

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 1139

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
02/26/2015	436	Introduction and first reading Referred to State and Local Government See SF1398, Art. 14

A bill for an act

1.1 relating to retirement; modifying the Public Employees Retirement Association
 1.2 general plan provisions; merging the Minneapolis employees retirement fund
 1.3 division into the general employees retirement plan; eliminating obsolete
 1.4 language resulting from the merger; amending Minnesota Statutes 2014, sections
 1.5 256D.21; 353.01, subdivisions 2a, 6, 48; 353.03, subdivision 1; 353.05; 353.06;
 1.6 353.27, subdivisions 1, 3b, by adding a subdivision; 353.34, subdivision
 1.7 1; 353.37, subdivision 1; 353.46, subdivisions 2, 6; 353.50, subdivision 6;
 1.8 353.505; 356.214, subdivision 1; 356.215, subdivision 11; 356.30, subdivision
 1.9 3; 356.302, subdivision 7; 356.303, subdivision 4; 356.32, subdivision 2;
 1.10 356.401, subdivision 3; 356.407, subdivision 2; 356.415, subdivision 2; 356.461,
 1.11 subdivision 2; 356.465, subdivision 3; 480.181, subdivision 2; repealing
 1.12 Minnesota Statutes 2014, sections 353.01, subdivision 49; 353.27, subdivision
 1.13 1a; 353.50, subdivisions 1, 2, 3, 4, 5, 7, 8, 9, 10; 354.71.

1.14
 1.15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.16 Section 1. Minnesota Statutes 2014, section 256D.21, is amended to read:

1.17 **256D.21 CONTINUATION OF BENEFITS; FORMER MINNEAPOLIS**
 1.18 **EMPLOYEES.**

1.19 Subdivision 1. **Continuation of benefits.** Each employee of the city of Minneapolis
 1.20 who is was transferred to and employed by the county under the provisions of section
 1.21 256D.20 and who is was a contributing member of a retirement system organized under
 1.22 the provisions of Minnesota Statutes 2008, chapter 422A, is a member of the ~~MERF~~
 1.23 ~~division of the~~ Public Employees Retirement Association and is entitled to all of the
 1.24 applicable benefits conferred by and is subject to all the restrictions of section 353.50.

1.25 Subd. 2. **City obligation.** The cost to the public of that portion of the retirement
 1.26 allowances or other benefits accrued while any such employee was in the service of the city
 1.27 of Minneapolis must remain an obligation of the city and a tax must be levied and collected
 1.28 by it to discharge its obligation as provided in section ~~353.50~~ 353.27, subdivision 7 3c.

2.1 Subd. 3. **County obligation.** The cost to the public of the retirement allowances or
2.2 other benefits accruing to employees so transferred to and employed by the county is the
2.3 obligation of and paid by the county in section ~~353.50~~ 353.27, subdivision ~~7~~ 3c. The county
2.4 shall pay to the general employees retirement fund of the Public Employees Retirement
2.5 Association those amounts. The cost to the public of the retirement coverage under this
2.6 section must be paid from the county revenue fund by the county auditor, and the county
2.7 board is authorized to levy and collect such taxes as may be necessary to pay such costs.

2.8 Sec. 2. Minnesota Statutes 2014, section 353.01, subdivision 2a, is amended to read:

2.9 Subd. 2a. **Included employees; mandatory membership.** (a) Public employees
2.10 whose annual salary from one governmental subdivision is stipulated in advance to exceed
2.11 \$5,100 if the person is not a school year employee or \$3,800 if the person is a school year
2.12 employee and who are not specifically excluded under subdivision 2b or who have not
2.13 been provided an option to participate under subdivision 2d, whether individually or by
2.14 action of the governmental subdivision, must participate as members of the association
2.15 with retirement coverage by the general employees retirement plan under this chapter,
2.16 the public employees police and fire retirement plan under this chapter, or the local
2.17 government correctional employees retirement plan under chapter 353E, whichever
2.18 applies. Membership commences as a condition of their employment on the first day of
2.19 their employment or on the first day that the eligibility criteria are met, whichever is later.
2.20 Public employees include but are not limited to:

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

2.23 (2) elected county sheriffs;

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

2.27 (i) town and city clerk or treasurer;

2.28 (ii) county auditor, treasurer, or recorder;

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

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

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

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

3.1 (6) employees of the Red Wing Port Authority who were first employed by the
 3.2 Red Wing Port Authority before May 1, 2011, and who are not excluded employees
 3.3 under subdivision 2b;

3.4 (7) employees of the Seaway Port Authority of Duluth who are not excluded
 3.5 employees under subdivision 2b;

3.6 (8) employees of the Stevens County Housing and Redevelopment Authority who
 3.7 were first employed by the Stevens County Housing and Redevelopment Authority before
 3.8 May 1, 2014, and who are not excluded employees under subdivision 2b; and

3.9 (9) employees of the Public Employees Retirement Association.

