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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 403

02/06/2013 Authored by Nelson and Murphy, M.,
The bill was read for the first time and referred to the Committee on Government Operations

1.1 A bill for an act
1.2 relating to retirement; State Patrol retirement plan; increasing member and
1.3 employer contributions; increasing vesting to ten years for new hires; capping
1.4 allowable service for computing annuities; reducing postretirement adjustments;
1.5 amending Minnesota Statutes 2012, sections 352B.02, subdivisions 1a, 1c;
1.6 352B.08, subdivisions 1, 2, 2a; 352B.10, subdivision 5; 352B.11, subdivision 2b;
1.7 356.415, subdivision 1e; repealing Minnesota Statutes 2012, section 352B.11,
1.8 subdivision 2c.

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

1.10 Section 1. Minnesota Statutes 2012, section 352B.02, subdivision 1a, is amended to
1.11 read:

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

- 1.14 (1) before the first day of the first pay period beginning
- 1.15 after July 1, ~~2011~~ 2014 ~~10.40~~ 12.4 percent
- 1.16 (2) on or after the first day of the first pay period
- 1.17 beginning after July 1, ~~2011~~ 2014, to June 30, 2016 ~~12.40~~ 13.4 percent
- 1.18 (3) after June 30, 2016 14.4 percent

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

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

1.22 Sec. 2. Minnesota Statutes 2012, section 352B.02, subdivision 1c, is amended to read:

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

- 2.1 (1) before the first day of the first pay period beginning
 2.2 after July 1, ~~2011~~ 2014 ~~15.60~~ 18.6 percent
 2.3 (2) on or after the first day of the first pay period
 2.4 beginning after July 1, ~~2011~~ 2014, to June 30, 2016 ~~18.60~~ 20.1 percent
 2.5 (3) after June 30, 2016 21.6 percent

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

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

2.9 Sec. 3. Minnesota Statutes 2012, section 352B.08, subdivision 1, is amended to read:

2.10 Subdivision 1. **Eligibility; when to apply; accrual.** (a) Every member who is
 2.11 credited with three or more years of allowable service if first employed before July 1, ~~2010~~
 2.12 2013, or with at least ~~five~~ ten years of allowable service if first employed after June 30,
 2.13 ~~2010~~ 2013, is entitled to separate from state service and upon becoming 50 years old, is
 2.14 entitled to receive a life annuity, upon separation from state service.

2.15 (b) Members must apply for an annuity in a form and manner prescribed by the
 2.16 executive director.

2.17 (c) No application may be made more than 90 days before the date the member is
 2.18 eligible to retire by reason of both age and service requirements.

2.19 (d) An annuity begins to accrue no earlier than 180 days before the date the
 2.20 application is filed with the executive director.

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

2.22 Sec. 4. Minnesota Statutes 2012, section 352B.08, subdivision 2, is amended to read:

2.23 Subd. 2. **Normal retirement annuity.** (a) The annuity must be paid in monthly
 2.24 installments. The annuity shall be equal to the amount determined by multiplying
 2.25 the average monthly salary of the member by the percent specified in section 356.315,
 2.26 subdivision 6, for each year of allowable service and ~~pro-rata~~ prorated for additional
 2.27 completed months of allowable service, unless restricted under paragraph (b).

2.28 (b) Allowable service in excess of 33 years must not be used in computing the
 2.29 annuity. This restriction does not apply to any member who has at least 28 years of
 2.30 allowable service before July 1, 2013.

2.31 (c) When the annuity commences, any member contributions attributable to
 2.32 allowable service not used to compute the annuity due to the restrictions in paragraph (b)
 2.33 must be refunded using procedures specified in section 352B.11, subdivision 1.

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

3.2 Sec. 5. Minnesota Statutes 2012, section 352B.08, subdivision 2a, is amended to read:

3.3 Subd. 2a. **Early retirement.** Any member who has become at least 50 years old
 3.4 and who has at least three years of allowable service if first employed before July 1,
 3.5 ~~2010~~ 2013, or who has at least ~~five~~ ten years of allowable service if first employed after
 3.6 June 30, ~~2010~~ 2013, is entitled upon application to a reduced retirement annuity equal
 3.7 to the annuity calculated under subdivision 2, reduced by one-tenth of one percent for
 3.8 each month that the member is under age 55 at the time of retirement, ~~if first employed~~
 3.9 the effective date of retirement is before July 1, 2010, or reduced by two-tenths of one
 3.10 percent 2015. If the effective date of retirement is after June 30, 2015, the reduction is
 3.11 0.34 percent for each month that the member is under age 55 at the time of retirement ~~if~~
 3.12 ~~first employed after June 30, 2010.~~

