

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 1066

(SENATE AUTHORS: ROSEN and Pappas)

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Introduction and first reading
Referred to State Government Finance and Policy and Elections

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to retirement; Public Employees Retirement Association financial solvency

1.3 measures; increasing police and fire plan member and employer contribution rates;

1.4 eliminating certain postretirement adjustment trigger procedures; extending the

1.5 police and fire plan amortization target date; lowering the investment return

1.6 actuarial assumption; modifying the actuarial assumption requirements; modifying

1.7 interest rates charged on certain payments; amending Minnesota Statutes 2016,

1.8 sections 353.01, subdivision 16; 353.0161, subdivision 2; 353.0162; 353.27,

1.9 subdivisions 3c, 7a, 12, 12a, 12b; 353.28, subdivision 5; 353.35, subdivision 1;

1.10 353.65, subdivisions 2, 3; 356.215, subdivisions 8, 9, 11; 356.415, subdivisions

1.11 1b, 1c; proposing coding for new law in Minnesota Statutes, chapter 356; repealing

1.12 Minnesota Statutes 2016, section 356.415, subdivision 1.

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

1.14 Section 1. Minnesota Statutes 2016, section 353.01, subdivision 16, is amended to read:

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

1.16 (1) service during years of actual membership in the course of which employee deductions

1.17 were withheld from salary and contributions were made at the applicable rates under section

1.18 353.27, 353.65, or 353E.03;

1.19 (2) periods of service covered by payments in lieu of salary deductions under sections

1.20 353.27, subdivisions 12 and 12a, and 353.35;

1.21 (3) service in years during which the public employee was not a member but for which

1.22 the member later elected, while a member, to obtain credit by making payments to the fund

1.23 as permitted by any law then in effect;

1.24 (4) a period of authorized leave of absence during which the employee receives pay as

1.25 specified in subdivision 10, paragraph (a), clause (4) or (5), from which deductions for

1.26 employee contributions are made, deposited, and credited to the fund;

2.1 (5) a period of authorized leave of absence without pay, or with pay that is not included
2.2 in the definition of salary under subdivision 10, paragraph (a), clause (4) or (5), for which
2.3 salary deductions are not authorized, and for which a member obtained service credit for
2.4 up to 12 months of the authorized leave period by payment under section 353.0161 or
2.5 353.0162, to the fund made in place of salary deductions;

2.6 (6) a periodic, repetitive leave that is offered to all employees of a governmental
2.7 subdivision. The leave program may not exceed 208 hours per annual normal work cycle
2.8 as certified to the association by the employer. A participating member obtains service credit
2.9 by making employee contributions in an amount or amounts based on the member's average
2.10 salary, excluding overtime pay, that would have been paid if the leave had not been taken.
2.11 The employer shall pay the employer and additional employer contributions on behalf of
2.12 the participating member. The employee and the employer are responsible to pay interest
2.13 on their respective shares at the ~~rate of 8.5 percent until June 30, 2015, and eight percent~~
2.14 ~~thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded
2.15 annually, from the end of the normal cycle until full payment is made. An employer shall
2.16 also make the employer and additional employer contributions, plus ~~8.5 percent~~ interest
2.17 ~~until June 30, 2015, and eight percent interest thereafter~~ at the applicable rate or rates
2.18 specified in section 356.59, subdivision 3, compounded annually, on behalf of an employee
2.19 who makes employee contributions but terminates public service. The employee contributions
2.20 must be made within one year after the end of the annual normal working cycle or within
2.21 30 days after termination of public service, whichever is sooner. The executive director
2.22 shall prescribe the manner and forms to be used by a governmental subdivision in
2.23 administering a periodic, repetitive leave. Upon payment, the member must be granted
2.24 allowable service credit for the purchased period;

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

2.31 (8) a period during which a member is absent from employment by a governmental
2.32 subdivision by reason of service in the uniformed services, as defined in United States Code,
2.33 title 38, section 4303(13), if the member returns to public service with the same governmental
2.34 subdivision upon discharge from service in the uniformed service within the time frames
2.35 required under United States Code, title 38, section 4312(e), provided that the member did

3.1 not separate from uniformed service with a dishonorable or bad conduct discharge or under
3.2 other than honorable conditions. The service must be credited if the member pays into the
3.3 fund equivalent employee contributions based upon the contribution rate or rates in effect
3.4 at the time that the uniformed service was performed multiplied by the full and fractional
3.5 years being purchased and applied to the annual salary rate. The annual salary rate is the
3.6 average annual salary during the purchase period that the member would have received if
3.7 the member had continued to be employed in covered employment rather than to provide
3.8 uniformed service, or, if the determination of that rate is not reasonably certain, the annual
3.9 salary rate is the member's average salary rate during the 12-month period of covered
3.10 employment rendered immediately preceding the period of the uniformed service. Payment
3.11 of the member equivalent contributions must be made during a period that begins with the
3.12 date on which the individual returns to public employment and that is three times the length
3.13 of the military leave period, or within five years of the date of discharge from the military
3.14 service, whichever is less. If the determined payment period is less than one year, the
3.15 contributions required under this clause to receive service credit may be made within one
3.16 year of the discharge date. Payment may not be accepted following 30 days after termination
3.17 of public service under subdivision 11a. If the member equivalent contributions provided
3.18 for in this clause are not paid in full, the member's allowable service credit must be prorated
3.19 by multiplying the full and fractional number of years of uniformed service eligible for
3.20 purchase by the ratio obtained by dividing the total member contributions received by the
3.21 total member contributions otherwise required under this clause. The equivalent employer
3.22 contribution, and, if applicable, the equivalent additional employer contribution must be
3.23 paid by the governmental subdivision employing the member if the member makes the
3.24 equivalent employee contributions. The employer payments must be made from funds
3.25 available to the employing unit, using the employer and additional employer contribution
3.26 rate or rates in effect at the time that the uniformed service was performed, applied to the
3.27 same annual salary rate or rates used to compute the equivalent member contribution. The
3.28 governmental subdivision involved may appropriate money for those payments. The amount
3.29 of service credit obtainable under this section may not exceed five years unless a longer
3.30 purchase period is required under United States Code, title 38, section 4312. The employing
3.31 unit shall pay interest on all equivalent member and employer contribution amounts payable
3.32 under this clause. Interest must be computed at the ~~rate of 8.5 percent until June 30, 2015,~~
3.33 ~~and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision
3.34 3, compounded annually, from the end of each fiscal year of the leave or the break in service
3.35 to the end of the month in which the payment is received. Upon payment, the employee
3.36 must be granted allowable service credit for the purchased period; or

4.1 (9) a period specified under section 353.0162.

