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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 2486

03/23/2017 Authored by O'Driscoll
The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act
1.2 relating to retirement; providing financial solvency measures for Minnesota State
1.3 Retirement System, Teachers Retirement Association, St. Paul Teachers Retirement
1.4 Fund Association; increasing contribution rates; reducing certain postretirement
1.5 adjustment increase rates; modifying investment return assumptions; extending
1.6 amortization target dates; amending Minnesota Statutes 2016, sections 3A.03,
1.7 subdivision 2; 352.01, subdivision 13a; 352.017, subdivision 2; 352.04, subdivisions
1.8 2, 3, 8, 9; 352.23; 352.27; 352.92, subdivisions 1, 2, by adding a subdivision;
1.9 352.955, subdivision 3; 352B.013, subdivision 2; 352B.02, subdivisions 1a, 1c;
1.10 352B.085; 352B.086; 352B.11, subdivision 4; 352D.05, subdivision 4; 352D.11,
1.11 subdivision 2; 352D.12; 354.42, subdivision 3; 354.50, subdivision 2; 354.51,
1.12 subdivision 5; 354.52, subdivision 4; 354.53, subdivision 5; 354A.011, subdivision
1.13 3a; 354A.093, subdivision 6; 354A.096; 354A.12, subdivisions 1a, 2a, 7; 354A.29,
1.14 subdivision 7; 354A.34; 354A.38, subdivision 3; 356.215, subdivisions 8, 11;
1.15 356.415, subdivisions 1a, 1d, 1e, 1f; 490.121, subdivisions 4, 25, 26; 490.1211;
1.16 490.124, subdivision 12; proposing coding for new law in Minnesota Statutes,
1.17 chapter 356; repealing Minnesota Statutes 2016, sections 354A.29, subdivisions
1.18 8, 9; 356.415, subdivision 1.

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

1.20 ARTICLE 1

1.21 GENERAL PROVISIONS

1.22 Section 1. Minnesota Statutes 2016, section 356.215, subdivision 8, is amended to read:

1.23 Subd. 8. ~~Interest and salary~~ Actuarial assumptions. (a) The actuarial valuation must
1.24 use the applicable following ~~interest~~ investment return assumption:

1.25 ~~(1) select and ultimate interest rate assumption~~

1.26		ultimate interest rate
1.27	plan	<u>assumption</u>
1.28	teachers retirement plan	<u>8.5%</u>

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

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

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

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

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

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

3.4 (1) single rate future salary increase assumption

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

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

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

3.14 For plans other than the St. Paul teachers
 3.15 retirement plan and the local government
 3.16 correctional service retirement plan, the select
 3.17 calculation is: during the designated select
 3.18 period, a designated percentage rate is
 3.19 multiplied by the result of the designated
 3.20 integer minus T, where T is the number of
 3.21 completed years of service, and is added to
 3.22 the applicable future salary increase
 3.23 assumption. The designated select period is
 3.24 ten years and the designated integer is ten for
 3.25 the local government correctional service
 3.26 retirement plan and 15 for the St. Paul
 3.27 Teachers Retirement Fund Association. The
 3.28 designated percentage rate is 0.2 percent for
 3.29 the St. Paul Teachers Retirement Fund
 3.30 Association.

3.31 The ultimate future salary increase assumption is:

3.32 age	A	B
3.33 16	5.9%	8.75%
3.34 17	5.9	8.75
3.35 18	5.9	8.75

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

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

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

5.16 general state employees retirement plan of the Minnesota
5.17 State Retirement System assumption A

5.18 general employees retirement plan of the Public
5.19 Employees Retirement Association assumption B

5.20 Teachers Retirement Association assumption C

5.21 public employees police and fire retirement plan assumption D

5.22 State Patrol retirement plan assumption E

5.23 correctional state employees retirement plan of the
5.24 Minnesota State Retirement System assumption F

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.6 (e) For the Teachers Retirement Association, the established date for full funding is June
 9.7 30, ~~2037~~ 2047.

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

9.10 (g) For the judges retirement plan, the established date for full funding is June 30, ~~2038~~
 9.11 2047.

