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# State of Minnesota

## HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **2807**

03/10/2016 Authored by O'Driscoll

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

### A bill for an act

relating to retirement; making administrative changes to the Minnesota State Retirement System, Teachers Retirement Association, Public Employees Retirement Association, and St. Paul Teachers Retirement Fund Association; clarifying refund repayment procedures; modifying the criteria for appointing an executive director; clarifying combined service annuity augmentation rates; revising appeal procedures; clarifying coverage for charter school administrators; modifying the criteria for appointing an executive director; increasing the length of allowable service credit purchase periods; establishing new procedures for disability applications due to private disability insurance requirements; clarifying death and disability benefit payment provisions; modifying the annual benefit limitations provision for federal tax code compliance; authorizing the executive director to correct operational and other errors under IRS correction procedures; clarifying certain service and salary credit purchases; clarifying the offset for benefits received for certain refund payments; clarifying police and fire plan coverage for certain Hennepin Healthcare System supervisors; requiring termination from all public service for combined service annuity eligibility; modifying various economic actuarial assumptions; amending Minnesota Statutes 2014, sections 3A.03, subdivision 3; 16A.14, subdivision 2a; 352.03, subdivisions 5, 6; 353.32, subdivision 1; 353.34, subdivision 2; 354.05, subdivision 2, by adding a subdivision; 354.06, subdivisions 2, 2a; 354.095; 354.45, by adding a subdivision; 354.46, subdivision 6; 354.48, subdivision 1; 354.52, subdivisions 4, 6; 354A.093, subdivision 4; 354A.38, as amended; 356.30, subdivision 1; 356.635, by adding subdivisions; 356.96, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 423A.02, subdivision 3; Minnesota Statutes 2015 Supplement, sections 3A.03, subdivision 2; 352.23; 352B.11, subdivision 4; 352D.05, subdivision 4; 353.0162; 353.64, subdivision 10; 354.44, subdivision 9; 354A.093, subdivision 6; 354A.096; 356.215, subdivision 8; 356.50, subdivision 2; 356.551, subdivision 2; 356.635, subdivision 10; 490.124, subdivision 12; repealing Minnesota Statutes 2014, sections 353.0161, subdivision 1; 356.611, subdivisions 3, 3a, 4, 5; 356.96, subdivisions 14, 15; Minnesota Statutes 2015 Supplement, section 353.0161, subdivisions 2, 3.

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

2.1 **ARTICLE 1**

2.2 **MINNESOTA STATE RETIREMENT SYSTEM**

2.3 Section 1. Minnesota Statutes 2015 Supplement, section 3A.03, subdivision 2, is  
2.4 amended to read:

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

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

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

2.15 (d) However, the member may reinstate the rights and credit for service previously  
2.16 forfeited under this chapter if the member repays all refunds taken, plus interest at the  
2.17 rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually  
2.18 from the date on which the refund was taken to the date on which the refund is repaid.

2.19 Repayment must be made as provided in section 352.23, paragraph (d).

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

2.21 **EFFECTIVE DATE.** This section is effective July 1, 2016.

2.22 Sec. 2. Minnesota Statutes 2014, section 3A.03, subdivision 3, is amended to read:

2.23 Subd. 3. **Legislators retirement fund.** (a) The legislators retirement fund, a special  
2.24 retirement fund, is created within the state treasury. The legislators retirement fund must  
2.25 be credited with any investment proceeds on the assets of the retirement fund.

2.26 (b) The payment of annuities under section 3A.115, paragraph (b), is appropriated  
2.27 from the legislators retirement fund.

2.28 (c) The legislators retirement fund may receive transfers of general fund proceeds.

2.29 **EFFECTIVE DATE.** This section is effective July 1, 2016.

2.30 Sec. 3. Minnesota Statutes 2014, section 16A.14, subdivision 2a, is amended to read:

2.31 Subd. 2a. **Exceptions.** The allotment and encumbrance system does not apply to:

2.32 (1) appropriations for the courts or the legislature;

(2) payment of unemployment benefits; and  
(3) transactions within the defined contribution funds administered by the Minnesota  
State Retirement System.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 4. Minnesota Statutes 2014, section 352.03, subdivision 5, is amended to read:

Subd. 5. **Executive director, deputy director, and assistant director.** (a) The board shall appoint an executive director, in this chapter called the director, ~~of the~~  
system ~~must be appointed by the board~~ on the basis of fitness education, experience in the retirement field, ~~and leadership~~ ability to manage and lead system staff, and ability  
to assist the board in setting a vision for the system. The director must have had at least five years' experience ~~on the administrative staff of a major retirement system in~~  
either an executive level management position or in a position with responsibility for the governance, management, or administration of a retirement plan.

(b) The executive director, deputy director, and assistant director must be in the unclassified service but appointees may be selected from civil service lists if desired. The salary of the executive director must be as provided by section 15A.0815. The salary of the deputy director and assistant director must be set in accordance with section 43A.18, subdivision 3.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 5. Minnesota Statutes 2014, section 352.03, subdivision 6, is amended to read:

Subd. 6. **Duties and powers of executive director.** The management of the system is vested in the director, who is the executive and administrative head of the system. The director may appoint a deputy director and an assistant director with the approval of the board. The director shall be advisor to the board on matters pertaining to the system and shall also act as the secretary of the board. The director shall:

- (1) attend meetings of the board;
- (2) prepare and recommend to the board appropriate rules to carry out this chapter;
- (3) establish and maintain an adequate system of records and accounts following recognized accounting principles and controls;
- ~~(4) designate an assistant director with the approval of the board;~~
- ~~(5)~~ (4) appoint any employees, both permanent and temporary, that are necessary to carry out the provisions of this chapter;

4.1           ~~(6)~~ (5) organize the work of the system as the director deems necessary to fulfill the  
4.2 functions of the system, and define the duties of its employees and delegate to them any  
4.3 powers or duties, subject to the control of the director and under conditions the director  
4.4 may prescribe. Appointments to exercise delegated power must be by written order and  
4.5 shall be filed with the secretary of state;

4.6           ~~(7)~~ (6) with the advice and consent of the board, contract for the services of an  
4.7 approved actuary, professional management services, and any other consulting services as  
4.8 necessary and fix the compensation for those services. The contracts are not subject to  
4.9 competitive bidding under chapter 16C. Any approved actuary retained by the executive  
4.10 director shall function as the actuarial advisor of the board and the executive director, and  
4.11 may perform actuarial valuations and experience studies to supplement those performed  
4.12 by the actuary retained under section 356.214. Any supplemental actuarial valuations or  
4.13 experience studies shall be filed with the executive director of the Legislative Commission  
4.14 on Pensions and Retirement. Professional management services may not be contracted for  
4.15 more often than once in six years. Copies of professional management survey reports must  
4.16 be transmitted to the secretary of the senate, the chief clerk of the house of representatives,  
4.17 and the Legislative Reference Library as provided by section 3.195, and to the executive  
4.18 director of the commission at the time as reports are furnished to the board. Only  
4.19 management firms experienced in conducting management surveys of federal, state, or  
4.20 local public retirement systems are qualified to contract with the director;

4.21           ~~(8)~~ (7) with the advice and consent of the board provide in-service training for the  
4.22 employees of the system;

4.23           ~~(9)~~ (8) make refunds of accumulated contributions to former state employees and  
4.24 to the designated beneficiary, surviving spouse, legal representative, or next of kin of  
4.25 deceased state employees or deceased former state employees, as provided in this chapter;

4.26           ~~(10)~~ (9) determine the amount of the annuities and disability benefits of employees  
4.27 covered by the system and authorize payment of the annuities and benefits beginning as  
4.28 of the dates on which the annuities and benefits begin to accrue, in accordance with the  
4.29 provisions of this chapter;

4.30           ~~(11)~~ (10) pay annuities, refunds, survivor benefits, salaries, and necessary operating  
4.31 expenses of the system;

4.32           ~~(12)~~ (11) certify funds available for investment to the State Board of Investment;

4.33           ~~(13)~~ (12) with the advice and approval of the board request the State Board of  
4.34 Investment to sell securities when the director determines that funds are needed for the  
4.35 system;

(14) (13) prepare and submit to the board and the legislature an annual financial report covering the operation of the system, as required by section 356.20;

(15) (14) prepare and submit biennial and annual budgets to the board and with the approval of the board submit the budgets to the Department of Management and Budget; and

(16) (15) with the approval of the board, perform other duties required to administer the retirement and other provisions of this chapter and to do its business.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 6. Minnesota Statutes 2015 Supplement, section 352.23, is amended to read:

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

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

(b) Terminated service credits and rights must not ~~again~~ be restored until the former employee acquires at least six months of allowable service credit after taking the last refund. ~~In that event, the employee may repay and repays~~ all refunds previously taken from the retirement fund with interest as provided in paragraph (d).

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

(d) Payments under this section for repayment of refunds are to be paid with interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the date the refund was taken until the date the refund is repaid. ~~They~~ Repayment may be paid in a lump sum or by payroll deduction in the manner provided in section 352.04. Payment may be made in partial payments consistent with section 356.44 during employment or in a lump sum up to six months after termination from service.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 7. Minnesota Statutes 2015 Supplement, section 352B.11, subdivision 4, is amended to read:

Subd. 4. **Reentry into state service.** When a former member, who has become separated from state service that entitled the member to membership and has received a refund of retirement payments, reenters the state service in a position that entitles the member to membership, that member shall receive credit for the period of prior allowable state service if the member repays into the fund the amount of the refund, plus interest on it at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually, ~~at any time before subsequent retirement. Repayment may be made in installments or in a lump sum.~~ Repayment must be made as provided in section 352.23, paragraph (d).

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 8. Minnesota Statutes 2015 Supplement, section 352D.05, subdivision 4, is amended to read:

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

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

(c) ~~Except as provided in section 356.441, the repayment of a refund under this section must be made in a lump sum.~~ Repayment must be made as provided in section 352.23, paragraph (d).

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 9. Minnesota Statutes 2015 Supplement, section 490.124, subdivision 12, is amended to read:

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

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

(c) A person who becomes a judge again after taking a refund under paragraph (a) may reinstate the previously terminated allowable service credit, rights, and benefits by repaying the total amount of the previously received refund. The refund repayment must include interest on the total amount previously received at the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter, compounded annually, from the date on which the refund was received until the date on which the refund is repaid. Repayment must be made as provided in section 352.23, paragraph (d).