4.2 (b) No member may receive more than 12 months of allowable service credit in a year
4.3 either for vesting purposes or for benefit calculation purposes.

4.4 (c) For an active member who was an active member of the former Minneapolis
4.5 Firefighters Relief Association on December 29, 2011, "allowable service" is the period of
4.6 service credited by the Minneapolis Firefighters Relief Association as reflected in the
4.7 transferred records of the association up to December 30, 2011, and the period of service
4.8 credited under paragraph (a), clause (1), after December 30, 2011. For an active member
4.9 who was an active member of the former Minneapolis Police Relief Association on December
4.10 29, 2011, "allowable service" is the period of service credited by the Minneapolis Police
4.11 Relief Association as reflected in the transferred records of the association up to December
4.12 30, 2011, and the period of service credited under paragraph (a), clause (1), after December
4.13 30, 2011.

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

4.15 Sec. 2. Minnesota Statutes 2016, section 353.0161, subdivision 2, is amended to read:

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

4.21 (b) If payment is received by the executive director within one year from the date the
4.22 member returned to work following the authorized leave, or within 30 days after the date
4.23 of termination of public service if the member did not return to work, the payment amount
4.24 is equal to the employee and employer contribution rates specified in law for the applicable
4.25 plan at the end of the leave period, or at termination of public service, whichever is earlier,
4.26 multiplied by the employee's average monthly salary, excluding overtime, upon which
4.27 deductions were paid during the six months, or portion thereof, before the commencement
4.28 of the leave of absence and by the number of months of the leave of absence for which the
4.29 employee wants allowable service credit. Payments made under this paragraph must include
4.30 ~~compound interest at the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent~~
4.31 applicable rate or rates specified in section 356.59, subdivision 3, per month thereafter,
4.32 compounded annually, from the last day of the leave period until the last day of the month
4.33 in which payment is received.

5.1 (c) If payment is received by the executive director after one year, the payment amount
5.2 is the amount determined under section 356.551. Payment under this paragraph must be
5.3 made before the date the person terminates public service under section 353.01, subdivision
5.4 11a.

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

5.6 Sec. 3. Minnesota Statutes 2016, section 353.0162, is amended to read:

5.7 **353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE.**

5.8 (a) A member may purchase additional salary credit for a period specified in this section.

5.9 (b) The applicable period is a period during which the member is receiving a reduced
5.10 salary from the employer while the member is:

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

5.13 (2) on an authorized leave of absence; or

5.14 (3) on an authorized partial paid leave of absence as a result of a budgetary or salary
5.15 savings program offered or mandated by a governmental subdivision.

5.16 (c) The differential salary amount is the difference between the average monthly salary
5.17 received by the member during the period of reduced salary under this section and the
5.18 average monthly salary of the member, excluding overtime, on which contributions to the
5.19 applicable plan were made during the period of the last six months of covered employment
5.20 occurring immediately before the period of reduced salary, applied to the member's normal
5.21 employment period, measured in hours or otherwise, as applicable.

5.22 (d) To receive eligible salary credit, the member shall pay an amount equal to:

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

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

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

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

6.4 (f) Payment under this section must include interest on the contribution amount or
6.5 amounts, whichever applies, at ~~an 8.5 percent annual rate until June 30, 2015, and at an~~
6.6 ~~eight percent annual rate thereafter~~ the applicable rate or rates specified in section 356.59,
6.7 subdivision 3, compounded annually, prorated for applicable the number of months, if less
6.8 than 12, from the date on which the period of reduced salary specified under this section
6.9 terminates to the date on which the payment or payments are received by the executive
6.10 director. Payment under this section must be completed within the earlier of 30 days from
6.11 termination of public service by the employee under section 353.01, subdivision 11a, or
6.12 one year after the termination of the period specified in paragraph (b), as further restricted
6.13 under this section.

6.14 (g) The period for which additional allowable salary credit may be purchased is limited
6.15 to the period during which the person receives temporary workers' compensation payments
6.16 or for those business years in which the governmental subdivision offers or mandates a
6.17 budget or salary savings program, as certified to the executive director by a resolution of
6.18 the governing body of the governmental subdivision. For an authorized leave of absence,
6.19 the period for which allowable salary credit may be purchased may not exceed 12 months
6.20 of authorized leave.

6.21 (h) To purchase salary credit for a subsequent period of temporary workers' compensation
6.22 benefits or subsequent authorized medical leave of absence, the member must return to
6.23 public service and render a minimum of three months of allowable service.

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

6.25 Sec. 4. Minnesota Statutes 2016, section 353.27, subdivision 3c, is amended to read:

6.26 Subd. 3c. **Former MERF members; member and employer contributions.** (a) For
6.27 the period July 1, 2015, through December 31, 2031, the member contributions for former
6.28 members of the Minneapolis Employees Retirement Fund and by the former Minneapolis
6.29 Employees Retirement Fund-covered employing units are governed by this subdivision.

6.30 (b) The member contribution for a public employee who was a member of the former
6.31 Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of
6.32 the employee.

7.1 (c) The employer regular contribution with respect to a public employee who was a
 7.2 member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75
 7.3 percent of the salary of the employee.

7.4 (d) For calendar years 2015 and 2016, the employer supplemental contribution is the
 7.5 employing unit's share of \$31,000,000. For calendar years 2017 through 2031, the employer
 7.6 supplemental contribution is the employing unit's share of \$21,000,000.