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

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

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

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

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

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

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

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

	<u>Annual</u>	<u>Monthly</u>
10.3		
10.4	<u>8.5 percent</u>	<u>0.71 percent</u>
10.5	<u>8.0 percent</u>	<u>0.667 percent</u>
10.6	<u>7.5 percent</u>	<u>0.625 percent</u>

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

	<u>Annual</u>	<u>Monthly</u>
10.9		
10.10	<u>8.5 percent</u>	<u>0.71 percent</u>
10.11	<u>7.5 percent</u>	<u>0.625 percent</u>

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

	<u>Annual</u>	<u>Monthly</u>
10.15		
10.16	<u>8.5 percent</u>	<u>0.71 percent</u>
10.17	<u>8.0 percent</u>	<u>0.667 percent</u>
10.18	<u>7.5 percent</u>	<u>0.625 percent</u>

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

10.20 Sec. 4. **REPEALER.**

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

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

10.23 **ARTICLE 2**

10.24 **MINNESOTA STATE RETIREMENT SYSTEM**

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

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

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

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

11.4 (d) However, the member may reinstate the rights and credit for service previously
 11.5 forfeited under this chapter if the member repays all refunds taken, plus interest at the ~~rate~~
 11.6 ~~of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or
 11.7 rates specified in section 356.59, subdivision 2, compounded annually₂ from the date on
 11.8 which the refund was taken to the date on which the refund is repaid.

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

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

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

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

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

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

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

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

12.1 (b) If payment is received by the executive director within one year from the date the
 12.2 employee returned to work following the authorized leave, the payment amount is equal to
 12.3 the employee and employer contribution rates specified in law for the applicable plan at the
 12.4 end of the leave period multiplied by the employee's hourly rate of salary on the date of
 12.5 return from the leave of absence and by the days and months of the leave of absence for
 12.6 which the employee is eligible for allowable service credit. The payment must include
 12.7 compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent~~
 12.8 ~~per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision
 12.9 2, from the last day of the leave period until the last day of the month in which payment is
 12.10 received. If payment is received by the executive director after one year, the payment amount
 12.11 is the amount determined under section 356.551. Payment under this paragraph must be
 12.12 made before the date of termination from public employment covered under this chapter.

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

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

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

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

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

12.26 (b) These contributions must be made by deduction from salary as provided in subdivision
 12.27 4.

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

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

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

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

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

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

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

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

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

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

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

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

14.1 from the salary of the employee, the department must nevertheless pay the required employer
14.2 contributions. If any department fails to take deductions past due for a period in excess of
14.3 60 days and the employee is no longer in state service, the omitted contributions must be
14.4 recovered under paragraph (b).

14.5 (d) If an employee from whose salary required deductions were past due for a period of
14.6 60 days or less leaves state service before the payment of the omitted deductions and
14.7 subsequently returns to state service, the unpaid amount is considered the equivalent of a
14.8 refund. The employee accrues no right by reason of the unpaid amount, except that the
14.9 employee may pay the amount of omitted deductions as provided in section 352.23.

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

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

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

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

14.22 (c) If erroneous employee deductions and employer contributions are caused by an error
14.23 in plan coverage involving the plan and any other plans specified in section 356.99, that
14.24 section applies. If the employee should have been covered by the plan governed by chapter
14.25 352D, 353D, 354B, or 354D, the employee deductions and employer contributions taken
14.26 in error must be directly transferred to the applicable employee's account in the correct
14.27 retirement plan, with interest at the ~~rate of 0.71 percent per month until June 30, 2015, and~~
14.28 ~~0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section
14.29 356.59, subdivision 2, per month, compounded annually, from the first day of the month
14.30 following the month in which coverage should have commenced in the correct defined
14.31 contribution plan until the end of the month in which the transfer occurs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16.29 (g) The employing unit shall pay interest on all equivalent employee and employer
16.30 contribution amounts payable under this section. Interest must be ~~computed at the rate of~~
16.31 ~~8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or
16.32 rates specified in section 356.59, subdivision 2, compounded annually, from the end of each
16.33 fiscal year of the leave or the break in service to the end of the month in which the payment
16.34 is received.

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

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

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

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

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

17.7 after June 30, 2017 9.6

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

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

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

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

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

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

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

17.18 after June 30, 2017 14.4

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

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

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

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

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

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

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

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

18.13 (b) The executive director shall compute, for the most recent 12 months of service credit
18.14 eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the
18.15 difference between the employee contribution rate or rates for the general state employees
18.16 retirement plan and the employee contribution rate or rates for the correctional state
18.17 employees retirement plan applied to the eligible employee's salary during that transfer
18.18 period, plus compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and~~
18.19 ~~0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section
18.20 356.59, subdivision 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20.30 (b) These contributions must be made by deduction from salary as provided in section
 20.31 352.04, subdivision 4.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26.9 (2) ~~for each successive January 1, if the definition of funding stability under paragraph~~
 26.10 ~~(b) has not been met as of the prior July 1 for or with respect to the applicable retirement~~
 26.11 ~~plan~~, for each annuitant or benefit recipient who has been receiving an annuity or a benefit
 26.12 for at least one full month, but less than 12 full months as of the June 30 of the calendar
 26.13 year immediately before the adjustment, an annual postretirement increase of 1/12 of ~~two~~
 26.14 1.5 percent for each month that the person has been receiving an annuity or benefit must
 26.15 be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

