1, is amended to read:

17.3 Subdivision 1. **Employee contributions.** (a) Employee contributions of covered
17.4 correctional employees must be in an amount equal to the following percent of salary:

17.5 ~~from July 1, 2010, to June 30, 2014~~ 8.6

17.6 from July 1, 2014, ~~and thereafter~~ to June 30, 2017 9.1

17.7 after June 30, 2017 9.6

17.8 (b) These contributions must be made by deduction from salary as provided in section
17.9 352.04, subdivision 4.

17.10 (c) Contribution increases under paragraph (a) must be paid starting the first day of the
17.11 first full pay period after the effective date of the increase.

17.12 **EFFECTIVE DATE.** This section is effective July 1, 2017.

17.13 Sec. 11. Minnesota Statutes 2016, section 352.92, subdivision 2, is amended to read:

17.14 Subd. 2. **Employer contributions.** (a) The employer shall contribute for covered
17.15 correctional employees an amount equal to the following percent of salary:

17.16 ~~from July 1, 2010, to June 30, 2014~~ 12.1

17.17 from July 1, 2014, ~~and thereafter~~ to June 30, 2017 12.85

17.18 after June 30, 2017 14.4

17.19 (b) Contribution increases under paragraph (a) must be paid starting the first day of the
17.20 first full pay period after the effective date of the increase.

17.21 **EFFECTIVE DATE.** This section is effective July 1, 2017.

17.22 Sec. 12. Minnesota Statutes 2016, section 352.92, is amended by adding a subdivision to
17.23 read:

17.24 Subd. 2a. **Supplemental employer contribution.** Effective July 1, 2018, the employer
17.25 shall pay a supplemental contribution. The supplemental contribution shall be 1.45 percent
17.26 of salary for covered correctional employees from July 1, 2018, through June 30, 2019;
17.27 2.95 percent of salary for covered correctional employees from July 1, 2019, through June
17.28 30, 2020; and 4.45 percent of salary for covered correctional employees thereafter. The
17.29 supplemental contribution rate of 4.45 percent shall remain in effect until the market value
17.30 of the assets of the correctional state employees retirement plan of the Minnesota State
17.31 Retirement System equals or exceeds the actuarial accrued liability of the plan as determined

by the actuary retained under section 356.214. The expiration of the supplemental employer contribution is effective the first day of the first full pay period of the fiscal year immediately following the issuance of the actuarial valuation upon which the expiration is based.

EFFECTIVE DATE. This section is effective the first day of the first full pay period after July 1, 2018.

Sec. 13. Minnesota Statutes 2016, section 352.955, subdivision 3, is amended to read:

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

(b) The executive director shall compute, for the most recent 12 months of service credit eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2.

(c) The executive director shall compute, for any service credit being transferred on behalf of the eligible employee and not included under paragraph (b), the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2.

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

(e) The executive director shall compute an amount using the process specified in paragraph (c), but based on differences in employer contribution rates between the general

19.1 state employees retirement plan and the correctional state employees retirement plan rather
19.2 than employee contribution rates.

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

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

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

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

19.25 **EFFECTIVE DATE.** This section is effective July 1, 2017.

19.26 Sec. 14. Minnesota Statutes 2016, section 352B.013, subdivision 2, is amended to read:

19.27 Subd. 2. **Purchase procedure.** (a) An employee covered by the plan specified in this
19.28 chapter may purchase credit for allowable service in the plan for a period specified in
19.29 subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever
19.30 applies. The employing unit, at its option, may pay the employer portion of the amount
19.31 specified in paragraph (b) on behalf of its employees.

19.32 (b) If payment is received by the executive director within one year from the date the
19.33 employee returned to work following the authorized leave, the payment amount is equal to

the employee and employer contribution rates specified in section 352B.02 at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year from the date the employee returned to work following the authorized leave, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in section 352B.02 on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 15. Minnesota Statutes 2016, section 352B.02, subdivision 1a, is amended to read:

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

(1) before the first day of the first pay period beginning after July 1, 2014	12.4 percent
(2) on or after the first day of the first pay period beginning after <u>from July 1, 2014, to June 30, 2016</u>	13.4 percent
(3) after June 30, 2016 <u>from July 1, 2016, to June 30, 2017</u>	14.4 percent
<u>from July 1, 2017, to June 30, 2019</u>	<u>14.9</u>
<u>after June 30, 2019</u>	<u>15.4</u>

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

(c) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

21.1 Sec. 16. Minnesota Statutes 2016, section 352B.02, subdivision 1c, is amended to read:

21.2 Subd. 1c. **Employer contributions and supplemental employer contribution.** (a) In
 21.3 addition to member contributions, department heads shall pay a sum equal to the specified
 21.4 percentage of the salary upon which deductions were made, which constitutes the employer
 21.5 contribution to the fund as follows:

21.6	(1) before the first day of the first pay period beginning	
21.7	after July 1, 2014	18.6 percent
21.8	(2) on or after the first day of the first pay period	
21.9	beginning after from July 1, 2014, to June 30, 2016	20.1 percent
21.10	(3) <u>after June 30, 2016 from July 1, 2016, to June 30,</u>	
21.11	<u>2017</u>	<u>21.6 percent</u>
21.12	<u>from July 1, 2017, to June 30, 2018</u>	<u>22.35</u>
21.13	<u>after June 30, 2018</u>	<u>23.1</u>

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

21.16 (c) Contribution increases under paragraph (a) must be paid starting the first day of the
 21.17 first full pay period after the effective date of the increase.

21.18 (d) Effective July 1, 2017, department heads shall pay a supplemental employer
 21.19 contribution. The supplemental contribution shall be 1.75 percent of the salary upon which
 21.20 deductions are made from July 1, 2017, through June 30, 2018; three percent of the salary
 21.21 upon which deductions are made from July 1, 2018, through June 30, 2019; five percent of
 21.22 the salary which deductions are made from July 1, 2019, through June 30, 2020; and seven
 21.23 percent of the salary upon which deductions are made thereafter. The supplemental
 21.24 contribution rate of seven percent shall remain in effect until the market value of the assets
 21.25 of the State Patrol retirement plan of the Minnesota State Retirement System equals or
 21.26 exceeds the actuarial accrued liability of the plan as determined by the actuary retained
 21.27 under section 356.214. The expiration of the supplemental employer contribution is effective
 21.28 the first day of the first full pay period of the fiscal year immediately following the issuance
 21.29 of the actuarial valuation upon which the expiration is based.