7.7 (e) Each employing unit's share under paragraph (d) is the amount determined from an
 7.8 allocation between each employing unit in the portion equal to the unit's employer
 7.9 supplemental contribution paid or payable under Minnesota Statutes 2012, section 353.50,
 7.10 during calendar year 2014.

7.11 (f) The employer supplemental contribution amount under paragraph (d) for calendar
 7.12 year 2015 must be invoiced by the executive director of the Public Employees Retirement
 7.13 Association by July 1, 2015. The calendar year 2015 payment is payable in a single amount
 7.14 on or before September 30, 2015. For subsequent calendar years, the employer supplemental
 7.15 contribution under paragraph (d) must be invoiced on January 31 of each year and is payable
 7.16 in two parts, with the first half payable on or before July 31 and with the second half payable
 7.17 on or before December 15. Late payments are payable with ~~compound~~ interest, compounded
 7.18 annually, at the rate of 0.71 percent applicable rate or rates specified in section 356.59,
 7.19 subdivision 3, per month for each month or portion of a month that has elapsed after the
 7.20 due date.

7.21 (g) The employer supplemental contribution under paragraph (d) terminates on December
 7.22 31, 2031.

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

7.24 Sec. 5. Minnesota Statutes 2016, section 353.27, subdivision 7a, is amended to read:

7.25 Subd. 7a. **Deductions or contributions transmitted by error.** (a) If employee deductions
 7.26 and employer contributions under this section, section 353.50, 353.65, or 353E.03 were
 7.27 erroneously transmitted to the association, but should have been transmitted to a plan covered
 7.28 by chapter 352D, 353D, 354B, or 354D, the executive director shall transfer the erroneous
 7.29 employee deductions and employer contributions to the appropriate retirement fund or
 7.30 individual account, as applicable. The time limitations specified in subdivisions 7 and 12
 7.31 do not apply. The transfer to the applicable defined contribution plan account must include
 7.32 interest at the ~~rate of 0.71 percent per month until June 30, 2015, and 0.667 percent~~ applicable
 7.33 rate or rates specified in section 356.59, subdivision 3, per month thereafter, compounded

8.1 annually, from the first day of the month following the month in which coverage should
8.2 have commenced in the defined contribution plan until the end of the month in which the
8.3 transfer occurs.

8.4 (b) A potential transfer under paragraph (a) that is reasonably determined to cause the
8.5 plan to fail to be a qualified plan under section 401(a) of the federal Internal Revenue Code,
8.6 as amended, must not be made by the executive director of the association. Within 30 days
8.7 after being notified by the Public Employees Retirement Association of an unmade potential
8.8 transfer under this paragraph, the employer of the affected person must transmit an amount
8.9 representing the applicable salary deductions and employer contributions, without interest,
8.10 to the retirement fund of the appropriate Minnesota public pension plan, or to the applicable
8.11 individual account if the proper coverage is by a defined contribution plan. The association
8.12 must provide the employing unit a credit for the amount of the erroneous salary deductions
8.13 and employer contributions against future contributions from the employer. If the employing
8.14 unit receives a credit under this paragraph, the employing unit is responsible for refunding
8.15 to the applicable employee any amount that had been erroneously deducted from the person's
8.16 salary.

8.17 (c) If erroneous employee deductions and employer contributions reflect a plan coverage
8.18 error involving any Public Employees Retirement Association plan specified in section
8.19 356.99 and any other plan specified in that section, section 356.99 applies.

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

8.21 Sec. 6. Minnesota Statutes 2016, section 353.27, subdivision 12, is amended to read:

8.22 Subd. 12. **Omitted salary deductions; obligations.** (a) In the case of omission of
8.23 required deductions for the general employees retirement plan, the public employees police
8.24 and fire retirement plan, or the local government correctional employees retirement plan
8.25 from the salary of an employee, the department head or designee shall immediately, upon
8.26 discovery, report the employee for membership and deduct the employee deductions under
8.27 subdivision 4 during the current pay period or during the pay period immediately following
8.28 the discovery of the omission. Payment for the omitted obligations may only be made in
8.29 accordance with reporting procedures and methods established by the executive director.

8.30 (b) When the entire omission period of an employee does not exceed 60 days, the
8.31 governmental subdivision may report and submit payment of the omitted employee
8.32 deductions and the omitted employer contributions through the reporting processes under
8.33 subdivision 4.

9.1 (c) When the omission period of an employee exceeds 60 days, the governmental
9.2 subdivision shall furnish to the association sufficient data and documentation upon which
9.3 the obligation for omitted employee and employer contributions can be calculated. The
9.4 omitted employee deductions must be deducted from the employee's subsequent salary
9.5 payment or payments and remitted to the association for deposit in the applicable retirement
9.6 fund. The employee shall pay omitted employee deductions due for the 60 days prior to the
9.7 end of the last pay period in the omission period during which salary was earned. The
9.8 employer shall pay any remaining omitted employee deductions and any omitted employer
9.9 contributions, plus cumulative interest at the annual rate of 8.5 percent until June 30, 2015,
9.10 and eight percent thereafter compounded annually, from the date or dates each omitted
9.11 employee contribution was first payable.

9.12 (d) An employer shall not hold an employee liable for omitted employee deductions
9.13 beyond the pay period dates under paragraph (c), nor attempt to recover from the employee
9.14 those employee deductions paid by the employer on behalf of the employee. Omitted
9.15 deductions due under paragraph (c) which are not paid by the employee constitute a liability
9.16 of the employer that failed to deduct the omitted deductions from the employee's salary.
9.17 The employer shall make payment with interest at the ~~annual rate of 8.5 percent until June~~
9.18 ~~30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59,
9.19 subdivision 3, compounded annually. Omitted employee deductions are no longer due if an
9.20 employee terminates public service before making payment of omitted employee deductions
9.21 to the association, but the employer remains liable to pay omitted employer contributions
9.22 plus interest at the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~
9.23 applicable rate or rates specified in section 356.59, subdivision 3, compounded annually,
9.24 from the date the contributions were first payable.

