

2011 First Special Session

CHAPTER 8—H.F.No. 14

An act relating to retirement; including pre-May 1, 2011, hires of the Red Wing Port Authority in the general employees retirement plan of the Public Employees Retirement Association; providing an optional procedure for the correction of erroneous member deductions and employer contributions for the city of Duluth and the Duluth Airport Authority; revising postretirement adjustments, reducing the refund interest rate, eliminating interest on reemployed annuitant earnings limitation deferral amounts, and lowering the deferred annuity augmentation rate for the St. Paul Teachers Retirement Fund Association; increasing various vesting requirements for the Duluth Teachers Retirement Fund Association; revising the default retirement plan coverage determination for Minnesota State Colleges and Universities System employees; revising statutory salary scale and payroll growth actuarial assumptions; extending a financial report reporting deadline date for the 2010 fire state aid allocation; authorizing the use of special actuarial work in determining the 2009 and 2010 special fund financial requirements and minimum municipal obligations for the White Bear Lake Fire Department Relief Association; authorizing a purchase of allowable service credit or salary credit for public employees and teachers; providing for a voluntary consolidation of the Minneapolis Firefighters Relief Association and a voluntary consolidation of the Minneapolis Police Relief Association with Public Employees Retirement Association Police and Fire; making conforming changes; amending Minnesota Statutes 2010, sections 6.67; 13D.01, subdivision 1; 43A.316, subdivision 8; 69.77, subdivisions 1a, 4; 353.01, subdivisions 2a, 6, 16, by adding subdivisions; 353.03, by adding a subdivision; 353.65, subdivisions 1, 2, 3; 353.651, subdivision 1; 353.656, subdivisions 1, 1a, 3, 3a; 353.657, subdivision 1; 354A.011, by adding a subdivision; 354A.094, subdivision 3; 354A.29, by adding subdivisions; 354A.31, subdivisions 1, 5, 6; 354A.35, subdivision 2; 354A.36, subdivision 1; 354A.37; 354B.21, subdivisions 1, 2, 3, 3a, 5, 6, by adding subdivisions; 356.215, subdivision 8; 356.216; 356.401, subdivision 3; 356.465, subdivision 3; 356.47, subdivision 3; 423A.01, subdivision 3; 423A.02, subdivisions 1, 1b; 609B.455; 609B.460; proposing coding for new law in Minnesota Statutes, chapter 353; repealing Minnesota Statutes 2010, sections 354A.29, subdivision 3; 354B.21, subdivision 3c; 354B.32; 423A.021; 423B.01; 423B.03; 423B.04; 423B.05; 423B.06; 423B.07; 423B.08; 423B.09; 423B.10; 423B.11; 423B.12; 423B.13; 423B.14; 423B.15; 423B.151; 423B.16; 423B.17; 423B.18; 423B.19; 423B.20; 423B.21; 423B.23; 423C.01; 423C.02; 423C.03; 423C.04; 423C.05; 423C.06; 423C.07; 423C.08; 423C.09; 423C.10; 423C.11; 423C.12; 423C.13; 423C.14; 423C.15; 423C.16.

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

2011 First Special Session

ARTICLE 1

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 2010, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees; mandatory membership.** (a) Public employees whose salary exceeds \$425 in any month and who are not specifically excluded under subdivision 2b or who have not been provided an option to participate under subdivision 2d, whether individually or by action of the governmental subdivision, must participate as members of the association with retirement coverage by the general employees retirement plan under this chapter, the public employees police and fire retirement plan under this chapter, or the local government correctional employees retirement plan under chapter 353E, whichever applies. Membership commences as a condition of their employment on the first day of their employment or on the first day that the eligibility criteria are met, whichever is later. Public employees include but are not limited to:

(1) persons whose salary meets the threshold in this paragraph from employment in one or more positions within one governmental subdivision;

(2) elected county sheriffs;

(3) persons who are appointed, employed, or contracted to perform governmental functions that by law or local ordinance are required of a public officer, including, but not limited to:

(i) town and city clerk or treasurer;

(ii) county auditor, treasurer, or recorder;

(iii) city manager as defined in section 353.028 who does not exercise the option provided under subdivision 2d; or

(iv) emergency management director, as provided under section 12.25;

(4) physicians under section 353D.01, subdivision 2, who do not elect public employees defined contribution plan coverage under section 353D.02, subdivision 2;

(5) full-time employees of the Dakota County Agricultural Society; ~~and~~

(6) employees of the Minneapolis Firefighters Relief Association or Minneapolis Police Relief Association who are not excluded employees under subdivision 2b due to coverage by the relief association pension plan and who elected general employee retirement plan coverage before August 20, 2009; and

(7) employees of the Red Wing Port Authority who were first employed by the Red Wing Port Authority before May 1, 2011, and who are not excluded employees under subdivision 2b.

(b) A public employee or elected official who was a member of the association on June 30, 2002, based on employment that qualified for membership coverage by the public employees retirement plan or the public employees police and fire plan under this chapter, or the local government correctional employees retirement plan under chapter 353E as of June 30, 2002, retains that membership for the duration of the person's employment in that position or incumbency in elected office. Except as provided in subdivision 28, the person shall participate as a member until the employee or elected official terminates public employment under subdivision 11a or terminates membership under subdivision 11b.

2011 First Special Session

(c) If the salary of an included public employee is less than \$425 in any subsequent month, the member retains membership eligibility.

(d) For the purpose of participation in the MERF division of the general employees retirement plan, public employees include employees who were members of the former Minneapolis Employees Retirement Fund on June 29, 2010, and who participate as members of the MERF division of the association.

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

Sec. 2. Minnesota Statutes 2010, section 353.01, subdivision 6, is amended to read:

Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means a county, city, town, school district within this state, or a department, unit or instrumentality of state or local government, or any public body established under state or local authority that has a governmental purpose, is under public control, is responsible for the employment and payment of the salaries of employees of the entity, and receives a major portion of its revenues from taxation, fees, assessments or from other public sources.

(b) Governmental subdivision also means the Public Employees Retirement Association, the League of Minnesota Cities, the Association of Metropolitan Municipalities, charter schools formed under section 124D.10, service cooperatives exercising retirement plan participation under section 123A.21, subdivision 5, joint powers boards organized under section 471.59, subdivision 11, paragraph (a), family service collaboratives and children's mental health collaboratives organized under section 471.59, subdivision 11, paragraph (b) or (c), provided that the entities creating the collaboratives are governmental units that otherwise qualify for retirement plan membership, public hospitals owned or operated by, or an integral part of, a governmental subdivision or governmental subdivisions, the Association of Minnesota Counties, the Minnesota Inter-county Association, the Minnesota Municipal Utilities Association, the Metropolitan Airports Commission, the University of Minnesota with respect to police officers covered by the public employees police and fire retirement plan, the Minneapolis Employees Retirement Fund for employment initially commenced after June 30, 1979, the Range Association of Municipalities and Schools, soil and water conservation districts, economic development authorities created or operating under sections 469.090 to 469.108, the Port Authority of the city of St. Paul, the Red Wing Port Authority, the Spring Lake Park Fire Department, incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning Center, the Dakota County Agricultural Society, Hennepin Healthcare System, Inc., and the Minneapolis Firefighters Relief Association and Minneapolis Police Relief Association with respect to staff covered by the Public Employees Retirement Association general plan.

(c) Governmental subdivision does not mean any municipal housing and redevelopment authority organized under the provisions of sections 469.001 to 469.047; or any port authority organized under sections 469.048 to 469.089 other than the Port Authority of the city of St. Paul and other than the Red Wing Port Authority; or any hospital district organized or reorganized prior to July 1, 1975, under sections 447.31 to 447.37 or the successor of the district; or the board of a family service collaborative or children's mental health collaborative organized under sections 124D.23, 245.491 to 245.495, or 471.59, if that board is not controlled by representatives of governmental units.

2011 First Special Session

(d) A nonprofit corporation governed by chapter 317A or organized under Internal Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a governmental subdivision unless the entity has obtained a written advisory opinion from the United States Department of Labor or a ruling from the Internal Revenue Service declaring the entity to be an instrumentality of the state so as to provide that any future contributions by the entity on behalf of its employees are contributions to a governmental plan within the meaning of Internal Revenue Code, section 414(d).

(e) A public body created by state or local authority may request membership on behalf of its employees by providing sufficient evidence that it meets the requirements in paragraph (a).

(f) An entity determined to be a governmental subdivision is subject to the reporting requirements of this chapter upon receipt of a written notice of eligibility from the association.

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

Sec. 3. VALIDATION OF PAST RETIREMENT COVERAGE AND CONTRIBUTIONS FOR RED WING PORT AUTHORITY EMPLOYEES.

(a) Retirement coverage by the general employees retirement plan of the Public Employees Retirement Association, allowable service credit, and salary credit for employees of the Red Wing Port Authority who were so employed after December 31, 1984, and were first so employed before May 1, 2011, who had monthly salary in any month of at least \$325 until June 30, 1988, and who had monthly salary in any month of at least \$425 after June 30, 1988, who were not otherwise excluded under the applicable edition of Minnesota Statutes, section 353.01, subdivision 2b, and who had member deductions taken and transferred in a timely manner to the general employees retirement fund before the effective date of this section are hereby validated.

(b) Notwithstanding any provision of Minnesota Statutes, chapter 353, to the contrary, employee contributions deducted from employees of the Red Wing Port Authority described in paragraph (a) before the effective date of this section and associated employer contributions are valid assets of the general employees retirement fund and are not subject to refund or adjustment for erroneous receipt except as provided in Minnesota Statutes, section 353.32, subdivision 1 or 2; or 353.34, subdivisions 1 and 2.

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

Sec. 4. CITY OF DULUTH AND DULUTH AIRPORT AUTHORITY; CORRECTING ERRONEOUS EMPLOYEE DEDUCTIONS, EMPLOYER CONTRIBUTIONS, AND ADJUSTING OVERPAID BENEFITS.

Subdivision 1. **Application.** Notwithstanding any provisions of Minnesota Statutes, section 353.27, subdivisions 7 and 7b, or Minnesota Statutes 2010, chapters 353 and 356, to the contrary, this section establishes the procedures by which the executive director of the Public Employees Retirement Association shall adjust erroneous employee deductions and employer contributions paid on behalf of active employees and former members by the city of Duluth and by the Duluth Airport Authority on amounts determined by the executive director to be invalid salary under Minnesota Statutes, section 353.01, subdivision 10, reported between January 1, 1997, and October 23, 2008, and for

2011 First Special Session

adjusting benefits that were paid to former members and their beneficiaries based upon invalid salary amounts.

Subd. 2. **Refunds of employee deductions.** (a) The executive director shall refund to active employees or former members who are not receiving retirement annuities or benefits all erroneous employee deductions identified by the city of Duluth or by the Duluth Airport Authority as deductions taken from amounts determined to be invalid salary. The refunds must include interest at the rate specified in Minnesota Statutes, section 353.34, subdivision 2, from the date each invalid employee deduction was received through the date each refund is paid.

(b) The refund payment for active employees must be sent to the applicable members who are employees of the city of Duluth or who are employees of the Duluth Airport Authority, whichever is applicable.

(c) Refunds to former members must be mailed by the executive director of the Public Employees Retirement Association to the former member's last known address.

Subd. 3. **Benefit adjustments.** (a) For a former member who is receiving a retirement annuity or disability benefit, or for a person receiving an optional annuity or survivor benefit, the executive director must:

(1) adjust the annuity or benefit payment to the correct monthly benefit amount payable by reducing the average salary under Minnesota Statutes, section 353.01, subdivision 17a, by the invalid salary amounts;

(2) determine the amount of the overpaid benefits paid from the effective date of the annuity or benefit payment to July 1, 2009;

(3) calculate the amount of employee deductions taken in error on invalid salary, including interest at the rate specified in Minnesota Statutes, section 353.34, subdivision 2, from the date each invalid employee deduction was received through the first day of the month in which the refund under paragraph (b), or action to recover net overpayments under subdivision 4, occurs; and

(4) determine the net amount of overpaid benefits by reducing the amount of the overpaid annuity or benefit as determined in clause (2) by the amount of the erroneous employee deductions with interest determined in clause (3).

(b) If a former member's erroneous employee deductions plus interest determined under this section exceeds the amount of the person's overpaid benefits, the balance must be refunded to the person to whom the annuity or benefit is being paid.

(c) The executive director shall recover the net amount of all overpaid annuities or benefits as provided under subdivision 4.

Subd. 4. **Employer credits and obligations.** (a) The executive director shall provide a credit without interest to the city of Duluth and to the Duluth Airport Authority for the amount of that governmental subdivision's erroneous employer contributions. The credit must first be used to offset the net amount of the overpaid retirement annuities and the disability and survivor benefits that remain after applying the amount of erroneous employee deductions with interest as provided under subdivision 3, paragraph (a), clause (4). The remaining erroneous employer contributions, if any, must be credited against future employer contributions required to be paid by the applicable governmental subdivision. If the overpaid benefits exceed the employer contribution credit, the balance

2011 First Special Session

of the overpaid benefits is the obligation of the city of Duluth or the Duluth Airport Authority, whichever is applicable.

(b) The Public Employees Retirement Association board of trustees shall determine the period of time and manner for the collection of overpaid retirement annuities and benefits, if any, from the city of Duluth and the Duluth Airport Authority.

Subd. 5. **Treatment of invalid salary amounts in process.** (a) The governing body of the city of Duluth or the Duluth Airport Authority, as applicable, may elect to limit the period of adjustment for amounts determined to be invalid salary to apply to the fiscal year in which the error was reported to, and the salary determined to be invalid by, the Public Employees Retirement Association, and the immediate two preceding fiscal years, by a resolution of the applicable governing body transmitted to the Public Employees Retirement Association executive director within 30 days following the effective date of this section.

(b) If the governing body of the applicable governmental subdivision declines the treatment permitted under paragraph (a) or fails to submit a resolution in a timely manner, the statute of limitations specified in paragraph (a) does not apply.

EFFECTIVE DATE. (a) This section is effective for the city of Duluth the day after the Duluth city council and the chief clerical officer of the city of Duluth timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, for members who are, and former members who were, employees of the city of Duluth.

(b) This section is effective for the Duluth Airport Authority the day after the Duluth Airport Authority board of directors and the chief clerical officer of the Duluth Airport Authority timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, for members who are, and former members who were, employees of the Duluth Airport Authority.

ARTICLE 2

TEACHER RETIREMENT COVERAGE

Section 1. Minnesota Statutes 2010, section 354A.011, is amended by adding a subdivision to read:

Subd. 29. **Vesting; vested.** (a) "Vesting" or "vested" means having entitlement to a nonforfeitable annuity or benefit from a coordinated member program administered by a teachers retirement fund association by having credit for sufficient allowable service under paragraph (b) or (c), whichever applies.

(b) For purposes of qualifying for an annuity or a benefit as a coordinated plan member of the St. Paul Teachers Retirement Fund Association, the teacher is vested when the teacher has accrued credit for at least three years of service.

(c) For purposes of qualifying for an annuity or a benefit as a coordinated plan member of the Duluth Teachers Retirement Fund Association:

(1) a teacher who first became a member of the plan before July 1, 2010, is vested when the teacher has accrued at least three years of service; and

(2) a teacher who first became a member of the plan after June 30, 2010, is vested when the teacher has accrued at least five years of service.

2011 First Special Session

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

Sec. 2. Minnesota Statutes 2010, section 354A.094, subdivision 3, is amended to read:

Subd. 3. **Qualified part-time teacher program participation requirements.** (a) A teacher in the public schools of a city of the first class who ~~has three years or more allowable service in the applicable retirement fund association is vested, or three~~ who has combined years or more of full-time teaching service in Minnesota public elementary schools, Minnesota secondary schools, and Minnesota State Colleges and Universities system at least equal to the number of years specified for vesting in the applicable first class city teacher plan, may, by agreement with the board of the employing district, be assigned to teaching service within the district in a part-time teaching position. The agreement must be executed before October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4. A copy of the executed agreement must be filed with the executive director of the retirement fund association. If the copy of the executed agreement is filed with the association after October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4, the employing school district shall pay a fine of \$5 for each calendar day that elapsed since the October 1 due date. The association may not accept an executed agreement that is received by the association more than 15 months late. The association may not waive the fine required by this section.

(b) Notwithstanding paragraph (a), if the teacher is also a legislator:

(1) the agreement in paragraph (a) must be executed before March 1 of the school year for which the teacher requests to make retirement contributions under subdivision 4; and

(2) the fines specified in paragraph (a) apply if the employing unit does not file the executed agreement with the executive director of the applicable Teachers Retirement Fund Association by March 1.