21.30 **EFFECTIVE DATE.** The amendments to paragraphs (a) and (c) are effective July 1,
 21.31 2017. The amendments to paragraph (d) are effective the first day of the first full pay period
 21.32 after July 1, 2017.

22.1 Sec. 17. Minnesota Statutes 2016, section 352B.085, is amended to read:

22.2 **352B.085 SERVICE CREDIT FOR CERTAIN DISABILITY LEAVES OF**
22.3 **ABSENCE.**

22.4 A member on leave of absence receiving temporary workers' compensation payments
22.5 and a reduced salary or no salary from the employer who is entitled to allowable service
22.6 credit for the period of absence under section 352B.011, subdivision 3, paragraph (b), may
22.7 make payment to the fund for the difference between salary received, if any, and the salary
22.8 that the member would normally receive if the member was not on leave of absence during
22.9 the period. The member shall pay an amount equal to the member and employer contribution
22.10 rate under section 352B.02, subdivisions 1b and 1c, on the differential salary amount for
22.11 the period of the leave of absence. The employing department, at its option, may pay the
22.12 employer amount on behalf of the member. Payment made under this subdivision must
22.13 include interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~
22.14 applicable annual rate or rates specified in section 356.59, subdivision 2, per year, and must
22.15 be completed within one year of the member's return from the leave of absence.

22.16 **EFFECTIVE DATE.** This section is effective July 1, 2017.

22.17 Sec. 18. Minnesota Statutes 2016, section 352B.086, is amended to read:

22.18 **352B.086 SERVICE CREDIT FOR UNIFORMED SERVICE.**

22.19 (a) A member who is absent from employment by reason of service in the uniformed
22.20 services, as defined in United States Code, title 38, section 4303(13), and who returns to
22.21 state employment in a position covered by the plan upon discharge from service in the
22.22 uniformed services within the time frame required in United States Code, title 38, section
22.23 4312(e), may obtain service credit for the period of the uniformed service, provided that
22.24 the member did not separate from uniformed service with a dishonorable or bad conduct
22.25 discharge or under other than honorable conditions.

22.26 (b) The member may obtain credit by paying into the fund an equivalent member
22.27 contribution based on the member contribution rate or rates in effect at the time that the
22.28 uniformed service was performed multiplied by the full and fractional years being purchased
22.29 and applied to the annual salary rate. The annual salary rate is the average annual salary
22.30 during the purchase period that the member would have received if the member had continued
22.31 to provide employment services to the state rather than to provide uniformed service, or if
22.32 the determination of that rate is not reasonably certain, the annual salary rate is the member's

23.1 average salary rate during the 12-month period of covered employment rendered immediately
23.2 preceding the purchase period.

23.3 (c) The equivalent employer contribution and, if applicable, the equivalent employer
23.4 additional contribution, must be paid by the employing unit, using the employer and employer
23.5 additional contribution rate or rates in effect at the time that the uniformed service was
23.6 performed, applied to the same annual salary rate or rates used to compute the equivalent
23.7 member contribution.

23.8 (d) If the member equivalent contributions provided for in this section are not paid in
23.9 full, the member's allowable service credit must be prorated by multiplying the full and
23.10 fractional number of years of uniformed service eligible for purchase by the ratio obtained
23.11 by dividing the total member contributions received by the total member contributions
23.12 otherwise required under this section.

23.13 (e) To receive allowable service credit under this section, the contributions specified in
23.14 this section must be transmitted to the fund during the period which begins with the date
23.15 on which the individual returns to state employment covered by the plan and which has a
23.16 duration of three times the length of the uniformed service period, but not to exceed five
23.17 years. If the determined payment period is calculated to be less than one year, the
23.18 contributions required under this section to receive service credit must be transmitted to the
23.19 fund within one year from the discharge date.

23.20 (f) The amount of allowable service credit obtainable under this section may not exceed
23.21 five years, unless a longer purchase period is required under United States Code, title 38,
23.22 section 4312.

23.23 (g) The employing unit shall pay interest on all equivalent member and employer
23.24 contribution amounts payable under this section. Interest must be computed at the ~~rate of~~
23.25 ~~8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates
23.26 specified in section 356.59, subdivision 2, compounded annually, from the end of each
23.27 fiscal year of the leave or break in service to the end of the month in which payment is
23.28 received.

23.29 **EFFECTIVE DATE.** This section is effective July 1, 2017.

23.30 Sec. 19. Minnesota Statutes 2016, section 352B.11, subdivision 4, is amended to read:

23.31 Subd. 4. **Reentry into state service.** When a former member, who has become separated
23.32 from state service that entitled the member to membership and has received a refund of
23.33 retirement payments, reenters the state service in a position that entitles the member to

membership, that member shall receive credit for the period of prior allowable state service if the member repays into the fund the amount of the refund, plus interest ~~on it at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, at any time before subsequent retirement. Repayment may be made in installments or in a lump sum.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 20. Minnesota Statutes 2016, section 352D.05, subdivision 4, is amended to read:

Subd. 4. **Repayment of refund.** (a) A participant in the unclassified program may repay regular refunds taken under section 352.22, as provided in section 352.23.

(b) A participant in the unclassified program or an employee covered by the general employees retirement plan who has withdrawn the value of the total shares may repay the refund taken and thereupon restore the service credit, rights and benefits forfeited by paying into the fund the amount refunded plus interest ~~at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date that the refund was taken until the date that the refund is repaid. If the participant had withdrawn only the employee shares as permitted under prior laws, repayment must be pro rata.

(c) Except as provided in section 356.441, the repayment of a refund under this section must be made in a lump sum.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 21. Minnesota Statutes 2016, section 352D.11, subdivision 2, is amended to read:

Subd. 2. **Payments by employee.** An employee entitled to purchase service credit may make the purchase by paying to the state retirement system an amount equal to the current employee contribution rate in effect for the state retirement system applied to the current or final salary rate multiplied by the months and days of prior temporary, intermittent, or contract legislative service. Payment shall be made in one lump sum unless the executive director of the state retirement system agrees to accept payment in installments over a period of not more than three years from the date of the agreement. Installment payments shall be charged interest ~~at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually.