26.16 ~~(b) Increases under this subdivision for the general state employees retirement plan or~~
 26.17 ~~the correctional state employees retirement plan terminate on December 31 of the calendar~~
 26.18 ~~year in which two prior consecutive actuarial valuations prepared by the approved actuary~~
 26.19 ~~under sections 356.214 and 356.215 and the standards for actuarial work promulgated by~~
 26.20 ~~the Legislative Commission on Pensions and Retirement indicate that the market value of~~
 26.21 ~~assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability~~
 26.22 ~~of the retirement plan and increases under subdivision 1 recommence after that date. Increases~~
 26.23 ~~under this subdivision for the legislators retirement plan established under chapter 3A,~~
 26.24 ~~including the constitutional officers specified in that chapter, and for the unclassified state~~
 26.25 ~~employees retirement program, terminate on December 31 of the calendar year in which~~
 26.26 ~~two prior consecutive actuarial valuations prepared by the approved actuary under sections~~
 26.27 ~~356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative~~
 26.28 ~~Commission on Pensions and Retirement indicate that the market value of assets of the~~
 26.29 ~~general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued~~
 26.30 ~~liability of the retirement plan and increases under subdivision 1 recommence after that~~
 26.31 ~~date.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

28.6 ~~(b) Increases under paragraph (a) for the State Patrol retirement plan terminate on~~
28.7 ~~December 31 of the calendar year in which two prior consecutive actuarial valuations for~~
28.8 ~~the plan prepared by the approved actuary under sections 356.214 and 356.215 and the~~
28.9 ~~standards for actuarial work promulgated by the Legislative Commission on Pensions and~~
28.10 ~~Retirement indicates that the market value of assets of the retirement plan equals or exceeds~~
28.11 ~~85 percent of the actuarial accrued liability of the retirement plan. Thereafter, increases~~
28.12 ~~under paragraph (a) become effective again on the December 31 of the calendar year in~~
28.13 ~~which the actuarial valuation, or prior consecutive actuarial valuations for the plan prepared~~
28.14 ~~by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial~~
28.15 ~~work promulgated by the Legislative Commission on Pensions and Retirement indicates~~
28.16 ~~that the market value of the assets of the retirement plan equals or is less than 80 percent~~
28.17 ~~of the actuarial accrued liability of the retirement plan for two years, or equals or is less~~
28.18 ~~than 75 percent of the actuarial accrued liability of the retirement plan for one year and~~
28.19 ~~increases under paragraph (c) commence after that date.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32.8 **490.1211 UNIFORMED SERVICE.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34.1 **ARTICLE 3**

34.2 **TEACHER RETIREMENT ASSOCIATION**

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

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

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

34.11 (b) The regular employer contribution to the fund by Independent School District No.
34.12 709, Duluth, is an amount equal to the applicable percentage of salary of each old law or
34.13 new law coordinated member specified for the coordinated program in paragraph (c).

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

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

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

34.28 (e) After June 30, 2015, if a contribution rate revision is made under subdivisions 4a,
34.29 4b, and 4c, the employer contributions under paragraphs (a), (b), and (c) must be adjusted
34.30 accordingly.

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

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

35.2 Subd. 2. **Interest charge.** If a member desires to repay the refunds, payment shall include
35.3 interest at ~~an annual rate of 8.5 percent~~ the applicable annual rate or rates specified in section
35.4 356.59, subdivision 3, compounded annually₂ from date of withdrawal to the date payment
35.5 is made and shall be credited to the fund.

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

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

35.8 Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the event
35.9 that full required member contributions are not deducted from the salary of a teacher,
35.10 payment of shortages in member deductions on salary earned are the sole obligation of the
35.11 employing unit and are payable by the employing unit upon notification by the executive
35.12 director of the shortage. The amount of the shortage shall be paid with interest at ~~an annual~~
35.13 ~~rate of 8.5 percent~~ the applicable annual rate or rates specified in section 356.59, subdivision
35.14 3, compounded annually₂ from the end of the fiscal year in which the shortage occurred to
35.15 the end of the month in which payment is made and the interest must be credited to the
35.16 fund. The employing unit shall also pay the employer contributions as specified in section
35.17 354.42, subdivisions 3 and 5 for the shortages. If the shortage payment is not paid by the
35.18 employing unit within 60 days of notification, and if the executive director does not use the
35.19 recovery procedure in section 354.512, the executive director shall certify the amount of
35.20 the shortage to the applicable county auditor, who shall spread a levy in the amount of the
35.21 shortage payment over the taxable property of the taxing district of the employing unit if
35.22 the employing unit is supported by property taxes. Payment may not be made for shortages
35.23 in member deductions on salary paid or payable under paragraph (b) or for shortages in
35.24 member deductions for persons employed by the Minnesota State Colleges and Universities
35.25 system in a faculty position or in an eligible unclassified administrative position and whose
35.26 employment was less than 25 percent of a full academic year, exclusive of the summer
35.27 session, for the applicable institution that exceeds the most recent 36 months.

