

CHAPTER 356

RETIREMENT SYSTEMS, GENERALLY

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356.215 ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES.

[For text of subsds 1 to 4f, see M.S.2000]

Subd. 4g. **Amortization contributions.** (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation must contain an exhibit indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability. For funds governed by chapters 3A, 352, 352B, 352C, 353, 354, 354A, and 490, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared. For funds governed by chapter 3A, sections 352.90 through 352.951, chapters 352B, 352C, sections 353.63 through 353.68, and chapters 353C, 354A, and 490, the level percent additional contribution must be calculated assuming annual payroll growth of 6.5 percent. For funds governed by sections 352.01 through 352.86 and chapter 354, the level percent additional contribution must be calculated assuming an annual payroll growth of five percent. For the fund governed by sections 353.01 through 353.46, the level percent additional contribution must be calculated assuming an annual payroll growth of six percent. For all other funds, the additional annual contribution must be calculated on a level annual dollar amount basis.

(b) For any fund other than the Minneapolis employees retirement fund and the public employees retirement association general plan, if there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding is the first actuarial valuation date occurring after June 1, 2020.

(c) For any fund or plan other than the Minneapolis employees retirement fund and the public employees retirement association general plan, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding must be determined using the following procedure:

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

(ii) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the unfunded actuarial accrued liability amount determined under item (i) by the established date for full funding in effect before the change must

be calculated using the interest assumption specified in subdivision 4d in effect before the change;

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

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable interest assumption specified in subdivision 4d in effect after any applicable change;

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

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 4d in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

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

(d) For the Minneapolis employees retirement fund, the established date for full funding is June 30, 2020.

(e) For the public employees retirement association general plan, the established date for full funding is June 30, 2031.

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

[For text of subds 4h to 7, see M.S.2000]

History: 1Sp2001 c 10 art 11 s 18

356.24 SUPPLEMENTAL PENSION OR DEFERRED COMPENSATION PLANS, RESTRICTIONS UPON GOVERNMENT UNITS.

Subdivision 1. **Restriction; exceptions.** It is unlawful for a school district or other governmental subdivision or state agency to levy taxes for, or contribute public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than:

(1) to a supplemental pension plan that was established, maintained, and operated before May 6, 1971;

(2) to a plan that provides solely for group health, hospital, disability, or death benefits;

(3) to the individual retirement account plan established by chapter 354B;

(4) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;

(5) for employees other than personnel employed by the board of trustees of the Minnesota state colleges and universities and covered under the higher education supplemental retirement plan under chapter 354C, if provided for in a personnel policy of the public employer or in the collective bargaining agreement between the public employer and the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year per employee:

(i) to the state of Minnesota deferred compensation plan under section 352.96; or

(ii) in payment of the applicable portion of the contribution made to any investment eligible under section 403(b) of the Internal Revenue Code, if the employing unit has complied with any applicable pension plan provisions of the Internal Revenue Code with respect to the tax-sheltered annuity program during the preceding calendar year;

(6) for personnel employed by the board of trustees of the Minnesota state colleges and universities and not covered by clause (5), to the supplemental retirement plan under chapter 354C, if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,700 a year for each employee;

(7) to a supplemental plan or to a governmental trust to save for postretirement health care expenses qualified for tax-preferred treatment under the Internal Revenue Code, if provided for in a personnel policy or in the collective bargaining agreement of a public employer with the exclusive representative of the covered employees in an appropriate unit; or

(8) to the laborer's national industrial pension fund for the employees of a governmental subdivision who are covered by a collective bargaining agreement that provides for coverage by that fund and that sets forth a fund contribution rate, but not to exceed an employer contribution of \$2,000 per year per employee.

[For text of subds 1b to 2, see M.S.2000]

History: 1Sp2001 c 1 art 2 s 24; 1Sp2001 c 10 art 7 s 2

356.371 APPLICATION FOR RETIREMENT ANNUITY; PROCEDURE FOR ELECTING ANNUITY FORM.

Subdivision 1. **Definitions.** As used in this section, the following terms shall have the meanings given.

(1) "Annuity form" means the payment procedure and duration of a retirement annuity or disability benefit available to a member of a public pension fund, based on the period over which a retirement annuity or disability benefit is payable, determined by the number of persons to whom the retirement annuity or disability benefit is payable, and the amount of the retirement annuity or disability benefit which is payable to each person.