9.25 (e) The association may not commence action for the recovery of omitted employee
9.26 deductions and employer contributions after the expiration of three calendar years after the
9.27 calendar year in which the contributions and deductions were omitted. Except as provided
9.28 under paragraph (b), no payment may be made or accepted unless the association has already
9.29 commenced action for recovery of omitted deductions. An action for recovery commences
9.30 on the date of the mailing of any written correspondence from the association requesting
9.31 information from the governmental subdivision upon which to determine whether or not
9.32 omitted deductions occurred.

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

10.1 Sec. 7. Minnesota Statutes 2016, section 353.27, subdivision 12a, is amended to read:

10.2 Subd. 12a. **Terminated employees: omitted deductions.** A terminated employee who
10.3 was a member of the general employees retirement plan of the Public Employees Retirement
10.4 Association, the public employees police and fire retirement plan, or the local government
10.5 correctional employees retirement plan and who has a period of employment in which
10.6 previously omitted employer contributions were made under subdivision 12 but for whom
10.7 no, or only partial, omitted employee contributions have been made, or a member who had
10.8 prior coverage in the association for which previously omitted employer contributions were
10.9 made under subdivision 12 but who terminated service before required omitted employee
10.10 deductions could be withheld from salary, may pay the omitted employee deductions for
10.11 the period on which omitted employer contributions were previously paid plus interest at
10.12 ~~the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable
10.13 rate or rates specified in section 356.59, subdivision 3, compounded annually. A terminated
10.14 employee may pay the omitted employee deductions plus interest within six months of an
10.15 initial notification from the association of eligibility to pay those omitted deductions. If a
10.16 terminated employee is reemployed in a position covered under a public pension fund under
10.17 section 356.30, subdivision 3, and elects to pay omitted employee deductions, payment
10.18 must be made no later than six months after a subsequent termination of public service.

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

10.20 Sec. 8. Minnesota Statutes 2016, section 353.27, subdivision 12b, is amended to read:

10.21 Subd. 12b. **Terminated employees: immediate eligibility.** If deductions were omitted
10.22 from salary adjustments or final salary of a terminated employee who was a member of the
10.23 general employees retirement plan, the public employees police and fire retirement plan,
10.24 or the local government correctional employees retirement plan and who is immediately
10.25 eligible to draw a monthly benefit, the employer shall pay the omitted employer and employer
10.26 additional contributions plus interest on both the employer and employee amounts due at
10.27 ~~an annual rate of 8.5 percent~~ the applicable rate or rates specified in section 356.59,
10.28 subdivision 3, compounded annually. The employee shall pay the employee deductions
10.29 within six months of an initial notification from the association of eligibility to pay omitted
10.30 deductions or the employee forfeits the right to make the payment.

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

11.1 Sec. 9. Minnesota Statutes 2016, section 353.28, subdivision 5, is amended to read:

11.2 Subd. 5. **Interest chargeable on amounts due.** Any amount due under this section or
 11.3 section 353.27, subdivision 4, is payable with interest at the ~~annual compound rate of 8.5~~
 11.4 ~~percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified
 11.5 in section 356.59, subdivision 3, compounded annually, from the date due until the date
 11.6 payment is received by the association, with a minimum interest charge of \$10.

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

11.8 Sec. 10. Minnesota Statutes 2016, section 353.35, subdivision 1, is amended to read:

11.9 Subdivision 1. **Refund rights.** (a) Except as provided in paragraph (b), when any former
 11.10 member accepts a refund, all existing service credits and all rights and benefits to which
 11.11 the person was entitled prior to the acceptance of the refund must terminate.

11.12 (b) A refund under section 353.651, subdivision 3, paragraph (c), does not result in a
 11.13 forfeiture of salary credit for the allowable service credit covered by the refund.

11.14 (c) The rights and benefits of a former member must not be restored until the person
 11.15 returns to active service and acquires at least six months of allowable service credit after
 11.16 taking the last refund and repays the refund or refunds taken and interest received under
 11.17 section 353.34, subdivisions 1 and 2, plus interest at the ~~annual rate of 8.5 percent until June~~
 11.18 ~~30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59,
 11.19 subdivision 3, compounded annually. If the person elects to restore service credit in a
 11.20 particular fund from which the person has taken more than one refund, the person must
 11.21 repay all refunds to that fund. All refunds must be repaid within six months of the last date
 11.22 of termination of public service.

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

11.24 Sec. 11. Minnesota Statutes 2016, section 353.65, subdivision 2, is amended to read:

11.25 Subd. 2. **Employee contribution.** (a) For members other than members who were active
 11.26 members of the former Minneapolis Firefighters Relief Association on December 29, 2011,
 11.27 or for members other than members who were active members of the former Minneapolis
 11.28 Police Relief Association on December 29, 2011, the employee contribution is an amount
 11.29 equal to the following percentage of the total salary of each member, as follows: ~~9.6 percent~~
 11.30 ~~before calendar year 2014; 10.2 percent in calendar year 2014; and 10.8 percent in calendar~~
 11.31 ~~year 2015 and thereafter.~~

11.32 before January 1, 2018

10.8 percent

12.1	<u>from January 1, 2018, through December 31, 2018</u>	<u>11.3 percent</u>
12.2	<u>from January 1, 2019, and thereafter</u>	<u>11.8 percent</u>

12.3 (b) For members who were active members of the former Minneapolis Firefighters Relief
 12.4 Association on December 29, 2011, the employee contribution is an amount equal to eight
 12.5 percent of the monthly unit value under section 353.01, subdivision 10a, multiplied by 80
 12.6 and expressed as a biweekly amount for each member. The employee contribution made
 12.7 by a member with at least 25 years of service credit as an active member of the former
 12.8 Minneapolis Firefighters Relief Association must be deposited in the postretirement health
 12.9 care savings account established under section 352.98.

