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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 618

02/14/2013 Authored by Nelson and Murphy, M.,
The bill was read for the first time and referred to the Committee on Government Operations

A bill for an act

1.1 relating to retirement; Public Employees Retirement Association plans; modifying
1.2 the trigger for increasing or lowering annual postretirement adjustments for all
1.3 plans; modifying duty disability definitions and clarifying disability application
1.4 requirements for the public employees police and fire and local government
1.5 correctional retirement plans; revising vesting, increasing plan employee and
1.6 employer contributions, increasing the reduction for early retirement clarifying
1.7 survivor benefit provisions, and delaying the first annual postretirement
1.8 adjustment for the public employees police and fire retirement plan; amending
1.9 Minnesota Statutes 2012, sections 353.01, subdivisions 41, 47; 353.031,
1.10 subdivision 4; 353.65, subdivisions 2, 3; 353.651, subdivisions 3, 4; 353.657,
1.11 subdivisions 2a, 3a; 353E.001, subdivision 1; 356.415, subdivisions 1b, 1c.

1.12
1.13 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:**

1.14 Section 1. Minnesota Statutes 2012, section 353.01, subdivision 41, is amended to read:

1.15 Subd. 41. **Duty disability.** "Duty disability," physical or psychological, means a
1.16 condition that is expected to prevent a member, for a period of not less than 12 months,
1.17 from performing the normal duties of the position held by a person who is a member of the
1.18 public employees police and fire retirement plan, and that is the direct result of an injury
1.19 incurred during, or a disease arising out of, the performance of ~~normal duties or the actual~~
1.20 ~~performance of less frequent~~ inherently dangerous duties, ~~either of which are specific to~~
1.21 ~~protecting the property and personal safety of others and that present inherent dangers that~~
1.22 are specific to the positions covered by the public employees police and fire retirement plan.

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

1.24 Sec. 2. Minnesota Statutes 2012, section 353.01, subdivision 47, is amended to read:

1.25 Subd. 47. **Vesting.** (a) "Vesting" means obtaining a nonforfeitable entitlement
1.26 to an annuity or benefit from a retirement plan administered by the Public Employees

2.1 Retirement Association by having credit for sufficient allowable service under paragraph
 2.2 (b) ~~or~~, (c), or (d), whichever applies.

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

2.6 (1) a public employee who first became a member of the association before July
 2.7 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
 2.8 years of allowable service as defined under subdivision 16; and

2.9 (2) a public employee who first becomes a member of the association after June 30,
 2.10 2010, is 100 percent vested when the person has accrued credit for not less than five years
 2.11 of allowable service as defined under subdivision 16.

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

2.14 (1) a public employee who first became a member of the association before July
 2.15 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
 2.16 years of allowable service as defined under subdivision 16; and

2.17 (2) a public employee who first becomes a member of the association after June
 2.18 30, 2010, is vested at the following percentages when the person has accrued credited
 2.19 allowable service as defined under subdivision 16, as follows:

2.20 (i) 50 percent after five years;

2.21 (ii) 60 percent after six years;

2.22 (iii) 70 percent after seven years;

2.23 (iv) 80 percent after eight years;

2.24 (v) 90 percent after nine years; and

2.25 (vi) 100 percent after ten years.

2.26 (d) For purposes of qualifying for an annuity or benefit as a member of the public
 2.27 employees police and fire retirement plan:

2.28 (1) a public employee who first became a member of the association before July
 2.29 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
 2.30 years of allowable service as defined under subdivision 16;

2.31 (2) a public employee who first becomes a member of the association after June 30,
 2.32 2010, and before July 1, 2014, is vested at the following percentages when the person has
 2.33 accrued credited allowable service as defined under subdivision 16, as follows:

2.34 (i) 50 percent after five years;

2.35 (ii) 60 percent after six years;

2.36 (iii) 70 percent after seven years;