EFFECTIVE DATE. This section is effective July 1, 2017.

25.1 Sec. 22. Minnesota Statutes 2016, section 352D.12, is amended to read:

25.2 **352D.12 TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.**

25.3 (a) An employee who is a participant in the unclassified program and who has prior
25.4 service credit in a covered plan under chapter 352, 353, 354, 354A, or 422A may, within
25.5 the time limits specified in this section, elect to transfer to the unclassified program prior
25.6 service contributions to one or more of those plans.

25.7 (b) For participants with prior service credit in a plan governed by chapter 352, 353,
25.8 354, 354A, or 422A, "prior service contributions" means the accumulated employee and
25.9 equal employer contributions with interest at the ~~rate of 8.5 percent until June 30, 2015,~~
25.10 ~~and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59,
25.11 subdivision 2, compounded annually, based on fiscal year balances.

25.12 (c) If a participant has taken a refund from a retirement plan listed in this section, the
25.13 participant may repay the refund to that plan, notwithstanding any restrictions on repayment
25.14 to that plan, ~~plus 8.5 percent interest until June 30, 2015, and eight percent interest thereafter~~
25.15 with interest at the applicable annual rate or rates specified in section 356.59, subdivision
25.16 2, compounded annually, and have the accumulated employee and equal employer
25.17 contributions transferred to the unclassified program with interest at the rate of 8.5 percent
25.18 until June 30, 2015, and eight percent thereafter compounded annually based on fiscal year
25.19 balances. If a person repays a refund and subsequently elects to have the money transferred
25.20 to the unclassified program, the repayment amount, including interest, is added to the fiscal
25.21 year balance in the year which the repayment was made.

25.22 (d) A participant electing to transfer prior service contributions credited to a retirement
25.23 plan governed by chapter 352, 353, 354, 354A, or 422A as provided under this section must
25.24 complete a written application for the transfer and repay any refund within one year of the
25.25 commencement of the employee's participation in the unclassified program.

25.26 **EFFECTIVE DATE.** This section is effective July 1, 2017.

25.27 Sec. 23. Minnesota Statutes 2016, section 356.415, subdivision 1a, is amended to read:

25.28 Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement System**
25.29 **plans other than the State Patrol and judges retirement plan plans.** (a) Retirement
25.30 annuity, disability benefit, or survivor benefit recipients of the legislators retirement plan,
25.31 including constitutional officers as specified in chapter 3A, the general state employees
25.32 retirement plan, the correctional state employees retirement plan, and the unclassified state

employees retirement program are entitled to a postretirement adjustment annually ~~on~~,
effective as of each January 1, as follows:

~~(1) for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan,~~ a postretirement increase of ~~two~~ 1.5 percent must be applied each year, ~~effective on January 1,~~ to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

~~(2) for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan,~~ for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of ~~two~~ 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

~~(b) Increases under this subdivision for the general state employees retirement plan or the correctional state employees retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicate that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date. Increases under this subdivision for the legislators retirement plan established under chapter 3A, including the constitutional officers specified in that chapter, and for the unclassified state employees retirement program, terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicate that the market value of assets of the general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.~~

~~(c) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, for the general state employees retirement plan or the correctional state employees retirement~~

27.1 plan, is again to be applied in a subsequent year or years if the market value of assets of the
 27.2 applicable plan equals or is less than:

27.3 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive
 27.4 actuarial valuations; or

27.5 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent
 27.6 actuarial valuation.

27.7 (d) After having met the definition of funding stability under paragraph (b), the increase
 27.8 provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1,
 27.9 for the legislators retirement plan, including the constitutional officers, and for the
 27.10 unclassified state employees retirement program, is again to be applied in a subsequent year
 27.11 or years if the market value of assets of the general state employees retirement plan equals
 27.12 or is less than:

27.13 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive
 27.14 actuarial valuations; or

27.15 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent
 27.16 actuarial valuation.

27.17 (e) (b) An increase in annuity or benefit payments under this subdivision must be made
 27.18 automatically unless written notice is filed by the annuitant or benefit recipient with the
 27.19 executive director of the applicable covered retirement plan requesting that the increase not
 27.20 be made.

27.21 **EFFECTIVE DATE.** This section is effective January 1, 2018.

27.22 Sec. 24. Minnesota Statutes 2016, section 356.415, subdivision 1e, is amended to read:

27.23 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a)
 27.24 Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol
 27.25 retirement plan are entitled to a postretirement adjustment annually on, effective as of each
 27.26 January 1 if the definition of funding stability under paragraph (b) has not been met, as
 27.27 follows:

27.28 (1) a postretirement increase of one percent must be applied each year, ~~effective on~~
 27.29 ~~January 1~~, to the monthly annuity or benefit of each annuitant or benefit recipient who has
 27.30 been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the
 27.31 calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of one percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

~~(b) Increases under paragraph (a) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations for the plan prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 85 percent of the actuarial accrued liability of the retirement plan. Thereafter, increases under paragraph (a) become effective again on the December 31 of the calendar year in which the actuarial valuation, or prior consecutive actuarial valuations for the plan prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of the assets of the retirement plan equals or is less than 80 percent of the actuarial accrued liability of the retirement plan for two years, or equals or is less than 75 percent of the actuarial accrued liability of the retirement plan for one year and increases under paragraph (c) commence after that date.~~

~~(c) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:~~

~~(1) a postretirement increase of 1.5 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and~~

~~(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied.~~

~~(d) Increases under paragraph (c) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement~~

29.1 ~~indicates that the market value of assets of the retirement plan equals or exceeds 90 percent~~
29.2 ~~of the actuarial accrued liability of the retirement plan and increases under subdivision 1~~
29.3 ~~recommence after that date.~~

29.4 ~~(e)~~ (b) An increase in annuity or benefit payments under this subdivision must be made
29.5 automatically unless written notice is filed by the annuitant or benefit recipient with the
29.6 executive director of the applicable covered retirement plan requesting that the increase not
29.7 be made.

29.8 **EFFECTIVE DATE.** This section is effective January 1, 2018.