**EFFECTIVE DATE.** This section is effective July 1, 2016.

## ARTICLE 2

### TEACHERS RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 2014, section 354.05, subdivision 2, is amended to read:

Subd. 2. **Teacher.** (a) "Teacher" means:

(1) a person who renders service as a teacher, supervisor, principal, superintendent, librarian, nurse, counselor, social worker, therapist, or psychologist in:

(i) a public school of the state other than in Independent School District No. 625 or  
~~in Independent School District No. 709, or in any;~~

(ii) a charter school, irrespective of the location of the school, or in any; or

(iii) a charitable, penal, or correctional institutions institution of a governmental  
subdivision; ~~or;~~

(2) a person who is engaged in educational administration in connection with the  
state public school system, whether the position be a public office or ~~an~~ as employment;

(3) a person who renders service as a charter school director or chief administrative  
officer, provided, however, that if the charter school director or chief administrative officer  
is covered by the Public Employees Retirement Association general employees retirement  
plan on July 1, 2016, the charter school director or chief administrative officer shall  
continue to be covered by that plan and not by the Teachers Retirement Association;

~~(2)~~ (4) an employee of the Teachers Retirement Association;

~~(3)~~ (5) a person who renders teaching service on a part-time basis and who also renders other services for a single employing unit where the teaching service comprises at least 50 percent of the combined employment salary is a member of the association for all services with the single employing unit or, if less than 50 percent of the combined employment salary, the executive director determines all of the combined service is covered by the association; or

~~(4)~~ (6) a person who is not covered by the plans established under chapter 352D, 354A, or 354B and who is employed by the Board of Trustees of the Minnesota State Colleges and Universities system in an unclassified position as:

(i) a president, vice-president, or dean;

(ii) a manager or a professional in an academic or an academic support program other than specified in item (i);

(iii) an administrative or a service support faculty position; or

(iv) a teacher or a research assistant.

(b) "Teacher" does not mean:

(1) a person who works for a school or institution as an independent contractor as defined by the Internal Revenue Service;

~~(2) a person who renders part-time teaching service or who is a customized trainer as defined by the Minnesota State Colleges and Universities system if (i) the service is incidental to the regular nonteaching occupation of the person; and (ii) the employer stipulates annually in advance that the part-time teaching service or customized training service will not exceed 300 hours in a fiscal year and retains the stipulation in its records; and (iii) the part-time teaching service or customized training service actually does not exceed 300 hours in a fiscal year;~~

~~(3) a person exempt from licensure under section 122A.30;~~

~~(4)~~ (2) annuitants of the teachers retirement plan who are employed after retirement by an employing unit that participates in the teachers retirement plan during the course of that reemployment;

~~(5)~~ (3) a person who is employed by the University of Minnesota;

~~(6)~~ (4) a member or an officer of any general governing or managing board or body of an employing unit that participates in the teachers retirement plan; or

~~(7)~~ (5) a person employed by Independent School District No. 625 ~~or Independent School District No. 709~~ as a teacher as defined in section 354A.011, subdivision 27.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 2. Minnesota Statutes 2014, section 354.05, is amended by adding a subdivision to read:

**Subd. 17a. Former spouse.** "Former spouse" means a person who is no longer a spouse of a member due to dissolution of the marriage, legal separation, or annulment.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

9.1 Sec. 3. Minnesota Statutes 2014, section 354.06, subdivision 2, is amended to read:

9.2 Subd. 2. **President; executive director.** The board shall annually elect one of  
9.3 its members as president. It shall elect an executive director, whose salary shall be as  
9.4 provided by section 15A.0815. ~~The salary of the assistant executive director who shall be~~  
9.5 ~~in the unclassified service, shall be set in accordance with section 43A.18, subdivision 3.~~  
9.6 The executive director shall serve during the pleasure of the board and be the executive  
9.7 officer of the board, with such duties as the board shall prescribe. The board shall employ  
9.8 all other clerks and employees necessary to properly administer the association. The  
9.9 cost and expense of administering the provisions of this chapter shall be paid by the  
9.10 association. The board shall appoint an executive director ~~shall be appointed by the~~  
9.11 ~~board~~ on the basis of fitness education, experience in the retirement field ~~and leadership,~~  
9.12 ability to manage and lead system staff, and ability to assist the board in setting a vision  
9.13 for the system. The executive director shall have had at least five years of experience  
9.14 ~~on the administrative staff of a major retirement system~~ in either an executive-level  
9.15 management position or in a position with responsibility for the governance, management,  
9.16 or administration of a retirement plan.

9.17 **EFFECTIVE DATE.** This section is effective July 1, 2016.

9.18 Sec. 4. Minnesota Statutes 2014, section 354.06, subdivision 2a, is amended to read:

9.19 Subd. 2a. **Duties of executive director.** The management of the association is  
9.20 vested in the executive director who shall be the executive and administrative head of  
9.21 the association. The executive director shall act as advisor to the board on all matters  
9.22 pertaining to the association and shall also act as the secretary of the board. The executive  
9.23 director shall:

- 9.24 (1) attend all meetings of the board;
- 9.25 (2) prepare and recommend to the board appropriate rules to carry out the provisions  
9.26 of this chapter;
- 9.27 (3) establish and maintain an adequate system of records and accounts following  
9.28 recognized accounting principles and controls;
- 9.29 (4) designate, as necessary, a deputy executive director and an assistant executive  
9.30 director in the unclassified service, as defined in section 43A.08, whose salaries shall  
9.31 be set in accordance with section 43A.18, subdivision 3, and two assistant executive  
9.32 directors in the classified service, as defined in section 43A.07, with the approval of the  
9.33 board, and appoint such employees, both permanent and temporary, as are necessary to  
9.34 carry out the provisions of this chapter;

10.1 (5) organize the work of the association as the director deems necessary to fulfill the  
10.2 functions of the association, and define the duties of its employees and delegate to them  
10.3 any powers or duties, subject to the director's control and under such conditions as the  
10.4 director may prescribe;

10.5 (6) with the approval of the board, contract and set the compensation for the services  
10.6 of an approved actuary, professional management services, and any other consulting  
10.7 services. These contracts are not subject to the competitive bidding procedure prescribed  
10.8 by chapter 16C. An approved actuary retained by the executive director shall function as  
10.9 the actuarial advisor of the board and the executive director and may perform actuarial  
10.10 valuations and experience studies to supplement those performed by the actuary retained  
10.11 under section 356.214. Any supplemental actuarial valuations or experience studies shall  
10.12 be filed with the executive director of the Legislative Commission on Pensions and  
10.13 Retirement. Copies of professional management survey reports must be transmitted to the  
10.14 secretary of the senate, the chief clerk of the house of representatives, and the Legislative  
10.15 Reference Library as provided by section 3.195, and to the executive director of the  
10.16 commission at the same time as reports are furnished to the board. Only management  
10.17 firms experienced in conducting management surveys of federal, state, or local public  
10.18 retirement systems are qualified to contract with the executive director;

10.19 (7) with the approval of the board, provide in-service training for the employees  
10.20 of the association;

10.21 (8) make refunds of accumulated contributions to former members and to the  
10.22 designated beneficiary, surviving spouse, legal representative, or next of kin of deceased  
10.23 members or deceased former members, under this chapter;

10.24 (9) determine the amount of the annuities and disability benefits of members covered  
10.25 by the association and authorize payment of the annuities and benefits beginning as of the  
10.26 dates on which the annuities and benefits begin to accrue, under this chapter;

10.27 (10) pay annuities, refunds, survivor benefits, salaries, and necessary operating  
10.28 expenses of the association;

10.29 (11) prepare and submit to the board and the legislature an annual financial report  
10.30 covering the operation of the association, as required by section 356.20;

10.31 (12) certify funds available for investment to the State Board of Investment;

10.32 (13) with the advice and approval of the board, request the State Board of Investment  
10.33 to sell securities on determining that funds are needed for the purposes of the association;

10.34 (14) prepare and submit biennial and annual budgets to the board and with the  
10.35 approval of the board submit those budgets to the Department of Management and  
10.36 Budget; and

(15) with the approval of the board, perform such other duties as may be required for the administration of the association and the other provisions of this chapter and for the transaction of its business. The executive director may:

(i) reduce all or part of the accrued interest and fines payable by an employing unit for reporting requirements under section 354.52, based on an evaluation of any extenuating circumstances of the employing unit;

(ii) assign association employees to conduct field audits of an employing unit to ensure compliance with the provisions of this chapter; and

(iii) recover overpayments, if not repaid to the association, by suspending or reducing the payment of a retirement annuity, refund, disability benefit, survivor benefit, or optional annuity under this chapter until the overpayment, plus interest, has been recovered.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 5. Minnesota Statutes 2014, section 354.095, is amended to read:

**354.095 MEDICAL LEAVE.**

(a) Upon granting a medical leave, an employing unit must certify the leave to the association on a form specified by the executive director. A member of the association who is on an authorized medical leave of absence is entitled to receive allowable service credit, not to exceed ~~one year~~ five years, for the period of leave, upon making the prescribed payment to the fund under section 354.72. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354.48 and receive allowable service credit under this section for the same period of time.

(b) The executive director shall reject an application for disability benefits under section 354.48 if the member is applying only because an employer-sponsored provider of private disability insurance benefits requires such an application and the member would not have applied for disability benefits in the absence of such requirement. The member shall submit a copy of the disability insurance policy that requires an application for disability benefits from the plan if the member wishes to assert that the application is only being submitted because of the disability insurance policy requirement.

(c) Notwithstanding the provisions of any agreement to the contrary, employee and employer contributions may not be made to receive allowable service credit under this section if the member does not retain the right to full reinstatement both during and at the end of the medical leave.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

12.1 Sec. 6. Minnesota Statutes 2015 Supplement, section 354.44, subdivision 9, is  
12.2 amended to read:

12.3 Subd. 9. **Determining applicable law.** A former teacher who returns to covered  
12.4 service following a termination and who is not receiving a retirement annuity under this  
12.5 section must have earned at least ~~85 days~~ one-half year of credited service following the  
12.6 return to covered service to be eligible for improved benefits resulting from any law  
12.7 change enacted subsequent to that termination.