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

Sec. 3. Minnesota Statutes 2010, section 354A.29, is amended by adding a subdivision 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 January 1, each eligible person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter for at least three calendar months as of the end of the last day of the previous calendar year is eligible to receive a postretirement increase as specified in subdivision 8 or 9.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 4. Minnesota Statutes 2010, section 354A.29, is amended by adding a subdivision to read:

Subd. 8. **Calculation of postretirement adjustments; transitional provision.** (a) For purposes of computing postretirement adjustments for eligible benefit recipients of the

2011 First Special Session

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 most recent actuarial valuation prepared under sections 356.214 and 356.215 determines the postretirement increase, as follows:

<u>Funding ratio</u>	<u>Postretirement increase</u>
<u>Less than 80 percent</u>	<u>1 percent</u>
<u>At least 80 percent but less than 90 percent</u>	<u>2 percent</u>

(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 during the calendar year before the postretirement increase is applied, the full increase amount must be prorated on the basis of whole calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the postretirement increase is applied, calculated to the third decimal place.

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

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 5. Minnesota Statutes 2010, section 354A.29, is amended by adding a subdivision to read:

Subd. 9. **Calculation of postretirement adjustments.** (a) This subdivision applies if subdivision 8 has expired.

(b) A percentage adjustment must be computed and paid under this subdivision to eligible persons under subdivision 7. This adjustment is determined by reference to the Consumer Price Index for urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual cost-of-living adjustments to recipients of federal old-age, survivors, and disability insurance. For calculations of postretirement adjustments under paragraph (c), the term "average third quarter Consumer Price Index value" means the sum of the monthly index values as initially reported by the Bureau of Labor Statistics for the months of July, August, and September, divided by three.

(c) Before January 1 of each year, the executive director must calculate the amount of the postretirement adjustment by dividing the most recent average third quarter index value by the same average third quarter index value from the previous year, subtract one from the resulting quotient, and express the result as a percentage amount, which must be rounded to the nearest one-tenth of one percent.

(d) The amount calculated under paragraph (c) 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 during the calendar year before the postretirement adjustment is applied, the full increase amount must be prorated on the basis of whole

2011 First Special Session

calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the postretirement adjustment is applied, calculated to the third decimal place.

(e) The adjustment must not be less than zero nor greater than five percent.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 6. Minnesota Statutes 2010, section 354A.31, subdivision 1, is amended to read:

Subdivision 1. **Age and service requirements.** Any coordinated member or former coordinated member of the Duluth Teachers Retirement Fund Association or of the St. Paul Teachers Retirement Fund Association who has ceased to render teaching service for the school district in which the teachers retirement fund association exists, who is vested and who has either attained the age of at least 55 years with not less than three years of allowable service credit or received credit for not less than 30 years of allowable service regardless of age, shall be entitled upon written application to a retirement annuity. ~~Any coordinated member or former coordinated member of the Duluth Teachers Retirement Fund Association who has ceased to render teaching service for the school district in which the teacher retirement fund association exists and who has either attained the age of at least 55 years with not less than three years of allowable service credit if the member became an employee before July 1, 2010, or not less than five years of allowable service credit if the member became an employee after June 30, 2010, or received service credit for not less than 30 years of allowable service regardless of age, shall be entitled upon written application to a retirement annuity.~~

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

Sec. 7. Minnesota Statutes 2010, section 354A.31, subdivision 5, is amended to read:

Subd. 5. **Unreduced normal retirement annuity.** Upon retirement at normal retirement age ~~with at least three years of service credit~~, a vested coordinated member is entitled to a normal retirement annuity calculated under subdivision 4 or 4a, whichever applies.

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

Sec. 8. Minnesota Statutes 2010, section 354A.31, subdivision 6, is amended to read:

Subd. 6. **Reduced retirement annuity.** This subdivision applies only to a person who first became a coordinated member or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with this subdivision than when calculated under subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), in conjunction with subdivision 7.

(a) Upon retirement at an age before normal retirement age ~~with three years of service credit~~ or prior to age 62 with at least 30 years of service credit, a vested coordinated member shall be entitled to a retirement annuity in an amount equal to the normal retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), reduced by one-quarter of one percent for each month that the coordinated member is under normal retirement age if

2011 First Special Session

the coordinated member has less than 30 years of service credit or is under the age of 62 if the coordinated member has at least 30 years of service credit.

(b) Any coordinated member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), without any reduction by reason of early retirement.

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

Sec. 9. Minnesota Statutes 2010, section 354A.35, subdivision 2, is amended to read:

Subd. 2. **Death while eligible to retire; surviving spouse optional annuity.** (a) The surviving spouse of a vested coordinated member who ~~has credit for at least three years of service and~~ dies prior to retirement may elect to receive, instead of a refund with interest under subdivision 1, an annuity equal to the 100 percent joint and survivor annuity the member could have qualified for had the member terminated service on the date of death. The surviving spouse eligible for a surviving spouse benefit under this paragraph may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. A surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity at any time after the member's death. The member's surviving spouse shall be paid a joint and survivor annuity under section 354A.32 and computed under section 354A.31.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If ~~the a vested~~ member was under age 55 ~~and has credit for at least three years of allowable service~~ on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the early retirement reduction from age 55 to the date payment begins.

(d) Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity or surviving spouse benefit payable under this section. The benefits are payable for the life of the surviving spouse, or upon expiration of the term certain benefit payment under subdivision 2b.

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

Sec. 10. Minnesota Statutes 2010, section 354A.36, subdivision 1, is amended to read:

Subdivision 1. **Minimum age, service, and salary requirements.** Any coordinated member who ~~has at least three years of allowable service credit is vested, who has an average salary of at least \$75 per month, and who has become totally and permanently disabled~~ shall be entitled to a disability benefit. If the disabled coordinated member's

2011 First Special Session

allowable service credit has not been continuous, at least two years of the required allowable service shall be required to have been rendered subsequent to the last interruption in service.

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

Sec. 11. Minnesota Statutes 2010, section 354A.37, is amended to read:

354A.37 REFUNDS; DEFERRED ANNUITY.

Subdivision 1. **Eligibility for refund.** Any coordinated member who ceases to render teaching service for the school district in which the teachers retirement fund association is located shall be entitled to a refund in lieu of any other annuity or benefit from the teachers retirement fund association, other than an annuity from a tax shelter annuity program and fund as authorized ~~pursuant to~~ under section 354A.021, subdivision 5. The amount of the refund ~~shall~~ must be calculated ~~pursuant to~~ under subdivision 3. The application for the refund ~~shall~~ must not be made prior to 30 days after the cessation of teaching services if the coordinated member has not resumed active teaching services for the district. Payment of the refund ~~shall~~ must be made within 90 days after receipt of the refund application by the board.

Subd. 2. **Eligibility for deferred retirement annuity.** (a) Any coordinated member who ceases to render teaching services for the school district in which the teachers retirement fund association is located, with sufficient allowable service credit to meet the minimum service requirements specified in section 354A.31, subdivision 1, shall be entitled to a deferred retirement annuity in lieu of a refund ~~pursuant to~~ under subdivision 1. The deferred retirement annuity ~~shall~~ must be computed ~~pursuant to~~ under section 354A.31 and shall be augmented as provided in this subdivision. The deferred annuity ~~shall commence~~ commences upon application after the person on deferred status attains at least the minimum age specified in section 354A.31, subdivision 1.

(b) The monthly annuity amount that had accrued when the member ceased to render teaching service must be augmented from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There is no augmentation if this period is less than three months. ~~For a member of the St. Paul Teachers Retirement Fund Association, the rate of augmentation is three percent compounded annually until January 1 of the year following the year in which the former member attains age 55, and five percent compounded annually after that date to the effective date of retirement if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee after June 30, 2006. For a member of the Duluth Teachers Retirement Fund Association, The rate of augmentation is three percent compounded annually until January 1 of the year following the year in which the former member attains age 55, five percent compounded annually after that date to July 1, 2012, and two percent compounded annually after that date to the effective date of retirement if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually to July 1, 2012, and two percent compounded annually after that date to the effective date of retirement if the employee becomes became an employee after June 30, 2006. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354A.31 must be used for each period, and the monthly annuity amount related to each period must be augmented as provided in this subdivision. The sum of the augmented monthly annuity amounts determines the total deferred annuity payable. If a person repays a refund, the~~

2011 First Special Session

service restored by the repayment must be considered as continuous with the next period of service for which the person has credit with the fund. If a person does not render teaching services in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of resumption of teaching service are those applicable to new members. The mortality table and interest assumption used to compute the annuity are the table established by the fund to compute other annuities, and the interest assumption under section 356.215 in effect when the member retires. A period of uninterrupted service for the purpose of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

(c) The augmentation provided by this subdivision applies to the benefit provided in section 354A.35, subdivision 2. The augmentation provided by this subdivision does not apply to any period in which a person is on an approved leave of absence from an employer unit.

Subd. 3. **Computation of refund amount.** ~~A former coordinated member of the St. Paul Teachers Retirement Fund Association who qualifies for a refund under subdivision 1 shall receive a refund equal to the amount of the former coordinated member's accumulated employee contributions with interest at the rate of six percent per annum compounded annually. A former coordinated member of the Duluth Teachers Retirement Fund Association who qualifies for a refund under subdivision 1 shall receive a refund equal to the amount of the former coordinated member's accumulated employee contributions with interest at the rate of six percent per annum compounded annually to July 1, 2010, if the person is a former member of the Duluth Teachers Retirement Fund Association, or to July 1, 2011, if the person is a former member of the St. Paul Teachers Retirement Fund Association, and four percent per annum compounded annually thereafter.~~

Subd. 4. **Certain refunds at normal retirement age.** Any coordinated member who has attained the normal retirement age with less than ten years of allowable service credit and has terminated active teaching service shall be entitled to a refund in lieu of a proportionate annuity ~~pursuant to~~ under section 356.32. ~~The refund for a member of the St. Paul Teachers Retirement Fund Association shall be equal to the coordinated member's accumulated employee contributions plus interest at the rate of six percent compounded annually. The refund for a member of the Duluth Teachers Retirement Fund Association shall~~ must be equal to the coordinated member's accumulated employee contributions plus interest at the rate of six percent compounded annually to July 1, 2010, if the person is a former member of the Duluth Teachers Retirement Fund Association, or to July 1, 2011, if the person is a former member of the St. Paul Teachers Retirement Fund Association, and four percent per annum compounded annually thereafter.

Subd. 5. **Unclaimed minimal refund amounts; disposition.** If a coordinated member ceases to render teaching services for the school district in which the teachers retirement fund association is located but does not apply for a refund ~~pursuant to~~ under subdivision 1 within five years after the end of the plan year next following the cessation of teaching services and if the amount of the refund that the former coordinated member would have been entitled to ~~pursuant to~~ under subdivision 3 is \$500 or less, then the amount of the refund and any accumulated interest ~~shall~~ must be credited to and become a part of the retirement fund. If the former coordinated member subsequently renders teaching services for the school district in which the teachers retirement fund association is located and the amount of the refund that the former coordinated member would have previously been entitled to ~~pursuant to~~ under subdivision 3 is at least \$5, then the amount

2011 First Special Session

of the refund and any accumulated interest ~~shall be~~ must be restored to the member's individual account. If the amount of the refund that the former coordinated member would have previously been entitled to ~~pursuant to~~ under subdivision 3 is at least \$5 and the former coordinated member applies for a refund ~~pursuant to~~ under subdivision 1 or for an annuity ~~pursuant to~~ under sections 354A.31 and 354A.32 or section 356.30, the amount of the refund and any accumulated interest ~~shall~~ must be restored to the member's individual account.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 12. Minnesota Statutes 2010, section 354B.21, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** The following persons are eligible to have coverage by the individual retirement account plan ~~and to be participants in the~~ or coverage by another plan as further specified in this section:

(1) employees of the board who are employed as faculty in an employment classification included in the state university instructional unit or the state college instructional unit under section 179A.10, subdivision 2;

(2) the chancellor and employees of the board in eligible unclassified administrative positions;

(3) the employees in eligible unclassified administrative positions in the state universities;

(4) the employees in eligible unclassified administrative positions in the technical colleges; and

(5) the employees in eligible unclassified administrative positions of the Minnesota Office of Higher Education or of the community colleges.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 13. Minnesota Statutes 2010, section 354B.21, is amended by adding a subdivision to read:

Subd. 1a. **Required notice; counseling.** (a) No later than 90 days before the end of any applicable election period specified in this section, the employer must provide to a person beginning work in a position subject to this section for which an option to elect alternative retirement plan coverage is authorized the following information:

(1) the default retirement coverage;

(2) election procedures, if applicable, for electing coverage other than the default coverage; and

(3) the Web site and the telephone number for the plan providing default coverage and comparable information for the plan which the person is eligible to elect.

(b) The election of coverage forms must include a certification statement that the employee has received and reviewed materials on the optional coverage and the default coverage prior to making the election.

EFFECTIVE DATE. This section is effective July 1, 2011.

2011 First Special Session

Sec. 14. Minnesota Statutes 2010, section 354B.21, subdivision 2, is amended to read:

Subd. 2. **Coverage; election.** (a) An eligible persons who were employed by the Minnesota State Colleges and Universities System on or after June 30, 2009, unless otherwise person employed by the board has the default coverage specified in subdivision 3, or other subdivisions of this section, whichever is applicable, and retains that coverage for the period of covered employment unless a timely election to change that coverage is made as specified in this section, are.

(b) An eligible person under subdivision 3, paragraph (b) or (c), is authorized to elect prospective Teachers Retirement Association plan coverage rather than.

(c) An eligible person under subdivision 3, paragraph (d), is authorized to elect prospective coverage by the plan established by this chapter.

(d) The election of prospective Teachers Retirement Association plan coverage under paragraph (a) must be made within one year of commencing eligible Minnesota State Colleges and Universities system employment. If an election is not made within the specified election period due to a termination of Minnesota State Colleges and Universities system employment, an election may be made within 90 days of returning to eligible Minnesota State Colleges and Universities system employment. Except as specified in paragraph (f), all elections are irrevocable. Before making an election, the eligible person is covered by the plan indicated as default coverage under subdivision 3.

(e) Except as provided in paragraph (f), a purchase of service credit in the Teachers Retirement Association plan for any period or periods of Minnesota State Colleges and Universities system employment occurring before the election under paragraph (a) this section is prohibited.

(f) Notwithstanding other paragraphs (a) and (b) in this subdivision, a faculty member who is a member of the individual retirement account plan who first achieves tenure or its equivalent at a Minnesota state college or university after June 30, 2009, may elect to transfer retirement coverage under to the teachers retirement plan within one year of the faculty member first achieving tenure or its equivalent at a Minnesota state college or university. The faculty member electing Teachers Retirement Association coverage under this paragraph must purchase service credit in the Teachers Retirement Association for the entire period of time covered under the individual retirement account plan and the purchase payment amount must be determined under section 356.551. The Teachers Retirement Association may charge a faculty member transferring coverage a reasonable fee to cover the costs associated with computing the actuarial cost of purchasing service credit and making the transfer. A faculty member transferring from the individual retirement account plan to the Teachers Retirement Association may use any balances to the credit of the faculty member in the individual retirement account plan, any balances to the credit of the faculty member in the higher education supplemental retirement plan established under chapter 354C, or any source specified in section 356.441, subdivision 1, to purchase the service credit in the Teachers Retirement Association. If the total amount of payments under this paragraph are less than the total purchase payment amount under section 356.551, the payment amounts must be refunded to the applicable source. The retirement coverage transfer and service credit purchase authority under this paragraph expires with respect to any Minnesota State Colleges and Universities System faculty initially hired after June 30, 2014.

EFFECTIVE DATE. This section is effective July 1, 2011.

2011 First Special Session

Sec. 15. Minnesota Statutes 2010, section 354B.21, subdivision 3, is amended to read:

Subd. 3. **Default coverage.** (a) Prior to making an election under subdivision 2, or if an eligible person fails to elect coverage by the plan under subdivision 2 or if the person fails to make a timely election, the ~~following retirement coverage specified in this subdivision applies:~~

~~(1) for employees of the board who are employed in faculty positions in the technical colleges, in the state universities or in the community colleges, the retirement coverage is by the plan established by this chapter;~~

~~(2) for employees of the board who are employed in faculty positions in the technical colleges, the retirement coverage is by the plan established by this chapter unless on June 30, 1997, the employee was a member of the Teachers Retirement Association established under chapter 354 and then the retirement coverage is by the Teachers Retirement Association, or, unless the employee was a member of a first class city teacher retirement fund established under chapter 354A on June 30, 1995, and then the retirement coverage is by the Duluth Teachers Retirement Fund Association if the person was a member of that plan on June 30, 1995, or the Teachers Retirement Association if the person was a member of the former Minneapolis Teachers Retirement Fund Association on June 30, 1995, or the St. Paul Teachers Retirement Fund Association if the person was a member of that plan on June 30, 1995, and~~

~~(3) for employees of the board who are employed in eligible unclassified administrative positions, the retirement coverage is by the plan established by this chapter.~~

~~(b) If an employee fails to correctly certify prior membership in the Teachers Retirement Association to the Minnesota State colleges and Universities system, the system shall not pay interest on employee contributions, employer contributions, and additional employer contributions to the Teachers Retirement Association under section 354.52, subdivision 4.~~

(b) If an eligible person is employed by the board before July 1, 2011, in an eligible unclassified administrative position or in a faculty position in a technical college, community college, or state university, the retirement coverage is by the plan established by this chapter, unless otherwise specified in this section.