29.9 Sec. 25. Minnesota Statutes 2016, section 356.415, subdivision 1f, is amended to read:

29.10 Subd. 1f. **Annual postretirement adjustments; Minnesota State Retirement System**
29.11 **judges retirement plan.** ~~(a) The increases provided under this subdivision are in lieu of~~
29.12 ~~increases under subdivision 1 or 1a for retirement annuity, disability benefit, or survivor~~
29.13 ~~benefit recipients of the judges retirement plan.~~

29.14 ~~(b)~~ (a) Retirement annuity, disability benefit, or survivor benefit recipients of the judges
29.15 retirement plan are entitled to a postretirement adjustment annually ~~on~~ effective as of each
29.16 January 1 if the definition of funding stability under paragraph (b) has not been met, as
29.17 follows:

29.18 (1) a postretirement increase of 1.75 percent must be applied each year, ~~effective on~~
29.19 ~~January 1~~, to the monthly annuity or benefit of each annuitant or benefit recipient who has
29.20 been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the
29.21 calendar year immediately before the adjustment; and

29.22 (2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit
29.23 for at least one full month, but less than 12 full months as of the June 30 of the calendar
29.24 year immediately before the adjustment, an annual postretirement increase of 1/12 of 1.75
29.25 percent for each month that the person has been receiving an annuity or benefit must be
29.26 applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

29.27 ~~(e)~~ (b) Increases under ~~this subdivision~~ paragraph (a) terminate on December 31 of the
29.28 calendar year in which two prior consecutive actuarial valuations prepared by the approved
29.29 actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated
29.30 by the Legislative Commission on Pensions and Retirement indicates that the market value
29.31 of assets of the judges retirement plan equals or exceeds 70 percent of the actuarial accrued
29.32 liability of the retirement plan: and increases under ~~subdivision 1 or 1a, whichever is~~
29.33 applicable; paragraph (c) begin ~~on the January 1 next following~~ after that date.

(c) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a postretirement adjustment annually, effective as of each January 1 if the definition of funding stability under paragraph (d) has not been met, as follows:

(1) a postretirement increase of two percent must be applied each year to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of two percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

(d) Increases under paragraph (c) terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under section 356.214 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicate that the market value of assets of the judges retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under paragraph (e) begin after that date.

(e) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a postretirement adjustment annually, effective as of each January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

~~(d)~~ (f) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the

31.1 executive director of the applicable covered retirement plan requesting that the increase not
31.2 be made.

31.3 **EFFECTIVE DATE.** This section is effective January 1, 2018.

31.4 Sec. 26. Minnesota Statutes 2016, section 490.121, subdivision 4, is amended to read:

31.5 Subd. 4. **Allowable service.** (a) "Allowable service" means any calendar month, subject
31.6 to the service credit limit in subdivision 22, served as a judge at any time, during which the
31.7 judge received compensation for that service from the state, municipality, or county,
31.8 whichever applies, and for which the judge made any required member contribution. It also
31.9 includes any month served as a referee in probate for all referees in probate who were in
31.10 office before January 1, 1974.

31.11 (b) "Allowable service" also means a period of authorized leave of absence for which
31.12 the judge has made a payment in lieu of contributions, not in an amount in excess of the
31.13 service credit limit under subdivision 22. To obtain the service credit, the judge shall pay
31.14 an amount equal to the normal cost of the judges retirement plan on the date of return from
31.15 the leave of absence, as determined in the most recent actuarial report for the plan filed with
31.16 the Legislative Commission on Pensions and Retirement, multiplied by the judge's average
31.17 monthly salary rate during the authorized leave of absence and multiplied by the number
31.18 of months of the authorized leave of absence, plus ~~annual compound interest at the rate of~~
31.19 ~~8.5 percent until June 30, 2015, and eight percent thereafter~~ interest at the applicable annual
31.20 rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date
31.21 of the termination of the leave to the date on which payment is made. The payment must
31.22 be made within one year of the date on which the authorized leave of absence terminated.
31.23 Service credit for an authorized leave of absence is in addition to a uniformed service leave
31.24 under section 490.1211.

31.25 (c) "Allowable service" does not mean service as a retired judge.

31.26 **EFFECTIVE DATE.** This section is effective July 1, 2017.

31.27 Sec. 27. Minnesota Statutes 2016, section 490.121, subdivision 25, is amended to read:

31.28 Subd. 25. **Tier I.** "Tier I" is the benefit program of the retirement plan with a membership
31.29 specified by section 490.1221, paragraph (b), and governed by sections 356.415, ~~subdivisions~~
31.30 ~~1 and subdivision~~ 1f; and 490.121 to 490.133, except as modified in sections 490.121,
31.31 subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and
31.32 490.124, subdivision 1, paragraphs (c) and (d).

32.1 Sec. 28. Minnesota Statutes 2016, section 490.121, subdivision 26, is amended to read:

32.2 Subd. 26. **Tier II.** "Tier II" is the benefit program of the retirement plan with a
32.3 membership specified by section 490.1221, paragraph (c), and governed by sections 356.415,
32.4 ~~subdivisions 1 and~~ subdivision 1f; 490.121 to 490.133, as modified in section 490.121,
32.5 subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and
32.6 490.124, subdivision 1, paragraphs (c) and (d).

32.7 Sec. 29. Minnesota Statutes 2016, section 490.1211, is amended to read:

32.8 **490.1211 UNIFORMED SERVICE.**

32.9 (a) A judge who is absent from employment by reason of service in the uniformed
32.10 services, as defined in United States Code, title 38, section 4303(13), and who returns to
32.11 state employment as a judge upon discharge from service in the uniformed service within
32.12 the time frame required in United States Code, title 38, section 4312(e), may obtain service
32.13 credit for the period of the uniformed service, provided that the judge did not separate from
32.14 uniformed service with a dishonorable or bad conduct discharge or under other than honorable
32.15 conditions.

32.16 (b) The judge may obtain credit by paying into the fund equivalent member contribution
32.17 based on the contribution rate or rates in effect at the time that the uniformed service was
32.18 performed multiplied by the full and fractional years being purchased and applied to the
32.19 annual salary rate. The annual salary rate is the average annual salary during the purchase
32.20 period that the judge would have received if the judge had continued to provide employment
32.21 services to the state rather than to provide uniformed service, or if the determination of that
32.22 rate is not reasonably certain, the annual salary rate is the judge's average salary rate during
32.23 the 12-month period of judicial employment rendered immediately preceding the purchase
32.24 period.