12.8 **EFFECTIVE DATE.** This section is effective July 1, 2016.

12.9 Sec. 7. Minnesota Statutes 2014, section 354.45, is amended by adding a subdivision  
12.10 to read:

12.11 Subd. 3. **Payment upon death of former spouse.** Upon the death of the former  
12.12 spouse to whom payments are to be made before the end of the specified payment period,  
12.13 payments shall be made according to the terms of a beneficiary form completed by the  
12.14 former spouse or, if no beneficiary form, to the estate of the former spouse.

12.15 **EFFECTIVE DATE.** This section is effective July 1, 2016.

12.16 Sec. 8. Minnesota Statutes 2014, section 354.46, subdivision 6, is amended to read:

12.17 Subd. 6. **Application.** (a) A beneficiary designation and an application for benefits  
12.18 under this section must be in writing on a form prescribed by the executive director.

12.19 (b) Sections 354.55, subdivision 11, and 354.60 apply to a deferred annuity payable  
12.20 under this section.

12.21 (c) Unless otherwise specified, the annuity must be computed under section 354.44,  
12.22 subdivision 2 or 6, whichever is applicable.

12.23 (d) Each designated beneficiary eligible for a lifetime benefit under this subdivision  
12.24 may apply for an annuity any time after the member's death. The benefit may not begin to  
12.25 accrue more than six months before the date the application is filed with the executive  
12.26 director and may not accrue before the member's death.

12.27 **EFFECTIVE DATE.** This section is effective July 1, 2016.

12.28 Sec. 9. Minnesota Statutes 2014, section 354.48, subdivision 1, is amended to read:

12.29 Subdivision 1. **Age, service and salary requirements.** A member who is totally and  
12.30 permanently disabled, who has not reached the normal retirement age as defined in section  
12.31 354.05, subdivision 38, and who has at least three years of credited allowable service at the  
12.32 time that the total and permanent disability begins is entitled to a disability benefit based

13.1 on this allowable service in an amount provided in subdivision 3. If the disabled member's  
13.2 teaching service has terminated at any time, at least two of the required three years of  
13.3 allowable service must have been rendered after last becoming a member. ~~Any member~~  
13.4 ~~whose average salary is less than \$75 per month is not entitled to disability benefits.~~

13.5 **EFFECTIVE DATE.** This section is effective July 1, 2016.

13.6 Sec. 10. Minnesota Statutes 2014, section 354.52, subdivision 4, is amended to read:

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

13.16 **EFFECTIVE DATE.** This section is effective July 1, 2016.

13.17 Sec. 11. Minnesota Statutes 2014, section 423A.02, subdivision 3, is amended to read:

13.18 Subd. 3. **Reallocation of amortization state aid.** (a) Seventy percent of the  
13.19 difference between \$5,720,000 and the current year amortization aid distributed under  
13.20 subdivision 1 that is not distributed for any reason to a municipality must be distributed  
13.21 by the commissioner of revenue according to this paragraph. The commissioner shall  
13.22 distribute 60 percent of the amounts derived under this paragraph to the Teachers  
13.23 Retirement Association, and 40 percent to the St. Paul Teachers Retirement Fund  
13.24 Association to fund the unfunded actuarial accrued liabilities of the respective funds.  
13.25 These payments must be made on July 15 each fiscal year. If the St. Paul Teachers  
13.26 Retirement Fund Association ~~or the Duluth Teachers Retirement Fund Association~~  
13.27 becomes fully funded, the association's eligibility for its portion of this aid ceases.  
13.28 Amounts remaining in the undistributed balance account at the end of the biennium if aid  
13.29 eligibility ceases cancel to the general fund.

13.30 (b) In order to receive amortization aid under paragraph (a), before June 30 annually  
13.31 Independent School District No. 625, St. Paul, must make an additional contribution of  
13.32 \$800,000 each year to the St. Paul Teachers Retirement Fund Association.

(c) Thirty percent of the difference between \$5,720,000 and the current year amortization aid under subdivision 1 that is not distributed for any reason to a municipality must be distributed under section 69.021, subdivision 7, paragraph (d), as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

### ARTICLE 3

#### PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 2015 Supplement, section 353.0162, is amended to read:

**353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE  
FOR PERIODS OF REDUCED SALARY.**

(a) A member may purchase ~~additional~~ differential salary credit, as described in paragraph (c), for a period specified in ~~this section~~ paragraph (b).

(b) The applicable period is a period during which the member is receiving a no or reduced salary from the employer while the member is:

(1) receiving ~~temporary~~ workers' compensation payments related to the member's service to the public employer;

(2) on an authorized leave of absence, except that if the authorized leave of absence exceeds 12 months, the period of leave for which differential salary credit may be purchased is limited to 12 months; or

(3) on an authorized ~~partial-paid~~ leave of absence as a result of a budgetary or salary savings program offered or mandated by a governmental subdivision, if certified to the executive director by the governmental subdivision.

(c) ~~The Differential salary amount credit~~ is the difference between the average monthly salary received by the member during the a period of reduced salary under this section specified in paragraph (b) and the average monthly salary of the member, excluding overtime, on which contributions to the applicable plan were would have been made during the period of the last six months of covered employment occurring immediately before the period of reduced salary, applied to based on the member's normal employment period, measured in hours or otherwise, as applicable, and rate of pay.

(d) To receive ~~eligible~~ differential salary credit, the member shall pay the plan, by delivering payment to the executive director, an amount equal to:

15.1 (1) the applicable employee contribution rate under section 353.27, subdivision  
15.2 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the  
15.3 differential salary amount;

15.4 (2) plus an employer equivalent payment equal to the applicable employer  
15.5 contribution rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03,  
15.6 subdivision 2, as applicable, multiplied by the differential salary amount;

15.7 (3) plus, if applicable, an equivalent employer additional amount equal to the  
15.8 additional employer contribution rate in section 353.27, subdivision 3a, multiplied by the  
15.9 differential salary amount.

15.10 (e) The employer, by appropriate action of its governing body and documented in its  
15.11 official records, may pay the employer equivalent contributions and, as applicable, the  
15.12 equivalent employer additional contributions on behalf of the member.

15.13 (f) Payment under this section must include interest on the contribution amount or  
15.14 amounts, whichever applies, at an 8.5 percent annual rate until June 30, 2015, and at an  
15.15 eight percent annual rate thereafter, prorated for applicable months from the date on which  
15.16 the period of reduced salary specified ~~under this section in paragraph (b)~~ terminates to the  
15.17 date on which the payment or payments are received by the executive director. Payment  
15.18 under this section must be completed ~~within~~ by the earlier earliest of:

15.19 (1) 30 days from after termination of public service by the employee under section  
15.20 353.01, subdivision 11a, ~~or~~;

15.21 (2) one year after the termination of the period specified in paragraph (b), as further  
15.22 ~~restricted under this section;~~ or

15.23 (3) 30 days after the commencement of a disability benefit.

15.24 ~~(g) The period for which additional allowable salary credit may be purchased is~~  
15.25 ~~limited to the period during which the person receives temporary workers' compensation~~  
15.26 ~~payments or for those business years in which the governmental subdivision offers or~~  
15.27 ~~mandates a budget or salary savings program, as certified to the executive director by a~~  
15.28 ~~resolution of the governing body of the governmental subdivision. For an authorized leave~~  
15.29 ~~of absence, the period for which allowable salary credit may be purchased may not exceed~~  
15.30 ~~12 months of authorized leave.~~

15.31 ~~(h) To purchase~~ (g) If the member has purchased 12 months of differential salary  
15.32 ~~credit for a subsequent period of temporary workers' compensation benefits or subsequent~~  
15.33 ~~authorized medical leave of absence, the member must return to public service and render~~  
15.34 ~~a minimum of three months of allowable service~~ to purchase differential salary credit for  
15.35 a subsequent leave of absence.

15.36 **EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 2. Minnesota Statutes 2014, section 353.32, subdivision 1, is amended to read:

Subdivision 1. **Before retirement.** If a member or former member ~~who terminated public service~~ dies before retirement or before receiving any retirement annuity and no other payment of any kind is or may become payable to any person, a refund is payable to the designated beneficiary or, if there be none, to the surviving spouse, or, if none, to the legal representative of the decedent's estate. The refund must be in an amount equal to accumulated deductions, less the sum of any disability or survivor benefits that have been paid by the fund, plus annual compound interest thereon at the rate specified in section 353.34, subdivision 2, ~~and less the sum of any disability or survivor benefits, if any, that may have been paid by the fund~~; provided that a survivor who has a right to benefits under section 353.31 may waive such benefits in writing, except such benefits for a dependent child under the age of 18 years may only be waived under an order of the district court.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 3. Minnesota Statutes 2014, section 353.34, subdivision 2, is amended to read:

Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person who ceases to be a public employee is entitled to receive a refund in an amount equal to accumulated deductions ~~with~~, less the sum of any disability benefits that have been paid by the fund, plus annual compound interest to the first day of the month in which the refund is processed.

(b) For a person who ceases to be a public employee before July 1, 2011, the refund interest is at the rate of six percent to June 30, 2011, and at the rate of four percent after June 30, 2011. For a person who ceases to be a public employee after July 1, 2011, the refund interest is at the rate of four percent.

(c) If a person repays a refund and subsequently applies for another refund, the repayment amount, including interest, is added to the fiscal year balance in which the repayment was made.

(d) If the refund payable to a member is based on employee deductions that are determined to be invalid under section 353.27, subdivision 7, the interest payable on the invalid employee deductions is four percent.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 4. Minnesota Statutes 2015 Supplement, section 353.64, subdivision 10, is amended to read:

Subd. 10. **Pension coverage for Hennepin Healthcare System, Inc.; paramedics and emergency medical technicians.** An employee of Hennepin Healthcare System, Inc. is a member of the public employees police and fire retirement plan under sections 353.63 to 353.68 if the person is:

(1) certified as a paramedic or emergency medical technician by the state under section 144E.28, subdivision 4;

(2) employed full time by Hennepin County as:

(i) a paramedic or;

(ii) an emergency medical technician by Hennepin County; or

(iii) a supervisor or manager of paramedics or emergency medical technicians; and

(3) not eligible for coverage under the agreement signed between the state and the secretary of the federal Department of Health and Human Services making the provisions of the federal Old Age, Survivors, and Disability Insurance Act applicable to paramedics and emergency medical technicians because the person's position is excluded after that date from application under United States Code, title 42, sections 418(d)(5)(A) and 418(d)(8)(D), and section 355.07.