12.10 (c) For members who were active members of the former Minneapolis Police Relief
 12.11 Association on December 29, 2011, the employee contribution is an amount equal to eight
 12.12 percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80
 12.13 and expressed as a biweekly amount for each member. The employee contribution made
 12.14 by a member with at least 25 years of service credit as an active member of the former
 12.15 Minneapolis Police Relief Association must be deposited in the postretirement health care
 12.16 savings account established under section 352.98.

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

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

12.22 Sec. 12. Minnesota Statutes 2016, section 353.65, subdivision 3, is amended to read:

12.23 Subd. 3. **Employer contribution.** (a) With respect to members other than members who
 12.24 were active members of the former Minneapolis Firefighters Relief Association on December
 12.25 29, 2011, or for members other than members who were active members of the former
 12.26 Minneapolis Police Relief Association on December 29, 2011, the employer contribution
 12.27 is an amount equal to the following percentage of the total salary of each member, as follows:
 12.28 ~~14.4 percent before calendar year 2014; 15.3 percent in calendar year 2014; and 16.2 percent~~
 12.29 ~~in calendar year 2015 and thereafter.~~

12.30	<u>before January 1, 2018</u>	<u>16.2 percent</u>
12.31	<u>from January 1, 2018, through December 31, 2018</u>	<u>16.95 percent</u>
12.32	<u>from January 1, 2019, and thereafter</u>	<u>17.7 percent</u>

13.1 (b) With respect to members who were active members of the former Minneapolis
 13.2 Firefighters Relief Association on December 29, 2011, the employer contribution is an
 13.3 amount equal to the amount of the member contributions under subdivision 2, paragraph
 13.4 (b).

13.5 (c) With respect to members who were active members of the former Minneapolis Police
 13.6 Relief Association on December 29, 2011, the employer contribution is an amount equal
 13.7 to the amount of the member contributions under subdivision 2, paragraph (c).

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

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

13.11 Sec. 13. Minnesota Statutes 2016, section 356.215, subdivision 8, is amended to read:

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

13.14 (1) select and ultimate interest rate assumption

	plan	ultimate interest rate assumption
13.17	teachers retirement plan	8.5%

13.18 The select preretirement interest rate assumption for the period through June 30, 2017,
 13.19 is eight percent.

13.20 (2) ~~single rate interest rate~~ for all plans other than the teachers retirement plan, the
 13.21 investment return assumption is:

13.22	plan	<u>interest rate</u> <u>investment return</u> assumption
13.25	general state employees retirement plan	8%
13.26	correctional state employees retirement plan	8
13.27	State Patrol retirement plan	8
13.28	legislators retirement plan, and for the	0
13.29	constitutional officers calculation of total plan	
13.30	liabilities	
13.31	judges retirement plan	8
13.32	general public employees retirement plan	<u>8 7.5</u>
13.33	public employees police and fire retirement plan	<u>8 7.5</u>
13.34	local government correctional service retirement	<u>8 7.5</u>
13.35	plan	

14.1 St. Paul teachers retirement plan 8

14.2 Bloomington Fire Department Relief Association 6

14.3 local monthly benefit volunteer firefighter relief 5

14.4 associations

14.5 monthly benefit retirement plans in the statewide 6

14.6 volunteer firefighter retirement plan

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

14.12 ~~(2) If funding stability has not been attained, the valuation must use a select postretirement~~
 14.13 ~~adjustment rate actuarial assumption equal to the postretirement adjustment rate specified~~
 14.14 ~~in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a,~~
 14.15 ~~1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the approved actuary~~
 14.16 ~~estimates that the plan will attain the defined funding stability measure, and thereafter an~~
 14.17 ~~ultimate postretirement adjustment rate actuarial assumption equal to the postretirement~~
 14.18 ~~adjustment rate under section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415,~~
 14.19 ~~subdivision 1, for the applicable period or periods beginning when funding stability is~~
 14.20 ~~projected to be attained.~~

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

14.24 (1) single rate future salary increase assumption

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

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

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

14.34 For plans other than the St. Paul teachers
 14.35 retirement plan and the local government

15.1 correctional service retirement plan, the select
 15.2 calculation is: during the designated select
 15.3 period, a designated percentage rate is
 15.4 multiplied by the result of the designated
 15.5 integer minus T, where T is the number of
 15.6 completed years of service, and is added to
 15.7 the applicable future salary increase
 15.8 assumption. The designated select period is
 15.9 ten years and the designated integer is ten for
 15.10 the local government correctional service
 15.11 retirement plan and 15 for the St. Paul
 15.12 Teachers Retirement Fund Association. The
 15.13 designated percentage rate is 0.2 percent for
 15.14 the St. Paul Teachers Retirement Fund
 15.15 Association.

15.16 The ultimate future salary increase assumption is:

15.17	age	A	B
15.18	16	5.9%	8.75%
15.19	17	5.9	8.75
15.20	18	5.9	8.75
15.21	19	5.9	8.75
15.22	20	5.9	8.75
15.23	21	5.9	8.5
15.24	22	5.9	8.25
15.25	23	5.85	8
15.26	24	5.8	7.75
15.27	25	5.75	7.5
15.28	26	5.7	7.25
15.29	27	5.65	7
15.30	28	5.6	6.75
15.31	29	5.55	6.5
15.32	30	5.5	6.5
15.33	31	5.45	6.25
15.34	32	5.4	6.25
15.35	33	5.35	6.25
15.36	34	5.3	6

16.1	35	5.25	6
16.2	36	5.2	5.75
16.3	37	5.15	5.75
16.4	38	5.1	5.75
16.5	39	5.05	5.5
16.6	40	5	5.5
16.7	41	4.95	5.5
16.8	42	4.9	5.25
16.9	43	4.85	5
16.10	44	4.8	5
16.11	45	4.75	4.75
16.12	46	4.7	4.75
16.13	47	4.65	4.75
16.14	48	4.6	4.75
16.15	49	4.55	4.75
16.16	50	4.5	4.75
16.17	51	4.45	4.75
16.18	52	4.4	4.75
16.19	53	4.35	4.75
16.20	54	4.3	4.75
16.21	55	4.25	4.5
16.22	56	4.2	4.5
16.23	57	4.15	4.25
16.24	58	4.1	4
16.25	59	4.05	4
16.26	60	4	4
16.27	61	4	4
16.28	62	4	4
16.29	63	4	4
16.30	64	4	4
16.31	65	4	3.75
16.32	66	4	3.75
16.33	67	4	3.75
16.34	68	4	3.75
16.35	69	4	3.75
16.36	70	4	3.75