32.25 (c) The equivalent employer contribution and, if applicable, the equivalent employer
32.26 additional contribution, must be paid by the employing unit, using the employer and employer
32.27 additional contribution rate or rates in effect at the time that the uniformed service was
32.28 performed, applied to the same annual salary rate or rates used to compute the equivalent
32.29 member contribution.

32.30 (d) If the member equivalent contributions provided for in this section are not paid in
32.31 full, the judge's allowable service credit must be prorated by multiplying the full and
32.32 fractional number of years of uniformed service eligible for purchase by the ratio obtained

33.1 by dividing the total member contributions received by the total member contributions
33.2 otherwise required under this section.

33.3 (e) To receive allowable service credit under this section, the contributions specified in
33.4 this section and section 490.121 must be transmitted to the fund during the period which
33.5 begins with the date on which the individual returns to judicial employment and which has
33.6 a duration of three times the length of the uniformed service period, but not to exceed five
33.7 years. If the determined payment period is calculated to be less than one year, the
33.8 contributions required under this section to receive service credit may be within one year
33.9 from the discharge date.

33.10 (f) The amount of allowable service credit obtainable under this section and section
33.11 490.121 may not exceed five years, unless a longer purchase period is required under United
33.12 States Code, title 38, section 4312.

33.13 (g) The state court administrator shall pay interest on all equivalent member and employer
33.14 contribution amounts payable under this section. Interest must be ~~computed at the rate of~~
33.15 ~~8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or
33.16 rates specified in section 356.59, subdivision 2, compounded annually, from the end of each
33.17 fiscal year of the leave or break in service to the end of the month in which payment is
33.18 received.

33.19 **EFFECTIVE DATE.** This section is effective July 1, 2017.

33.20 Sec. 30. Minnesota Statutes 2016, section 490.124, subdivision 12, is amended to read:

33.21 Subd. 12. **Refund.** (a) A person who ceases to be a judge is entitled to a refund in an
33.22 amount that is equal to all of the member's employee contributions to the judges' retirement
33.23 fund plus interest computed under section 352.22, subdivision 2.

33.24 (b) A refund of contributions under paragraph (a) terminates all service credits and all
33.25 rights and benefits of the judge and the judge's survivors under this chapter.

33.26 (c) A person who becomes a judge again after taking a refund under paragraph (a) may
33.27 reinstate the previously terminated allowable service credit, rights, and benefits by repaying
33.28 the total amount of the previously received refund. The refund repayment must include
33.29 ~~interest on the total amount previously received at the annual rate of 8.5 percent until June~~
33.30 ~~30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in
33.31 section 356.59, subdivision 2, compounded annually, from the date on which the refund
33.32 was received until the date on which the refund is repaid.

33.33 **EFFECTIVE DATE.** This section is effective July 1, 2017.

ARTICLE 3**TEACHER RETIREMENT ASSOCIATION**

Section 1. Minnesota Statutes 2016, section 354.42, subdivision 3, is amended to read:

Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to the applicable following percentage of salary of each coordinated member and the applicable percentage of salary of each basic member specified in paragraph (c).

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

(b) The regular employer contribution to the fund by Independent School District No. 709, Duluth, is an amount equal to the applicable percentage of salary of each old law or new law coordinated member specified for the coordinated program in paragraph (c).

(c) The employer contribution to the fund for every other employer is an amount equal to the applicable following percentage of the salary of each coordinated member and the applicable following percentage of the salary of each basic member:

Period	Coordinated Member	Basic Member
from July 1, 2013, until June 30, 2014	7 percent	11 percent
after June 30, 2014 from July 1, 2014, through June 30, 2017	7.5 percent	11.5 percent
from July 1, 2017, through June 30, 2018	<u>8.0 percent</u>	<u>12 percent</u>
from July 1, 2018, through June 30, 2019	<u>8.5 percent</u>	<u>12.5 percent</u>
from July 1, 2019, through June 30, 2020	<u>9.0 percent</u>	<u>13 percent</u>
after June 30, 2020	<u>9.5 percent</u>	<u>13.5 percent</u>

(d) When an employer contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid for each employer unit with the first payroll cycle reported.

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

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

35.1 Sec. 2. Minnesota Statutes 2016, section 354.50, subdivision 2, is amended to read:

35.2 Subd. 2. **Interest charge.** If a member desires to repay the refunds, payment shall include
35.3 interest at ~~an annual rate of 8.5 percent~~ the applicable annual rate or rates specified in section
35.4 356.59, subdivision 3, compounded annually, from date of withdrawal to the date payment
35.5 is made and shall be credited to the fund.

35.6 **EFFECTIVE DATE.** This section is effective July 1, 2017.

35.7 Sec. 3. Minnesota Statutes 2016, section 354.51, subdivision 5, is amended to read:

35.8 Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the event
35.9 that full required member contributions are not deducted from the salary of a teacher,
35.10 payment of shortages in member deductions on salary earned are the sole obligation of the
35.11 employing unit and are payable by the employing unit upon notification by the executive
35.12 director of the shortage. The amount of the shortage shall be paid with interest at ~~an annual~~
35.13 ~~rate of 8.5 percent~~ the applicable annual rate or rates specified in section 356.59, subdivision
35.14 3, compounded annually, from the end of the fiscal year in which the shortage occurred to
35.15 the end of the month in which payment is made and the interest must be credited to the
35.16 fund. The employing unit shall also pay the employer contributions as specified in section
35.17 354.42, subdivisions 3 and 5 for the shortages. If the shortage payment is not paid by the
35.18 employing unit within 60 days of notification, and if the executive director does not use the
35.19 recovery procedure in section 354.512, the executive director shall certify the amount of
35.20 the shortage to the applicable county auditor, who shall spread a levy in the amount of the
35.21 shortage payment over the taxable property of the taxing district of the employing unit if
35.22 the employing unit is supported by property taxes. Payment may not be made for shortages
35.23 in member deductions on salary paid or payable under paragraph (b) or for shortages in
35.24 member deductions for persons employed by the Minnesota State Colleges and Universities
35.25 system in a faculty position or in an eligible unclassified administrative position and whose
35.26 employment was less than 25 percent of a full academic year, exclusive of the summer
35.27 session, for the applicable institution that exceeds the most recent 36 months.