(c) An eligible person described in paragraph (b), except that first employment by the board is on or after July 1, 2011, has retirement coverage by the plan established by this chapter if the eligible person has no:

(1) allowable service credit in any plan listed in section 356.30, subdivision 3; or

(2) prior employment covered by the state unclassified employees retirement program under chapter 352D.

(d) An eligible person described in paragraph (c) has retirement coverage by the Teachers Retirement Association if the person has:

(1) prior employment covered by the state unclassified employees retirement program under chapter 352D and has not withdrawn or transferred assets from that account; or

(2) allowable service credit in a plan listed in section 356.30, subdivision 3.

(e) To ensure that coverage is provided by the proper plan, the employee must certify to the board the existence of any service credit in any plan listed in section 356.30,

2011 First Special Session

subdivision 3, or whether the person retains a state unclassified employees retirement program account. If an employee fails to correctly certify prior membership in a plan or the existence of an unclassified program account, the Minnesota State Colleges and Universities system and its board shall be held harmless, and notwithstanding any law to the contrary, any resulting cost or financial liability becomes the employee's responsibility.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 16. Minnesota Statutes 2010, section 354B.21, subdivision 3a, is amended to read:

Subd. 3a. ~~**Continuation of Plan coverage in and election; certain instances past service technical college faculty.**~~ For a person with retirement coverage by a first class city teacher retirement fund association instead of the individual retirement account plan under subdivision 3, clause (2), coverage by the applicable retirement fund association ~~continues~~ (a) Notwithstanding subdivision 3, if an employee of the board was employed in a faculty position in a technical college on June 30, 1997, with coverage by the Teachers Retirement Association, the employee retains that coverage. If the employee was a technical college faculty member on June 30, 1995, covered by a first class city teacher retirement fund established under chapter 354A, the retirement coverage continues with the Duluth Teachers Retirement Fund Association or the St. Paul Teachers Retirement Fund Association, whichever is applicable. If the person was a technical college faculty member on June 30, 1995, covered by the former Minneapolis Teachers Retirement Fund Association, the Teachers Retirement Association shall provide coverage.

(b) An employee under paragraph (a) who has coverage by a first class city teacher fund association retains that coverage for the duration of the person's employment by the board of Trustees of the Minnesota State Colleges and Universities unless, within 90 days one year of a change in employment within the Minnesota State Colleges and Universities system, the person elects the individual retirement account plan for all future employment by the board of Trustees of the Minnesota State Colleges and Universities. The election is irrevocable.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 17. Minnesota Statutes 2010, section 354B.21, subdivision 5, is amended to read:

Subd. 5. **Payment for certain prior uncovered service.** (a) A person employed in a faculty position or in an eligible unclassified administrative position by the board who was initially excluded from participation in the individual retirement account plan coverage, who was not covered by any other Minnesota public pension plan for that service, and who is subsequently eligible to participate in the individual retirement account plan may make member contributions for that period of prior uncovered teaching employment or eligible unclassified administrative employment with the board.

(b) The member contributions for prior uncovered board service are the amount that the person would have paid if the prior service had been covered employment. The payment must be made to the individual retirement account plan administrator and may be made only by payroll deduction. The payment must be made by the later of:

- (1) 45 days of the start of covered employment; or
- (2) the end of the fiscal year in which covered employment began.

2011 First Special Session

(c) The board must contribute an amount to match any contribution made by a plan participant under this subdivision.

(d) Payments of contributions for prior uncovered board service under this subdivision must be invested in the same manner as the regular contributions made by or on behalf of the plan participant.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 18. Minnesota Statutes 2010, section 354B.21, subdivision 6, is amended to read:

Subd. 6. **Continuation of coverage.** Except as otherwise specified in this section, once a person is employed in a position that qualifies for participation in the individual retirement account plan and elects to participate in the plan, all subsequent service by the person as a faculty member or in an eligible unclassified administrative position employed by the board or other employing unit is covered by the individual retirement account plan.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 19. Minnesota Statutes 2010, section 354B.21, is amended by adding a subdivision to read:

Subd. 7. **Coverage; certain part-time employees.** A person employed in a part-time faculty position or in a part-time eligible unclassified administrative position who does not meet the definition of covered employment under section 354B.20, subdivision 4, because the employment does not meet the threshold required under that provision, must certify prior membership in the Teachers Retirement Association to the Minnesota State Colleges and Universities system. If the certification is incorrect, the employee, and not the employer, is required to pay interest on the employee and employer contributions, and, if applicable, on the employer additional contributions to the Teachers Retirement Association under section 354.52, subdivision 4.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 20. Minnesota Statutes 2010, section 356.47, subdivision 3, is amended to read:

Subd. 3. **Payment.** (a) Beginning one year after the reemployment withholding period ends relating to the reemployment that gave rise to the limitation, and the filing of a written application, the retired member is entitled to the payment, in a lump sum, of the value of the person's amount under subdivision 2, plus annual compound interest. For the general state employees retirement plan, the correctional state employees retirement plan, the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, the local government correctional employees retirement plan, and the teachers retirement plan, the annual interest rate is six percent from the date on which the amount was deducted from the retirement annuity to the date of payment or until January 1, 2011, whichever is earlier, and no interest after January 1, 2011. For the Duluth Teachers Retirement Fund Association, the annual interest is six percent from the date on which the amount was deducted from the retirement annuity to the date of payment or until June 30, 2010, whichever is earlier, and with no interest accrual after June 30, 2010. For the St. Paul Teachers Retirement Fund Association, the annual interest is the rate of six percent from the date that the amount was deducted from

2011 First Special Session

the retirement annuity to the date of payment or June 30, 2011, whichever is earlier, and with no interest accrual after June 30, 2011.

(b) The written application must be on a form prescribed by the chief administrative officer of the applicable retirement plan.

(c) If the retired member dies before the payment provided for in paragraph (a) is made, the amount is payable, upon written application, to the deceased person's surviving spouse, or if none, to the deceased person's designated beneficiary, or if none, to the deceased person's estate.

(d) In lieu of the direct payment of the person's amount under subdivision 2, on or after the payment date under paragraph (a), if the federal Internal Revenue Code so permits, the retired member may elect to have all or any portion of the payment amount under this section paid in the form of a direct rollover to an eligible retirement plan as defined in section 402(c) of the federal Internal Revenue Code that is specified by the retired member. If the retired member dies with a balance remaining payable under this section, the surviving spouse of the retired member, or if none, the deceased person's designated beneficiary, or if none, the administrator of the deceased person's estate may elect a direct rollover under this paragraph.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 21. **BYLAW AUTHORIZATION.**

Consistent with the requirements of Minnesota Statutes, section 354A.12, subdivision 4, the board of the St. Paul Teachers Retirement Fund Association is authorized to revise the bylaws and articles of incorporation so that the requirements of this act, where applicable, apply to the basic program.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 22. **REPEALER.**

(a) Minnesota Statutes 2010, section 354A.29, subdivision 3, is repealed.

(b) Minnesota Statutes 2010, sections 354B.21, subdivision 3c; and 354B.32, are repealed.

EFFECTIVE DATE. This section is effective July 1, 2011.

ARTICLE 3

ACTUARIAL ASSUMPTION UPDATE

Section 1. Minnesota Statutes 2010, section 356.215, subdivision 8, is amended to read:

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

plan	preretirement interest rate assumption	postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	8.5	6.0
elective state officers retirement plan	8.5	6.0
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5
Minneapolis Police Relief Association	6.0	6.0
Fairmont Police Relief Association	5.0	5.0
Minneapolis Fire Department Relief Association	6.0	6.0
Virginia Fire Department Relief Association	5.0	5.0
Bloomington Fire Department Relief Association	6.0	6.0
local monthly benefit volunteer firefighters relief associations	5.0	5.0

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

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
judges retirement plan	4.0
Minneapolis Police Relief Association	4.0
Fairmont Police Relief Association	3.5
Minneapolis Fire Department Relief Association	4.0

2011 First Special Session

Virginia Fire Department Relief Association	3.5
Bloomington Fire Department Relief Association	4.0

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

plan	future salary increase assumption
general state employees retirement plan	select calculation and assumption A
correctional state employees retirement plan	assumption <u>G</u> <u>D</u>
State Patrol retirement plan	assumption <u>F</u> <u>C</u>
public employees police and fire fund retirement plan	assumption B
local government correctional service retirement plan	assumption <u>F</u> <u>C</u>
teachers retirement plan	assumption C
Duluth teachers retirement plan	assumption <u>D</u> <u>A</u>
St. Paul teachers retirement plan	assumption <u>E</u> <u>B</u>

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 five years and the designated integer is five for the general state employees retirement plan. The designated select period is ten years and the designated integer is ten for all other retirement plans covered by this clause. The designated percentage rate is: (1) 0.2 percent for the correctional state employees retirement plan, the State Patrol retirement plan, ~~the public employees police and fire plan~~, and the local government correctional service retirement plan; (2) 0.6 percent for the general state employees retirement plan; and (3) 0.3 percent for the teachers retirement plan, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven

2011 First Special Session

and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

age	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
16	5.95%	11.00%	7.70%	8.00%	6.90%	7.7500%	7.2500%	
17	5.90	11.00	7.65	8.00	6.90	7.7500	7.2500	
18	5.85	11.00	7.60	8.00	6.90	7.7500	7.2500	
19	5.80	11.00	7.55	8.00	6.90	7.7500	7.2500	
20	5.75	11.00	5.50	6.90	6.90	7.7500	7.2500	
21	5.75	11.00	5.50	6.90	6.90	7.1454	6.6454	
22	5.75	10.50	5.50	6.90	6.90	7.0725	6.5725	
23	5.75	10.00	5.50	6.85	6.85	7.0544	6.5544	
24	5.75	9.50	5.50	6.80	6.80	7.0363	6.5363	
25	5.75	9.00	5.50	6.75	6.75	7.0000	6.5000	
26	5.75	8.70	5.50	6.70	6.70	7.0000	6.5000	
27	5.75	8.40	5.50	6.65	6.65	7.0000	6.5000	
28	5.75	8.10	5.50	6.60	6.60	7.0000	6.5000	
29	5.75	7.80	5.50	6.55	6.55	7.0000	6.5000	
30	5.75	7.50	5.50	6.50	6.50	7.0000	6.5000	
31	5.75	7.30	5.50	6.45	6.45	7.0000	6.5000	
32	5.75	7.10	5.50	6.40	6.40	7.0000	6.5000	
33	5.75	6.90	5.50	6.35	6.35	7.0000	6.5000	
34	5.75	6.70	5.50	6.30	6.30	7.0000	6.5000	
35	5.75	6.50	5.50	6.25	6.25	7.0000	6.5000	
36	5.75	6.30	5.50	6.20	6.20	6.9019	6.4019	
37	5.75	6.10	5.50	6.15	6.15	6.8074	6.3074	
38	5.75	5.90	5.40	6.10	6.10	6.7125	6.2125	
39	5.75	5.70	5.30	6.05	6.05	6.6054	6.1054	
40	5.75	5.50	5.20	6.00	6.00	6.5000	6.0000	
41	5.75	5.40	5.10	5.90	5.95	6.3540	5.8540	
42	5.75	5.30	5.00	5.80	5.90	6.2087	5.7087	
43	5.65	5.20	4.90	5.70	5.85	6.0622	5.5622	
44	5.55	5.10	4.80	5.60	5.80	5.9048	5.4078	
45	5.45	5.00	4.70	5.50	5.75	5.7500	5.2500	
46	5.35	4.95	4.60	5.40	5.70	5.6940	5.1940	
47	5.25	4.90	4.50	5.30	5.65	5.6375	5.1375	

2011 First Special Session

48	5.15	4.85	4.50	5.20	5.60	5.5822	5.0822
49	5.05	4.80	4.50	5.10	5.55	5.5404	5.0404
50	4.95	4.75	4.50	5.00	5.50	5.5000	5.0000
51	4.85	4.75	4.50	4.90	5.45	5.4384	4.9384
52	4.75	4.75	4.50	4.80	5.40	5.3776	4.8776
53	4.65	4.75	4.50	4.70	5.35	5.3167	4.8167
54	4.55	4.75	4.50	4.60	5.30	5.2826	4.7826
55	4.45	4.75	4.50	4.50	5.25	5.2500	4.7500
56	4.35	4.75	4.50	4.40	5.20	5.2500	4.7500
57	4.25	4.75	4.50	4.30	5.15	5.2500	4.7500
58	4.25	4.75	4.60	4.20	5.10	5.2500	4.7500
59	4.25	4.75	4.70	4.10	5.05	5.2500	4.7500
60	4.25	4.75	4.80	4.00	5.00	5.2500	4.7500
61	4.25	4.75	4.90	3.90	5.00	5.2500	4.7500
62	4.25	4.75	5.00	3.80	5.00	5.2500	4.7500
63	4.25	4.75	5.10	3.70	5.00	5.2500	4.7500
64	4.25	4.75	5.20	3.60	5.00	5.2500	4.7500
65	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
66	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
67	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
68	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
69	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
70	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
71	4.25		5.20				

(3) service-related ultimate future salary increase assumption

general state employees retirement plan of the
Minnesota State Retirement System

assumption A

general employees retirement plan of the Public
Employees Retirement Association

assumption B

Teachers Retirement Association

assumption C

public employees police and fire retirement plan

assumption D

2011 First Special Session

service length	general employees retirement plan of the Public Employees Retirement Association			
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
1	12.03% <u>10.75%</u>	<u>12.25%</u>	<u>12.00%</u>	<u>13.00%</u>
2	8.90 <u>8.35</u>	<u>9.15</u>	<u>9.00</u>	<u>11.00</u>
3	7.46 <u>7.15</u>	<u>7.75</u>	<u>8.00</u>	<u>9.00</u>
4	6.58 <u>6.45</u>	<u>6.85</u>	<u>7.50</u>	<u>8.00</u>
5	5.97 <u>5.95</u>	<u>6.25</u>	<u>7.25</u>	<u>6.50</u>
6	5.52 <u>5.55</u>	<u>5.75</u>	<u>7.00</u>	<u>6.10</u>
7	5.16 <u>5.25</u>	<u>5.45</u>	<u>6.85</u>	<u>5.80</u>
8	4.87 <u>4.95</u>	<u>5.15</u>	<u>6.70</u>	<u>5.60</u>
9	4.63 <u>4.75</u>	<u>4.85</u>	<u>6.55</u>	<u>5.40</u>
10	4.42 <u>4.65</u>	<u>4.65</u>	<u>6.40</u>	<u>5.30</u>
11	4.24 <u>4.45</u>	<u>4.45</u>	<u>6.25</u>	<u>5.20</u>
12	4.08 <u>4.35</u>	<u>4.35</u>	<u>6.00</u>	<u>5.10</u>
13	3.94 <u>4.25</u>	<u>4.15</u>	<u>5.75</u>	<u>5.00</u>
14	3.82 <u>4.05</u>	<u>4.05</u>	<u>5.50</u>	<u>4.90</u>
15	3.70 <u>3.95</u>	<u>3.95</u>	<u>5.25</u>	<u>4.80</u>
16	3.60 <u>3.85</u>	<u>3.85</u>	<u>5.00</u>	<u>4.80</u>
17	3.51 <u>3.75</u>	<u>3.75</u>	<u>4.75</u>	<u>4.80</u>
18	3.50 <u>3.75</u>	<u>3.75</u>	<u>4.50</u>	<u>4.80</u>
19	3.50 <u>3.75</u>	<u>3.75</u>	<u>4.25</u>	<u>4.80</u>
20	3.50 <u>3.75</u>	<u>3.75</u>	<u>4.00</u>	<u>4.80</u>
21	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.90</u>	<u>4.70</u>
22	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.80</u>	<u>4.60</u>
23	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.70</u>	<u>4.50</u>
24	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.60</u>	<u>4.50</u>
25	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.50</u>	<u>4.50</u>
26	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.50</u>	<u>4.50</u>
27	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.50</u>	<u>4.50</u>
28	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.50</u>	<u>4.50</u>
29	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.50</u>	<u>4.50</u>
30 or more	3.50 <u>3.75</u>	<u>3.75</u>	<u>3.50</u>	<u>4.50</u>

(c) Before July 2, 2010, the actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded

2011 First Special Session

actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan <u>of the Minnesota State Retirement System</u>	4.50% <u>3.75%</u>
correctional state employees retirement plan	4.50
State Patrol retirement plan	4.50
legislators retirement plan	4.50
judges retirement plan	4.00
general employees retirement plan of the Public Employees Retirement Association	4.00 <u>3.75</u>
public employees police and fire retirement plan	4.50 <u>3.75</u>
local government correctional service retirement plan	4.50
teachers retirement plan	4.50 <u>3.75</u>
Duluth teachers retirement plan	4.50
St. Paul teachers retirement plan	5.00

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

(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 as it relates to the general state employees retirement plan of the Minnesota State Retirement System, the general employees retirement plan of the Public Employees Retirement Association, and the teachers retirement plan is effective retroactively from June 30, 2010, and as it relates to the public employees police and fire retirement plan is effective June 30, 2011.