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

17.1	general state employees retirement plan of the Minnesota						assumption A
17.2	State Retirement System						
17.3	general employees retirement plan of the Public						assumption B
17.4	Employees Retirement Association						
17.5	Teachers Retirement Association						assumption C
17.6	public employees police and fire retirement plan						assumption D
17.7	State Patrol retirement plan						assumption E
17.8	correctional state employees retirement plan of the						assumption F
17.9	Minnesota State Retirement System						
17.10	service						
17.11	length	A	B	C	D	E	F
17.12	1	10.25%	11.78%	12%	12.75%	7.75%	5.75%
17.13	2	7.85	8.65	9	10.75	7.25	5.6
17.14	3	6.65	7.21	8	8.75	6.75	5.45
17.15	4	5.95	6.33	7.5	7.75	6.5	5.3
17.16	5	5.45	5.72	7.25	6.25	6.25	5.15
17.17	6	5.05	5.27	7	5.85	6	5
17.18	7	4.75	4.91	6.85	5.55	5.75	4.85
17.19	8	4.45	4.62	6.7	5.35	5.6	4.7
17.20	9	4.25	4.38	6.55	5.15	5.45	4.55
17.21	10	4.15	4.17	6.4	5.05	5.3	4.4
17.22	11	3.95	3.99	6.25	4.95	5.15	4.3
17.23	12	3.85	3.83	6	4.85	5	4.2
17.24	13	3.75	3.69	5.75	4.75	4.85	4.1
17.25	14	3.55	3.57	5.5	4.65	4.7	4
17.26	15	3.45	3.45	5.25	4.55	4.55	3.9
17.27	16	3.35	3.35	5	4.55	4.4	3.8
17.28	17	3.25	3.26	4.75	4.55	4.25	3.7
17.29	18	3.25	3.25	4.5	4.55	4.1	3.6
17.30	19	3.25	3.25	4.25	4.55	3.95	3.5
17.31	20	3.25	3.25	4	4.55	3.8	3.5
17.32	21	3.25	3.25	3.9	4.45	3.75	3.5
17.33	22	3.25	3.25	3.8	4.35	3.75	3.5
17.34	23	3.25	3.25	3.7	4.25	3.75	3.5
17.35	24	3.25	3.25	3.6	4.25	3.75	3.5
17.36	25	3.25	3.25	3.5	4.25	3.75	3.5
17.37	26	3.25	3.25	3.5	4.25	3.75	3.5
17.38	27	3.25	3.25	3.5	4.25	3.75	3.5
17.39	28	3.25	3.25	3.5	4.25	3.75	3.5

18.1	29	3.25	3.25	3.5	4.25	3.75	3.5
18.2	30 or more	3.25	3.25	3.5	4.25	3.75	3.5

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

18.6	plan	payroll growth assumption
18.7	general state employees retirement plan of the Minnesota	3.5%
18.8	State Retirement System	
18.9	correctional state employees retirement plan	3.5
18.10	State Patrol retirement plan	3.5
18.11	judges retirement plan	2.75
18.12	general employees retirement plan of the Public	3.5
18.13	Employees Retirement Association	
18.14	public employees police and fire retirement plan	3.5
18.15	local government correctional service retirement plan	3.5
18.16	teachers retirement plan	3.75
18.17	St. Paul teachers retirement plan	4

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

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

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

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

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

18.26 Sec. 14. Minnesota Statutes 2016, section 356.215, subdivision 9, is amended to read:

18.27 Subd. 9. **Other assumptions.** ~~The~~ (a) Each plan's actuarial valuation must use
 18.28 assumptions concerning base mortality rates, disability, retirement, withdrawal, retirement
 18.29 age, and any other relevant demographic or economic factor. These assumptions must be
 18.30 set at levels consistent with those determined in the most recent quadrennial experience
 18.31 study completed under subdivision 16, if required, or ~~representative of the best estimate of~~
 18.32 ~~future experience~~ as recommended by the plan's approved actuary, if a quadrennial experience
 18.33 study is not required. ~~The actuarial valuation must contain an exhibit indicating any actuarial~~
 18.34 ~~assumptions used in preparing the valuation report.~~

19.1 (b) The actuarial valuation must use an assumption concerning future mortality
19.2 improvement. This assumption must be set at levels consistent with those determined in the
19.3 most recent mortality improvement scale published by the Society of Actuaries or as
19.4 otherwise recommended by the plan's approved actuary.

19.5 (c) The actuarial valuation must contain an exhibit indicating the actuarial assumptions
19.6 used in preparing the valuation report.

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

19.8 Sec. 15. Minnesota Statutes 2016, section 356.215, subdivision 11, is amended to read:

19.9 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level
19.10 normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial
19.11 reporting purposes indicating the additional annual contribution sufficient to amortize the
19.12 unfunded actuarial accrued liability and must contain an exhibit for contribution
19.13 determination purposes indicating the additional contribution sufficient to amortize the
19.14 unfunded actuarial accrued liability. For the retirement plans listed in subdivision 8, paragraph
19.15 (c), but excluding the legislators retirement plan, the additional contribution must be
19.16 calculated on a level percentage of covered payroll basis by the established date for full
19.17 funding in effect when the valuation is prepared, assuming annual payroll growth at the
19.18 applicable percentage rate set forth in subdivision 8, paragraph (d). For all other retirement
19.19 plans and for the legislators retirement plan, the additional annual contribution must be
19.20 calculated on a level annual dollar amount basis.