- 3.1 (iv) 80 percent after eight years;
 3.2 (v) 90 percent after nine years; and
 3.3 (vi) 100 percent after ten years; and
 3.4 (3) a public employee who first becomes a member of the association after June
 3.5 30, 2014, is vested at the following percentages when the person has accrued credited
 3.6 allowable service as defined under subdivision 16, as follows:
- 3.7 (i) 50 percent after ten years;
 3.8 (ii) 55 percent after 11 years;
 3.9 (iii) 60 percent after 12 years;
 3.10 (iv) 65 percent after 13 years;
 3.11 (v) 70 percent after 14 years;
 3.12 (vi) 75 percent after 15 years;
 3.13 (vii) 80 percent after 16 years;
 3.14 (viii) 85 percent after 17 years;
 3.15 (ix) 90 percent after 18 years;
 3.16 (x) 95 percent after 19 years; and
 3.17 (xi) 100 percent after 20 or more years.

3.18 Sec. 3. Minnesota Statutes 2012, section 353.031, subdivision 4, is amended to read:

3.19 Subd. 4. **Additional requirements; eligibility for police and fire or local**
 3.20 **government correctional service retirement plan disability benefits.** (a) If an
 3.21 application for disability benefits is filed within two years of the date of the injury or the
 3.22 onset of the illness that gave rise to the disability application, the application must be
 3.23 supported by evidence that the applicant is unable to perform the duties of the position
 3.24 held by the applicant on the date of the injury or the onset of the illness causing the
 3.25 disability. The employer must provide evidence indicating whether the applicant is able or
 3.26 unable to perform the duties of the position held on the date of the injury or onset of the
 3.27 illness causing the disability ~~and the specifications,~~ a clear explanation of any duties that
 3.28 the individual can or cannot perform, and an explanation of why the employer may or may
 3.29 not authorize continued employment to the applicant in the current or some other position.

3.30 (b) If an application for disability benefits is filed more than two years after the
 3.31 date of injury or the onset of an illness causing the disability, the application must be
 3.32 supported by evidence that the applicant is unable to perform the ~~most recent~~ duties that
 3.33 ~~are~~ were expected to be performed by the applicant during the 90 days ~~before~~ preceding
 3.34 ~~the filing of last day the application~~ applicant performed services for the employer. The
 3.35 employer must provide evidence of the duties that ~~are~~ were expected to be performed by

4.1 the applicant during the 90 days ~~before preceding the filing of last day the application~~
 4.2 applicant performed services, whether the applicant can or cannot perform those duties
 4.3 overall, ~~and the specifications~~ a clear explanation of any duties that the applicant can
 4.4 or cannot perform, and an explanation of why the employer may or may not authorize
 4.5 continued employment to the applicant in the current or some other position.

4.6 (c) Any report supporting a claim to disability benefits under section 353.656 or
 4.7 353E.06 must specifically relate the disability to its cause; and for any claim to duty
 4.8 disability from an injury or illness arising out of an act of duty, the report must state the
 4.9 specific act of duty giving rise to the claim, and relate the cause of disability to inherently
 4.10 dangerous duties specific tasks or functions required to be performed by the employee in
 4.11 fulfilling the employee's duty-related acts which must be specific to the inherent dangers of
 4.12 the positions eligible for membership in covered by the public employees police and fire
 4.13 fund plan and the local government correctional service retirement plan. Any report that
 4.14 does not relate the cause of disability to specific acts or functions inherently dangerous
 4.15 duties performed by the employee may not be relied upon as evidence to support eligibility
 4.16 for benefits and may be disregarded in the executive director's decision-making process.

4.17 (d) Any application for duty disability must be supported by a first report of injury as
 4.18 defined in section 176.231.

4.19 (e) If a member who has applied for and been approved for disability benefits before
 4.20 the termination of service does not terminate service or is not placed on an authorized
 4.21 leave of absence as certified by the governmental subdivision within 45 days following
 4.22 the date on which the application is approved, the application shall be canceled. If an
 4.23 approved application for disability benefits has been canceled, a subsequent application
 4.24 for disability benefits may not be filed on the basis of the same medical condition for a
 4.25 minimum of one year from the date on which the previous application was canceled.