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

3.14 Sec. 6. Minnesota Statutes 2012, section 352B.10, subdivision 5, is amended to read:

3.15 Subd. 5. **Optional annuity.** A disablitant may elect, in lieu of spousal survivorship
 3.16 coverage under section 352B.11, ~~subdivisions~~ subdivision 2b and 2e, the normal disability
 3.17 benefit or an optional annuity as provided in section 352B.08, subdivision 3. The choice
 3.18 of an optional annuity must be made in writing, on a form prescribed by the executive
 3.19 director, and must be made before the commencement of the payment of the disability
 3.20 benefit, or within 90 days before reaching age 55 or before reaching the five-year
 3.21 anniversary of the effective date of the disability benefit, whichever is later. The optional
 3.22 annuity is effective on the date on which the disability benefit begins to accrue, or the
 3.23 month following the attainment of age 55 or following the five-year anniversary of the
 3.24 effective date of the disability benefit, whichever is later.

3.25 Sec. 7. Minnesota Statutes 2012, section 352B.11, subdivision 2b, is amended to read:

3.26 Subd. 2b. **Surviving spouse benefit eligibility.** (a) If an active member with
 3.27 three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or
 3.28 with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013,
 3.29 dies before attaining age 55, the surviving spouse is entitled to ~~the a benefit specified in~~
 3.30 subdivision 2e, paragraph (b) for life equal to 50 percent of the average monthly salary
 3.31 of the deceased member. On the first of the month next following the date on which the
 3.32 deceased member would have attained exact age 55, in lieu of continued receipt of the
 3.33 prior benefit, the surviving spouse is eligible to commence receipt of the second half of

4.1 a 100 percent joint and survivor annuity if this provides a larger benefit. The joint and
4.2 survivor annuity must be computed assuming the exact age 55 for the deceased member
4.3 and the age of the surviving spouse on the date of death.

4.4 (b) If an active member with less than three years of allowable service if first
4.5 employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if
4.6 first employed after June 30, ~~2010~~ 2013, dies at any age, the surviving spouse is entitled to
4.7 receive ~~the a benefit specified in subdivision 2c, paragraph (e)~~ for life equal to 50 percent
4.8 of the average monthly salary of the deceased member.

4.9 (c) If an active member with three or more years of allowable service if first
4.10 employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first
4.11 employed after June 30, ~~2010~~ 2013, dies on or after attaining exact age 55, the surviving
4.12 spouse is entitled to receive ~~the benefits specified in subdivision 2c, paragraph (d)~~ a benefit
4.13 for life equal to 50 percent of the average monthly salary of the deceased member, or the
4.14 second half of a 100 percent joint and survivor annuity, whichever is larger. The joint and
4.15 survivor annuity must be computed using the age of the deceased member on the date of
4.16 death and the age of the surviving spouse on that same date.

4.17 (d) If a disabilitant dies while receiving a disability benefit under section 352B.10
4.18 or before the benefit under that section commenced, and an optional annuity was not
4.19 elected under section 352B.10, subdivision 5, the surviving spouse is entitled to receive
4.20 ~~the a benefit specified in subdivision 2c, paragraph (b)~~ for life equal to 50 percent of the
4.21 average monthly salary of the deceased member. On the first of the month next following
4.22 the date on which the deceased member would have attained exact age 55, in lieu of
4.23 continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt
4.24 of the second half of a 100 percent joint and survivor annuity if this provides a larger
4.25 benefit. The joint and survivor annuity must be computed assuming the exact age 55 for
4.26 the deceased member and the age of the surviving spouse on the date of death.

4.27 (e) If a former member with three or more years of allowable service if first employed
4.28 before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed
4.29 after June 30, ~~2010~~ 2013, who terminated from service and has not received a refund or
4.30 commenced receipt of any other benefit provided by this chapter, dies, the surviving
4.31 spouse is entitled to receive ~~the as a benefit specified in subdivision 2c, paragraph (e)~~ the
4.32 second half of a 100 percent joint and survivor annuity, commencing on the first of the
4.33 month next following the deceased member's date of death, or the first of the month next
4.34 following the date on which the deceased member would have attained age 55, whichever
4.35 is later. The joint and survivor annuity must be computed using the age of the deceased
4.36 member on the date of death and the age of the surviving spouse on that same date.

5.1 (f) If a former member with less than three years of allowable service if first
 5.2 employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if
 5.3 first employed after June 30, ~~2010~~ 2013, who terminated from service and has not received
 5.4 a refund or commenced receipt of any other benefit, if applicable, provided by this chapter,
 5.5 dies, the surviving spouse ~~is entitled to receive the refund specified in subdivision 2e,~~
 5.6 ~~paragraph (f) or, if none, the children or, if none, the deceased member's estate is entitled to~~
 5.7 a refund of the employee contributions plus interest computed as specified in subdivision 1.