(2) "Joint and survivor optional annuity" means an optional annuity form which provides a retirement annuity or disability benefit to a retired member and the spouse of the member on a joint basis during the lifetime of the retired member and all or a portion of the original retirement annuity or disability benefit amount to the surviving spouse in the event of the death of the retired member.

(3) "Optional annuity form" means an annuity form which is elected by a member and is not provided automatically as the standard annuity form of the public pension fund.

(4) "Public pension fund" means a public pension plan as defined pursuant to section 356.615, paragraph (b).

(5) "Retirement annuity" means a series of monthly payments to which a former or retired member of a public pension fund is entitled on account of attaining a specified age and acquiring credit for a specified period of service, which shall include a retirement annuity, retirement allowance or service pension.

(6) "Disability benefit" means a series of monthly payments to which a former or disabled member of a public pension fund is entitled on account of a physical or mental inability to engage in specified employment.

[For text of subs 2 and 3, see M.S.2000]

History: 2001 c 7 s 65

356.55 PRIOR SERVICE CREDIT PURCHASE PAYMENT AMOUNT DETERMINATION PROCEDURE.

[For text of subs 1 to 6, see M.S.2000]

Subd. 7. **Expiration of purchase payment determination procedure.** (a) This section expires and is repealed on July 1, 2003.

(b) Authority for any public pension plan to accept a prior service credit payment calculated in a timely fashion under this section expires on October 1, 2003.

History: 1Sp2001 c 10 art 6 s 16

NOTE: The amendment to subdivision 7 by Laws 2001, First Special Session chapter 10, article 6, section 16, expires May 16, 2003. Laws 2001, First Special Session chapter 10, article 6, section 21.

356.555 PARENTAL OR FAMILY LEAVE SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorization.** (a) Notwithstanding any provision to the contrary of the laws governing a plan enumerated in subdivision 4, a member of the pension plan who has at least three years of allowable service covered by the applicable pension plan and who was granted by the employer a parental leave of absence as defined in paragraph (b), or who was granted by the employer a family leave of absence as defined in paragraph (c), or who had a parental or family-related break in employment, as defined in paragraph (d), for which the person did not previously receive service credit or for which the person did not receive or purchase service credit from another defined benefit public employee pension plan, is entitled to purchase the actual period of the leave or of the break in service, up to five years, of allowable service credit in the applicable retirement plan. The purchase payment amount is governed by section 356.55.

(b) For purposes of this section, a parental leave of absence is a temporary period of interruption of or separation from active employment for the purposes of handling maternity or paternity duties that has been approved by the employing unit and that includes the right of reinstatement to employment.

(c) For purposes of this section, a family leave of absence is a family leave under United States Code, title 42, section 12631, as amended.

(d) For purposes of this section, a parental or family-related break in employment is a period following a termination of active employment primarily for the purpose of the birth of a child, the adoption of a child, or the provision of care to a near relative or in-law, after which the person returned to the prior employing unit or to an employing unit covered by the same pension plan that provided retirement coverage immediately prior to the termination of employment.

Subd. 2. **Application and documentation.** A person who desires to purchase service credit under subdivision 1 must apply for the service credit purchase with the chief administrative officer of the enumerated pension plan. The application must include all necessary documentation of the qualifications of the person to make the purchase, signed written permission to allow the chief administrative officer to request and receive necessary verification of all applicable facts and eligibility requirements, and any other relevant information that the chief administrative officer may require.

Subd. 3. **Service credit grant.** Allowable service credit in the applicable enumerated pension plan for the purchase period must be granted to the purchaser upon receipt of the purchase payment amount calculated under section 356.55. Payment of the purchase amount must be made before the person retires.

Subd. 4. **Covered pension plans.** This section applies to the following pension plans:

- (1) general state employees retirement plan governed by chapter 352;
- (2) correctional state employees retirement plan governed by chapter 352;
- (3) general public employees retirement plan governed by chapter 353;
- (4) public employees police and fire plan governed by chapter 353;
- (5) teachers retirement plan governed by chapter 354;
- (6) Minneapolis teachers retirement fund association governed by chapter 354A;
- (7) Saint Paul teachers retirement fund association governed by chapter 354A;
- (8) Duluth teachers retirement fund association governed by chapter 354A;
- (9) Minneapolis employees retirement plan governed by chapter 422A;
- (10) Minneapolis police relief association governed by chapter 423B; and
- (11) Minneapolis fire department relief association governed by sections 69.25 to 69.53 and augmented by Laws 1959, chapters 213, 491, and 568, and other special local legislation.