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

4.27 Sec. 4. Minnesota Statutes 2012, section 353.65, subdivision 2, is amended to read:

4.28 Subd. 2. **Employee contribution.** (a) For members other than members who were
 4.29 active members of the former Minneapolis Firefighters Relief Association on December
 4.30 29, 2011, or for members other than members who were active members of the former
 4.31 Minneapolis Police Relief Association on December 29, 2011, the employee contribution
 4.32 is ~~9.4 percent~~ an amount equal to the following percentage of the total salary of the each
 4.33 member in calendar year 2010 and is, as follows: 9.6 percent of the salary of the member
 4.34 in each before calendar year after 2010 2014; 10.2 percent in calendar year 2014; and 10.8
 4.35 percent in calendar year 2015 and thereafter.

5.1 (b) For members who were active members of the former Minneapolis Firefighters
 5.2 Relief Association on December 29, 2011, the employee contribution is an amount
 5.3 equal to eight percent of the monthly unit value under section 353.01, subdivision 10a,
 5.4 multiplied by 80 and expressed as a biweekly amount for each member. The employee
 5.5 contribution made by a member with at least 25 years of service credit as an active
 5.6 member of the former Minneapolis Firefighters Relief Association must be deposited in
 5.7 the postretirement health care savings account established under section 352.98.

5.8 (c) For members who were active members of the former Minneapolis Police Relief
 5.9 Association on December 29, 2011, the employee contribution is an amount equal to eight
 5.10 percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80
 5.11 and expressed as a biweekly amount for each member. The employee contribution made
 5.12 by a member with at least 25 years of service credit as an active member of the former
 5.13 Minneapolis Police Relief Association must be deposited in the postretirement health care
 5.14 savings account established under section 352.98.

5.15 (d) Contributions under this section must be made by deduction from salary in
 5.16 the manner provided in subdivision 4. Where any portion of a member's salary is paid
 5.17 from other than public funds, the member's employee contribution is based on the total
 5.18 salary received from all sources.

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

5.20 Sec. 5. Minnesota Statutes 2012, section 353.65, subdivision 3, is amended to read:

5.21 Subd. 3. **Employer contribution.** (a) With respect to members other than members
 5.22 who were active members of the former Minneapolis Firefighters Relief Association on
 5.23 December 29, 2011, or for members other than members who were active members of
 5.24 the former Minneapolis Police Relief Association on December 29, 2011, the employer
 5.25 contribution is ~~14.1 percent~~ an amount equal to the following percentage of the total salary
 5.26 of the each member in calendar year 2010 and is, as follows: 14.4 percent of the salary of
 5.27 the member in each before calendar year after 2010 2014; 15.3 percent in calendar year
 5.28 2014; and 16.2 percent in calendar year 2015 and thereafter.

5.29 (b) With respect to members who were active members of the former Minneapolis
 5.30 Firefighters Relief Association on December 29, 2011, the employer contribution is an
 5.31 amount equal to the amount of the member contributions under subdivision 2, paragraph
 5.32 (b).

5.33 (c) With respect to members who were active members of the former Minneapolis
 5.34 Police Relief Association on December 29, 2011, the employer contribution is an amount
 5.35 equal to the amount of the member contributions under subdivision 2, paragraph (c).

6.1 (d) Contributions under this subdivision must be made from funds available to the
6.2 employing subdivision by the means and in the manner provided in section 353.28.

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

6.4 Sec. 6. Minnesota Statutes 2012, section 353.651, subdivision 3, is amended to read:

6.5 Subd. 3. **Retirement annuity formula.** (a) The average salary as defined in
6.6 section 353.01, subdivision 17a, multiplied by the percent specified in section 356.315,
6.7 subdivision 6, ~~per year~~ multiplied by years of allowable service, multiplied by the
6.8 applicable vesting percentage indicated in section 353.01, subdivision 47, determines the
6.9 amount of the normal retirement annuity. If the member has earned allowable service
6.10 for performing services other than those of a police officer or firefighter, the annuity
6.11 representing that service must be computed under sections 353.29 and 353.30.