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

19.30 (c) For any retirement plan, if there has been a change in any or all of the actuarial
19.31 assumptions used for calculating the actuarial accrued liability of the fund, a change in the
19.32 benefit plan governing annuities and benefits payable from the fund, a change in the actuarial
19.33 cost method used in calculating the actuarial accrued liability of all or a portion of the fund,
19.34 or a combination of the three, and the change or changes, by itself or by themselves and

20.1 without inclusion of any other items of increase or decrease, produce a net increase in the
20.2 unfunded actuarial accrued liability in the fund, the established date for full funding must
20.3 be determined using the following procedure:

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

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

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

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

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

20.24 (vi) the period in which the unfunded actuarial accrued liability amount determined in
20.25 item (iii) is amortized by the total level annual dollar or level percentage amortization
20.26 contribution computed under item (v) must be calculated using the interest assumption
20.27 specified in subdivision 8 in effect after any applicable change, rounded to the nearest
20.28 integral number of years, but not to exceed 30 years from the end of the plan year in which
20.29 the determination of the established date for full funding using the procedure set forth in
20.30 this clause is made and not to be less than the period of years beginning in the plan year in
20.31 which the determination of the established date for full funding using the procedure set forth
20.32 in this clause is made and ending by the date for full funding in effect before the change;
20.33 and

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

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

21.6 (e) For the Teachers Retirement Association, the established date for full funding is June
 21.7 30, 2037.

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

21.10 (g) For the judges retirement plan, the established date for full funding is June 30, 2038.

21.11 (h) For the public employees police and fire retirement plan, the established date for full
 21.12 funding is June 30, ~~2038~~ 2047.

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

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

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

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

21.27 Sec. 16. Minnesota Statutes 2016, section 356.415, subdivision 1b, is amended to read:

21.28 Subd. 1b. **Annual postretirement adjustments; PERA; general employees retirement**
 21.29 **plan and local government correctional retirement plan.** (a) Retirement annuity, disability
 21.30 benefit, or survivor benefit recipients of the general employees retirement plan of the Public
 21.31 Employees Retirement Association and the local government correctional service retirement

22.1 plan are entitled to a postretirement adjustment annually ~~on~~, effective as of each January 1,
 22.2 if the definition of funding stability under paragraph (b) has not been met, as follows:

22.3 ~~(1) for each successive January 1 until funding stability is restored for the applicable~~
 22.4 ~~retirement plan,~~ a postretirement increase of one percent must be applied each year, ~~effective~~
 22.5 ~~on January 1,~~ to the monthly annuity or benefit amount of each annuitant or benefit recipient
 22.6 who has been receiving an annuity or benefit for at least 12 full months as of the June 30
 22.7 of the calendar year immediately before the adjustment;

22.8 ~~(2) for each successive January 1 until funding stability is restored for the applicable~~
 22.9 ~~retirement plan,~~ for each annuitant or benefit recipient who has been receiving an annuity
 22.10 or a benefit for at least one full month, but less than 12 full months as of the June 30 of the
 22.11 calendar year immediately before the adjustment, an annual postretirement increase of 1/12
 22.12 of one percent for each month the person has been receiving an annuity or benefit must be
 22.13 applied; to the monthly annuity or benefit amount of the annuitant or benefit recipient.

22.14 (b) Funding stability is restored when the market value of assets of the applicable
 22.15 retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the
 22.16 applicable plan in the two most recent consecutive actuarial valuations prepared under
 22.17 section 356.215 and the standards for actuarial work by the approved actuary retained by
 22.18 the Public Employees Retirement Association under section 356.214.

22.19 (c) Retirement annuity, disability benefit, or survivor benefit recipients of the general
 22.20 employees retirement plan of the Public Employees Retirement Association and the local
 22.21 government correctional service retirement plan are entitled to a postretirement adjustment
 22.22 annually, effective as of each January 1, if the definition of funding stability under paragraph
 22.23 (b) has been met, as follows:

22.24 ~~(3) for each January 1 following the restoration of funding stability for the applicable~~
 22.25 ~~retirement plan,~~ (1) a postretirement increase of 2.5 percent must be applied each year,
 22.26 ~~effective January 1,~~ to the monthly annuity or benefit amount of each annuitant or benefit
 22.27 recipient who has been receiving an annuity or benefit for at least 12 full months as of the
 22.28 June 30 of the calendar year immediately before the adjustment; and

22.29 ~~(4) for each January 1 following restoration of funding stability for the applicable~~
 22.30 ~~retirement plan,~~ (2) for each annuity or benefit recipient who has been receiving an annuity
 22.31 or a benefit for at least one full month, but less than 12 full months as of the June 30 of the
 22.32 calendar year immediately before the adjustment, an annual postretirement increase of 1/12
 22.33 of 2.5 percent for each month the person has been receiving an annuity or benefit must be
 22.34 applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

23.1 ~~(b) Funding stability is restored when the market value of assets of the applicable~~
 23.2 ~~retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the~~
 23.3 ~~applicable plan in the two most recent consecutive actuarial valuations prepared under~~
 23.4 ~~section 356.215 and the standards for actuarial work by the approved actuary retained by~~
 23.5 ~~the Public Employees Retirement Association under section 356.214.~~

23.6 ~~(e)~~ (d) After having met the definition of funding stability under paragraph (b), the
 23.7 increase provided in paragraph (a), clauses (1) and (2), rather than an increase ~~under~~
 23.8 ~~subdivision 1~~ provided in paragraph (c), clauses (1) and (2), is again to be applied in a
 23.9 subsequent year or years if the market value of assets of the applicable plan equals or is less
 23.10 than:

23.11 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive
 23.12 actuarial valuations; or

23.13 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent
 23.14 actuarial valuation.

23.15 ~~(d)~~ (e) An increase in annuity or benefit payments under this section must be made
 23.16 automatically unless written notice is filed by the annuitant or benefit recipient with the
 23.17 executive director of the Public Employees Retirement Association requesting that the
 23.18 increase not be made.