Hennepin Healthcare System, Inc. shall deduct the employee contribution from the salary of each full-time paramedic and emergency medical technician it employs as required by section 353.65, subdivision 2, shall make the employer contribution for each full-time paramedic and emergency medical technician it employs as required by section 353.65, subdivision 3, and shall meet the employer recording and reporting requirements in section 353.65, subdivision 4.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 5. **REPEALER.**

(a) Minnesota Statutes 2014, section 353.0161, subdivision 1, is repealed.

(b) Minnesota Statutes 2015 Supplement, section 353.0161, subdivisions 2 and 3, are repealed.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

**ARTICLE 4**

**ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION**

Section 1. Minnesota Statutes 2014, section 354A.093, subdivision 4, is amended to read:

Subd. 4. **Eligible payment period.** (a) To receive service credit under this section, the contributions specified in this section must be transmitted to the applicable first-class city St. Paul Teachers Retirement Fund Association during the period which begins with the date the individual returns to teaching service and which has a duration of three times the length of the uniformed service period, but not to exceed five years.

(b) Notwithstanding paragraph (a), if the payment period determined under paragraph (a) is less than one year, the contributions required under this section to receive service credit may be made within one year from the discharge date.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 2. Minnesota Statutes 2015 Supplement, section 354A.093, subdivision 6, is amended to read:

Subd. 6. **Interest requirements.** The employer shall pay interest on all equivalent employee and employer contribution amounts payable under this section. ~~Interest must be computed at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received at the annual compound rate of 8.5 percent for any period, or portion thereof, through June 30, 2015, and eight percent thereafter.~~

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 3. Minnesota Statutes 2015 Supplement, section 354A.096, is amended to read:

**354A.096 MEDICAL LEAVE.**

Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund Association who is on an authorized medical leave of absence and subsequently returns to teaching service is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section 354A.12, subdivisions 1 and 2a, as applied to the member's average full-time monthly salary rate on the date the leave of absence commenced plus ~~annual~~ interest compounded annually from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made at the rate of 8.5 percent ~~until~~ for any period, or portion thereof, through June 30, 2015, and eight percent thereafter ~~per year from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made.~~ The member must pay the total amount required unless the employing unit, at its option, pays the employer contributions. The total amount required

must be paid by the end of the fiscal year following the fiscal year in which the leave of absence terminated or before the member retires, whichever is earlier. Payment must be accompanied by a copy of the resolution or action of the employing authority granting the leave and the employing authority, upon granting the leave, must certify the leave to the association in a manner specified by the executive director. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354A.36 and receive allowable service credit under this section for the same period of time.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 4. Minnesota Statutes 2014, section 354A.38, as amended by Laws 2015, chapter 68, article 2, section 15, is amended to read:

**354A.38 EFFECT OF REFUND; REPAYMENT OF REFUND.**

Subdivision 1. **Effect of refund; termination of service credit.** If a coordinated member or former coordinated member applies for and ~~accepts~~ is issued a refund pursuant to section 354A.37, all allowable service which was credited to the member or former member shall be terminated.

Subd. 2. **Repayment of refund.** A coordinated member with at least two years of allowable service credited subsequent to the member's last application for and ~~acceptance~~ payment of a refund pursuant to section 354A.37 shall be entitled to repay the refund. The amount of the refund repayment shall be calculated pursuant to subdivision 3. If the member has ~~previously applied for and accepted~~ taken more than one refund, ~~and the previous refund or all refunds have not been~~ must be repaid pro rata, ~~then the member shall be entitled only to repay all outstanding refunds and shall not be entitled to repay only the most recent refund.~~

Subd. 3. **Computation of refund repayment amount.** If the coordinated member elects to repay a refund under subdivision 2, the repayment to the fund must be in an amount equal to the ~~the~~ refunds the member has accepted been issued plus interest ~~at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ compounded annually from the date that the refund was ~~accepted~~ issued to the date that the refund is repaid at a rate of 8.5 percent for any period, or portion thereof, through June 30, 2015, and eight percent thereafter.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

20.1 **ARTICLE 5**

20.2 **RETIREMENT SYSTEMS GENERALLY**

20.3 Section 1. Minnesota Statutes 2014, section 354.52, subdivision 6, is amended to read:

20.4 Subd. 6. **Noncompliance consequences.** (a) An employing unit that does not  
20.5 comply with the reporting requirements under subdivision 2a, 4a, 4b, or 4d, clause (1),  
20.6 must pay a fine of \$5 per calendar day until the association receives the required data.

20.7 (b) If the annual base salary required to be reported under subdivision 4d has not  
20.8 been settled or determined as of June 16, the fine commences if the annual base salary has  
20.9 not been reported to the association within 14 days following the settlement date.

20.10 **EFFECTIVE DATE.** This section is effective July 1, 2016.

20.11 Sec. 2. Minnesota Statutes 2014, section 356.30, subdivision 1, is amended to read:

20.12 Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any  
20.13 provisions of the laws governing the retirement plans enumerated in subdivision 3, a  
20.14 person who has met the qualifications of paragraph (b) may elect to receive:

20.15 (1) a retirement annuity from each enumerated retirement plan in which the person  
20.16 has at least one-half year of allowable service, based on the allowable service in each plan;  
20.17 and subject to the provisions of paragraph (c); and

20.18 (2) augmentation of a deferred annuity calculated at the appropriate rate under the  
20.19 laws governing the applicable enumerated retirement plan.

20.20 (b) A person may receive, upon retirement, a retirement ~~annuity from each~~  
20.21 ~~enumerated retirement plan in which the person has at least one-half year of allowable~~  
20.22 ~~service~~ annuities as described in paragraph (a), clause (1), and augmentation of a any  
20.23 ~~deferred annuity calculated at the appropriate rate under the laws governing each public~~  
20.24 ~~pension plan or fund named in subdivision 3, based on the date of the person's initial~~  
20.25 ~~entry into public employment from the date the person terminated all public service as~~  
20.26 described in paragraph (a), clause (2), if:

20.27 (1) the person has allowable service in any two or more of the enumerated plans;

20.28 (2) the person has sufficient allowable service in total that equals or exceeds the  
20.29 applicable service credit vesting requirement of the retirement plan with the longest  
20.30 applicable service credit vesting requirement; ~~and~~

20.31 (3) the person has not begun to receive an annuity from any enumerated plan ~~or the~~  
20.32 ~~person has made application for benefits from each applicable plan~~ before terminating all  
20.33 public service; and

21.1           (4) the effective dates of the retirement annuity with each plan under which the  
21.2 person chooses to receive an annuity are within a one-year period.

21.3           (c) The retirement annuity from each plan must be based upon the allowable service,  
21.4 accrual rates, and average salary in the applicable plan except as further specified or  
21.5 modified in the following clauses:

21.6           (1) the laws governing annuities must be the law in effect on the date of termination  
21.7 from the last period of public service under a covered retirement plan with which the person  
21.8 earned a minimum of one-half year of allowable service credit during that employment;

21.9           (2) the "average salary" on which the annuity from each covered plan in which  
21.10 the employee has credit in a formula plan must be based on the employee's highest five  
21.11 successive years of covered salary during the entire service in covered plans;

21.12           (3) the accrual rates to be used by each plan must be those percentages prescribed by  
21.13 each plan's formula as continued for the respective years of allowable service from one  
21.14 plan to the next, recognizing all previous allowable service with the other covered plans;

21.15           (4) the allowable service in all the plans must be combined in determining eligibility  
21.16 for and the application of each plan's provisions in respect to reduction in the annuity  
21.17 amount for retirement prior to normal retirement age; and

21.18           (5) the annuity amount payable for any allowable service under a nonformula plan  
21.19 of a covered plan must not be affected, but such service and covered salary must be used  
21.20 in the above calculation.

21.21           (d) This section does not apply to any person whose final termination from the last  
21.22 public service under a covered plan was before May 1, 1975.

21.23           (e) For the purpose of computing annuities under this section, the accrual rates  
21.24 used by any covered plan, except the public employees police and fire plan, the judges  
21.25 retirement fund, and the State Patrol retirement plan, must not exceed 2.7 percent per year  
21.26 of service for any year of service or fraction thereof. The formula percentage used by the  
21.27 judges retirement fund must not exceed 3.2 percent per year of service for any year of  
21.28 service or fraction thereof. The accrual rate used by the public employees police and fire  
21.29 plan and the State Patrol retirement plan must not exceed 3.0 percent per year of service  
21.30 for any year of service or fraction thereof. The accrual rate or rates used by the legislators  
21.31 retirement plan must not exceed 2.5 percent, but this limit does not apply to the adjustment  
21.32 provided under section 3A.02, subdivision 1, paragraph (c).

21.33           (f) Any period of time for which a person has credit in more than one of the covered  
21.34 plans must be used only once for the purpose of determining total allowable service.

21.35           (g) If the period of duplicated service credit is more than one-half year, or the person  
21.36 has credit for more than one-half year, with each of the plans, each plan must apply its

22.1 formula to a prorated service credit for the period of duplicated service based on a fraction  
 22.2 of the salary on which deductions were paid to that fund for the period divided by the total  
 22.3 salary on which deductions were paid to all plans for the period.

22.4 (h) If the period of duplicated service credit is less than one-half year, or when  
 22.5 added to other service credit with that plan is less than one-half year, the service credit  
 22.6 must be ignored and a refund of contributions made to the person in accord with that  
 22.7 plan's refund provisions.

22.8 **EFFECTIVE DATE.** This section is effective July 1, 2016.

22.9 Sec. 3. Minnesota Statutes 2015 Supplement, section 356.50, subdivision 2, is  
 22.10 amended to read:

22.11 Subd. 2. **Service credit procedure.** (a) To obtain the public pension plan  
 22.12 allowable service credit, the eligible person under subdivision 1 shall pay the required  
 22.13 member contribution amount. The required member contribution amount is the member  
 22.14 contribution rate or rates in effect for the pension plan during the period of service covered  
 22.15 by the back pay award, applied to the unpaid gross salary amounts of the back pay award  
 22.16 including unemployment insurance, workers' compensation, or wages from other sources  
 22.17 which reduced the back award. No contributions may be made under this clause for  
 22.18 compensation covered by a public pension plan listed in section 356.30, subdivision 3,  
 22.19 for employment during the removal period. The person shall pay the required member  
 22.20 contribution amount within 60 days of the date of receipt of the back pay award or within  
 22.21 60 days of a billing from the retirement fund, whichever is later.