6.12 (b) For a member first enrolled in the public employees police and fire retirement
6.13 plan after June 30, 2014, the average salary as defined in section 353.01, subdivision 17a,
6.14 paragraph (a), includes salary for all years for which contributions have been reported to
6.15 the public employees police and fire retirement plan, but allowable service included in
6.16 the calculation is limited to 33 years and the normal retirement annuity must not exceed
6.17 99 percent of the average salary.

6.18 (c) When the annuity begins for members of the public employees police and fire
6.19 retirement plan enrolled after June 30, 2014, a prorated share of the contributions for
6.20 allowable service exceeding 33 years must be refunded to the member. The prorated
6.21 share of the contributions to be refunded is determined by multiplying the accumulated
6.22 deductions paid by the member to the public employees police and fire retirement plan by
6.23 a percentage determined using the number of months of service in excess of 396 as the
6.24 numerator and the total number of months of allowable service on which contributions
6.25 were reported as the denominator. Interest as defined in section 353.34, subdivision 2,
6.26 is to be applied to the prorated share of contributions from the first of the 397th month
6.27 of allowable service reported to the public employees police and fire retirement plan to
6.28 the first of the month the annuity begins.

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

6.30 Sec. 7. Minnesota Statutes 2012, section 353.651, subdivision 4, is amended to read:

6.31 Subd. 4. **Early retirement.** (a) A person who becomes a public employees police
6.32 and fire retirement plan member after June 30, 2007, or a former member who is reinstated
6.33 as a member of the plan after that date, who is at least 50 years of age and who is at least

7.1 partially vested under section 353.01, subdivision 47, upon the termination of public
 7.2 service before July 1, 2014, is entitled upon application to a retirement annuity equal to
 7.3 the normal annuity calculated under subdivision 3, reduced by two-tenths of one percent
 7.4 for each month that the member is under age 55 at the time of retirement.

7.5 (b) Upon the termination of public service before July 1, 2014, any public employees
 7.6 police and fire retirement plan member who first became a member of the plan before July
 7.7 1, 2007, and who is not specified in paragraph (a), upon attaining at least 50 years of age
 7.8 with at least three years of allowable service is entitled upon application to a retirement
 7.9 annuity equal to the normal annuity calculated under subdivision 3, reduced by one-tenth
 7.10 of one percent for each month that the member is under age 55 at the time of retirement.

7.11 (c) A person who is a member of the public employees police and fire retirement
 7.12 plan on or after July 1, 2014, who is at least 50 years old and is at least partially vested
 7.13 under section 353.01, subdivision 47, and whose benefit effective date is after July 1,
 7.14 2014, and on or before July 1, 2019, is entitled upon application to a retirement annuity
 7.15 equal to the normal annuity calculated under subdivision 3, reduced for each month the
 7.16 member is under age 55 at the time of retirement by applying a blended monthly rate
 7.17 that is equivalent to the sum of:

7.18 (1) one-sixtieth of the annual rate of five percent, prorated for each month the
 7.19 person's benefit effective date is after July 1, 2014; and

7.20 (2) one-sixtieth of the annual rate provided under paragraph (a) or (b), whichever
 7.21 applies, for each month the person's benefit effective date is before July 1, 2019.

7.22 (d) A person who is a member of the public employees police and fire retirement
 7.23 plan on or after July 1, 2014, who is at least 50 years old and is at least partially vested
 7.24 under section 353.01, subdivision 47, whose benefit effective date is after July 1, 2019, is
 7.25 entitled, upon application, to a retirement annuity equal to the normal annuity calculated
 7.26 under subdivision 3, reduced by five percent annually, prorated for each month that the
 7.27 member is under age 55.

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

7.29 Sec. 8. Minnesota Statutes 2012, section 353.657, subdivision 2a, is amended to read:

7.30 Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member
 7.31 who has attained the age of at least 50 years and either who is vested under section
 7.32 353.01, subdivision 47, or who has credit for at least 30 years of allowable service,
 7.33 regardless of age attained, dies before the annuity or disability benefit becomes payable,
 7.34 notwithstanding any designation of beneficiary to the contrary, the surviving spouse may
 7.35 elect to receive a death while eligible survivor benefit.