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

3.18 (c) If in any subsequent year the annual salary of an included public employee is
 3.19 less than the minimum salary threshold specified in this subdivision, the member retains
 3.20 membership eligibility.

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

3.25 Sec. 3. Minnesota Statutes 2014, section 353.01, subdivision 6, is amended to read:

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

3.32 (b) Governmental subdivision also means the Public Employees Retirement
 3.33 Association, the League of Minnesota Cities, the Association of Metropolitan
 3.34 Municipalities, charter schools formed under section 124D.10, service cooperatives
 3.35 exercising retirement plan participation under section 123A.21, subdivision 5, joint

4.1 powers boards organized under section 471.59, subdivision 11, paragraph (a), family
4.2 service collaboratives and children's mental health collaboratives organized under
4.3 section 471.59, subdivision 11, paragraph (b) or (c), provided that the entities creating
4.4 the collaboratives are governmental units that otherwise qualify for retirement plan
4.5 membership, public hospitals owned or operated by, or an integral part of, a governmental
4.6 subdivision or governmental subdivisions, the Association of Minnesota Counties, the
4.7 Minnesota Inter-county Association, the Minnesota Municipal Utilities Association, the
4.8 Metropolitan Airports Commission, the University of Minnesota with respect to police
4.9 officers covered by the public employees police and fire retirement plan, ~~the Minneapolis~~
4.10 ~~Employees Retirement Fund for employment initially commenced after June 30, 1979~~, the
4.11 Range Association of Municipalities and Schools, soil and water conservation districts,
4.12 economic development authorities created or operating under sections 469.090 to 469.108,
4.13 the Port Authority of the city of St. Paul, the Seaway Port Authority of Duluth, the Red
4.14 Wing Port Authority, the Spring Lake Park Fire Department, incorporated, the Lake
4.15 Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning
4.16 Center, the Dakota County Agricultural Society, and Hennepin Healthcare System, Inc.

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

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

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

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

5.4 Sec. 4. Minnesota Statutes 2014, section 353.01, subdivision 48, is amended to read:

5.5 Subd. 48. **MERF division.** "~~MERF division~~" means the ~~separate retirement~~
 5.6 ~~plan within~~ former Minneapolis Employees Retirement Fund of which the actuarial
 5.7 liabilities and assets are merged with the general employees retirement plan of the Public
 5.8 Employees Retirement Association containing, and the benefits of which are governed by
 5.9 the applicable provisions of Minnesota Statutes 2008, chapter 422A.

5.10 Sec. 5. Minnesota Statutes 2014, section 353.03, subdivision 1, is amended to read:

5.11 Subdivision 1. **Management; composition; election.** (a) The management of the
 5.12 Public Employees Retirement Association is vested in an 11-member board of trustees
 5.13 consisting of ten members and the state auditor. The state auditor may designate a deputy
 5.14 auditor with expertise in pension matters as the auditor's representative on the board.
 5.15 The governor shall appoint five trustees to four-year terms, one of whom ~~shall~~ must be
 5.16 designated to represent school boards, one to represent cities, one to represent counties,
 5.17 one who is a retired annuitant, and one who is a public member knowledgeable in pension
 5.18 matters. The membership of the association, including recipients of retirement annuities
 5.19 and disability and survivor benefits, shall elect five trustees for terms of four years; One
 5.20 of whom the trustees must be a member of the police and fire fund and. One of whom
 5.21 the trustees must be:

5.22 (1) a former member who met the definition of public employee under section
 5.23 353.01, subdivisions 2 and 2a, for at least five years prior to terminating membership and
 5.24 who is receiving a retirement annuity ~~or~~;

5.25 (2) a member who receives a disability benefit; or

5.26 (3) a member who retired from the former Minneapolis Retirement Fund Association
 5.27 or from the former MERF division and was transferred to the general employees
 5.28 retirement plan.

5.29 Terms expire on January 31 of the fourth year, and positions are vacant until newly elected
 5.30 members are seated. Except as provided in this subdivision, trustees elected by the
 5.31 membership of the association must be public employees and members of the association.