22.22 (b) The public employer who wrongfully discharged the public employee must pay  
 22.23 an employer contribution on the back pay award. The employer contribution must be  
 22.24 based on the employer contribution rate or rates in effect for the pension plan during the  
 22.25 period of service covered by the back pay award, applied to the salary amount on which  
 22.26 the member contribution amount was determined under paragraph (a). The employer must  
 22.27 pay the interest on both the required member and employer contribution amount must be  
 22.28 paid by the employer amounts from the date the contribution amount would have been paid  
 22.29 to the date of actual payment at the annual compound rate of 8.5 percent for any period  
 22.30 for the Teachers Retirement Association and 8.5 percent until for any period, or portion  
 22.31 thereof, through June 30, 2015, and eight percent thereafter, for any other retirement plan  
 22.32 listed in section 356.30, subdivision 3, per year, expressed monthly, between the date the  
 22.33 contribution amount would have been paid to the date of actual payment. The employer  
 22.34 payment must be made within 30 days of the payment under paragraph (a).

23.1 **EFFECTIVE DATE.** This section is effective July 1, 2016.

23.2 Sec. 4. Minnesota Statutes 2015 Supplement, section 356.551, subdivision 2, is  
23.3 amended to read:

23.4 Subd. 2. **Determination.** (a) Unless the minimum purchase amount set forth in  
23.5 paragraph (c) applies, the prior service credit purchase amount is an amount equal to the  
23.6 actuarial present value, on the date of payment, as calculated by the chief administrative  
23.7 officer of the pension plan and reviewed by the actuary retained under section 356.214,  
23.8 of the amount of the additional retirement annuity obtained by the acquisition of the  
23.9 additional service credit in this section.

23.10 (b) Calculation of this amount must be made using the preretirement interest rate  
23.11 applicable to the public pension plan specified in section 356.215, subdivision 8, and  
23.12 the mortality table adopted for the public pension plan. The calculation must assume  
23.13 continuous future service in the public pension plan until, and retirement at, the age at  
23.14 which the minimum requirements of the fund for normal retirement or retirement with an  
23.15 annuity unreduced for retirement at an early age, including section 356.30, are met with  
23.16 the additional service credit purchased. The calculation must also assume a full-time  
23.17 equivalent salary, or actual salary, whichever is greater, and a future salary history that  
23.18 includes annual salary increases at the applicable salary increase rate for the plan specified  
23.19 in section 356.215, subdivision 4d 8.

23.20 (c) The prior service credit purchase amount may not be less than the amount  
23.21 determined by applying, for each year or fraction of a year being purchased, the sum of the  
23.22 employee contribution rate, the employer contribution rate, and the additional employer  
23.23 contribution rate, if any, applicable during that period, to the person's annual salary during  
23.24 that period, or fractional portion of a year's salary, if applicable, plus interest ~~at the annual~~  
23.25 ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ compounded annually  
23.26 from the end of the year in which contributions would otherwise have been made to  
23.27 the date on which the payment is received at the rate of 8.5 percent for any period for  
23.28 the Teachers Retirement Association and 8.5 percent for any period, or portion thereof,  
23.29 through June 30, 2015, and eight percent thereafter, for any other retirement plan listed  
23.30 in section 356.30, subdivision 3.

23.31 (d) Unless otherwise provided by statutes governing a specific plan, payment must  
23.32 be made in one lump sum within one year of the prior service credit authorization or prior  
23.33 to the member's effective date of retirement, whichever is earlier. Payment of the amount  
23.34 calculated under this section must be made by the applicable eligible person.

(e) However, the current employer or the prior employer may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest ~~at the rate of 8.5 percent a year~~ compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made at the rate of 8.5 percent for any period for the Teachers Retirement Association and 8.5 percent for any period, or portion thereof, through June 30, 2015, and eight percent thereafter, for any other retirement plan listed in section 356.30, subdivision 3. If the employer agrees to payments under this subdivision, the purchaser must make the employee payments required under this subdivision within 90 days of the prior service credit authorization. If that employee payment is made, the employer payment under this subdivision must be remitted to the chief administrative officer of the public pension plan within 60 days of receipt by the chief administrative officer of the employee payments specified under this subdivision.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 5. Minnesota Statutes 2014, section 356.635, is amended by adding a subdivision to read:

**Subd. 9a. Definitions.** (a) The following definitions apply for purposes of this subdivision and subdivisions 10 to 12.

(b) "Annual addition" means the sum for the limitation year of all pretax and after-tax contributions made by the member or the member's employer and credited to an account in the name of the member in any defined contribution plan maintained by the employer.

(c) "Compensation" means the compensation actually paid or made available to a member for any limitation year, including all items of remuneration described in Code of Federal Regulations, title 26, section 1.415(c)-2(b), and excluding all items of remuneration described in Code of Federal Regulations, title 26, section 1.415(c)-2(c). Compensation for pension plan purposes for any limitation year shall not exceed the applicable federal compensation limit described in section 356.611, subdivision 2.

(d) "Limitation year" means the calendar year or fiscal year, whichever is applicable to the particular pension plan.

(e) "Maximum permissible benefit" means an annual benefit of \$160,000, automatically adjusted under section 415(d) of the Internal Revenue Code for each limitation year ending after December 31, 2001, payable in the form of a single life annuity. The new limitation shall apply to limitation years ending with or within the calendar year of the date of the adjustment, but a member's benefits shall not reflect the

25.1 adjusted limit prior to January 1 of that calendar year. The maximum permissible benefit  
 25.2 amount shall be further adjusted as follows:

25.3 (1) if the member has less than ten years of participation, the maximum permissible  
 25.4 benefit shall be multiplied by a fraction, the numerator of which is the number of years (or  
 25.5 part thereof, but not less than one year) of participation in the plan, and the denominator of  
 25.6 which is ten;

25.7 (2) if the annual benefit begins before the member has attained age 62, the  
 25.8 determination as to whether the maximum permissible benefit limit has been satisfied shall  
 25.9 be made, in accordance with regulations prescribed by the United States secretary of the  
 25.10 treasury, by reducing the limit so that the limit, as so reduced, equals an annual benefit,  
 25.11 beginning when the annual benefit actually begins, which is equivalent to a \$160,000, as  
 25.12 adjusted, annual benefit beginning at age 62; and

25.13 (3) if the annual benefit begins after the member has attained age 65, the  
 25.14 determination as to whether the maximum permissible benefit limit has been satisfied shall  
 25.15 be made, in accordance with regulations prescribed by the United States secretary of the  
 25.16 treasury, by increasing the limit so that the limit, as so increased, equals an annual benefit,  
 25.17 beginning when the annual benefit actually begins, which is equivalent to a \$160,000, as  
 25.18 adjusted, annual benefit beginning at age 65.

25.19 **EFFECTIVE DATE.** This section is effective July 1, 2016.

25.20 Sec. 6. Minnesota Statutes 2015 Supplement, section 356.635, subdivision 10, is  
 25.21 amended to read:

25.22 Subd. 10. **Annual benefit limitations; defined benefit plans.** (a) The annual benefit  
 25.23 payable to a member shall not exceed the maximum permissible benefit. If the benefit the  
 25.24 member would otherwise receive for a limitation year would result in the payment of an  
 25.25 annual benefit in excess of the maximum permissible benefit, the benefit shall be reduced  
 25.26 to the extent necessary so the benefit does not exceed the maximum permissible benefit.

25.27 (b) For purposes of applying the limits of section 415(b) of the Internal Revenue  
 25.28 Code, a retirement limitation in paragraph (a), an annual benefit that is payable in any  
 25.29 form other than a single life annuity and that is subject to section 417(e)(3) of the Internal  
 25.30 Revenue Code must shall be adjusted to an actuarially equivalent single life annuity  
 25.31 that equals, if the annuity starting date is in a plan year beginning after 2005, the annual  
 25.32 amount of the single life annuity commencing at the same annuity starting date that has  
 25.33 the same actuarial present value as the participant's member's form of benefit, using  
 25.34 whichever of the following produces the greatest annual amount:

(1) the interest rate and the mortality table or other tabular factor specified in the plan for adjusting benefits in the same form;

(2) a 5.5 percent interest rate assumption and the applicable mortality table; or

(3) the applicable interest rate under section 417(e)(3) of the Internal Revenue Code and the applicable mortality table, divided by 1.05.

(c) If a member participated in more than one pension plan in which the employer participates, the benefits under each plan must be reduced proportionately to satisfy the limitation in paragraph (a).

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 7. Minnesota Statutes 2014, section 356.635, is amended by adding a subdivision to read:

Subd. 11. **Annual addition limitation; defined contribution plans.** The annual additions by or on behalf of a member to a defined contribution plan for any limitation year shall not exceed the lesser of (1) 100 percent of the member's compensation for the limitation year or (2) the dollar limit in effect for the limitation year under section 415(c)(1)(A) of the Internal Revenue Code, as adjusted by the United States secretary of the treasury under section 415(d)(1)(C) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 8. Minnesota Statutes 2014, section 356.635, is amended by adding a subdivision to read:

Subd. 12. **Incorporation by reference.** Any requirements of section 415(b) and (c) of the Internal Revenue Code and related regulations and agency guidance not addressed by subdivisions 10 and 11 shall be considered incorporated by reference, including provisions applicable to qualified police and firefighters and to survivor and disability benefits. Subdivisions 10 to 12 shall be interpreted in a manner that is consistent with the requirements of section 415(b) and (c) of the Internal Revenue Code and the related regulations.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 9. Minnesota Statutes 2014, section 356.635, is amended by adding a subdivision to read:

Subd. 13. **Correction of errors.** The executive director of each plan may correct an operational, demographic, employer eligibility, or plan document error as the executive

27.1 director deems necessary or appropriate to preserve and protect the plan's tax qualification  
27.2 under section 401(a) of the Internal Revenue Code, including as provided in the Internal  
27.3 Revenue Service's Employee Plans Compliance Resolution System (EPCRS) or any  
27.4 successor thereto. To the extent deemed necessary by the executive director to implement  
27.5 correction, the executive director may:

- 27.6 (1) make distributions;  
27.7 (2) transfer assets; or  
27.8 (3) recover an overpayment by reducing future benefit payments or designating  
27.9 appropriate revenue or source of funding that will restore to the plan the amount of the  
27.10 overpayment.