History: *1Sp2001 c 10 art 6 s 17*

NOTE: This section, as added by Laws 2001, First Special Session chapter 10, article 6, section 17, expires May 16, 2003. Laws 2001, First Special Session chapter 10, article 6, section 21.

356.62 PAYMENT OF EMPLOYEE CONTRIBUTION.

For purposes of any public pension plan, as defined in section 365.615, paragraph (b), each employer shall pick up the employee contributions required pursuant to law or the pension plan for all salary payable after December 31, 1982. If the United States Treasury department rules that pursuant to section 414(h) of the Internal Revenue Code of 1986, as amended through December 31, 1992, that these picked up contributions are not includable in the employee's adjusted gross income until they are distributed or made available, then these picked up contributions shall be treated as employer contributions in determining tax treatment pursuant to the Internal Revenue Code of 1986, as amended through December 31, 1992, and the employer shall discontinue withholding federal income taxes on the amount of these contributions. The employer shall pay these picked up contributions from the same source of funds as is used to pay the salary of the employee. The employer shall pick up these employee contributions by a reduction in the cash salary of the employee.

Employee contributions that are picked up shall be treated for all purposes of the public pension plan in the same manner and to the same extent as employee contributions that were made prior to the date on which the employee contributions pick up began. The amount of the employee contributions that are picked up shall be included in the salary upon which retirement coverage is credited and retirement and survivor's benefits are determined. For purposes of this section, "employee" means any person covered by a public pension plan. For purposes of this section, "employee contributions" include any sums deducted from the employee's salary or wages or otherwise paid in lieu thereof, regardless of whether they are denominated contributions by the public pension plan.

For any calendar year in which withholding has been reduced pursuant to this section, the employing unit shall supply each employee and the commissioner of revenue with an information return indicating the amount of the employer's picked-up contributions for the calendar year that were not subject to withholding. This return shall be provided to the employee not later than January 31 of the succeeding calendar year. The commissioner of revenue shall prescribe the form of the return and the

provisions of section 289A.12 shall apply to the extent not inconsistent with the provisions of this section.

History: 2001 c 7 s 66

356.65 DISPOSITION OF ABANDONED PUBLIC PENSION FUND AMOUNTS.

Subdivision 1. **Definitions.** For purposes of this section, unless the context clearly indicates otherwise, the following terms shall have the meanings given to them:

(a) "Public pension fund" means any public pension plan as defined in section 356.615, paragraph (b), and any Minnesota volunteer firefighters relief association which is established pursuant to chapter 424A and governed pursuant to sections 69.771 to 69.776.

(b) "Unclaimed public pension fund amounts" means any amounts representing accumulated member contributions, any outstanding unpaid annuity, service pension or other retirement benefit payments, including those made on warrants issued by the commissioner of finance, which have been issued and delivered for more than six months prior to the date of the end of the fiscal year applicable to the public pension fund, and any applicable interest to the credit of:

(1) an inactive or former member of a public pension fund who is not entitled to a defined retirement annuity and who has not applied for a refund of those amounts within five years after the last member contribution was made;

(2) a deceased inactive or former member of a public pension fund if no survivor is entitled to a survivor benefit and no survivor, designated beneficiary or legal representative of the estate has applied for a refund of those amounts within five years after the date of death of the inactive or former member.

[For text of subd 2, see M.S.2000]

History: 2001 c 7 s 67

356.866 CONVERSION OF LUMP-SUM POSTRETIREMENT AND SUPPLEMENTAL PAYMENT TO AN INCREASED MONTHLY ANNUITY.

Subdivision 1. **Lump-sum postretirement payment conversion.** For benefits paid after December 31, 2001, to eligible persons under sections 356.86 and 356.865, the amount of the most recent lump-sum benefit payable to an eligible recipient under sections 356.86 and 356.865, must be divided by 12. The result must be added to the monthly annuity or benefit otherwise payable to an eligible recipient, must become a permanent part of the benefit recipient's pension, and must be included in any pension benefit subject to future increases.

Subd. 2. **Transfer of required reserves to Minnesota postretirement investment fund.** Public employee retirement funds participating in the state board of investment postretirement investment fund shall transfer the required reserves for the postretirement conversion under subdivision 1 to the postretirement investment fund by January 31, 2002.

History: 1Sp2001 c 10 art 3 s 25