ARTICLE 4

VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS

Section 1. **DEADLINE FOR REPORTS EXTENDED.**

Notwithstanding Minnesota Statutes, section 69.051, subdivision 1b, the deadline for reports submitted under Minnesota Statutes, section 69.051, subdivisions 1 and 1a, for 2009 is extended to April 30, 2011. A municipality or relief association does not forfeit its 2010 state aid or any future state aid if 2009 reports are received by the state auditor on or before April 30, 2011.

2011 First Special Session

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

Sec. 2. **WHITE BEAR LAKE; SPECIAL ACTUARIAL WORK AUTHORIZATION.**

Notwithstanding any provision to the contrary of Minnesota Statutes, sections 69.771, subdivision 3; 69.773, subdivisions 2, 4, and 5; 356.215; and 356.216, a document styled as an interim valuation at October 19, 2009, of the White Bear Lake Volunteer Fire Department Relief Association prepared by the actuarial consulting firm of Gabriel, Roeder, Smith & Company, as confirmed as to its funded status results by an actuarial valuation as of January 1, 2011, of the White Bear Lake Volunteer Fire Department Relief Association pension plan prepared by the actuarial consulting firm of Gabriel, Roeder, Smith & Company may be considered by the relief association officers, the city of White Bear Lake, and the Office of the State Auditor to be a qualifying actuarial valuation of the special fund of the relief association for the determination of the actuarial condition of the relief association and the financial requirements of the relief association amounts and the minimum municipal obligation amounts calculated by relief association officers certified to the city of White Bear Lake on or before August 1, 2009, and on or before August 1, 2010, may be considered by the City of White Bear Lake and by the Office of the State Auditor to be properly determined.

EFFECTIVE DATE; LOCAL APPROVAL. This section is effective retroactively from July 31, 2009, if the White Bear Lake city council and the White Bear Lake chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 5

SMALL GROUP RETIREMENT PROVISIONS

Section 1. **PERA-GENERAL; BABBITT AND BUHL SERVICE AND SALARY CREDIT PURCHASE AUTHORIZATION IN CERTAIN CASES.**

(a) An eligible person described in paragraph (b) is eligible to purchase from the general employees retirement plan of the Public Employees Retirement Association allowable service credit and salary credit for the period of uncredited prior employment and salary specified in paragraph (c) by making the payment required under paragraph (d).

(b) An eligible person is a person who:

(1) was born on November 10, 1957;

(2) was employed as a part-time police officer by the city of Buhl from July 1988 until November 1996;

(3) was employed as a part-time police officer by Embarrass Township from March 1992 until August 1997;

(4) was employed as a part-time police officer by the City of Babbitt from April 1992 until September 1992; and

(5) was employed as a full-time police officer by the city of Babbitt since October 4, 1992, and as such is a member of the public employees police and fire retirement plan.

2011 First Special Session

(c) The periods of unreported employment and salary that qualified for coverage by the general employees retirement plan of the Public Employees Retirement Association and eligible for purchase are employment by the city of Buhl from October 1989 until November 1996 and employment by the city of Babbitt as a part-time police officer from April 1992 until September 1992.

(d) The allowable service and salary credit purchase payment amount must be calculated under Minnesota Statutes, section 356.551. Of the total payment amount, the eligible person is obligated to pay the amount of member contributions that the eligible person would have paid by deduction to the coordinated program of the general employees retirement plan of the Public Employees Retirement Association if made in a timely fashion, plus annual compound interest at the rate of 8.5 percent from the date that the contribution should have been made until the date that the contribution equivalent payment is made. The balance of the total payment amount must be allocated between the city of Buhl and the city of Babbitt on the basis of the additional retirement benefit associated with the applicable period of past unreported eligible employment. The city of Buhl and the city of Babbitt shall make their payments within 30 days of the date on which the executive director of the Public Employees Retirement Association certifies that the eligible person has paid the equivalent member contribution payment and interest. If a city fails to make a timely payment, the executive director shall collect the unpaid amount under Minnesota Statutes, section 353.28.

(e) The eligible person shall provide the executive director of the Public Employees Retirement Association with any necessary documentation of the applicability of this section that the executive director requests.

(f) The authority of the eligible person to make the equivalent member contribution and interest payment under this section expires on the earlier of July 1, 2012, or the date on which the eligible person finally terminates public employment covered by Minnesota Statutes, chapter 353.

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

Sec. 2. INDEPENDENT SCHOOL DISTRICT NO. 270, HOPKINS; SALARY CREDIT PURCHASE FOR PART-TIME TEACHING PROGRAM SERVICE AUTHORIZED.

(a) An eligible person described in paragraph (b) is entitled, upon application to the executive director of the Teachers Retirement Association, to purchase salary credit from the Teachers Retirement Association for the period of part-time teaching service specified in paragraph (c) if the purchase payment required under paragraph (d) is paid on or before July 1, 2012, or the date of the person's retirement, whichever is earlier.

(b) An eligible person is a person who:

(1) was born on January 20, 1951;

(2) was hired by Independent School District No. 270, Hopkins, as a teacher;

(3) first participated in the qualified part-time teacher association membership program with a properly submitted teacher-school district agreement for the 2007-2008 school year;

(4) was employed part-time as a teacher by Independent School District No. 270, Hopkins, during the 2008-2009 school year, but the Minnesota Statutes, section 354.66,

2011 First Special Session

agreement was not filed with the Teachers Retirement Association until September 20, 2010; and

(5) was employed by Independent School District No. 270, Hopkins, as a part-time teacher under Minnesota Statutes, section 354.66, for the 2009-2010 school year and for the 2010-2011 school year.

(c) The period of part-time teaching service is the period during the 2008-2009 school year during which the eligible person was paid 80 percent of the eligible person's full-time service salary rate for part-time teaching service rendered for Independent School District No. 270, Hopkins.

(d) The total purchase payment amount for the increase in the annual salary credit for the 2008-2009 school year of \$11,090.60 in the employ of Independent School District No. 270, Hopkins, is the service credit purchase payment amount required under Minnesota Statutes, section 356.551. The eligible person shall pay \$609.98 plus compound interest at the annual rate of 8.5 percent from January 31, 2009, until the date of payment. Independent School District No. 270, Hopkins, must pay the balance of the purchase payment amount under Minnesota Statutes, section 356.551, in excess of the eligible person's payment amount. The school district payment is due 30 days after notification by the executive director of the Teachers Retirement Association that the eligible person's payment amount has been received by the association. If the school district fails to make the required payment in a timely manner, the executive director of the Teachers Retirement Association shall notify the commissioner of management and budget and the commissioner of education of that failure and those commissioners shall subtract the unpaid amount from and state aid otherwise payable to the school district.

(e) Upon receipt by the Teachers Retirement Association of the total amount required under paragraph (d), the eligible person shall receive annual salary credit for an additional \$11,090.60 for the 2008-2009 school year.

(f) The salary credit purchase payment authorization under this section expires August 1, 2012.

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

ARTICLE 6**VOLUNTARY CONSOLIDATION OF THE MINNEAPOLIS
FIREFIGHTERS RELIEF ASSOCIATION**

Section 1. Minnesota Statutes 2010, section 353.01, is amended by adding a subdivision to read:

Subd. 10a. **Unit value; Minneapolis firefighters.** "Unit value," for a member of the public employees police and fire retirement plan who was a member of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under section 19, is \$82.32 for calendar year 2011, \$96.899 for calendar year 2012, \$100.775 for calendar year 2013, \$104.264 for calendar year 2014, \$124.031 for calendar year 2015, and for calendar years after calendar year 2015, the prior year's unit value plus an increase equal to the adjustment percentage determined under section 356.415, subdivision 1c, effective for the January 1 of the calendar year.

2011 First Special Session

Sec. 2. Minnesota Statutes 2010, section 353.01, subdivision 16, is amended to read:

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

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

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

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

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

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

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

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States

2011 First Special Session

Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions 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, excluding overtime pay, during the purchase period that the member would have received if the member 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 member's average salary rate, excluding overtime pay, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member'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 member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, 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 member contribution. The governmental subdivision involved may appropriate money for those payments. 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. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent 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. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under subdivision 40.

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

(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association under chapter 353A or to which section 353.665 applies, and who has elected

2011 First Special Session

the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "~~applicable~~ allowable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

(d) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under section 19, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to the effective date of consolidation under section 19 and the period of service credited under paragraph (a), clause (1), after the effective date of consolidation under section 19.

(e) MS 2002 [Expired]

Sec. 3. Minnesota Statutes 2010, section 353.03, is amended by adding a subdivision to read:

Subd. 3b. **Additional duties.** The executive director shall deduct from the annuity or benefit periodically the amount of any dues of any fraternal organization continuing or established after the effective date of consolidation under section 19 for former members of the former Minneapolis Firefighters Relief Association.

Sec. 4. Minnesota Statutes 2010, section 353.65, subdivision 1, is amended to read:

Subdivision 1. **Fund established.** (a) The public employees police and fire fund is established for police officers and firefighters who meet the eligibility criteria under section 353.64.

(b) Employee contributions other than those made under subdivision 2, paragraph (b), employer contributions under subdivision 3 and under section 353.667, subdivision 6, other than the excess contribution established by section 69.031, subdivision 5, paragraphs (2), clauses (b) and (c), and (3), and other amounts authorized by law, including all employee and employer contributions of members transferred, must be deposited in the public employees police and fire fund.

Sec. 5. Minnesota Statutes 2010, section 353.65, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For members other than members who were active members of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under section 19, the employee contribution is 9.4 percent of the salary of the member in calendar year 2010 and is 9.6 percent of the salary of the member in each calendar year after 2010. ~~This contribution~~

(b) For members who were active members of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under section 19, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10a, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Firefighters

2011 First Special Session

Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

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

Sec. 6. Minnesota Statutes 2010, section 353.65, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) With respect to members other than members who were active members of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under section 19, the employer contribution is 14.1 percent of the salary of the member in calendar year 2010 and is 14.4 percent of the salary of the member in each calendar year after 2010. ~~This contribution~~

(b) With respect to members who were active members of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under section 19, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (b).

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

Sec. 7. Minnesota Statutes 2010, section 353.651, subdivision 1, is amended to read:

Subdivision 1. **Age and allowable service requirements.** Upon separation from public service, any police officer or firefighter member, other than a firefighter covered by section 353.6511, who has attained the age of at least 55 years and who is vested under section 353.01, subdivision 47, is entitled upon application to a retirement annuity, known as the "normal" retirement annuity.

Sec. 8. [353.6511] ALTERNATIVE RETIREMENT BENEFIT COVERAGE IN CERTAIN INSTANCES.

Subdivision 1. **Applicability.** The alternative benefit coverage under this section applies only to an active member of the public employees police and fire retirement plan who was an active member of the former Minneapolis Firefighters Relief Association on the day prior to the consolidation effective date under section 19 and who retires after the consolidation effective date under section 19.

Subd. 2. **Retirement annuity.** (a) A member described in subdivision 1, if the member meets the eligibility requirements of paragraph (b), is only entitled to a retirement annuity under this subdivision.

(b) The member, upon application, if the person is at least age 50 and has credit for at least 20 years of allowable service, is entitled to a normal retirement annuity. The normal retirement annuity is the following amount based on the service credit of the retiring member as a Minneapolis firefighter:

<u>completed years of service</u>	<u>retirement annuity amount</u>
<u>15</u>	<u>25.0 units</u>
<u>16</u>	<u>26.6 units</u>

2011 First Special Session

<u>17</u>	<u>28.2 units</u>
<u>18</u>	<u>29.8 units</u>
<u>19</u>	<u>31.4 units</u>
<u>20</u>	<u>35 units</u>
<u>21</u>	<u>36.6 units</u>
<u>22</u>	<u>38.2 units</u>
<u>23</u>	<u>39.8 units</u>
<u>24</u>	<u>41.4 units</u>
<u>25 or more</u>	<u>43.0 units</u>

(c) For a retired member who was unmarried on September 1, 1997, and also on October 25, 2001, who had 25 years of service credit as of October 25, 2001, and submitted a valid application for the alternative service pension under section 423C.05, subdivision 9, the retirement annuity amount is 43.3 units.

Subd. 3. **Disability benefit.** A member described in subdivision 1, if the member is disabled under section 353.01, subdivision 41 or 46, is entitled to a disability benefit equal to 41 units.

Subd. 4. **Surviving spouse benefit.** A surviving spouse under section 353.01, subdivision 20, of a deceased member described in subdivision 1 is entitled to a surviving spouse benefit equal to 23 units.

Subd. 5. **Surviving dependent child benefit.** A surviving dependent child under section 353.01, subdivision 15a, of a deceased member described in subdivision 1 is entitled to a surviving child benefit equal to eight units.

Subd. 6. **Surviving family benefit maximum.** The surviving spouse and surviving dependent child under subdivisions 4 and 5 are entitled to a combined family benefit under subdivisions 4 and 5 of 43 units.

Subd. 7. **Postretirement adjustments.** (a) Effective on the first day of the month next following the effective date of the consolidation under section 19, service pensions and survivor benefits in force are entitled to be recomputed with the number of units specified in subdivision 2, subdivision 4, and subdivision 6. Optional annuities under section 423C.05, subdivision 8, also are entitled to be recomputed as the actuarial equivalent of the service pensions and survivor benefits with the number of units specified in subdivision 2, subdivision 4, and subdivision 6. Retirement annuities, service pensions, disability benefits, and survivor benefits after December 31, 2015, are eligible for postretirement adjustments under section 356.415, subdivision 1c. The unit value for the calculation of a retirement annuity first payable after December 31, 2015, is the calendar year 2015 unit value, plus any postretirement adjustment percentage amount under section 356.415, subdivision 1c, payable after December 31, 2015, and before the date of retirement.

Subd. 8. **Savings clause; dispute resolution.** In the event of any dispute by or on behalf of any former member of the consolidating relief association after the effective date of consolidation over the amount of a benefit to which the person may be entitled, the proper interpretation of a provision of this article, or the conformity of the provisions of this article to the provisions of the benefit plan of the consolidating relief association in

2011 First Special Session

effective immediately before the date of the consolidation, the dispute shall be submitted in writing to the Legislative Commission on Pensions and Retirement by the person who is a party to the dispute, by the fraternal organization related to the former relief association, or by the executive director of the Public Employees Retirement Association. The Legislative Commission on Pensions and Retirement shall review the dispute as part of its deliberations on proposed or pending retirement legislation and shall make its recommendation on the resolution of the dispute, if any, to the appropriate committees of the senate and house of representatives with jurisdiction over public employee pension matters in the form of the necessary legislation amending the provisions of this article, which proposed legislation must include retroactivity of any increase in a benefit amount to the date on which the benefit subject to dispute accrued or would have accrued.

Sec. 9. Minnesota Statutes 2010, section 353.656, subdivision 1, is amended to read:

Subdivision 1. **Duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, who is determined to qualify for duty disability as defined in section 353.01, subdivision 41, shall receive disability benefits during the period of such disability in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional percentage specified under section 356.315, subdivision 6, of that average salary for each year of service in excess of 20 years.

(b) To be eligible for a benefit under paragraph (a), the member must have:

(1) not met the requirements for a retirement annuity under section 353.651, subdivision 1; or

(2) met the requirements under that subdivision, but does not have at least 20 years of allowable service credit.

(c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a period of 60 months from the disability benefit accrual date and at the end of that period is subject to provisions of subdivision 5a.

(d) If the disability under this subdivision occurs before the member has at least five years of allowable service credit in the police and fire plan, the disability benefit must be computed on the average salary from which deductions were made for contribution to the police and fire fund.