27.11 **EFFECTIVE DATE.** This section is effective July 1, 2016.

27.12 Sec. 10. Minnesota Statutes 2014, section 356.96, subdivision 1, is amended to read:

27.13 Subdivision 1. **Definitions.** (a) Unless the language or context clearly indicates that  
27.14 a different meaning is intended, for the purpose of this section, the terms in ~~paragraphs~~  
27.15 ~~(b) to (e)~~ this subdivision have the meanings given them.

27.16 (b) ~~"Chief administrative officer"~~ "Executive director" means the executive director  
27.17 of a covered pension plan or the executive director's designee or representative.

27.18 (c) "Covered pension plan" means a plan enumerated in section 356.20, subdivision  
27.19 2, clauses (1) to (4), (8), and (11) to (14), but does not mean the deferred compensation  
27.20 plan administered under sections 352.965 and 352.97 or ~~to~~ the postretirement health care  
27.21 savings plan administered under section 352.98.

27.22 (d) "Governing board" means the Board of Trustees of the Public Employees  
27.23 Retirement Association, the Board of Trustees of the Teachers Retirement Association, or  
27.24 the Board of Directors of the Minnesota State Retirement System.

27.25 (e) "Person" ~~includes~~ means an active, retired, deferred, or nonvested inactive  
27.26 participant in a covered pension plan or a beneficiary of a participant, or an individual  
27.27 who has applied to be a participant or who is or may be a survivor of a participant,  
27.28 or the representative of a state agency or other governmental unit that employs active  
27.29 participants in a covered pension plan.

27.30 (f) "Petitioner" means a person who has filed a petition for review of an executive  
27.31 director's determination under this section.

27.32 **EFFECTIVE DATE.** This section is effective July 1, 2016.

27.33 Sec. 11. Minnesota Statutes 2014, section 356.96, subdivision 2, is amended to read:

Subd. 2. **Right to review appeal to executive director; determination.** A ~~determination made by the chief administrative officer~~ person may appeal a decision by ~~the staff of a covered pension plan regarding a~~ the person's eligibility, benefits, or other rights under the plan ~~with which the person does not agree~~ to the executive director of the plan. The appeal must be in writing and be delivered to the executive director. The executive director may overturn, modify, or affirm the staff's decision. The executive director's determination is subject to review under this section.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 12. Minnesota Statutes 2014, section 356.96, subdivision 3, is amended to read:

Subd. 3. **Notice of determination.** ~~If the applicable chief administrative officer denies an application or a written request, modifies a benefit, or terminates a benefit of a person claiming a right or potential rights under a covered pension plan, the chief administrative officer shall notify that person through a written notice containing:~~ The executive director shall issue a written notice of determination to the person who files an appeal under subdivision 2. The notice of determination must be delivered by certified mail to the address to which the most recent benefit payment was sent or, if that address is that of a financial institution, to the last known address of the person. The notice of determination shall include the following:

(1) a statement of the reasons for the determination;

(2) ~~a notice statement~~ that the person may petition the governing board of the covered pension plan for a review of the determination and that a person's petition for review must be filed in the administrative office of the covered pension plan ~~within no later than 60 days of the receipt after the date of the written notice of the determination;~~

(3) a statement indicating that a failure to petition for review within 60 days precludes the person from ~~contesting in any other~~ further administrative or judicial review or court procedure the issues determined by the chief administrative officer of the executive director's determination;

(4) a statement indicating that all relevant materials, documents, affidavits, and other records that the person wishes to be reviewed in support of the petition and a list of any witnesses who will testify before the governing board, along with a summary of their testimony, must be filed with ~~and received in~~ the administrative office of the covered pension plan at least 15 days before the date of the hearing under subdivision 10 or as directed by the administrative law judge who conducts a fact-finding conference under subdivision 7, paragraph (b), or a contested case hearing under subdivision 12, paragraph (b); and

29.1 (5) a summary of this section, including all filing requirements and deadlines; and  
 29.2 (6) the statement required under subdivision 4, paragraph (a), if applicable.

29.3 **EFFECTIVE DATE.** This section is effective July 1, 2016.

29.4 Sec. 13. Minnesota Statutes 2014, section 356.96, subdivision 4, is amended to read:

29.5 Subd. 4. **Termination of benefits.** (a) ~~If a covered pension plan decides to the~~  
 29.6 executive director's determination will terminate a benefit that is being paid to a person,  
 29.7 ~~before terminating the benefit, the chief administrative officer must, in addition to the~~  
 29.8 ~~other procedures prescribed in this section, provide the individual with written notice of~~  
 29.9 ~~the pending benefit termination by certified mail. The notice must explain the reason for~~  
 29.10 ~~the pending benefit termination. The person must be given an~~ the notice of determination  
 29.11 must also state that the person has the opportunity to explain, in writing, in person, by  
 29.12 telephone, or by e-mail, the reasons that the benefit should not be terminated.

29.13 (b) ~~If the chief administrative officer is unable to contact the person and notice of~~  
 29.14 determination is returned as undeliverable, and the person cannot be reached by any other  
 29.15 reasonable means of communication, and the executive director determines that a failure  
 29.16 to terminate the benefit will result in unauthorized payment by a covered pension plan,  
 29.17 ~~the chief administrative officer~~ executive director may terminate the benefit immediately  
 29.18 upon mailing a written notice containing the information required by subdivision 3 to the  
 29.19 address to which the most recent benefit payment was sent and, if that address is that of a  
 29.20 financial institution, to the last known address of the person.

29.21 **EFFECTIVE DATE.** This section is effective July 1, 2016.

29.22 Sec. 14. Minnesota Statutes 2014, section 356.96, subdivision 5, is amended to read:

29.23 Subd. 5. **Petition for review.** (a) Upon receipt of the notice of determination  
 29.24 required in subdivision 3, a person who claims a right under subdivision 2 may petition  
 29.25 the governing board of the covered pension plan for a review of that decision by the  
 29.26 governing board of the covered pension plan the executive director's determination.

29.27 (b) ~~A petition under this section must be sent to the chief administrative officer~~  
 29.28 ~~by mail and must be postmarked~~ The petitioner must file the petition for review with  
 29.29 the administrative office of the covered pension plan no later than 60 days after the  
 29.30 person received date of the notice of determination required by subdivision 3. Filing of  
 29.31 the petition is effective upon mailing or personal delivery. The petition must include  
 29.32 the person's petitioner's statement of the reason or reasons that the person believes the  
 29.33 decision of the chief administrative officer determination of the executive director

should be reversed or modified. ~~The petition may include all documentation and written materials that the petitioner deems to be relevant. In developing a record for review by the board when a decision is appealed, the chief administrative officer may direct that the applicant participate in a fact-finding session conducted by an administrative law judge assigned by the Office of Administrative Hearings and, as applicable, participate in a vocational assessment conducted by a qualified rehabilitation counselor on contract with the applicable retirement system.~~

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 15. Minnesota Statutes 2014, section 356.96, subdivision 6, is amended to read:

Subd. 6. **Failure to petition.** If a timely petition for review under subdivision 5 is not filed with the ~~chief administrative officer,~~ office of the covered pension plan's plan, the executive director's determination is final and is not subject to further administrative or judicial review.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 16. Minnesota Statutes 2014, section 356.96, subdivision 7, is amended to read:

Subd. 7. **Notice of hearing; fact-finding; filing and timing requirements.** (a) After receiving a petition, the ~~chief administrative officer~~ executive director must schedule a timely hearing to review ~~of~~ the petition before the governing board of the covered pension plan or the executive director may defer the scheduling of a hearing until after a fact-finding conference under paragraph (b). ~~The review must be scheduled to take into consideration any necessary accommodations to allow the petitioner to participate in the governing board's review.~~

(b) The executive director may direct the petitioner to participate in a fact-finding conference conducted by an administrative law judge assigned by the Office of Administrative Hearings. The fact-finding conference is an informal proceeding not subject to the provisions of Minnesota Rules, chapter 1400, except that part 1400.7300 shall govern the admissibility of evidence and part 1400.8603 shall govern how the fact-finding conference is conducted. The administrative law judge must issue a report and a recommendation to the governing board.

(c) If the petitioner's claim relates to disability benefits, the executive director may direct the petitioner to participate in a vocational assessment conducted by a qualified rehabilitation counselor under contract with the covered pension plan. The counselor must issue a report regarding the assessment to the governing board.

~~(b)~~ (d) Not less than 30 calendar days before the date scheduled for the hearing date before the governing board, the ~~chief administrative officer~~ executive director must ~~provide by mail to notify the petitioner an acknowledgment of the receipt of the person's petition and a follow-up notice of the time and place of the meeting at which the governing board is scheduled to consider the petition and~~ conduct the hearing. If there has been no fact-finding conference under paragraph (b), not less than 15 days before the date scheduled for the hearing, the petitioner and the executive director must provide a copy to the governing board and the other party copies of all relevant documents, documentary evidence, summaries, and recommendations assembled by or on behalf of the plan administration to be considered by the governing board that will be presented and a list of witnesses who will testify, along with a summary of their testimony.

~~(e) all documents and materials that the petitioner wishes to be part of the record for review must be filed with the chief administrative officer and must be received in the offices of the covered pension plan at least 15 days before the date of the meeting at which the petition is scheduled to be heard.~~

~~(d)~~ A (e) The petitioner may request a continuance postponement of a the date scheduled for the hearing if the request is received by the chief administrative officer within before the governing board within a reasonable time, but no later than ten calendar days of before the scheduled hearing date of the applicable board meeting. The chief administrative officer must reschedule the review within a reasonable time. only one continuance may be granted to any petitioner. A petitioner shall be granted only one postponement unless the applicable covered pension plan agrees to additional postponements.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 17. Minnesota Statutes 2014, section 356.96, subdivision 8, is amended to read:

Subd. 8. **Record for review.** (a) All evidence, including all records, documents, and affidavits in the possession of the covered pension plan of which the covered pension plan desires to avail itself and be considered by the governing board, and all evidence which the petitioner wishes to present to the governing board, including any evidence which would otherwise be classified by law as "private," must be made part of the hearing record.