35.28 (b) For a person who is employed by the Minnesota State Colleges and Universities
35.29 system in a faculty position or in an eligible unclassified administrative position and whose
35.30 employment was less than 25 percent of a full academic year, exclusive of the summer
35.31 session, for the applicable institution, upon the person's election under section 354B.21 of
35.32 retirement coverage under this chapter, the shortage in member deductions on the salary
35.33 for employment by the Minnesota State Colleges and Universities system institution of less
35.34 than 25 percent of a full academic year, exclusive of the summer session, for the applicable

institution for the most recent 36 months and the associated employer contributions must be paid by the Minnesota State Colleges and Universities system institution, plus ~~annual compound~~ interest at the ~~rate of 8.5 percent~~ applicable annual rate or rates specified in section 356.59, subdivision 3, compounded annually, from the end of the fiscal year in which the shortage occurred to the end of the month in which the Teachers Retirement Association coverage election is made. An individual electing coverage under this paragraph shall repay the amount of the shortage in member deductions, plus interest, through deduction from salary or compensation payments within the first year of employment after the election under section 354B.21, subject to the limitations in section 16D.16. The Minnesota State Colleges and Universities system may use any means available to recover amounts which were not recovered through deductions from salary or compensation payments. No payment of the shortage in member deductions under this paragraph may be made for a period longer than the most recent 36 months.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 354.52, subdivision 4, is amended to read:

Subd. 4. **Reporting and remittance requirements.** An employer shall remit all amounts due to the association and furnish a statement indicating the amount due and transmitted with any other information required by the executive director. If an amount due is not received by the association within 14 calendar days of the payroll warrant, the ~~amount accrues interest at an annual rate of 8.5 percent~~ employer shall pay interest on the amount due at the applicable annual rate or rates specified in section 356.59, subdivision 3, compounded annually, from the due date until the amount is received by the association. All amounts due and other employer obligations not remitted within 60 days of notification by the association must be certified to the commissioner of management and budget who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 354.53, subdivision 5, is amended to read:

Subd. 5. **Interest requirements.** The employer shall pay interest on all equivalent employee and employer contribution amounts payable under this section. ~~Interest must be computed at a rate of 8.5 percent~~ at the applicable annual rate or rates specified in section 356.59, subdivision 3, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received.

37.1 **EFFECTIVE DATE.** This section is effective July 1, 2017.

37.2 Sec. 6. Minnesota Statutes 2016, section 356.415, subdivision 1d, is amended to read:

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

37.7 (1) ~~for each January 1 until funding stability is restored, effective January 1, 2018,~~
37.8 through December 31, 2022, a postretirement increase of ~~two~~ one percent must be applied
37.9 each year, ~~effective on January 1~~, to the monthly annuity or benefit amount of each annuitant
37.10 or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months
37.11 as of the June 30 of the calendar year immediately before the adjustment;

37.12 (2) ~~for each January 1 until funding stability is restored, effective January 1, 2018,~~
37.13 through December 31, 2022, for each annuitant or benefit recipient who has been receiving
37.14 an annuity or a benefit for at least one full month, but less than 12 full months as of the June
37.15 30 of the calendar year immediately before the adjustment, an annual postretirement increase
37.16 of 1/12 of ~~two~~ one percent for each month the person has been receiving an annuity or
37.17 benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit
37.18 recipient;

37.19 (3) ~~for each January 1 following the restoration of funding stability, effective January~~
37.20 1, 2023, and thereafter, a postretirement increase of ~~2.5~~ 1.5 percent must be applied each
37.21 year, ~~effective January 1~~, to the monthly annuity or benefit amount of each annuitant or
37.22 benefit recipient who has been receiving an annuity or a benefit for at least 12 full months
37.23 as of the June 30 of the calendar year immediately before the adjustment; and

37.24 (4) ~~for each January 1 following the restoration of funding stability, effective January~~
37.25 1, 2023, and thereafter, for each annuitant or benefit recipient who has been receiving an
37.26 annuity or a benefit for at least one full month, but less than 12 full months as of the June
37.27 30 of the calendar year immediately before the adjustment, an annual postretirement increase
37.28 of 1/12 of ~~2.5~~ 1.5 percent for each month the person has been receiving an annuity or benefit
37.29 must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

37.30 ~~(b) Funding stability is restored when the market value of assets of the Teachers~~
37.31 ~~Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities of~~
37.32 ~~the Teachers Retirement Association in the two most recent prior actuarial valuations~~

~~prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Teachers Retirement Association under section 356.214.~~

~~(c) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, or the increase under paragraph (a), clauses (3) and (4), is again to be applied in a subsequent year or years if the market value of assets of the plan equals or is less than:~~

~~(1) 85 percent of the actuarial accrued liabilities of the plan for two consecutive actuarial valuations; or~~

~~(2) 80 percent of the actuarial accrued liabilities of the plan for the most recent actuarial valuation.~~

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

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

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

ARTICLE 4

ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION

Section 1. Minnesota Statutes 2016, section 354A.011, subdivision 3a, is amended to read:

Subd. 3a. **Actuarial equivalent.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the appropriate board of trustees based on the experience of that retirement fund association as recommended by the actuary retained under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable preretirement

39.1 ~~or postretirement interest rate~~ investment return assumption specified in section 356.215,
39.2 subdivision 8.

39.3 **EFFECTIVE DATE.** This section is effective July 1, 2017.

39.4 Sec. 2. Minnesota Statutes 2016, section 354A.093, subdivision 6, is amended to read:

39.5 Subd. 6. **Interest requirements.** The employer shall pay interest on all equivalent
39.6 employee and employer contribution amounts payable under this section. Interest must be
39.7 computed at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable
39.8 rate or rates specified in section 356.59, subdivision 4, compounded annually, from the end
39.9 of each fiscal year of the leave or break in service to the end of the month in which payment
39.10 is received.

39.11 **EFFECTIVE DATE.** This section is effective July 1, 2017.