Sec. 10. Minnesota Statutes 2010, section 353.656, subdivision 1a, is amended to read:

Subd. 1a. **Total and permanent duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, whose disabling condition is determined to be a duty disability that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, disability benefits in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional percent specified in section 356.315, subdivision 6, of that average salary for each year of service in excess of 20 years.

(b) A disability benefit payable under paragraph (a) is subject to eligibility review under section 353.33, subdivision 6, but the review may be waived if the executive director receives a written statement from the association's medical advisor that no improvement can be expected in the member's disabling condition that was the basis for payment of the benefit under paragraph (a). A member receiving a disability benefit

2011 First Special Session

under this subdivision who is found to no longer be permanently and totally disabled as defined under section 353.01, subdivision 19, but continues to meet the definition for receipt of a duty disability under section 353.01, subdivision 41, is subject to subdivision 1 upon written notice from the association's medical advisor that the person is no longer considered permanently and totally disabled.

(c) If a member approved for disability benefits under this subdivision dies before attaining normal retirement age as defined in section 353.01, subdivision 37, paragraph (b), or within 60 months of the effective date of the disability, whichever is later, the surviving spouse is entitled to receive a survivor benefit under section 353.657, subdivision 2, paragraph (a), clause (1), if the death is the direct result of the disabling condition for which disability benefits were approved, or section 353.657, subdivision 2, paragraph (a), clause (2), if the death is not directly related to the disabling condition for which benefits were approved under this subdivision.

(d) If the election of an actuarial equivalent optional annuity is not made at the time the permanent and total disability benefit accrues, an election must be made within 90 days before the member attains normal retirement age as defined under section 353.01, subdivision 37, paragraph (b), or having collected total and permanent disability benefits for 60 months, whichever is later. If a member receiving disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

Sec. 11. Minnesota Statutes 2010, section 353.656, subdivision 3, is amended to read:

Subd. 3. **Regular disability benefit.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, who qualifies for a regular disability benefit as defined in section 353.01, subdivision 46, is entitled to receive a disability benefit, after filing a valid application, in an amount equal to 45 percent of the average salary as defined in section 353.01, subdivision 17a.

(b) To be eligible for a benefit under paragraph (a), the member must have at least one year of allowable service credit and have:

(1) not met the requirements for a retirement annuity under section 353.651, subdivision 1, or

(2) met the requirements under that subdivision, but does not have at least 15 years of allowable service credit.

(c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a period of 60 months from the disability benefit accrual date and, at the end of that period, is subject to provisions of subdivision 5a.

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

Sec. 12. Minnesota Statutes 2010, section 353.656, subdivision 3a, is amended to read:

Subd. 3a. **Total and permanent regular disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, whose disabling condition is determined to be a regular disability under section 353.01, subdivision 46, that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, a disability benefit in an amount equal to

2011 First Special Session

45 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional percent specified in section 356.315, subdivision 6, of that average salary for each year of service in excess of 15 years.

(b) A disability benefit payable under paragraph (a) is subject to eligibility review under section 353.33, subdivision 6, but the review may be waived if the executive director receives a written statement from the association's medical advisor that no improvement can be expected in the member's disabling condition that was the basis for payment of the benefit under paragraph (a). A member receiving a disability benefit under this subdivision who is found to no longer be permanently and totally disabled as defined under section 353.01, subdivision 19, but continues to meet the definition for receipt of a regular disability under section 353.01, subdivision 46, is subject to subdivision 3 upon written notice from the association's medical advisor that the person is no longer considered permanently and totally disabled.

(c) A member approved for disability benefits under this subdivision may elect to receive a normal disability benefit or an actuarial equivalent optional annuity. If the election of an actuarial equivalent optional annuity is not made at the time the total and permanent disability benefit accrues, an election must be made within 90 days before the member attains normal retirement age as defined in section 353.01, subdivision 37, paragraph (b), or having collected disability benefits for 60 months, whichever is later. No surviving spouse benefits are payable if the member dies during the period in which a normal total and permanent disability benefit is being paid. If a member receiving disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

Sec. 13. Minnesota Statutes 2010, section 353.657, subdivision 1, is amended to read:

Subdivision 1. **Generally.** (a) In the event that a member of the police and fire fund, other than a firefighter covered by section 353.6511, dies from any cause before retirement or before becoming disabled and receiving disability benefits, the association shall grant survivor benefits to a surviving spouse, as defined in section 353.01, subdivision 20, and to a dependent child or children, as defined in section 353.01, subdivision 15, except that if the death is not a line of duty death, the member must be vested under section 353.01, subdivision 47.

(b) Notwithstanding the definition of surviving spouse, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a monthly surviving spouse benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The spouse and child or children are entitled to monthly benefits as provided in subdivisions 2 to 4.

Sec. 14. **[353.667] CONSOLIDATION OF THE MINNEAPOLIS FIREFIGHTERS RELIEF ASSOCIATION.**

Subdivision 1. **Membership transfer.** On the effective date of consolidation under section 19, the active, inactive, and retired members, including surviving spouses, of the Minneapolis Firefighters Relief Association are transferred to the public employees police

2011 First Special Session

and fire retirement plan, are no longer members of the Minneapolis Firefighters Relief Association, and are members of the public employees police and fire retirement plan.

Subd. 2. **Service credit and benefit liability transfer.** (a) Allowable service credit and base salary credit of the active members of the Minneapolis Firefighters Relief Association, as contained in the records of the Minneapolis Firefighters Relief Association through the day before the effective date of consolidation under section 19, are transferred to the public employees police and fire retirement plan and is credited as provided in section 353.01, subdivisions 10a and 16, paragraph (c), on the effective date of consolidation under section 19.

(b) The liability for the payment of retirement annuities, service pensions, and retirement and surviving spouse benefits of the Minneapolis Firefighters Relief Association retired members, service pensioners, disabilitants, surviving spouses, and other retirement benefit recipients as specified in the records of the Minneapolis Firefighters Relief Association is transferred to the public employees police and fire retirement plan on the effective date of consolidation under section 19.

Subd. 3. **Transfer of records.** On the effective date of the consolidation under section 19, the chief administrative officer of the Minneapolis Firefighters Relief Association shall transfer all records and documents relating to the special fund of the Minneapolis Firefighters Relief Association to the executive director of the Public Employees Retirement Association. To the extent possible, original copies of all records and documents must be transferred.

Subd. 4. **Transfer of assets; transfer of title to assets.** (a) On the effective date of the consolidation under section 19, the chief administrative officer of the Minneapolis Firefighters Relief Association shall transfer the entire assets of the special fund of the Minneapolis Firefighters Relief Association other than the health insurance account to the public employees police and fire retirement fund at market value. Unless ineligible or inappropriate, the transfer must be in the form of investment securities and must include any accounts receivable that are determined by the State Board of Investment as being capable of being collected. An amount, in cash, must be transferred by the city of Minneapolis equal to the market value recognized by the relief association of investment securities that are determined by the executive director of the State Board of Investment not to be in compliance with the requirements and limitations set forth in sections 11A.09, 11A.14, 11A.23, and 11A.24 or not to be appropriate for retention in light of the established investment objectives of the State Board of Investment or of accounts receivable determined as being incapable of being collected by the executive director of the State Board of Investment. Legal and beneficial title to assets that are determined noncompliant or inappropriate securities or that are uncollectible accounts receivable are transferred to the city of Minneapolis on the effective date of consolidation under section 19. Any accounts payable on the effective date of consolidation under section 19 are an obligation of the public employees police and fire retirement fund and reduce the asset value for purposes of subdivision 6. The transferred assets must be deposited in the public employees police and fire retirement fund. The amount of the transferred health insurance account must remain deposited in the financial institution retained by the former Minneapolis Firefighters Relief Association on May 1, 2011, and that financial institution must act as the custodian of the account. The financial institution shall perform all trustee and fiduciary duties with respect to the account as a condition to the retention of the account. The executive director of the Minneapolis Firefighters Relief Association, prior to the effective date of consolidation, shall estimate three calendar years of the administrative

2011 First Special Session

expenses related to the operation of the account and shall prepay those expenses from the account to the financial institution before the effective date of consolidation. After the three-year prepayment period, the beneficiaries of the account are responsible for the payment of the administrative expenses related to the operation of the account.

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

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

(d) The Public Employees Retirement Association shall indemnify any former fiduciary of the Minneapolis Firefighters Relief Association consistent with the provisions of section 356A.11. The indemnification may be effected by the purchase by the Public Employees Retirement Association of reasonable fiduciary liability tail insurance for the officers and directors of the former Minneapolis Firefighters Relief Association. Consistent with section 69.80, the relief association may purchase reasonable fiduciary liability tail insurance for its officers and directors prior to the effective date of consolidation under section 19.

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

Subd. 5. **Benefits.** The annuities, service pensions, and other retirement benefits of or attributable to retired, disabled, deferred, surviving spouse, or inactive Minneapolis Firefighters Relief Association members who had that status as of the day before the effective date of consolidation under section 19 continue after consolidation in the same amount and under the same terms as provided in chapter 423C except that the unit value is governed by section 353.01, subdivision 10a, and the postretirement adjustments after December 31, 2015, must be calculated solely under section 353.6511, subdivision 8.

Subd. 6. **Additional employer contributions.** (a) As of the effective date of the consolidation under section 19, the approved actuary retained by the Public Employees Retirement Association shall calculate the present value of future benefits of the former Minneapolis Firefighters Relief Association, and, after subtracting the market value of

2011 First Special Session

the transferred assets of the former Minneapolis Firefighters Relief Association and the present value of the employer contribution under section 353.65, subdivision 3, paragraph (b), shall calculate the remainder present value of future benefits amount. Annually, following the effective date of consolidation under section 19, the city of Minneapolis shall pay an amount sufficient to amortize on a level annual dollar basis the remainder present value of future benefits amount by December 31, 2031. The amortization payment is payable annually on July 15, beginning in the year following the effective date of the consolidation. The 2012 payment should be estimated based on the provisions of this legislation. The July 2013 payment shall be adjusted based on the final actuarial valuation.

(b) If the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and the amortization contribution by the city of Minneapolis for the balance of the amortization period must be redetermined and certified to the city of Minneapolis.

Subd. 7. **Health and dental insurance program deductions.** The executive director shall withhold any health insurance or dental insurance premiums designated by the annuitant or benefit recipient and shall transfer them to the city of Minneapolis. The Public Employees Retirement Association may charge a necessary and reasonable monthly administrative fee to the city of Minneapolis for this function and bill it in addition to the employer contribution under section 353.65, subdivision 3, paragraph (b). Notwithstanding any provision of chapter 13 to the contrary, the executive director shall provide the city of Minneapolis with the current addresses of former members of the Minneapolis Firefighters Relief Association.

Subd. 8. **Cooperation with fraternal organization.** (a) This subdivision applies if the membership of the former Minneapolis Firefighters Relief Association approves the continuation of the relief association as a fraternal organization under section 16.

(b) The executive director shall cooperate with the Minneapolis firefighters fraternal association to insure adequate communication with the former members of the former Minneapolis Firefighters Relief Association consistent with Public Employees Retirement Association policy.

Subd. 9. **Fire insurance surcharge.** Notwithstanding any provision of section 297I.10 to the contrary, the proceeds of the first class city fire insurance premium tax surcharge with respect to Minneapolis must be paid to the city of Minneapolis to defray a portion of the employer retirement cost under section 353.65, subdivision 3, with respect to Minneapolis firefighters.

Sec. 15. Minnesota Statutes 2010, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** (a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:

(1) all police or salaried firefighters relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31;

2011 First Special Session

(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and

(3) the municipalities that are required to make an additional municipal contribution under section 353.665, subdivision 8, or 353.667, subdivision 6, for the duration of the required additional contribution.

(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.

(c) Beginning October 1, 2000, and annually thereafter, the commissioner shall allocate the state aid, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 64.5 percent to the municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4;

(2) 34.2 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Fire Department Relief Association; and

(3) 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia Fire Department Relief Association.

If there is no unfunded actuarial accrued liability in both the Minneapolis Police Relief Association and the Minneapolis Fire Department Relief Association as disclosed in the most recent actuarial valuations for the relief associations prepared under sections 356.215 and 356.216, the commissioner shall allocate that 34.2 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. If there is no unfunded actuarial accrued liability in the Virginia Fire Department Relief Association as disclosed in the most recent actuarial valuation for the relief association prepared under sections 356.215 and 356.216, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. Upon the final payment to municipalities required by section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), the commissioner shall allocate that 64.5 percent of the aid as follows: 20 percent to the St. Paul Teachers Retirement Fund Association, 20 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation proposed under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis

2011 First Special Session

Firefighters Relief Association, 20 percent for the city of Duluth to pay for any costs associated with the police and firefighters pensions, and 40 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. The allocation must be made by the commissioner at the same time and under the same procedures as specified in subdivision 3. With respect to the St. Paul Teachers Retirement Fund Association, annually, beginning on July 1, 2005, if the applicable teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to that retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section 69.021, subdivision 11, paragraph (e).

Sec. 16. **MINNEAPOLIS FIREFIGHTERS RELIEF ASSOCIATION; SPECIAL ACTUARIAL VALUATION PENDING CONSOLIDATION.**

(a) On or before August 1, 2011, the approved actuarial consulting firm retained by the Public Employees Retirement Association under Minnesota Statutes, section 356.214, shall prepare an alternative actuarial valuation of the Minneapolis Firefighters Relief Association under Minnesota Statutes, section 356.215, and the most recent standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement as of August 11, 2010, using the applicable actuarial assumptions and the applicable amortization target date of the public employee police and fire retirement plan.

(b) The officers of the Minneapolis Firefighters Relief Association shall supply the approved actuary retained by the Public Employees Retirement Association with the financial and demographic data necessary to perform the alternative actuarial valuation.

(c) The alternative actuarial valuation of the Minneapolis Firefighters Relief Association must be filed with the mayor of the city of Minneapolis, with the Minneapolis city coordinator, with the executive director of the Minneapolis Firefighters Relief Association, with the executive director of the Public Employees Retirement Association, with the executive director of the Legislative Commission on Pensions and Retirement, and with the Legislative Reference Library.

(d) The expense of preparing the alternative actuarial valuation must be paid by the city of Minneapolis within 30 days of its certification to the finance director of the city of Minneapolis by the executive director of the Public Employees Retirement Association.

Sec. 17. **TERMINATION OF THE RELIEF ASSOCIATION.**

(a) On the effective date of the consolidation under section 19, the special fund of the Minneapolis Firefighters Relief Association ceases to exist.

(b) The Minneapolis Firefighters Relief Association shall provide for the continuation of the relief association as a fraternal organization other than as a pension or retirement organization and shall approve the changes in its articles of incorporation and bylaws necessary to effect that redesignation and reorganization of the organization.

2011 First Special Session

(c) If the Minneapolis Firefighters Relief Association continues the relief association as a fraternal organization under paragraph (b), the transfer of relief association assets under Minnesota Statutes, section 353.667, subdivision 4, must not include assets of the Minneapolis Firefighters Relief Association general fund, which must be retained by the fraternal organization for organization purposes other than for pension or retirement benefit payment purposes.

(d) As of the effective date of the consolidation under section 19, the employment of the employees of the Minneapolis Firefighters Relief Association terminates. The employees of the Minneapolis Firefighters Relief Association who were employed by the relief association before May 1, 2011, have an employment preference with the Public Employees Retirement Association equal to that under the veterans preference act.

(e) If, on the day following approval of this article by the Minneapolis city council, the consolidation has been approved by all applicable entities under section 19, the officers of the Minneapolis Firefighters Relief Association shall certify to the city of Minneapolis and to the Hennepin County auditor the financial requirements of the relief association and the minimum municipal obligation under Minnesota Statutes, section 69.77, subdivision 4, revised consistent with the actuarial valuation results under Minnesota Statutes, section 423A.02, subdivision 1b.

(f) After the effective date of consolidation under section 19, the city of Minneapolis shall continue to administer the health and dental insurance programs as constituted on May 1, 2011, for the former members of the former Minneapolis Firefighters Relief Association, transferring premiums as required.

Sec. 18. REPEALER.

Minnesota Statutes 2010, sections 423A.021; 423C.01; 423C.02; 423C.03; 423C.04; 423C.05; 423C.06; 423C.07; 423C.08; 423C.09; 423C.10; 423C.11; 423C.12; 423C.13; 423C.14; 423C.15; and 423C.16, are repealed.

Sec. 19. EFFECTIVE DATE; LOCAL APPROVAL.