8.1 (b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision
8.2 20, a former spouse of the member, if any, is entitled to a portion of the death while
8.3 eligible survivor benefit if stipulated under the terms of a marriage dissolution decree
8.4 filed with the association. If there is no surviving spouse or child or children, a former
8.5 spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision
8.6 1, if provided for in a marriage dissolution decree but not a death while eligible survivor
8.7 benefit despite the terms of a marriage dissolution decree filed with the association.

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

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

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

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

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

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

8.31 Sec. 9. Minnesota Statutes 2012, section 353.657, subdivision 3a, is amended to read:

8.32 Subd. 3a. **Maximum and minimum family benefits.** (a) The maximum monthly
8.33 benefit per family must not exceed the following percentages of the member's average
8.34 monthly salary as specified in subdivision 3:

8.35 (1) 80 percent, if the member's death was a line of duty death; or

9.1 (2) 70 percent, if the member's death was not a line of duty death or occurred while
9.2 the member was receiving a disability benefit that accrued before July 1, 2007.

9.3 (b) The minimum monthly benefit per family, including the joint and survivor
9.4 optional annuity under subdivision 2a, and section 353.656, subdivision 1a, must not be
9.5 less than the following percentage of the member's average monthly salary as specified in
9.6 subdivision 3:

9.7 (1) 60 percent, if the death was a line of duty death; or

9.8 (2) 50 percent, if the death was not a line of duty death or occurred while the member
9.9 was receiving a disability benefit that accrued before July 1, 2007.

9.10 (c) If the maximum under paragraph (a) is exceeded, the monthly benefit of the
9.11 joint annuitant, surviving spouse, and dependent children, as applicable, must each be
9.12 reduced to the amount necessary proportionately so that the total family benefit does
9.13 not exceed the applicable maximum. The joint and survivor optional annuity, surviving
9.14 spouse, or dependent children benefit, as applicable, must be restored, plus applicable
9.15 postretirement adjustments under Minnesota Statutes 2008, section 356.41 or section
9.16 356.415, as the dependent child or children become no longer dependent under section
9.17 353.01, subdivision 15, or in the event of the death of the joint and survivor annuity
9.18 recipient or the surviving spouse.

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

9.20 Sec. 10. Minnesota Statutes 2012, section 353E.001, subdivision 1, is amended to read:

9.21 Subdivision 1. **Duty disability.** "Duty disability," physical or psychological, means
9.22 a condition that is expected to prevent a member, for a period of not less than 12 months,
9.23 from performing the normal duties of a local government correctional service employee as
9.24 defined under section 353E.02 and that is the direct result of an injury incurred during, or
9.25 a disease arising out of, the performance of ~~normal duties or the actual performance of~~
9.26 ~~less frequent~~ inherently dangerous duties, either of which are specific to protecting the
9.27 property and personal safety of others and that present inherent dangers that are specific to
9.28 the positions covered by the local government correctional service retirement plan.

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

9.30 Sec. 11. Minnesota Statutes 2012, section 356.415, subdivision 1b, is amended to read:

9.31 Subd. 1b. **Annual postretirement adjustments; PERA; general employees**
9.32 **retirement plan and local government correctional retirement plan.** (a) Retirement
9.33 annuity, disability benefit, or survivor benefit recipients of the general employees

10.1 retirement plan of the Public Employees Retirement Association and the local government
 10.2 correctional service retirement plan are entitled to a postretirement adjustment annually
 10.3 on January 1, as follows:

10.4 (1) for ~~January 1, 2011, and~~ each successive January 1 until funding stability is
 10.5 restored for the applicable retirement plan, a postretirement increase of one percent must
 10.6 be applied each year, effective on January 1, to the monthly annuity or benefit amount of
 10.7 each annuitant or benefit recipient who has been receiving an annuity or benefit for at least
 10.8 12 full months as of the current June 30;

10.9 (2) for ~~January 1, 2011, and~~ each successive January 1 until funding stability is
 10.10 restored for the applicable retirement plan, for each annuitant or benefit recipient who has
 10.11 been receiving an annuity or a benefit for at least one full month, but less than 12 full
 10.12 months as of the current June 30, an annual postretirement increase of 1/12 of one percent
 10.13 for each month the person has been receiving an annuity or benefit must be applied;