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

5.9 Sec. 8. Minnesota Statutes 2012, section 356.415, subdivision 1e, is amended to read:

5.10 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.**

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

5.14 (1) a postretirement increase of ~~1.5~~ one percent must be applied each year, effective
 5.15 on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient
 5.16 who has been receiving an annuity or a benefit for at least 18 full months before the
 5.17 January 1 increase; and

5.18 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
 5.19 benefit for at least six full months, an annual postretirement increase of 1/12 of ~~1.5~~ one
 5.20 percent for each month that the person has been receiving an annuity or benefit must be
 5.21 applied, effective January 1, following the calendar year in which the person has been
 5.22 retired for at least six months, but has been retired for less than 18 months.

5.23 (b) The increases provided by this subdivision commence on January 1, ~~2011~~
 5.24 2014. Increases under ~~this subdivision~~ paragraph (a) for the State Patrol retirement plan
 5.25 terminate on December 31 of the calendar year in which the actuarial valuation prepared
 5.26 by the approved actuary under sections 356.214 and 356.215 and the standards for
 5.27 actuarial work promulgated by the Legislative Commission on Pensions and Retirement
 5.28 indicates that the market value of assets of the retirement plan equals or exceeds ~~90~~
 5.29 85 percent of the actuarial accrued liability of the retirement plan and increases under
 5.30 ~~subdivision 1~~ paragraph (c) recommence after that date.

5.31 (c) Retirement annuity, disability benefit, or survivor benefit recipients of the State
 5.32 Patrol retirement plan are entitled to a postretirement adjustment annually on January
 5.33 1, as follows:

5.34 (1) a postretirement increase of 1.5 percent must be applied each year, effective on
 5.35 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who

6.1 has been receiving an annuity or a benefit for at least 18 full months before the January 1
6.2 increase; and

6.3 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
6.4 benefit for at least six full months, an annual postretirement increase of 1/12 of 1.5 percent
6.5 for each month that the person has been receiving an annuity or benefit must be applied,
6.6 effective January 1, following the calendar year in which the person has been retired for at
6.7 least six months, but has been retired for less than 18 months.

6.8 (d) Increases under paragraph (c) for the State Patrol retirement plan terminate on
6.9 December 31 of the calendar year in which the actuarial valuation prepared by the approved
6.10 actuary under sections 356.214 and 356.215 and the standards for actuarial work adopted by
6.11 the Legislative Commission on Pensions and Retirement indicates that the market value of
6.12 assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability
6.13 of the retirement plan and increases under subdivision 1 recommence after that date.

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

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

6.19 Sec. 9. **REPEALER.**

6.20 Minnesota Statutes 2012, section 352B.11, subdivision 2c, is repealed.

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

352B.11 RETIREES.

Subd. 2c. **Surviving spouse benefit entitlements.** (a) A surviving spouse specified in subdivision 2b is eligible to receive, following the filing of a valid application and consistent with any other applicable requirements, a benefit as specified in this subdivision. A 100 percent joint and survivor annuity under paragraph (b) must be computed assuming the exact age 55 for the deceased member and the age of the surviving spouse on the date of death. A 100 percent joint and survivor annuity under paragraph (d) or (e) must be computed using the age of the deceased member on the date of death and the age of the surviving spouse on that same date.

(b) For a surviving spouse specified in subdivision 2b, paragraph (a) or (d), the surviving spouse benefit is a benefit for life equal to 50 percent of the average monthly salary of the deceased member. On the first of the month next following the date on which the deceased member would have attained exact age 55, in lieu of continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt of the second half of a 100 percent joint and survivor annuity, if this provides a larger benefit.

(c) For a surviving spouse specified in subdivision 2b, paragraph (b), the surviving spouse benefit is a benefit for life equal to 50 percent of the average monthly salary of the deceased member.

(d) For a surviving spouse specified in subdivision 2b, paragraph (c), the surviving spouse benefit is a benefit for life equal to 50 percent of the average monthly salary of the deceased member, or the second half of a 100 percent joint and survivor annuity, whichever is larger.

(e) For a surviving spouse specified in subdivision 2b, paragraph (e), the surviving spouse benefit is the second half of a 100 percent joint and survivor annuity, commencing on the first of the month next following the deceased member's date of death, or the first of the month next following the date on which the deceased member would have attained age 55, whichever is later.

(f) For a surviving spouse specified in subdivision 2b, paragraph (f), the surviving spouse or, if none, the children or, if none, the deceased member's estate, is entitled to a refund of the employee contributions plus interest computed as specified in subdivision 1.