(a) Sections 1 to 16, 17, paragraphs (a) to (d), and 18 are effective December 30, 2011, if the board of trustees of the Minneapolis Firefighters Relief Association approves the article and if a majority of the entire membership of the Minneapolis Firefighters Relief Association approves the article, if the chief administrative officer of the Minneapolis Firefighters Relief Association certifies those approvals to the mayor of the city of Minneapolis and the president of the Minneapolis city council before September 15, 2011, if the board of trustees of the Public Employees Retirement Association approves the article, if the executive director of the Public Employees Retirement Association certifies that approval to the mayor of the city of Minneapolis and the president of the Minneapolis city council, if the governing body of the city of Minneapolis and the chief clerical officer of Minneapolis timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, on or before October 15, 2011, or on the date set by the board of trustees of the Public Employees Retirement Association, in consultation with the mayor of the city of Minneapolis and the executive director of the relief association, at the first regular meeting of the Public Employees Retirement Association board of trustees occurring after Minneapolis city council approval if the governing body of the city of Minneapolis and the chief clerical officer of Minneapolis complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, after October 15, 2011, and

2011 First Special Session

if a comparable consolidation relating to the Minneapolis Police Relief Association is approved by all applicable entities under article 7.

(b) If the approvals occur under paragraph (a) in a timely fashion, section 17, paragraph (e), is effective on the day following approval by the Minneapolis city council.

ARTICLE 7

VOLUNTARY CONSOLIDATION OF THE MINNEAPOLIS POLICE
RELIEF ASSOCIATION

Section 1. Minnesota Statutes 2010, section 353.01, is amended by adding a subdivision to read:

Subd. 10b. **Unit value; Minneapolis police.** "Unit value," for a member of the public employees police and fire retirement plan who was a member of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under section 19, is \$86.71 for calendar year 2011, \$104.651 for calendar year 2012, \$109.011 for calendar year 2013, \$114.825 for calendar year 2014, \$124.031 for calendar year 2015, and for calendar years after calendar year 2015, the prior year's unit value plus an increase equal to the adjustment percentage determined under section 356.415, subdivision 1c, effective for the January 1 of the calendar year.

Sec. 2. Minnesota Statutes 2010, section 353.01, subdivision 16, is amended to read:

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

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

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

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

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

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

(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's

2011 First Special Session

average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions 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, excluding overtime pay, during the purchase period that the member would have received if the member 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 member's average salary rate, excluding overtime pay, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member'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 member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution

2011 First Special Session

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 member contribution. The governmental subdivision involved may appropriate money for those payments. 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. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent 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. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under subdivision 40.

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

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

(d) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under section 19, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to the effective date of consolidation under section 19 and the period of service credited under paragraph (a), clause (1), after the effective date of consolidation under section 19.

(e) MS 2002 [Expired]

Sec. 3. Minnesota Statutes 2010, section 353.03, is amended by adding a subdivision to read:

Subd. 3b. **Additional duties.** The executive director shall deduct from the annuity or benefit periodically the amount of any dues of any fraternal organization continuing or established after the effective date of consolidation under section 19 for former members of the former Minneapolis Police Relief Association.

Sec. 4. Minnesota Statutes 2010, section 353.65, subdivision 1, is amended to read:

Subdivision 1. **Fund established.** (a) The public employees police and fire fund is established for police officers and firefighters who meet the eligibility criteria under section 353.64.

2011 First Special Session

(b) Employee contributions other than those made under subdivision 2, paragraph (b), employer contributions under subdivision 3 and under section 353.668, subdivision 6, other than the excess contribution established by section 69.031, subdivision 5, paragraphs (2), clauses (b) and (c), and (3), and other amounts authorized by law, including all employee and employer contributions of members transferred, must be deposited in the public employees police and fire fund.

Sec. 5. Minnesota Statutes 2010, section 353.65, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For members other than members who were active members of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under section 19, the employee contribution is 9.4 percent of the salary of the member in calendar year 2010 and is 9.6 percent of the salary of the member in each calendar year after 2010. ~~This contribution~~

(b) For members who were active members of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under section 19, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Police Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

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

Sec. 6. Minnesota Statutes 2010, section 353.65, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) With respect to members other than members who were active members of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under section 19, the employer contribution is 14.1 percent of the salary of the member in calendar year 2010 and is 14.4 percent of the salary of the member in each calendar year after 2010. ~~This contribution~~

(b) With respect to members who were active members of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under section 19, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (b).

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

Sec. 7. Minnesota Statutes 2010, section 353.651, subdivision 1, is amended to read:

Subdivision 1. **Age and allowable service requirements.** Upon separation from public service, any police officer or firefighter member, other than a police officer covered by section 353.6512, who has attained the age of at least 55 years and who is vested under section 353.01, subdivision 47, is entitled upon application to a retirement annuity, known as the "normal" retirement annuity.

2011 First Special Session

Sec. 8. [353.6512] ALTERNATIVE RETIREMENT BENEFIT COVERAGE IN CERTAIN INSTANCES.

Subdivision 1. **Applicability.** The alternative benefit coverage under this section applies only to an active member of the public employees police and fire retirement plan who was an active member of the former Minneapolis Police Relief Association on the day prior to the consolidation effective date under section 19 and who retires after the consolidation effective date under section 19.

Subd. 2. **Retirement annuity.** (a) A member described in subdivision 1, if the member meets the eligibility requirements of paragraph (b), is only entitled to a retirement annuity under this subdivision.

(b) The member, upon application, if the person is at least age 50 and has credit for at least 20 years of allowable service, is entitled to a normal retirement annuity. The normal retirement annuity is the following amount based on the service credit of the retiring member as a Minneapolis police officer:

<u>years of service</u>	<u>retirement annuity amount</u>
<u>20</u>	<u>35.0 units</u>
<u>21</u>	<u>36.6 units</u>
<u>22</u>	<u>38.2 units</u>
<u>23</u>	<u>39.8 units</u>
<u>24</u>	<u>41.4 units</u>
<u>25 or more</u>	<u>43.0 units</u>

Subd. 3. **Disability benefit.** A member described in subdivision 1, if the member is disabled under section 353.01, subdivision 41 or 46, and has not yet attained the age of 50 years, is entitled to a disability benefit equal to 34 units.

Subd. 4. **Surviving spouse benefit.** A surviving spouse under section 353.01, subdivision 20, of a deceased member described in subdivision 1 is entitled to a surviving spouse benefit equal to 23 units.

Subd. 5. **Surviving dependent child benefit.** A surviving dependent child under section 353.01, subdivision 15a, of a deceased member described in subdivision 1 is entitled to a surviving child benefit equal to eight units.

Subd. 6. **Surviving family benefit maximum.** The surviving spouse and surviving dependent child under subdivisions 4 and 5 are entitled to a combined family benefit under subdivisions 4 and 5 of 41 units.

Subd. 7. **Postretirement adjustments.** Retirement annuities, service pensions, disability benefits, and survivor benefits after December 31, 2015, are eligible for postretirement adjustments under section 356.415, subdivision 1c. The unit value for the calculation of a retirement annuity first payable after December 31, 2015, is the calendar year 2015 unit value, plus any postretirement adjustment percentage amount under section 356.415, subdivision 1c, payable after December 31, 2015, and before the date of retirement.

Subd. 8. **Savings clause; dispute resolution.** In the event of any dispute by or on behalf of any former member of the consolidating relief association after the effective date

2011 First Special Session

of consolidation over the amount of a benefit to which the person may be entitled, the proper interpretation of a provision of this article, or the conformity of the provisions of this article to the provisions of the benefit plan of the consolidating relief association in effective immediately before the date of the consolidation, the dispute shall be submitted in writing to the Legislative Commission on Pensions and Retirement by the person who is a party to the dispute, by the fraternal organization related to the former relief association, or by the executive director of the Public Employees Retirement Association. The Legislative Commission on Pensions and Retirement shall review the dispute as part of its deliberations on proposed or pending retirement legislation and shall make its recommendation on the resolution of the dispute, if any, to the appropriate committees of the senate and house of representatives with jurisdiction over public employee pension matters in the form of the necessary legislation amending the provisions of this article, which proposed legislation must include retroactivity of any increase in a benefit amount to the date on which the benefit subject to dispute accrued or would have accrued.

Sec. 9. Minnesota Statutes 2010, section 353.656, subdivision 1, is amended to read:

Subdivision 1. **Duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a police officer covered by section 353.6512, who is determined to qualify for duty disability as defined in section 353.01, subdivision 41, shall receive disability benefits during the period of such disability in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional percentage specified under section 356.315, subdivision 6, of that average salary for each year of service in excess of 20 years.

(b) To be eligible for a benefit under paragraph (a), the member must have:

(1) not met the requirements for a retirement annuity under section 353.651, subdivision 1; or

(2) met the requirements under that subdivision, but does not have at least 20 years of allowable service credit.

(c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a period of 60 months from the disability benefit accrual date and at the end of that period is subject to provisions of subdivision 5a.

(d) If the disability under this subdivision occurs before the member has at least five years of allowable service credit in the police and fire plan, the disability benefit must be computed on the average salary from which deductions were made for contribution to the police and fire fund.

Sec. 10. Minnesota Statutes 2010, section 353.656, subdivision 1a, is amended to read:

Subd. 1a. **Total and permanent duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a police officer covered by section 353.6512, whose disabling condition is determined to be a duty disability that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, disability benefits in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional percent specified in section 356.315, subdivision 6, of that average salary for each year of service in excess of 20 years.

(b) A disability benefit payable under paragraph (a) is subject to eligibility review under section 353.33, subdivision 6, but the review may be waived if the executive

2011 First Special Session

director receives a written statement from the association's medical advisor that no improvement can be expected in the member's disabling condition that was the basis for payment of the benefit under paragraph (a). A member receiving a disability benefit under this subdivision who is found to no longer be permanently and totally disabled as defined under section 353.01, subdivision 19, but continues to meet the definition for receipt of a duty disability under section 353.01, subdivision 41, is subject to subdivision 1 upon written notice from the association's medical advisor that the person is no longer considered permanently and totally disabled.

(c) If a member approved for disability benefits under this subdivision dies before attaining normal retirement age as defined in section 353.01, subdivision 37, paragraph (b), or within 60 months of the effective date of the disability, whichever is later, the surviving spouse is entitled to receive a survivor benefit under section 353.657, subdivision 2, paragraph (a), clause (1), if the death is the direct result of the disabling condition for which disability benefits were approved, or section 353.657, subdivision 2, paragraph (a), clause (2), if the death is not directly related to the disabling condition for which benefits were approved under this subdivision.

(d) If the election of an actuarial equivalent optional annuity is not made at the time the permanent and total disability benefit accrues, an election must be made within 90 days before the member attains normal retirement age as defined under section 353.01, subdivision 37, paragraph (b), or having collected total and permanent disability benefits for 60 months, whichever is later. If a member receiving disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

Sec. 11. Minnesota Statutes 2010, section 353.656, subdivision 3, is amended to read:

Subd. 3. **Regular disability benefit.** (a) A member of the police and fire plan, other than a police officer covered by section 353.6512, who qualifies for a regular disability benefit as defined in section 353.01, subdivision 46, is entitled to receive a disability benefit, after filing a valid application, in an amount equal to 45 percent of the average salary as defined in section 353.01, subdivision 17a.

(b) To be eligible for a benefit under paragraph (a), the member must have at least one year of allowable service credit and have:

(1) not met the requirements for a retirement annuity under section 353.651, subdivision 1, or

(2) met the requirements under that subdivision, but does not have at least 15 years of allowable service credit.

(c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a period of 60 months from the disability benefit accrual date and, at the end of that period, is subject to provisions of subdivision 5a.

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

Sec. 12. Minnesota Statutes 2010, section 353.656, subdivision 3a, is amended to read:

Subd. 3a. **Total and permanent regular disability; computation of benefits.** (a) A member of the police and fire plan, other than a police officer covered by section

2011 First Special Session

353.6512, whose disabling condition is determined to be a regular disability under section 353.01, subdivision 46, that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, a disability benefit in an amount equal to 45 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional percent specified in section 356.315, subdivision 6, of that average salary for each year of service in excess of 15 years.

(b) A disability benefit payable under paragraph (a) is subject to eligibility review under section 353.33, subdivision 6, but the review may be waived if the executive director receives a written statement from the association's medical advisor that no improvement can be expected in the member's disabling condition that was the basis for payment of the benefit under paragraph (a). A member receiving a disability benefit under this subdivision who is found to no longer be permanently and totally disabled as defined under section 353.01, subdivision 19, but continues to meet the definition for receipt of a regular disability under section 353.01, subdivision 46, is subject to subdivision 3 upon written notice from the association's medical advisor that the person is no longer considered permanently and totally disabled.

(c) A member approved for disability benefits under this subdivision may elect to receive a normal disability benefit or an actuarial equivalent optional annuity. If the election of an actuarial equivalent optional annuity is not made at the time the total and permanent disability benefit accrues, an election must be made within 90 days before the member attains normal retirement age as defined in section 353.01, subdivision 37, paragraph (b), or having collected disability benefits for 60 months, whichever is later. No surviving spouse benefits are payable if the member dies during the period in which a normal total and permanent disability benefit is being paid. If a member receiving disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

Sec. 13. Minnesota Statutes 2010, section 353.657, subdivision 1, is amended to read:

Subdivision 1. **Generally.** (a) In the event that a member of the police and fire fund, other than a police officer covered by section 353.6512, dies from any cause before retirement or before becoming disabled and receiving disability benefits, the association shall grant survivor benefits to a surviving spouse, as defined in section 353.01, subdivision 20, and to a dependent child or children, as defined in section 353.01, subdivision 15, except that if the death is not a line of duty death, the member must be vested under section 353.01, subdivision 47.

(b) Notwithstanding the definition of surviving spouse, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a monthly surviving spouse benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The spouse and child or children are entitled to monthly benefits as provided in subdivisions 2 to 4.

Sec. 14. **[353.668] CONSOLIDATION OF THE MINNEAPOLIS POLICE RELIEF ASSOCIATION.**

2011 First Special Session

Subdivision 1. **Membership transfer.** On the effective date of consolidation under section 19, the active, inactive, and retired members, including surviving spouses, of the Minneapolis Police Relief Association are transferred to the public employees police and fire retirement plan, are no longer members of the Minneapolis Police Relief Association, and are members of the public employees police and fire retirement plan.

Subd. 2. **Service credit and benefit liability transfer.** (a) Allowable service credit and base salary credit of the active members of the Minneapolis Police Relief Association, as contained in the records of the Minneapolis Police Relief Association through the day before the effective date of consolidation under section 19, are transferred to the public employees police and fire retirement plan and is credited as provided in section 353.01, subdivisions 10b and 16, paragraph (c), on the effective date of consolidation under section 19.

(b) The liability for the payment of retirement annuities, service pensions, and retirement and surviving spouse benefits of the Minneapolis Police Relief Association retired members, service pensioners, disabilitants, surviving spouses, and other retirement benefit recipients as specified in the records of the Minneapolis Police Relief Association is transferred to the public employees police and fire retirement plan on the effective date of consolidation under section 19.

Subd. 3. **Transfer of records.** On the effective date of the consolidation under section 19, the chief administrative officer of the Minneapolis Police Relief Association shall transfer all records and documents relating to the special fund of the Minneapolis Police Relief Association to the executive director of the Public Employees Retirement Association. To the extent possible, original copies of all records and documents must be transferred.

Subd. 4. **Transfer of assets; transfer of title to assets.** (a) On the effective date of the consolidation under section 19, the chief administrative officer of the Minneapolis Police Relief Association shall transfer the entire assets of the special fund of the Minneapolis Police Relief Association other than the health insurance account to the public employees police and fire retirement fund at market value. Unless ineligible or inappropriate, the transfer must be in the form of investment securities and must include any accounts receivable that are determined by the State Board of Investment as being capable of being collected. An amount, in cash, must be transferred by the city of Minneapolis equal to the market value recognized by the relief association of investment securities that are determined by the executive director of the State Board of Investment not to be in compliance with the requirements and limitations set forth in sections 11A.09, 11A.14, 11A.23, and 11A.24 or not to be appropriate for retention in light of the established investment objectives of the State Board of Investment or of accounts receivable determined by the executive director of the State Board of Investment as being incapable of being collected. Legal and beneficial title to assets that are determined noncompliant or inappropriate securities or that are uncollectible accounts receivable are transferred to the city of Minneapolis on the effective date of consolidation under section 19. Any accounts payable on the effective date of consolidation under section 19 are an obligation of the public employees police and fire retirement fund and reduce the asset value for purposes of subdivision 6. The transferred assets must be deposited in the public employees police and fire retirement fund. The amount of the health insurance account as of the date of the consolidation must remain deposited in the financial institution retained by the former Minneapolis Police Relief Association on May 1, 2011, and that financial institution must act as the custodian of the account. The financial institution shall perform

2011 First Special Session

all trustee and fiduciary duties with respect to the account as a condition to the retention of the account. The executive director of the Minneapolis Police Relief Association, prior to the effective date of consolidation, shall estimate three calendar years of the administrative expenses related to the operation of the account and shall prepay those expenses from the account to the financial institution prior to the effective date of consolidation. After the three-year prepayment period, the beneficiaries of the account are responsible for the payment of the administrative expenses related to the operation of the account.