(b) The ~~chief administrative officer~~ executive director must provide a copy of the record to each member of the governing board at least ~~seven~~ five days before the scheduled hearing date.

~~(c) Any additional document, affidavit, or other relevant information that the petitioner requests be part of the record may be admitted with the consent of the governing board. If a fact-finding conference under subdivision 7, paragraph (b), is not conducted,~~

32.1 the record is limited to those materials provided to the petitioner in accordance with  
 32.2 subdivision 7, paragraph (d), those filed by the petitioner with the covered pension plan  
 32.3 in a timely manner in accordance with subdivision 7, paragraph (e), any vocational  
 32.4 assessment report under subdivision 7, paragraph (c), and any testimony at the hearing  
 32.5 before the governing board. Any additional evidence may be placed in the record pursuant  
 32.6 to subdivision 10, paragraph (b).

32.7 (d) If a fact-finding conference under subdivision 7, paragraph (b), or a contested  
 32.8 case hearing under subdivision 12, paragraph (b), is conducted, the record before the  
 32.9 governing board must be limited to the following:

32.10 (1) the record from the Office of Administrative Hearings;

32.11 (2) seven-page submissions by the petitioner and a representative of the covered  
 32.12 pension plan commenting on the administrative law judge's recommendation; and

32.13 (3) any vocational assessment report under subdivision 7, paragraph (c).

32.14 **EFFECTIVE DATE.** This section is effective July 1, 2016.

32.15 Sec. 18. Minnesota Statutes 2014, section 356.96, subdivision 9, is amended to read:

32.16 Subd. 9. **Amended determination.** At any time before the hearing before the  
 32.17 governing board, for good cause shown and made part of the records of the plan, the ~~chief~~  
 32.18 ~~administrative officer~~ executive director may reverse, alter, amend, or modify the prior  
 32.19 decision which is subject to review under this section by issuing an amended ~~decision~~  
 32.20 determination to the petitioner. Upon doing so, the ~~chief administrative officer~~ executive  
 32.21 director may cancel the governing board's scheduled review of the person's petition and  
 32.22 ~~shall so~~ notify the petitioner.

32.23 **EFFECTIVE DATE.** This section is effective July 1, 2016.

32.24 Sec. 19. Minnesota Statutes 2014, section 356.96, subdivision 10, is amended to read:

32.25 Subd. 10. **Board hearing.** (a) The governing board shall hold a timely hearing  
 32.26 on a petition for review as part of a regularly scheduled board meeting, or as part of  
 32.27 a special meeting if so scheduled. All governing board members who participate in the  
 32.28 decision-making process must be familiar with the record. The governing board shall  
 32.29 make its decision on a petition solely on the record as submitted and on the proceedings  
 32.30 of the hearing.

32.31 (b) At the hearing, the petitioner, the petitioner's attorney representative, if any, and  
 32.32 the ~~chief administrative officer~~ executive director and a representative of the covered  
 32.33 pension plan who does not also serve as the governing board's legal advisor during the

board's decision-making process, may state and discuss with the governing board their positions with respect to the petition. If no fact-finding conference under subdivision 7, paragraph (b), or contested case hearing under subdivision 12, paragraph (b), was conducted, additional evidence may be received in the form of testimony from previously disclosed witnesses. The governing board may allow further documentation to be placed in the record at the board meeting only with the agreement of both the ~~chief administrative officer~~ executive director and the petitioner. The ~~chief administrative officer~~ executive director may not otherwise participate in the board's decision-making process.

~~(b) When a petition presents a contested issue of law, an assistant attorney general may participate and may argue on behalf of the legal position taken by the chief administrative officer if that assistant attorney general does not also serve as the governing board's legal advisor during the board's decision-making process.~~

~~(c) A motion by a board member, supported by a summary of the relevant facts, conclusions and reasons, as properly amended and approved by a majority of the governing board, constitutes the board's final decision. A verbatim statement of the board's final decision must be served upon the petitioner. If the decision is contrary to the petitioner's desired outcome, the notice shall inform the petitioner of the appeal rights set forth in subdivision 13.~~

~~(d) (c)~~ If a petitioner who received timely notice of a scheduled hearing fails to appear, the governing board may nevertheless hear the petition and issue a decision.

(d) The governing board's decision shall be made upon a motion by a board member and approval by a majority of the governing board. The governing board must issue its decision as a written order containing findings of fact, conclusions of law, and the board's decision no later than 30 days after the hearing. If the decision is contrary to the petitioner's desired outcome, the notice must inform the petitioner of the appeal rights set forth in subdivision 13.

**EFFECTIVE DATE.** This section is effective July 1, 2016.

Sec. 20. Minnesota Statutes 2014, section 356.96, subdivision 11, is amended to read:

Subd. 11. **Disability medical issues.** ~~(a) If a person petitions the governing board the petitioner seeks to reverse or modify a determination which found by the executive director that there exists no~~ was insufficient medical data ~~supporting to support an~~ application for disability benefits, the governing board may reverse that determination only if there is ~~in fact~~ medical evidence supporting the application. The governing board has the discretion to resubmit a disability benefit application at any time to a medical

34.1 advisor for reconsideration, and the resubmission may include an instruction that further  
34.2 medical examinations be obtained.

34.3 ~~(b) The governing board may make a determination contrary to the recommendation~~  
34.4 ~~of the medical advisor only if there is expert medical evidence in the record to support~~  
34.5 ~~its contrary decision. If there is no medical evidence contrary to the opinion of the~~  
34.6 ~~medical advisor in the record and the medical advisor attests that the decision was made in~~  
34.7 ~~accordance with the applicable disability standard, the board must follow the decision of~~  
34.8 ~~the medical advisor regarding the cause of the disability.~~

34.9 ~~(c) The obligation of the governing board to follow the decision of the medical~~  
34.10 ~~advisor under paragraph (b) does not apply to instances when the governing board makes~~  
34.11 ~~a determination different from the recommendation of the medical advisor on issues~~  
34.12 ~~that do not involve medical issues.~~

34.13 **EFFECTIVE DATE.** This section is effective July 1, 2016.

34.14 Sec. 21. Minnesota Statutes 2014, section 356.96, subdivision 12, is amended to read:

34.15 Subd. 12. **Referral for administrative hearing.** ~~(a) Notwithstanding any provision~~  
34.16 ~~of sections 14.03, 14.06, and 14.57 to 14.69 to the contrary, a challenge to a determination~~  
34.17 ~~of the chief administrative officer of a covered pension plan~~ A fact-finding conference  
34.18 under subdivision 7, paragraph (b), must be conducted exclusively under the procedures  
34.19 set forth in this section and is not as a contested case under chapter 14.

34.20 ~~(b) Notwithstanding the provisions of paragraph (a),~~ A governing board, in its sole  
34.21 discretion, may refer a petition brought under this section to the Office of Administrative  
34.22 Hearings for a contested case hearing under sections 14.57 to 14.69.

34.23 **EFFECTIVE DATE.** This section is effective July 1, 2016.

34.24 Sec. 22. Minnesota Statutes 2014, section 356.96, subdivision 13, is amended to read:

34.25 Subd. 13. **Appeal of the governing board's decision; judicial review.** ~~Within~~ No  
34.26 later than 60 days of after the date of the mailing of the notice of the governing board's  
34.27 decision, the petitioner may appeal the decision by filing a writ of certiorari with the  
34.28 Court of Appeals under section 606.01 and Rule 115 of the Minnesota Rules of Civil  
34.29 Appellate Procedure. Failure by a person to appeal to the Court of Appeals within the  
34.30 60-day period precludes the person from later raising, in any subsequent administrative  
34.31 hearing or court proceeding, those substantive and procedural issues that reasonably  
34.32 should have been raised upon a timely appeal.



in section ~~354A.27, subdivision 7~~; 354A.29, subdivision 9<sup>1</sup>/<sub>2</sub> or 356.415, subdivision 1, whichever applies.

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

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

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

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

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

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

37.1 ~~period is ten years and the designated integer~~  
37.2 ~~is ten for the local government correctional~~  
37.3 ~~service retirement plan and 15 for the St.~~  
37.4 ~~Paul Teachers Retirement Fund Association.~~  
37.5 ~~The designated percentage rate is 0.2 percent~~  
37.6 ~~for the St. Paul Teachers Retirement Fund~~  
37.7 ~~Association.~~

37.8 The ultimate future salary increase assumption is:

37.9	age	A	B
37.10	16	5.9%	8.75%
37.11	17	5.9	8.75
37.12	18	5.9	8.75
37.13	19	5.9	8.75
37.14	20	5.9	8.75
37.15	21	5.9	8.5
37.16	22	5.9	8.25
37.17	23	5.85	8
37.18	24	5.8	7.75
37.19	25	5.75	7.5
37.20	26	5.7	7.25
37.21	27	5.65	7
37.22	28	5.6	6.75
37.23	29	5.55	6.5
37.24	30	5.5	6.5
37.25	31	5.45	6.25
37.26	32	5.4	6.25
37.27	33	5.35	6.25
37.28	34	5.3	6
37.29	35	5.25	6
37.30	36	5.2	5.75
37.31	37	5.15	5.75
37.32	38	5.1	5.75
37.33	39	5.05	5.5
37.34	40	5	5.5
37.35	41	4.95	5.5
37.36	42	4.9	5.25
37.37	43	4.85	5
37.38	44	4.8	5
37.39	45	4.75	4.75
37.40	46	4.7	4.75
37.41	47	4.65	4.75
37.42	48	4.6	4.75

38.1	49	4.55	4.75
38.2	50	4.5	4.75
38.3	51	4.45	4.75
38.4	52	4.4	4.75
38.5	53	4.35	4.75
38.6	54	4.3	4.75
38.7	55	4.25	4.5
38.8	56	4.2	4.5
38.9	57	4.15	4.25
38.10	58	4.1	4
38.11	59	4.05	4
38.12	60	4	4
38.13	61	4	4
38.14	62	4	4
38.15	63	4	4
38.16	64	4	4
38.17	65	4	3.75
38.18	66	4	3.75
38.19	67	4	3.75
38.20	68	4	3.75
38.21	69	4	3.75
38.22	70	4	3.75