39.12 Sec. 3. Minnesota Statutes 2016, section 354A.096, is amended to read:

39.13 **354A.096 MEDICAL LEAVE.**

39.14 Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund
39.15 Association who is on an authorized medical leave of absence and subsequently returns to
39.16 teaching service is entitled to receive allowable service credit, not to exceed one year, for
39.17 the period of leave, upon making the prescribed payment to the fund. This payment must
39.18 include the required employee and employer contributions at the rates specified in section
39.19 354A.12, subdivisions 1 and 2a, as applied to the member's average full-time monthly salary
39.20 rate on the date the leave of absence commenced plus ~~annual~~ interest at the ~~rate of 8.5~~
39.21 ~~percent until June 30, 2015, and eight percent thereafter per year~~ applicable rate or rates
39.22 specified in section 356.59, subdivision 4, compounded annually, from the end of the fiscal
39.23 year during which the leave terminates to the end of the month during which payment is
39.24 made. The member must pay the total amount required unless the employing unit, at its
39.25 option, pays the employer contributions. The total amount required must be paid by the end
39.26 of the fiscal year following the fiscal year in which the leave of absence terminated or before
39.27 the member retires, whichever is earlier. Payment must be accompanied by a copy of the
39.28 resolution or action of the employing authority granting the leave and the employing
39.29 authority, upon granting the leave, must certify the leave to the association in a manner
39.30 specified by the executive director. A member may not receive more than one year of
39.31 allowable service credit during any fiscal year by making payment under this section. A
39.32 member may not receive disability benefits under section 354A.36 and receive allowable
39.33 service credit under this section for the same period of time.

40.1 **EFFECTIVE DATE.** This section is effective July 1, 2017.

40.2 Sec. 4. Minnesota Statutes 2016, section 354A.12, subdivision 1a, is amended to read:

40.3 Subd. 1a. **Obligation for omitted salary deductions.** If the full required contributions
 40.4 are not deducted from the salary of a teacher, payment of the shortage in such deductions
 40.5 is the sole obligation of the employing unit during the three-year period following the end
 40.6 of the fiscal year in which the shortage occurred. The shortage is payable by the employing
 40.7 unit upon notification of the shortage by the executive director of the applicable retirement
 40.8 fund association. The employing unit shall also pay any employer contributions related to
 40.9 the shortage. The amount of the shortage in employee contributions and associated employer
 40.10 contributions is payable with interest at the ~~preretirement interest assumption for the~~
 40.11 ~~retirement fund as specified in section 356.215, subdivision 8, stated as a monthly rate~~
 40.12 applicable rate or rates specified in section 356.59, subdivision 4, from the date due until
 40.13 the date payment is received in the office of the association, compounded annually, with a
 40.14 minimum interest charge of \$10. If the shortage payment and interest is not paid by the
 40.15 employing unit within 60 days of notification, the executive director shall certify the amount
 40.16 of the shortage payment and interest to the commissioner of management and budget, who
 40.17 shall deduct the amount from any state aid or appropriation amount applicable to the
 40.18 employing unit.

40.19 **EFFECTIVE DATE.** This section is effective July 1, 2017.

40.20 Sec. 5. Minnesota Statutes 2016, section 354A.12, subdivision 2a, is amended to read:

40.21 Subd. 2a. **Employer regular and additional contributions.** (a) The employing units
 40.22 shall make the following employer contributions to the teachers retirement fund association:

40.23 (1) for ~~any~~ each coordinated member of the St. Paul Teachers Retirement Fund
 40.24 Association, the employing unit shall make a regular employer contribution to the retirement
 40.25 fund association in an amount equal to the designated percentage of the salary of the
 40.26 coordinated member as provided below:

40.27	after June 30, 2014	5.5 percent
40.28	after June 30, 2015	6 percent
40.29	after June 30, 2016	6.25 percent
40.30	after June 30, 2017	6.5 <u>7</u> percent
40.31	<u>after June 30, 2018</u>	<u>7.5 percent</u>
40.32	<u>after June 30, 2019</u>	<u>8 percent</u>
40.33	<u>after June 30, 2020</u>	<u>8.5 percent</u>

(2) for ~~any~~ each basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount according to the schedule below:

after June 30, 2014	9 percent of salary
after June 30, 2015	9.5 percent of salary
after June 30, 2016	9.75 percent of salary
after June 30, 2017	40 <u>10.5</u> percent of salary
<u>after June 30, 2018</u>	<u>11 percent of salary</u>
<u>after June 30, 2019</u>	<u>11.5 percent of salary</u>
<u>after June 30, 2020</u>	<u>12 percent of salary</u>

(3) for ~~a~~ each basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.64 percent of the salary of the basic member;

(4) for ~~a~~ each coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.84 percent of the coordinated member's salary.

(b) The regular and additional employer contributions must be remitted directly to the St. Paul Teachers Retirement Fund Association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

(d) When an employer contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. Minnesota Statutes 2016, section 354A.12, subdivision 7, is amended to read:

Subd. 7. Recovery of benefit overpayments. (a) If the executive director discovers, within the time period specified in subdivision 8 following the payment of a refund or the accrual date of any retirement annuity, survivor benefit, or disability benefit, that benefit overpayment has occurred due to using invalid service or salary, or due to any erroneous calculation procedure, the executive director must recalculate the annuity or benefit payable and recover any overpayment. The executive director shall recover the overpayment by requiring direct repayment or by suspending or reducing the payment of a retirement annuity

or other benefit payable under this chapter to the applicable person or the person's estate, whichever applies, until all outstanding amounts have been recovered. If a benefit overpayment or improper payment of benefits occurred caused by a failure of the person to satisfy length of separation requirements for retirement under section 354A.011, subdivision 21, the executive director shall recover the improper payments by requiring direct repayment. The repayment must include interest at the ~~rate of 0.71 percent per month~~ applicable rate or rates specified in section 356.59, subdivision 4, from the first of the month in which a monthly benefit amount was paid to the first of the month in which the amount is repaid, with annual compounding.

(b) In the event the executive director determines that an overpaid annuity or benefit that is the result of invalid salary included in the average salary used to calculate the payment amount must be recovered, the executive director must determine the amount of the employee deductions taken in error on the invalid salary, with interest as determined under 354A.37, subdivision 3, and must subtract that amount from the total annuity or benefit overpayment, and the remaining balance of the overpaid annuity or benefit, if any, must be recovered.