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

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

(d) The Public Employees Retirement Association shall indemnify any former fiduciary of the Minneapolis Police Relief Association consistent with the provisions of section 356A.11. The indemnification may be effected by the purchase by the Public Employees Retirement Association of reasonable fiduciary liability tail insurance for the officers and directors of the former Minneapolis Police Relief Association. Consistent with section 69.80, the relief association may purchase reasonable fiduciary liability tail insurance for its officers and directors prior to the effective date of consolidation under section 19.

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

Subd. 5. **Benefits.** The annuities, service pensions, and other retirement benefits of or attributable to retired, disabled, deferred, surviving spouse, or inactive Minneapolis Police Relief Association members who had that status as of the day before the effective date of consolidation under section 19 continue after consolidation in the same amount and under the same terms as provided in chapter 423B, except that the unit value is governed by section 353.01, subdivision 10b, and the postretirement adjustments after December 31, 2015, must be calculated solely under section 353.6512, subdivision 8.

Subd. 6. **Additional employer contributions.** (a) As of the effective date of the consolidation under section 19, the approved actuary retained by the Public Employees

2011 First Special Session

Retirement Association shall calculate the present value of future benefits of the former Minneapolis Police Relief Association, and, after subtracting the market value of the transferred assets of the former Minneapolis Police Relief Association and the present value of the employer contribution under section 353.65, subdivision 3, paragraph (b), shall calculate the remainder present value of future benefits amount. Annually, following the effective date of consolidation under section 19, the city of Minneapolis shall pay an amount sufficient to amortize on a level annual dollar basis the remainder present value of future benefits amount by December 31, 2031. The amortization payment is payable annually on July 15, beginning in the year following the effective date of the consolidation. The 2012 payment should be estimated based on the provisions of this legislation. The July 2013 payment shall be adjusted based on the final actuarial valuation.

(b) If the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and the amortization contribution by the city of Minneapolis for the balance of the amortization period must be redetermined and certified to the city of Minneapolis.

Subd. 7. **Health and dental insurance program deductions.** The executive director shall withhold any health insurance or dental insurance premiums designated by the annuitant or benefit recipient and shall transfer them to the city of Minneapolis. The Public Employees Retirement Association may charge a necessary and reasonable monthly administrative fee to the city of Minneapolis for this function and bill it in addition to the employer contribution under section 353.65, subdivision 3, paragraph (b). Notwithstanding any provision of chapter 13 to the contrary, the executive director shall provide the city of Minneapolis with the current addresses of former members of the Minneapolis Police Relief Association.

Subd. 8. **Cooperation with fraternal organization.** (a) This subdivision applies if the membership of the former Minneapolis Police Relief Association approves the continuation of the relief association as a fraternal organization under section 16.

(b) The executive director shall cooperate with the Minneapolis police fraternal association to insure adequate communication with the former members of the former Minneapolis Police Relief Association consistent with Public Employees Retirement Association policy.

Sec. 15. Minnesota Statutes 2010, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** (a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:

(1) all police or salaried firefighters relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31;

(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution

2011 First Special Session

amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and

(3) the municipalities that are required to make an additional municipal contribution under section 353.665, subdivision 8, or 353.668, subdivision 6, for the duration of the required additional contribution.

(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.

(c) Beginning October 1, 2000, and annually thereafter, the commissioner shall allocate the state aid, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 64.5 percent to the municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4;

(2) 34.2 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Fire Department Relief Association; and

(3) 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia Fire Department Relief Association.

If there is no unfunded actuarial accrued liability in both the Minneapolis Police Relief Association and the Minneapolis Fire Department Relief Association as disclosed in the most recent actuarial valuations for the relief associations prepared under sections 356.215 and 356.216, the commissioner shall allocate that 34.2 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. If there is no unfunded actuarial accrued liability in the Virginia Fire Department Relief Association as disclosed in the most recent actuarial valuation for the relief association prepared under sections 356.215 and 356.216, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. Upon the final payment to municipalities required by section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), the commissioner shall allocate that 64.5 percent of the aid as follows: 20 percent to the St. Paul Teachers Retirement Fund Association, 20 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation proposed under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Firefighters Relief Association, 20 percent for the city of Duluth to pay for any costs associated with the police and firefighters pensions, and 40 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. The allocation

2011 First Special Session

must be made by the commissioner at the same time and under the same procedures as specified in subdivision 3. With respect to the St. Paul Teachers Retirement Fund Association, annually, beginning on July 1, 2005, if the applicable teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to that retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section 69.021, subdivision 11, paragraph (e).

Sec. 16. **MINNEAPOLIS POLICE RELIEF ASSOCIATION; SPECIAL ACTUARIAL VALUATION PENDING CONSOLIDATION.**

(a) On or before August 1, 2011, the approved actuarial consulting firm retained by the Public Employees Retirement Association under Minnesota Statutes, section 356.214, shall prepare an alternative actuarial valuation of the Minneapolis Police Relief Association under Minnesota Statutes, section 356.215, and the most recent standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement as of August 11, 2010, using the applicable actuarial assumptions and the applicable amortization target date of the public employee police and fire retirement plan.

(b) The officers of the Minneapolis Police Relief Association shall supply the approved actuary retained by the Public Employees Retirement Association with the financial and demographic data necessary to perform the alternative actuarial valuation.

(c) The alternative actuarial valuation of the Minneapolis Police Relief Association must be filed with the mayor of the city of Minneapolis, with the Minneapolis city coordinator, with the executive director of the Minneapolis Police Relief Association, with the executive director of the Public Employees Retirement Association, with the executive director of the Legislative Commission on Pensions and Retirement, and with the Legislative Reference Library.

(d) The expense of preparing the alternative actuarial valuation must be paid by the city of Minneapolis within 30 days of its certification to the finance director of the city of Minneapolis by the executive director of the Public Employees Retirement Association.

Sec. 17. **TERMINATION OF THE RELIEF ASSOCIATION.**

(a) On the effective date of the consolidation under section 19, the special fund of the Minneapolis Police Relief Association ceases to exist.

(b) The Minneapolis Police Relief Association shall provide for the continuation of the relief association as a fraternal organization other than as a pension or retirement organization and shall approve the changes in its articles of incorporation and bylaws necessary to effect that redesignation and reorganization of the organization.

(c) If the Minneapolis Police Relief Association continues the relief association as a fraternal organization under paragraph (b), the transfer of relief association assets under Minnesota Statutes, section 353.668, subdivision 4, must not include assets of the Minneapolis Police Relief Association general fund, which must be retained by the

2011 First Special Session

fraternal organization for organization purposes other than for pension or retirement benefit payment purposes.

(d) As of the effective date of the consolidation under section 19, the employment of the employees of the Minneapolis Police Relief Association terminates. The employees of the Minneapolis Police Relief Association who were employed by the relief association before May 1, 2011, have an employment preference with the Public Employees Retirement Association equal to that under the veterans preference act.

(e) If, on the day following approval of this article by the Minneapolis city council, the consolidation has been approved by all applicable entities under section 19, the officers of the Minneapolis Police Relief Association shall certify to the city of Minneapolis and to the Hennepin County auditor the financial requirements of the relief association and the minimum municipal obligation under Minnesota Statutes, section 69.77, subdivision 4, revised consistent with the actuarial valuation results under Minnesota Statutes, section 423A.02, subdivision 1b.

(f) After the effective date of consolidation under section 19, the city of Minneapolis shall continue to administer the health and dental insurance programs as constituted on May 1, 2011, for the former members of the former Minneapolis Police Relief Association, transferring premiums as required.

Sec. 18. **REPEALER.**

Minnesota Statutes 2010, sections 423B.01; 423B.03; 423B.04; 423B.05; 423B.06; 423B.07; 423B.08; 423B.09; 423B.10; 423B.11; 423B.12; 423B.13; 423B.14; 423B.15; 423B.151; 423B.16; 423B.17; 423B.18; 423B.19; 423B.20; 423B.21; and 423B.23, are repealed.

Sec. 19. **EFFECTIVE DATE; LOCAL APPROVAL.**

(a) Sections 1 to 16, 17, paragraphs (a) to (d), and 18 are effective December 30, 2011, if the board of trustees of the Minneapolis Police Relief Association approves the article and if a majority of the entire membership of the Minneapolis Police Relief Association approves the article, if the chief administrative officer of the Minneapolis Police Relief Association certifies those approvals to the mayor of the city of Minneapolis and the president of the Minneapolis city council before September 15, 2011, if the board of trustees of the Public Employees Retirement Association approves the article, if the executive director of the Public Employees Retirement Association certifies that approval to the mayor of the city of Minneapolis and the president of the Minneapolis city council, if the governing body of the city of Minneapolis and the chief clerical officer of Minneapolis timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, on or before October 15, 2011, or on the date set by the board of trustees of the Public Employees Retirement Association, in consultation with the mayor of the city of Minneapolis and the executive director of the relief association, at the first regular meeting of the Public Employees Retirement Association board of trustees occurring after Minneapolis city council approval if the governing body of the city of Minneapolis and the chief clerical officer of Minneapolis complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, after October 15, 2011, and if a comparable consolidation relating to the Minneapolis Firefighters Relief Association is approved by all applicable entities under article 7.

2011 First Special Session

(b) If the approvals occur under paragraph (a) in a timely fashion, section 17, paragraph (e), is effective on the day following approval by the Minneapolis city council.

ARTICLE 8**CONFORMING CHANGES**

Section 1. Minnesota Statutes 2010, section 6.67, is amended to read:

6.67 PUBLIC ACCOUNTANTS; REPORT OF POSSIBLE MISCONDUCT.

Whenever a public accountant in the course of auditing the books and affairs of a political subdivision or a local public pension plan governed by section 69.77, sections 69.771 to 69.775, or chapter 354A, ~~423B, 423C,~~ or 424A, discovers evidence pointing to nonfeasance, misfeasance, or malfeasance, on the part of an officer or employee in the conduct of duties and affairs, the public accountant shall promptly make a report of such discovery to the state auditor and the county attorney of the county in which the governmental unit is situated and the public accountant shall also furnish a copy of the report of audit upon completion to said officers. The county attorney shall act on such report in the same manner as required by law for reports made to the county attorney by the state auditor.

Sec. 2. Minnesota Statutes 2010, section 13D.01, subdivision 1, is amended to read:

Subdivision 1. **In executive branch, local government.** All meetings, including executive sessions, must be open to the public

(a) of a state

(1) agency,

(2) board,

(3) commission, or

(4) department,

when required or permitted by law to transact public business in a meeting;

(b) of the governing body of a

(1) school district however organized,

(2) unorganized territory,

(3) county,

(4) statutory or home rule charter city,

(5) town, or

(6) other public body;

(c) of any

(1) committee,

(2) subcommittee,

(3) board,

2011 First Special Session

(4) department, or
 (5) commission,
 of a public body; and

(d) of the governing body or a committee of:

(1) a statewide public pension plan defined in section 356A.01, subdivision 24; or

(2) a local public pension plan governed by section 69.77, sections 69.771 to 69.775, or chapter 354A ~~or 423B~~.

Sec. 3. Minnesota Statutes 2010, section 43A.316, subdivision 8, is amended to read:

Subd. 8. **Continuation of coverage.** (a) A former employee of an employer participating in the program who is receiving a public pension disability benefit or an annuity or has met the age and service requirements necessary to receive an annuity under chapter 353, 353C, 354, 354A, 356, or 423, ~~423A, 424,~~ or Minnesota Statutes 2008, chapter 422A, and the former employee's dependents, are eligible to participate in the program. This participation is at the person's expense unless a collective bargaining agreement or personnel policy provides otherwise. Premiums for these participants must be established by the commissioner.

The commissioner may provide policy exclusions for preexisting conditions only when there is a break in coverage between a participant's coverage under the employment-based group insurance program and the participant's coverage under this section. An employer shall notify an employee of the option to participate under this paragraph no later than the effective date of retirement. The retired employee or the employer of a participating group on behalf of a current or retired employee shall notify the commissioner within 30 days of the effective date of retirement of intent to participate in the program according to the rules established by the commissioner.

(b) The spouse of a deceased employee or former employee may purchase the benefits provided at premiums established by the commissioner if the spouse was a dependent under the employee's or former employee's coverage under this section at the time of the death. The spouse remains eligible to participate in the program as long as the group that included the deceased employee or former employee participates in the program. Coverage under this clause must be coordinated with relevant insurance benefits provided through the federally sponsored Medicare program.

(c) The program benefits must continue in the event of strike permitted by section 179A.18, if the exclusive representative chooses to have coverage continue and the employee pays the total monthly premiums when due.

(d) A participant who discontinues coverage may not reenroll.

Persons participating under these paragraphs shall make appropriate premium payments in the time and manner established by the commissioner.

Sec. 4. Minnesota Statutes 2010, section 69.77, subdivision 1a, is amended to read:

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

(1) the Bloomington Firefighters Relief Association;

2011 First Special Session

- (2) the Fairmont Police Relief Association; and
~~(3) the Minneapolis Firefighters Relief Association,~~
~~(4) the Minneapolis Police Relief Association, and~~
~~(5) (3) the Virginia Fire Department Relief Association.~~

Sec. 5. Minnesota Statutes 2010, section 69.77, subdivision 4, is amended to read:

Subd. 4. **Relief association financial requirements; minimum municipal obligation.** (a) The officers of the relief association shall determine the financial requirements of the relief association and minimum obligation of the municipality for the following calendar year in accordance with the requirements of this subdivision. The financial requirements of the relief association and the minimum obligation of the municipality must be determined on or before the submission date established by the municipality under subdivision 5.

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

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

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

(2) for the Bloomington Fire Department Relief Association, the Fairmont Police Relief Association, and the Virginia Fire Department Relief Association, to the dollar amount of normal cost determined under clause (1) must be added an amount equal to the dollar amount of the administrative expenses of the special fund of the association if more than one fund is maintained by the association, or of the association if only one fund is maintained, for the most recent year, multiplied by the factor of 1.035. ~~The administrative expenses are those authorized under section 69.80. No amount of administrative expenses under this clause are to be included in the financial requirements of the Minneapolis Firefighters Relief Association or the Minneapolis Police Relief Association, and~~

(3) to the dollar amount of normal cost and expenses determined under clauses (1) and (2) must be added an amount equal to the level annual dollar amount which

2011 First Special Session

is sufficient to amortize the unfunded actuarial accrued liability as determined from the actuarial valuation or survey of the fund, using an interest assumption set at the applicable rate specified in section 356.215, subdivision 8, by that fund's amortization date as specified in paragraph (d).