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

23.20 Sec. 17. Minnesota Statutes 2016, section 356.415, subdivision 1c, is amended to read:

23.21 Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a) Retirement
 23.22 annuity, disability benefit, or survivor benefit recipients of the public employees police and
 23.23 fire retirement plan are entitled to a postretirement adjustment annually on January 1, ~~if the~~
 23.24 ~~definition of funding stability under paragraph (e) has not been met~~, as follows:

23.25 (1) for each annuitant or benefit recipient whose annuity or benefit effective date is on
 23.26 or before June 1, 2014, who has been receiving the annuity or benefit for at least 12 full
 23.27 months as of the immediate preceding June 30, ~~an amount equal to one percent in each year~~
 23.28 a postretirement increase of one percent must be applied each year to the monthly annuity
 23.29 or benefit amount of the annuity or benefit recipient; or

23.30 (2) for each annuitant or benefit recipient whose annuity or benefit effective date is on
 23.31 or before June 1, 2014, who has been receiving the annuity or benefit for at least one full
 23.32 month, but less than 12 months, as of the immediate preceding June 30, ~~an amount equal~~
 23.33 ~~to a postretirement increase of 1/12 of one percent for each month~~ that the person has been

24.1 receiving an annuity or benefit must be applied to the monthly annuity amount or benefit
 24.2 amount of the annuity or benefit receipt; and

24.3 (3) for each annuitant or benefit recipient whose annuity or benefit effective date is after
 24.4 June 1, 2014, who will have been receiving an annuity or benefit for at least 36 full months
 24.5 as of the immediate preceding June 30, an amount equal to one percent a postretirement
 24.6 increase of one percent must be applied each year to the monthly annuity or benefit amount
 24.7 of the annuity or benefit recipient; or

24.8 (4) for each annuitant or benefit recipient whose annuity or benefit effective date is after
 24.9 June 1, 2014, who has been receiving the annuity or benefit for at least 25 full months, but
 24.10 less than 36 months as of the immediate preceding June 30, an amount equal to a
 24.11 postretirement increase of 1/12 of one percent for each full month of that the person has
 24.12 been receiving an annuity or benefit receipt during the fiscal year in which the annuity or
 24.13 benefit was effective must be applied to the monthly annuity or benefit amount of the annuity
 24.14 or benefit recipient.

24.15 ~~(b) Retirement annuity, disability benefit, or survivor benefit recipients of the public~~
 24.16 ~~employees police and fire retirement plan are entitled to a postretirement adjustment annually~~
 24.17 ~~on each January 1 following the restoration of funding stability as defined under paragraph~~
 24.18 ~~(c) and during the continuation of funding stability as defined under paragraph (c), as follows:~~

24.19 ~~(1) for each annuitant or benefit recipient who has been receiving the annuity or benefit~~
 24.20 ~~for at least 36 full months as of the immediate preceding June 30, an amount equal to 2.5~~
 24.21 ~~percent; and~~

24.22 ~~(2) for each annuitant or benefit recipient who has been receiving the annuity or benefit~~
 24.23 ~~for at least 25 full months, but less than 36 full months, as of the immediate preceding June~~
 24.24 ~~30, an amount equal to 1/12 of 2.5 percent for each full month of annuity or benefit receipt~~
 24.25 ~~during the fiscal year in which the annuity or benefit was effective.~~

24.26 ~~(c) Funding stability is restored when the market value of assets of the public employees~~
 24.27 ~~police and fire retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities~~
 24.28 ~~of the applicable plan in the two most recent consecutive actuarial valuations prepared under~~
 24.29 ~~section 356.215 and under the standards for actuarial work of the Legislative Commission~~
 24.30 ~~on Pensions and Retirement by the approved actuary retained by the Public Employees~~
 24.31 ~~Retirement Association under section 356.214.~~

24.32 ~~(d) After having met the definition of funding stability under paragraph (c), a full or~~
 24.33 ~~prorated increase, as provided in paragraph (a), clause (1), (2), (3), or (4), whichever applies,~~
 24.34 ~~rather than adjustments under paragraph (b), is again applied in a subsequent year or years~~

25.1 ~~if the market value of assets of the public employees police and fire retirement plan equals~~
25.2 ~~or is less than:~~

25.3 ~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive~~
25.4 ~~actuarial valuations; or~~

25.5 ~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent~~
25.6 ~~actuarial valuation.~~

25.7 ~~(e)~~ (b) An increase in annuity or benefit payments under this section must be made
25.8 automatically unless written notice is filed by the annuitant or benefit recipient with the
25.9 executive director of the Public Employees Retirement Association requesting that the
25.10 increase not be made.

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

25.12 Sec. 18. **[356.59] INTEREST RATES.**

25.13 Subdivision 1. **Applicable interest rates.** Whenever the payment of interest is required
25.14 with respect to any payment, including refunds, remittances, shortages, contributions, or
25.15 repayments, the rate of interest is the rate or rates specified in subdivisions 2 to 4 for each
25.16 public retirement plan.

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

	<u>Annual</u>	<u>Monthly</u>
25.19 <u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
25.20 <u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>	<u>0.667 percent</u>
25.21 <u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

25.22
25.23 Subd. 3. **Public Employees Retirement Association.** The interest rates for all retirement
25.24 plans administered by the Public Employees Retirement Association are as follows:

25.25 <u>before July 1, 2015</u>	<u>8.5 percent</u>
25.26 <u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>
25.27 <u>after June 30, 2017</u>	<u>7.5 percent</u>

25.28 Subd. 4. **St. Paul Teachers Retirement Fund Association.** The interest rates for the
25.29 retirement plan administered by the St. Paul Teachers Retirement Fund Association are as
25.30 follows:

	<u>Annual</u>	<u>Monthly</u>
25.31 <u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>

26.1 from July 1, 2015, to June 30, 2017 8.0 percent 0.667 percent

26.2 after June 30, 2017 7.5 percent 0.625 percent

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

26.4 Sec. 19. **REPEALER.**

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

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

356.415 POSTRETIREMENT ADJUSTMENTS; STATEWIDE RETIREMENT PLANS.

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

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

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

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