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

38.24	general state employees retirement plan of the	assumption A
38.25	Minnesota State Retirement System	
38.26	general employees retirement plan of the Public	assumption B
38.27	Employees Retirement Association	
38.28	Teachers Retirement Association	assumption C
38.29	public employees police and fire retirement plan	assumption D
38.30	State Patrol retirement plan	assumption E
38.31	correctional state employees retirement plan of the	assumption F
38.32	Minnesota State Retirement System	

38.33	service						
38.34	length	A	B	C	D	E	F
38.35	1	<del>10.25</del> <u>14%</u>	<del>11.78</del>	<del>12</del> <u>9.5%</u>	12.75%	7.75%	5.75%
38.36			<u>11.5%</u>				
38.37	2	<del>7.85</del> <u>11.5</u>	<del>8.65</del> <u>8.5</u>	<del>9</del> <u>9.5</u>	10.75	7.25	5.6
38.38	3	<del>6.65</del> <u>6.25</u>	<del>7.21</del> <u>7</u>	<del>8</del> <u>7.75</u>	8.75	6.75	5.45
38.39	4	<del>5.95</del> <u>5.5</u>	<del>6.33</del> <u>6</u>	<del>7.5</del> <u>7.25</u>	7.75	6.5	5.3
38.40	5	<del>5.45</del> <u>5.25</u>	<del>5.72</del> <u>5.5</u>	<del>7.25</del> <u>7</u>	6.25	6.25	5.15
38.41	6	<del>5.05</del> <u>5.15</u>	<del>5.27</del> <u>5.2</u>	7	5.85	6	5
38.42	7	<del>4.75</del> <u>5</u>	<del>4.91</del> <u>4.9</u>	6.85	5.55	5.75	4.85
38.43	8	<del>4.45</del> <u>4.75</u>	<del>4.62</del> <u>4.8</u>	6.7	5.35	5.6	4.7

39.1	9	<del>4.25</del> <u>4.5</u>	<del>4.38</del> <u>4.7</u>	6.55	5.15	5.45	4.55
39.2	10	<del>4.15</del> <u>4.25</u>	<del>4.17</del> <u>4.5</u>	6.4	5.05	5.3	4.4
39.3	11	<del>3.95</del> <u>4.2</u>	<del>3.99</del> <u>4.25</u>	6.25	4.95	5.15	4.3
39.4	12	<del>3.85</del> <u>4.15</u>	<del>3.83</del> <u>4.1</u>	6	4.85	5	4.2
39.5	13	<del>3.75</del> <u>4.1</u>	<del>3.69</del> <u>4</u>	5.75	4.75	4.85	4.1
39.6	14	<del>3.55</del> <u>4.05</u>	<del>3.57</del> <u>3.9</u>	5.5	4.65	4.7	4
39.7	15	<del>3.45</del> <u>4</u>	<del>3.45</del> <u>3.9</u>	5.25	4.55	4.55	3.9
39.8	16	<del>3.35</del> <u>3.95</u>	<del>3.35</del> <u>3.85</u>	5	4.55	4.4	3.8
39.9	17	<del>3.25</del> <u>3.9</u>	<del>3.26</del> <u>3.8</u>	4.75	4.55	4.25	3.7
39.10	18	<del>3.25</del> <u>3.85</u>	<del>3.25</del> <u>3.75</u>	4.5	4.55	4.1	3.6
39.11	19	<del>3.25</del> <u>3.8</u>	<del>3.25</del> <u>3.75</u>	<del>4.25</del> <u>4.3</u>	4.55	3.95	3.5
39.12	20	<del>3.25</del> <u>3.75</u>	<del>3.25</del> <u>3.75</u>	<del>4</del> <u>4.2</u>	4.55	3.8	3.5
39.13	21	<del>3.25</del> <u>3.7</u>	<del>3.25</del> <u>3.75</u>	<del>3.9</del> <u>4.1</u>	4.45	3.75	3.5
39.14	22	<del>3.25</del> <u>3.65</u>	<del>3.25</del> <u>3.7</u>	<del>3.8</del> <u>4</u>	4.35	3.75	3.5
39.15	23	<del>3.25</del> <u>3.6</u>	<del>3.25</del> <u>3.6</u>	<del>3.7</del> <u>3.9</u>	4.25	3.75	3.5
39.16	24	<del>3.25</del> <u>3.55</u>	<del>3.25</del> <u>3.6</u>	<del>3.6</del> <u>3.8</u>	4.25	3.75	3.5
39.17	25	<del>3.25</del> <u>3.5</u>	<del>3.25</del> <u>3.6</u>	<del>3.5</del> <u>3.7</u>	4.25	3.75	3.5
39.18	26	<del>3.25</del> <u>3.5</u>	<del>3.25</del> <u>3.5</u>	<del>3.5</del> <u>3.6</u>	4.25	3.75	3.5
39.19	27	<del>3.25</del> <u>3.5</u>	<del>3.25</del> <u>3.5</u>	3.5	4.25	3.75	3.5
39.20	28	<del>3.25</del> <u>3.5</u>	<del>3.25</del> <u>3.5</u>	3.5	4.25	3.75	3.5
39.21	29	<del>3.25</del> <u>3.5</u>	<del>3.25</del> <u>3.5</u>	3.5	4.25	3.75	3.5
39.22	30 or more	<del>3.25</del> <u>3.5</u>	<del>3.25</del> <u>3.5</u>	3.5	4.25	3.75	3.5

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

39.27	plan	payroll growth assumption
39.28	general state employees retirement plan of the	3.5%
39.29	Minnesota State Retirement System	
39.30	correctional state employees retirement plan	3.5
39.31	State Patrol retirement plan	3.5
39.32	judges retirement plan	2.75
39.33	general employees retirement plan of the Public	3.5
39.34	Employees Retirement Association	
39.35	public employees police and fire retirement plan	3.5
39.36	local government correctional service retirement plan	3.5
39.37	teachers retirement plan	<del>3.75</del> <u>3.5</u>
39.38	St. Paul teachers retirement plan	4

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

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

40.1 (2) is accompanied by the concurring recommendation of the actuary retained under  
40.2 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the  
40.3 most recent actuarial valuation report if section 356.214 does not apply; and  
40.4 (3) has been approved or deemed approved under subdivision 18.

40.5 **EFFECTIVE DATE.** This section is effective July 1, 2016, and applies to actuarial  
40.6 valuations prepared on or after that date.

APPENDIX  
Article locations in 16-5966

ARTICLE 1	MINNESOTA STATE RETIREMENT SYSTEM .....	Page.Ln 2.1
ARTICLE 2	TEACHERS RETIREMENT ASSOCIATION .....	Page.Ln 7.9
ARTICLE 3	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION .....	Page.Ln 14.7
ARTICLE 4	ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION .....	Page.Ln 17.29
ARTICLE 5	RETIREMENT SYSTEMS GENERALLY .....	Page.Ln 20.1
ARTICLE 6	ACTUARIAL ASSUMPTIONS .....	Page.Ln 35.5

**353.0161 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.**

Subdivision 1. **Application.** This section applies to employees covered by any plan specified in this chapter or chapter 353E for any period of authorized leave of absence specified in section 353.01, subdivision 16, paragraph (a), clause (5), for which the employee obtains credit for allowable service by making payment as specified in this section to the applicable fund.

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

(b) If payment is received by the executive director within one year from the date the member returned to work following the authorized leave, or within 30 days after the date of termination of public service if the member did not return to work, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period, or at termination of public service, whichever is earlier, multiplied by the employee's average monthly salary, excluding overtime, upon which deductions were paid during the six months, or portion thereof, before the commencement of the leave of absence and by the number of months of the leave of absence for which the employee wants allowable service credit. Payments made under this paragraph must include compound interest at the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter from the last day of the leave period until the last day of the month in which payment is received.

(c) If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date the person terminates public service under section 353.01, subdivision 11a.

Subd. 3. **Restriction on subsequent purchases.** To purchase salary credit or service credit for a subsequent authorized leave of absence period, the member must return to public service and render a minimum of three months of allowable service credit.

**356.611 LIMITATION ON PUBLIC EMPLOYEE SALARIES FOR PENSION PURPOSES.**

Subd. 3. **Maximum benefit limitations.** An annuitant's annual benefit, if necessary, must be reduced to the extent required by section 415(b) of the federal Internal Revenue Code, as adjusted by the United States secretary of the treasury under section 415(d) of the federal Internal Revenue Code for any applicable increases in the cost of living, including applicable increases in the cost of living after the member's termination of employment. If an annuitant participated in more than one pension plan in which the employer participates, the benefits under each plan must be reduced proportionately, if necessary, to satisfy the applicable limitation.

Subd. 3a. **Maximum annual addition limitation, defined contribution plans.** The annual additions on behalf of a member to a defined contribution plan for any limitation year shall not exceed the applicable limitation on annual additions under section 415(c) of the federal Internal Revenue Code, as adjusted by the United States secretary of the treasury under section 415(d) of the federal Internal Revenue Code.

Subd. 4. **Compensation.** For purposes of this section, compensation means a member's compensation actually paid or made available for any limitation year including all items of remuneration described in federal treasury regulation section 1.415 (c)-2(b) and excluding all items of remuneration described in federal treasury regulation section 1.415 (c)-2(c). Compensation for pension plan purposes for any limitation year shall not exceed the applicable federal compensation limit described in subdivision 2.

Subd. 5. **Limitation year.** Unless otherwise specifically provided, for purposes of section 415 of the federal Internal Revenue Code, the limitation year of a pension plan covered by this section is the calendar year or fiscal year, whichever is applicable.

**356.96 PENSION PLAN APPEAL PROCEDURES.**

Subd. 14. **Petitions without notice.** Notwithstanding the petition notice and requirements under this section, a person who believes that the person's rights have been affected by a decision made by the administration of a covered pension plan may request a review under this section by the appropriate governing board. The petition under this subdivision must be made within 45 days of the time that the person knew or should have known of the disputed decision.

## APPENDIX

Repealed Minnesota Statutes: 16-5966

Subd. 15. **Governing board review panel.** Any covered pension plan subject to this section, by motion duly made and adopted, may appoint a panel of governing board members to hear and determine any or all petitions brought under this section. The governing board review panel must contain a minimum number of board members that would otherwise constitute a quorum of board members under the governing body's rules and procedures.