10.14 (3) for each January 1 following the restoration of funding stability for the applicable
 10.15 retirement plan, a postretirement increase of 2.5 percent must be applied each year,
 10.16 effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit
 10.17 recipient who has been receiving an annuity or benefit for at least 12 full months as of
 10.18 the current June 30; and

10.19 (4) for each January 1 following restoration of funding stability for the applicable
 10.20 retirement plan, for each annuity or benefit recipient who has been receiving an annuity or
 10.21 a benefit for at least one full month, but less than 12 full months as of the current June
 10.22 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person
 10.23 has been receiving an annuity or benefit must be applied.

10.24 (b) Funding stability is restored when the market value of assets of the applicable
 10.25 retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the
 10.26 applicable plan in the two most recent prior consecutive actuarial valuation valuations
 10.27 prepared under section 356.215 and the standards for actuarial work by the approved
 10.28 actuary retained by the Public Employees Retirement Association under section 356.214.

10.29 (c) ~~If, after applying the increase as provided for in paragraph (a), clauses (3)~~
 10.30 ~~and (4), the market value of the applicable retirement plan is determined in the next~~
 10.31 ~~subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent~~
 10.32 ~~of the actuarial accrued liability of any of the applicable Public Employees Retirement~~
 10.33 ~~Association plans, After having met the definition of funding stability under paragraph~~
 10.34 ~~(b), the increase provided in paragraph (a), clauses (1) and (2), are rather than an increase~~
 10.35 ~~under subdivision 1, is again to be applied as of the next successive January until funding~~

11.1 ~~stability is again restored.~~ in a subsequent year or years if the market value of assets of
 11.2 the applicable plan equals or is less than:

11.3 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two
 11.4 consecutive actuarial valuations; or

11.5 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most
 11.6 recent actuarial valuation.

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

11.11 (e) The retirement annuity payable to a person who retires before becoming eligible
 11.12 for Social Security benefits and who has elected the optional payment, as provided in
 11.13 section 353.29, subdivision 6, must be treated as the sum of a period-certain retirement
 11.14 annuity and a life retirement annuity for the purposes of any postretirement adjustment.
 11.15 The period-certain retirement annuity plus the life retirement annuity must be the
 11.16 annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement
 11.17 adjustment granted on the period-certain retirement annuity must terminate when the
 11.18 period-certain retirement annuity terminates.

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

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

11.21 Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a)
 11.22 Retirement annuity, disability benefit, or survivor benefit recipients of the public
 11.23 employees police and fire retirement plan are entitled to a postretirement adjustment
 11.24 annually on January 1, until funding stability is restored, as follows:

11.25 (1) for ~~January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit
 11.26 recipient whose annuity or benefit effective date is on or before June 1, 2014, who has
 11.27 been receiving the annuity or benefit for at least 12 full months as of the immediate
 11.28 preceding June 30, an amount equal to one percent in each year; or

11.29 (2) for ~~January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit
 11.30 recipient whose annuity or benefit effective date is on or before June 1, 2014, who has
 11.31 been receiving the annuity or benefit for at least one full month, but not less than 11
 11.32 months, as of the immediate preceding June 30, an amount equal to 1/12 of one percent in
 11.33 each year for each month of annuity or benefit receipt; and

11.34 (3) for ~~January 1, 2013, and each successive January 1 that follows the loss of~~
 11.35 ~~funding stability as defined under paragraph (b) until funding stability as defined under~~

12.1 ~~paragraph (b) is again restored, for each annuitant or benefit recipient whose annuity~~
 12.2 ~~or benefit effective date is after June 1, 2014, who has will have been receiving the an~~
 12.3 ~~annuity or benefit for at least 12 36 full months as of the immediate preceding June 30,~~
 12.4 ~~an amount equal to the percentage increase in the Consumer Price Index for urban wage~~
 12.5 ~~earners and clerical workers all items index published by the Bureau of Labor Statistics of~~
 12.6 ~~the United States Department of Labor between the immediate preceding June 30 and the~~
 12.7 ~~June 30 occurring 12 months previous, but not to exceed 1.5 one percent; or~~