(d) ~~The Minneapolis Firefighters Relief Association special fund amortization date is determined under section 423C.15, subdivisions 3 and 4. The Virginia Fire Department Relief Association special fund amortization date is December 31, 2010. The Minneapolis Police Relief Association special fund and the Fairmont Police Relief Association special fund amortization date is December 31, 2020. The Bloomington Fire Department Relief Association special fund amortization date is determined under section 356.216, paragraph (a), clause (2). The amortization date specified in this paragraph supersedes any amortization date specified in any applicable special law.~~

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

Sec. 6. Minnesota Statutes 2010, section 356.215, subdivision 8, is amended to read:

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

plan	preretirement interest rate assumption	postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	8.5	6.0
elective state officers retirement plan	8.5	6.0
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5

2011 First Special Session

St. Paul teachers retirement plan	8.5	8.5
Minneapolis Police Relief Association	6.0	6.0
Fairmont Police Relief Association	5.0	5.0
Minneapolis Fire Department Relief Association	6.0	6.0
Virginia Fire Department Relief Association	5.0	5.0
Bloomington Fire Department Relief Association	6.0	6.0
local monthly benefit volunteer firefighters relief associations	5.0	5.0

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

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
judges retirement plan	4.0
Minneapolis Police Relief Association	4.0
Fairmont Police Relief Association	3.5
Minneapolis Fire Department Relief Association	4.0
Virginia Fire Department Relief Association	3.5
Bloomington Fire Department Relief Association	4.0

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

plan	future salary increase assumption
general state employees retirement plan	select calculation and assumption A
correctional state employees retirement plan	assumption G
State Patrol retirement plan	assumption F
public employees police and fire fund retirement plan	assumption B
local government correctional service retirement plan	assumption F
teachers retirement plan	assumption C
Duluth teachers retirement plan	assumption D
St. Paul teachers retirement plan	assumption E

2011 First Special Session

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 five years and the designated integer is five for the general state employees retirement plan. The designated select period is ten years and the designated integer is ten for all other retirement plans covered by this clause. The designated percentage rate is: (1) 0.2 percent for the correctional state employees retirement plan, the State Patrol retirement plan, the public employees police and fire plan, and the local government correctional service plan; (2) 0.6 percent for the general state employees retirement plan; and (3) 0.3 percent for the teachers retirement plan, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

age	A	B	C	D	E	F	G
16	5.95%	11.00%	7.70%	8.00%	6.90%	7.7500%	7.2500%
17	5.90	11.00	7.65	8.00	6.90	7.7500	7.2500
18	5.85	11.00	7.60	8.00	6.90	7.7500	7.2500
19	5.80	11.00	7.55	8.00	6.90	7.7500	7.2500
20	5.75	11.00	5.50	6.90	6.90	7.7500	7.2500
21	5.75	11.00	5.50	6.90	6.90	7.1454	6.6454
22	5.75	10.50	5.50	6.90	6.90	7.0725	6.5725
23	5.75	10.00	5.50	6.85	6.85	7.0544	6.5544
24	5.75	9.50	5.50	6.80	6.80	7.0363	6.5363
25	5.75	9.00	5.50	6.75	6.75	7.0000	6.5000
26	5.75	8.70	5.50	6.70	6.70	7.0000	6.5000
27	5.75	8.40	5.50	6.65	6.65	7.0000	6.5000

2011 First Special Session

28	5.75	8.10	5.50	6.60	6.60	7.0000	6.5000
29	5.75	7.80	5.50	6.55	6.55	7.0000	6.5000
30	5.75	7.50	5.50	6.50	6.50	7.0000	6.5000
31	5.75	7.30	5.50	6.45	6.45	7.0000	6.5000
32	5.75	7.10	5.50	6.40	6.40	7.0000	6.5000
33	5.75	6.90	5.50	6.35	6.35	7.0000	6.5000
34	5.75	6.70	5.50	6.30	6.30	7.0000	6.5000
35	5.75	6.50	5.50	6.25	6.25	7.0000	6.5000
36	5.75	6.30	5.50	6.20	6.20	6.9019	6.4019
37	5.75	6.10	5.50	6.15	6.15	6.8074	6.3074
38	5.75	5.90	5.40	6.10	6.10	6.7125	6.2125
39	5.75	5.70	5.30	6.05	6.05	6.6054	6.1054
40	5.75	5.50	5.20	6.00	6.00	6.5000	6.0000
41	5.75	5.40	5.10	5.90	5.95	6.3540	5.8540
42	5.75	5.30	5.00	5.80	5.90	6.2087	5.7087
43	5.65	5.20	4.90	5.70	5.85	6.0622	5.5622
44	5.55	5.10	4.80	5.60	5.80	5.9048	5.4078
45	5.45	5.00	4.70	5.50	5.75	5.7500	5.2500
46	5.35	4.95	4.60	5.40	5.70	5.6940	5.1940
47	5.25	4.90	4.50	5.30	5.65	5.6375	5.1375
48	5.15	4.85	4.50	5.20	5.60	5.5822	5.0822
49	5.05	4.80	4.50	5.10	5.55	5.5404	5.0404
50	4.95	4.75	4.50	5.00	5.50	5.5000	5.0000
51	4.85	4.75	4.50	4.90	5.45	5.4384	4.9384
52	4.75	4.75	4.50	4.80	5.40	5.3776	4.8776
53	4.65	4.75	4.50	4.70	5.35	5.3167	4.8167
54	4.55	4.75	4.50	4.60	5.30	5.2826	4.7826
55	4.45	4.75	4.50	4.50	5.25	5.2500	4.7500
56	4.35	4.75	4.50	4.40	5.20	5.2500	4.7500
57	4.25	4.75	4.50	4.30	5.15	5.2500	4.7500
58	4.25	4.75	4.60	4.20	5.10	5.2500	4.7500
59	4.25	4.75	4.70	4.10	5.05	5.2500	4.7500
60	4.25	4.75	4.80	4.00	5.00	5.2500	4.7500
61	4.25	4.75	4.90	3.90	5.00	5.2500	4.7500
62	4.25	4.75	5.00	3.80	5.00	5.2500	4.7500
63	4.25	4.75	5.10	3.70	5.00	5.2500	4.7500

2011 First Special Session

64	4.25	4.75	5.20	3.60	5.00	5.2500	4.7500
65	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
66	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
67	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
68	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
69	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
70	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
71	4.25		5.20				

(3) service-related ultimate future salary increase assumption

service length	general employees retirement plan of the Public Employees Retirement Association
1	12.03%
2	8.90
3	7.46
4	6.58
5	5.97
6	5.52
7	5.16
8	4.87
9	4.63
10	4.42
11	4.24
12	4.08
13	3.94
14	3.82
15	3.70
16	3.60
17	3.51
18	3.50
19	3.50
20	3.50
21	3.50
22	3.50
23	3.50
24	3.50

2011 First Special Session

25	3.50
26	3.50
27	3.50
28	3.50
29	3.50
30 or more	3.50

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

plan	payroll growth assumption
general state employees retirement plan	4.50%
correctional state employees retirement plan	4.50
State Patrol retirement plan	4.50
legislators retirement plan	4.50
judges retirement plan	4.00
general employees retirement plan of the Public Employees Retirement Association	4.00
public employees police and fire retirement plan	4.50
local government correctional service retirement plan	4.50
teachers retirement plan	4.50
Duluth teachers retirement plan	4.50
St. Paul teachers retirement plan	5.00

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

(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.

Sec. 7. Minnesota Statutes 2010, section 356.216, is amended to read:

356.216 CONTENTS OF ACTUARIAL VALUATIONS FOR LOCAL POLICE AND FIRE FUNDS.

2011 First Special Session

(a) The provisions of section 356.215 that govern the contents of actuarial valuations must apply to any local police or fire pension fund or relief association required to make an actuarial report under this section, except as follows:

(1) in calculating normal cost and other requirements, if required to be expressed as a level percentage of covered payroll, the salaries used in computing covered payroll must be the maximum rate of salary on which retirement and survivorship credits and amounts of benefits are determined and from which any member contributions are calculated and deducted;

(2) in lieu of the amortization date specified in section 356.215, subdivision 11, the appropriate amortization target date specified in section 69.77, subdivision 4, or 69.773, subdivision 4, clause (c), must be used in calculating any required amortization contribution, except that if the actuarial report for the Bloomington Fire Department Relief Association indicates an unfunded actuarial accrued liability, the unfunded obligation is to be amortized on a level dollar basis by December 31 of the year occurring 20 years later, and if subsequent actuarial valuations for the Bloomington Fire Department Relief Association determine a net actuarial experience loss incurred during the year which ended as of the day before the most recent actuarial valuation date, any unfunded liability due to that loss is to be amortized on a level dollar basis by December 31 of the year occurring 20 years later ~~and except that the amortization date for the Minneapolis Police Relief Association is December 31, 2020;~~

(3) in addition to the tabulation of active members and annuitants provided for in section 356.215, subdivision 13, the member contributions for active members for the calendar year and the prospective annual retirement annuities under the benefit plan for active members must be reported;

(4) actuarial valuations required under section 69.773, subdivision 2, must be made at least every four years and actuarial valuations required under section 69.77 shall be made annually;

(5) the actuarial balance sheet showing accrued assets valued at market value if the actuarial valuation is required to be prepared at least every four years or valued as current assets under section 356.215, subdivision 1, paragraph (b) or (f), whichever applies, if the actuarial valuation is required to be prepared annually, actuarial accrued liabilities, and the unfunded actuarial accrued liability must include the following required reserves:

(i) for active members:

1. retirement benefits;
2. disability benefits;
3. refund liability due to death or withdrawal;
4. survivors' benefits;

(ii) for deferred annuitants' benefits;

(iii) for former members without vested rights;

(iv) for annuitants;

1. retirement annuities;
2. disability annuities;

2011 First Special Session

3. surviving spouses' annuities;
4. surviving children's annuities;

In addition to those required reserves, separate items must be shown for additional benefits, if any, which may not be appropriately included in the reserves listed above; and

(6) actuarial valuations are due by the first day of the seventh month after the end of the fiscal year which the actuarial valuation covers.

~~(b) For the Minneapolis Firefighters Relief Association or the Minneapolis Police Relief Association, the following provisions additionally apply:~~

~~(1) in calculating the actuarial balance sheet, unfunded actuarial accrued liability, and amortization contribution of the relief association, "current assets" means the value of all assets at cost, including realized capital gains and losses, plus or minus, whichever applies, the average value of total unrealized capital gains or losses for the most recent three-year period ending with the end of the plan year immediately preceding the actuarial valuation report transmission date, and~~

~~(2) in calculating the applicable portions of the actuarial valuation, an annual preretirement interest assumption of six percent, an annual postretirement interest assumption of six percent, and an annual salary increase assumption of four percent must be used.~~

Sec. 8. Minnesota Statutes 2010, section 356.401, subdivision 3, is amended to read:

Subd. 3. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

- (1) the legislators retirement plan, established by chapter 3A;
- (2) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;
- (3) the correctional state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;
- (4) the State Patrol retirement plan, established by chapter 352B;
- (5) the elective state officers retirement plan, established by chapter 352C;
- (6) the unclassified state employees retirement program, established by chapter 352D;
- (7) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353, including the MERF division of the Public Employees Retirement Association;
- (8) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;
- (9) the public employees defined contribution plan, established by chapter 353D;
- (10) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E;
- (11) the voluntary statewide lump-sum volunteer firefighter retirement plan, established by chapter 353G;

- (12) the Teachers Retirement Association, established by chapter 354;
- (13) the Duluth Teachers Retirement Fund Association, established by chapter 354A;
- (14) the St. Paul Teachers Retirement Fund Association, established by chapter 354A;
- (15) the individual retirement account plan, established by chapter 354B;
- (16) the higher education supplemental retirement plan, established by chapter 354C; and
- ~~(17) the Minneapolis Police Relief Association, established by chapter 423B,~~
- ~~(18) the Minneapolis Firefighters Relief Association, established by chapter 423C,~~
- ~~and~~
- ~~(19)~~ (17) the judges retirement fund, established by chapter 490.

Sec. 9. Minnesota Statutes 2010, section 356.465, subdivision 3, is amended to read:

Subd. 3. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

- (1) the general state employees retirement plan of the Minnesota State Retirement System established under chapter 352;
- (2) the correctional state employees retirement plan of the Minnesota State Retirement System established under chapter 352;
- (3) the State Patrol retirement plan established under chapter 352B;
- (4) the legislators retirement plan established under chapter 3A;
- (5) the judges retirement plan established under chapter 490;
- (6) the general employees retirement plan of the Public Employees Retirement Association established under chapter 353, including the MERF division of the Public Employees Retirement Association;
- (7) the public employees police and fire plan of the Public Employees Retirement Association established under chapter 353;
- (8) the teachers retirement plan established under chapter 354;
- (9) the Duluth Teachers Retirement Fund Association established under chapter 354A;
- (10) the St. Paul Teachers Retirement Fund Association established under chapter 354A; and
- ~~(11) the Minneapolis Firefighters Relief Association established under chapter 423C,~~
- ~~(12) the Minneapolis Police Relief Association established under chapter 423B, and~~
- ~~(13)~~ (11) the local government correctional service retirement plan of the Public Employees Retirement Association established under chapter 353E.

Sec. 10. Minnesota Statutes 2010, section 423A.01, subdivision 3, is amended to read:

2011 First Special Session

Subd. 3. **Benefit increase for certain relief association members.** Notwithstanding any law to the contrary, any member of a local police or salaried firefighters' relief association located in a municipality which has not adopted a municipal resolution retaining the local relief association ~~pursuant to~~ under subdivision 1, ~~except the city of Minneapolis,~~ shall be entitled to receive, after the effective date for the modification of pension coverage for newly employed personnel, a retirement annuity in addition to the service pension to which the member may be eligible upon retirement. The additional retirement annuity ~~shall be~~ is payable for the life of the retired member. The additional retirement annuity ~~shall be~~ is equal to one-half of one percent of the salary upon which the service pension is calculated payable on the date of termination of active service per year of service credit acquired in excess of 25 years of service credit. The retirement annuity under this subdivision ~~shall~~ is not ~~be~~ subject to any postretirement increases granted ~~pursuant to~~ under increases in the salary payable to a certain employment category or in the salaries payable to active members or be in any other manner escalated or increased after retirement.

Sec. 11. Minnesota Statutes 2010, section 423A.02, subdivision 1, is amended to read:

Subdivision 1. **Amortization state aid.** (a) A municipality in which is located a local police or salaried firefighters' relief association to which the provisions of section 69.77, apply, that had an unfunded actuarial accrued liability in the most recent relief association actuarial valuation, is entitled, upon application as required by the commissioner of revenue, to receive local police and salaried firefighters' relief association amortization state aid if the municipality and the appropriate relief association both comply with the applicable provisions of sections 69.031, subdivision 5, 69.051, subdivisions 1 and 3, and 69.77.

(b) The total amount of amortization state aid to all entitled municipalities must not exceed \$5,055,000.

(c) Subject to the adjustment for the city of Minneapolis provided in this paragraph, the amount of amortization state aid to which a municipality is entitled annually is an amount equal to the level annual dollar amount required to amortize, by December 31, 2010, the unfunded actuarial accrued liability of the special fund of the appropriate relief association as reported in the December 31, 1978, actuarial valuation of the relief association prepared under sections 356.215 and 356.216, reduced by the dollar amount required to pay the interest on the unfunded actuarial accrued liability of the special fund of the relief association for calendar year 1981 set at the rate specified in Minnesota Statutes 1978, section 356.215, subdivision 8. For the city of Minneapolis, the amortization state aid amount thus determined must be reduced by \$747,232 on account of the former Minneapolis Police Relief Association and by \$772,768 on account of the former Minneapolis Fire Department Relief Association. If the amortization state aid amounts determined under this paragraph exceed the amount appropriated for this purpose, the amortization state aid for actual allocation must be reduced pro rata.

(d) Payment of amortization state aid to municipalities must be made directly to the municipalities involved in three equal installments on July 15, September 15, and November 15 annually. Upon receipt of amortization state aid, the municipal treasurer shall transmit the aid amount to the treasurer of the local relief association for immediate deposit in the special fund of the relief association.

2011 First Special Session

(e) The commissioner of revenue shall prescribe and periodically revise the form for and content of the application for the amortization state aid.

(f) The amount required under this section, as provided in subdivision 3a, is appropriated annually from the general fund to the commissioner of revenue.

Sec. 12. Minnesota Statutes 2010, section 609B.455, is amended to read:

609B.455 ~~MINNEAPOLIS~~ ~~POLICE~~ ~~PUBLIC~~ PENSION; HOMICIDE; BENEFIT LOSS.

Subdivision 1. **Scope.** The collateral sanctions discussed in this section are codified in section 356.406.

Subd. 2. **Homicide; loss of death benefits.** A person charged with a felony causing the death of a public pension plan member has the entitlement to the pension suspended.

Subd. 3. **Forfeiture of survivor benefits upon felony conviction.** A person who is a survivor and convicted of a felony that caused the death of a public pension member forfeits the survivor pension benefit.

Subd. 4. **Benefit recovery.** If pension benefits have already been paid, the chief administrative officer of the pension plan must attempt to recover amounts paid.

Sec. 13. Minnesota Statutes 2010, section 609B.460, is amended to read:

609B.460 ~~FORMER~~ ~~MINNEAPOLIS~~ ~~POLICE~~ ~~RELIEF~~ ~~ASSOCIATION~~ ~~PENSION~~ ~~SERVICE~~ ~~PENSIONER~~; FELONS NOT ENTITLED TO PENSION DURING INCARCERATION.

~~Under section 423B.09, A person who is a member of the public employees police and fire retirement plan, who was a member of the former Minneapolis Police Relief Association, and who was convicted of a felony, is not entitled to a pension or an annuity from the public employee police and fire retirement plan during the person's period of incarceration in a penal institution.~~

Sec. 14. **EFFECTIVE DATE.**

(a) This article is effective with respect to the Minneapolis Firefighters Relief Association on the date on which the article relating to the Minneapolis Firefighters Relief Association is effective.

(b) This article is effective with respect to the Minneapolis Police Relief Association on the date on which the article relating to the Minneapolis Police Relief Association is effective.

Presented to the governor July 20, 2011

Signed by the governor July 20, 2011, 9:10 a.m.