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

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

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

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

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

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

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

36.29 Subd. 5. **Interest requirements.** The employer shall pay interest on all equivalent
 36.30 employee and employer contribution amounts payable under this section. ~~Interest must be~~
 36.31 ~~computed at a rate of 8.5 percent~~ at the applicable annual rate or rates specified in section
 36.32 356.59, subdivision 3, compounded annually, from the end of each fiscal year of the leave
 36.33 or the break in service to the end of the month in which the payment is received.

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

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

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

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

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

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

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

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

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

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

38.7 ~~(1)~~ 85 percent of the actuarial accrued liabilities of the plan for two consecutive actuarial
 38.8 valuations; or

38.9 ~~(2)~~ 80 percent of the actuarial accrued liabilities of the plan for the most recent actuarial
 38.10 valuation.

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

38.15 ~~(e)~~ (c) The retirement annuity payable to a person who retires before becoming eligible
 38.16 for Social Security benefits and who has elected the optional payment as provided in section
 38.17 354.35 must be treated as the sum of a period-certain retirement annuity and a life retirement
 38.18 annuity for the purposes of any postretirement adjustment. The period-certain retirement
 38.19 annuity plus the life retirement annuity must be the annuity amount payable until age 62,
 38.20 65, or normal retirement age, as selected by the member at retirement, for an annuity amount
 38.21 payable under section 354.35. A postretirement adjustment granted on the period-certain
 38.22 retirement annuity must terminate when the period-certain retirement annuity terminates.

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

38.24 **ARTICLE 4**

38.25 **ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION**

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

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

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

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

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

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

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

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

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

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

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

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

40.3 Subd. 1a. **Obligation for omitted salary deductions.** If the full required contributions

40.4 are not deducted from the salary of a teacher, payment of the shortage in such deductions

40.5 is the sole obligation of the employing unit during the three-year period following the end

40.6 of the fiscal year in which the shortage occurred. The shortage is payable by the employing

40.7 unit upon notification of the shortage by the executive director of the applicable retirement

40.8 fund association. The employing unit shall also pay any employer contributions related to

40.9 the shortage. The amount of the shortage in employee contributions and associated employer

40.10 contributions is payable with interest at the ~~preretirement interest assumption for the~~

40.11 ~~retirement fund as specified in section 356.215, subdivision 8, stated as a monthly rate~~

40.12 applicable rate or rates specified in section 356.59, subdivision 4, from the date due until

40.13 the date payment is received in the office of the association, compounded annually, with a

40.14 minimum interest charge of \$10. If the shortage payment and interest is not paid by the

40.15 employing unit within 60 days of notification, the executive director shall certify the amount

40.16 of the shortage payment and interest to the commissioner of management and budget, who

40.17 shall deduct the amount from any state aid or appropriation amount applicable to the

40.18 employing unit.

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

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

40.21 Subd. 2a. **Employer regular and additional contributions.** (a) The employing units

40.22 shall make the following employer contributions to the teachers retirement fund association:

40.23 (1) for ~~any~~ each coordinated member of the St. Paul Teachers Retirement Fund

40.24 Association, the employing unit shall make a regular employer contribution to the retirement

40.25 fund association in an amount equal to the designated percentage of the salary of the

40.26 coordinated member as provided below:

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

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

41.4	after June 30, 2014	9 percent of salary
41.5	after June 30, 2015	9.5 percent of salary
41.6	after June 30, 2016	9.75 percent of salary
41.7	after June 30, 2017	10 <u>10.5</u> percent of salary
41.8	<u>after June 30, 2018</u>	<u>11 percent of salary</u>
41.9	<u>after June 30, 2019</u>	<u>11.5 percent of salary</u>
41.10	<u>after June 30, 2020</u>	<u>12 percent of salary</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43.16 **354A.34 DISPOSITION OF UNPAID PERIOD CERTAIN FOR LIFE OR**
 43.17 **GUARANTEED REFUND OPTIONAL ANNUITIES.**

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

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

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

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

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

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

44.6 Sec. 10. **REPEALER.**

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

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

APPENDIX
Article locations in 17-2368

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

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

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

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

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

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

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

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

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

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

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

356.415 POSTRETIREMENT ADJUSTMENTS; STATEWIDE RETIREMENT PLANS.

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

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

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

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