12.8 (4) for January 1, 2013, and each successive January 1 that follows the loss of funding
 12.9 stability as defined under paragraph (b) until funding stability as defined under paragraph
 12.10 (b) is again restored, for each annuitant or benefit recipient whose annuity or benefit
 12.11 effective date is after June 1, 2014, who has been receiving the annuity or benefit for at
 12.12 least one 25 full month months, but less than 36 months as of the immediate preceding June
 12.13 30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index for
 12.14 urban wage earners and clerical workers all items index published by the Bureau of Labor
 12.15 Statistics of the United States Department of Labor between the immediate preceding June
 12.16 30 and the June 30 occurring 12 months previous for each full month of annuity or benefit
 12.17 receipt, but not to exceed 1/12 of 1.5 one percent for each full month of annuity or benefit
 12.18 receipt during the fiscal year in which the annuity or benefit was effective;

12.19 (5) for (b) Retirement annuity, disability benefit, or survivor benefit recipients of
 12.20 the public employees police and fire retirement plan are entitled to a postretirement
 12.21 adjustment annually on each January 1 following the restoration of funding stability as
 12.22 defined under paragraph (b) (c) and during the continuation of funding stability as defined
 12.23 under paragraph (b) (c), as follows:

12.24 (1) for each annuitant or benefit recipient who has been receiving the annuity or
 12.25 benefit for at least 12 36 full months as of the immediate preceding June 30, an amount
 12.26 equal to the percentage increase in the Consumer Price Index for urban wage earners and
 12.27 clerical workers all items index published by the Bureau of Labor Statistics of the United
 12.28 States Department of Labor between the immediate preceding June 30 and the June 30
 12.29 occurring 12 months previous, but not to exceed 2.5 percent; and

12.30 (6) for each January 1 following the restoration of funding stability as defined under
 12.31 paragraph (b) and during the continuation of funding stability as defined under paragraph
 12.32 (b); (2) for each annuitant or benefit recipient who has been receiving the annuity or benefit
 12.33 for at least one 25 full month months, but less than 36 full months, as of the immediate
 12.34 preceding June 30, an amount equal to 1/12 of the percentage increase in the Consumer
 12.35 Price Index for urban wage earners and clerical workers all items index published by
 12.36 the Bureau of Labor Statistics of the United States Department of Labor between the

13.1 immediate preceding June 30 and the June 30 occurring 12 months previous for each full
13.2 month of annuity or benefit receipt during the fiscal year in which the annuity or benefit
13.3 was effective, but not to exceed 1/12 of 2.5 percent for each full month of annuity or
13.4 benefit receipt during the fiscal year in which the annuity or benefit was effective.

13.5 ~~(b)~~ (c) Funding stability is restored when the market value of assets of the public
13.6 employees police and fire retirement plan equals or exceeds 90 percent of the actuarial
13.7 accrued liabilities of the applicable plan in the two most recent prior consecutive actuarial
13.8 valuation valuations prepared under section 356.215 and under the standards for actuarial
13.9 work of the Legislative Commission on Pensions and Retirement by the approved actuary
13.10 retained by the Public Employees Retirement Association under section 356.214.

13.11 (d) After having met the definition of funding stability under paragraph (c), a full
13.12 or prorated increase, as provided in paragraph (a), clauses (1), (2), (3), or (4), whichever
13.13 applies, rather than adjustments under paragraph (b), is again applied in a subsequent year
13.14 or years if the market value of assets of the public employees police and fire retirement
13.15 plan equals or is less than:

13.16 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two
13.17 consecutive actuarial valuations; or

13.18 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most
13.19 recent actuarial valuation.

13.20 ~~(e)~~ (e) An increase in annuity or benefit payments under this section must be made
13.21 automatically unless written notice is filed by the annuitant or benefit recipient with the
13.22 executive director of the Public Employees Retirement Association requesting that the
13.23 increase not be made.

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