(c) If the invalid employee deductions plus interest exceed the amount of the overpaid benefits, the balance must be refunded to the person to whom the benefit or annuity is being paid.

(d) Any invalid employer contributions reported on the invalid salary must be credited against future contributions payable by the employer.

(e) If a member or former member, who is receiving a retirement annuity or disability benefit for which an overpayment is being recovered, dies before recovery of the overpayment is completed and an optional annuity or refund is payable, the remaining balance of the overpaid annuity or benefit must continue to be recovered from the payment to the optional annuity beneficiary or refund recipient.

(f) The board of trustees shall adopt policies directing the period of time and manner for the collection of any overpaid retirement or optional annuity, and survivor or disability benefit, or a refund that the executive director determines must be recovered as provided under this section.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. Minnesota Statutes 2016, section 354A.29, subdivision 7, is amended to read:

Subd. 7. ~~Eligibility for payment of Postretirement adjustments. (a) Annually, after June 30, the board of trustees of the St. Paul Teachers Retirement Fund Association must~~

~~determine the amount of any postretirement adjustment using the procedures in this subdivision and subdivision 8 or 9, whichever is applicable.~~ (b) On Each January 1, each person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter, ~~whose effective date of benefit commencement occurred that~~ commenced on or before July 1 of the immediately preceding calendar year ~~immediately before the adjustment, is eligible to~~ will receive a an annual postretirement ~~increase as specified in subdivision 8 or 9.~~ adjustment as follows:

(1) the monthly annuity or benefit amount of each person whose annuity or benefit commenced on or before January 1 of the immediately preceding calendar year shall be increased by one percent of the monthly amount; and

(2) the monthly annuity or benefit amount of each person whose annuity or benefit commenced after January 1 of the immediately preceding calendar year shall be increased by one-half of one percent of the monthly amount.

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

Sec. 8. Minnesota Statutes 2016, section 354A.34, is amended to read:

354A.34 DISPOSITION OF UNPAID PERIOD CERTAIN FOR LIFE OR GUARANTEED REFUND OPTIONAL ANNUITIES.

If a retiree from a coordinated program who has elected a period certain and for life thereafter or a guaranteed refund optional annuity form dies without having a designated beneficiary who has survived the retiree, any remaining unpaid guaranteed annuity payments shall be computed at the rate of interest specified in section 356.215, subdivision 8, and paid in one lump sum to the estate of the retiree. If a retiree from a coordinated program who has elected a period certain and for life or a guaranteed refund optional annuity form dies with a designated beneficiary who has survived the retiree but the designated beneficiary dies without there existing another designated beneficiary, any remaining unpaid guaranteed annuity payments shall be computed with interest at the applicable rate of interest or rates specified in section ~~356.215~~ 356.59, subdivision 8 4, and paid in one lump sum to the estate of the designated beneficiary.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 354A.38, subdivision 3, is amended to read:

Subd. 3. **Computation of refund repayment amount.** If the coordinated member elects to repay a refund under subdivision 2, the repayment to the fund must be in an amount equal

44.1 to refunds the member has accepted plus interest at the ~~rate of 8.5 percent until June 30,~~
44.2 ~~2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59,
44.3 subdivision 4, compounded annually, from the date that the refund was accepted to the date
44.4 that the refund is repaid.

44.5 **EFFECTIVE DATE.** This section is effective July 1, 2017.

44.6 Sec. 10. **REPEALER.**

44.7 Minnesota Statutes 2016, section 354A.29, subdivisions 8 and 9, are repealed.

44.8 **EFFECTIVE DATE.** This section is effective July 1, 2017.

APPENDIX
Article locations in 17-2368

ARTICLE 1	GENERAL PROVISIONS	Page.Ln 1.20
ARTICLE 2	MINNESOTA STATE RETIREMENT SYSTEM	Page.Ln 10.23
ARTICLE 3	TEACHER RETIREMENT ASSOCIATION	Page.Ln 34.1
ARTICLE 4	ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION	Page.Ln 38.24

**354A.29 ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION
POSTRETIREMENT ADJUSTMENT.**

Subd. 8. **Calculation of postretirement adjustments; percentage based.** (a) For purposes of computing postretirement adjustments for eligible benefit recipients of the St. Paul Teachers Retirement Fund Association, the accrued liability funding ratio based on the actuarial value of assets of the plan as determined by the two most recent actuarial valuations prepared under sections 356.214 and 356.215 determines the postretirement increase, as follows:

Funding ratio	Postretirement increase
Less than 80 percent	1 percent
At least 80 percent but less than 90 percent	2 percent

(b) The amount determined under paragraph (a) is the full postretirement increase to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred after January 1 of the calendar year immediately before the postretirement increase is applied, the amount determined under paragraph (a) must be reduced by 50 percent.

(c) If the accrued liability funding ratio based on the actuarial value of assets is at least 90 percent in two consecutive actuarial valuations, subsequent postretirement increases must be paid as specified in subdivision 9.

(d) If, following a postretirement increase under paragraph (a), the accrued liability funding ratio, based on the actuarial value of assets, falls below 80 percent for two consecutive actuarial valuations, the applicable postretirement increase must be reduced to one percent until January 1 of the calendar year next following the date on which the requirements for an increase under paragraph (a) are again satisfied.

Subd. 9. **Calculation of postretirement adjustments.** (a) This subdivision applies if the requirements of subdivision 8, paragraph (c), have been satisfied.

(b) A percentage adjustment must be paid under this subdivision to eligible persons under subdivision 7.

(c) The amount of 2.5 percent is the full postretirement adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred after January 1 of the calendar year immediately before the postretirement adjustment is applied, the postretirement adjustment amount must be reduced by 50 percent.

(d) In the event the accrued liability funding ratio based on the actuarial value of assets falls below 90 percent for two consecutive actuarial valuations, the applicable postretirement increase must be determined under subdivision 8 until January 1 of the calendar year next following the date on which the requirements of subdivision 8, paragraph (c), are again satisfied.

356.415 POSTRETIREMENT ADJUSTMENTS; STATEWIDE RETIREMENT PLANS.

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

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied.

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