5.32 (b) For seven days beginning October 1 of each year preceding a year in which an
 5.33 election is held, the association shall accept filings of candidates for the board of trustees.
 5.34 A candidate shall submit at the time of filing a nominating petition signed by 25 or more

6.1 members of the association. No name may be withdrawn from nomination by the nominee
6.2 after October 15. At the request of a candidate for an elected position on the board of
6.3 trustees, the board shall provide a statement of up to 300 words prepared by the candidate
6.4 to all persons eligible to vote in the election of the candidate. The board may adopt
6.5 policies and procedures to govern the form and length of these statements and the timing
6.6 and deadlines for submitting materials to be distributed to the eligible voters.

6.7 (c) By January 10 of each year in which elections are to be held, the board shall
6.8 distribute to the eligible voters the instructions and materials necessary to vote for the
6.9 candidates seeking terms on the board of trustees. Eligible voters are the members,
6.10 retirees, and other benefit recipients. No voter may vote for more than one candidate for
6.11 each board position to be filled. A vote for more than one person for any position is void.
6.12 No special marking may be used to indicate incumbents. Votes cast by using paper ballots
6.13 mailed to the association must be postmarked no later than January 31. Votes cast by using
6.14 telephone or other electronic means authorized under the board's procedures must be
6.15 entered by the end of the day on January 31. The design of the voting response media
6.16 must ensure that each voter's vote is secret.

6.17 (d) A candidate who receives contributions, who makes expenditures in excess
6.18 of \$100, or who has given implicit or explicit consent for any other person to receive
6.19 contributions or make expenditures in excess of \$100 for the purpose of bringing about the
6.20 candidate's election shall file a report with the campaign finance and public disclosure
6.21 board disclosing the source and amount of all contributions to the candidate's campaign.
6.22 The campaign finance and public disclosure board shall prescribe forms governing these
6.23 disclosures. Expenditures and contributions have the meaning defined in section 10A.01.
6.24 These terms do not include any distribution made by the association board on behalf of the
6.25 candidate. A candidate shall file a report within 30 days from the day that the results of
6.26 the election are announced. The Campaign Finance and Public Disclosure Board shall
6.27 maintain these reports and make them available for public inspection in the same manner
6.28 as the board maintains and makes available other reports filed with it.

6.29 (e) The secretary of state shall review and comment on the procedures defined by
6.30 the board of trustees for conducting the elections specified in this subdivision, including
6.31 board policies adopted under paragraph (b).

6.32 (f) The board of trustees and the executive director shall undertake their activities
6.33 consistent with chapter 356A.

6.34 Sec. 6. Minnesota Statutes 2014, section 353.05, is amended to read:

6.35 **353.05 CUSTODIAN OF FUNDS.**

7.1 The commissioner of management and budget shall be ex officio treasurer of the
 7.2 retirement funds of the association, ~~including the MERF division~~, and the general bond
 7.3 of the commissioner of management and budget to the state must be so conditioned as
 7.4 to cover all liability for acts as treasurer of these funds. All money of the association
 7.5 received by the commissioner of management and budget must be set aside in the state
 7.6 treasury to the credit of the proper fund or account. The commissioner of management
 7.7 and budget shall transmit monthly to the executive director a detailed statement of all
 7.8 amounts so received and credited to the funds, ~~including the MERF division~~. Payments
 7.9 out of the funds, ~~including the MERF division~~, may only be made on warrants issued by
 7.10 the commissioner of management and budget, upon abstracts signed by the executive
 7.11 director; provided that abstracts for investment may be signed by the executive director of
 7.12 the State Board of Investment.

7.13 Sec. 7. Minnesota Statutes 2014, section 353.06, is amended to read:

7.14 **353.06 STATE BOARD OF INVESTMENT TO INVEST FUNDS.**

7.15 The executive director shall from time to time certify to the State Board of Investment
 7.16 for investment such portions of the funds of the association, ~~including the MERF division~~,
 7.17 as in the director's judgment may not be required for immediate use. The State Board of
 7.18 Investment shall thereupon invest and reinvest the sum so certified, or transferred, in
 7.19 such securities as are duly authorized as legal investments under section 11A.24 and has
 7.20 authority to sell, convey, and exchange such securities and invest and reinvest the securities
 7.21 when it deems it desirable to do so and shall sell securities upon request of the executive
 7.22 director when such funds are needed for its purposes. All of the provisions regarding
 7.23 accounting procedures and restrictions and conditions for the purchase and sale of securities
 7.24 under chapter 11A must apply to the accounting, purchase and sale of securities for the
 7.25 funds of the Public Employees Retirement Association, ~~including the MERF division~~.

7.26 Sec. 8. Minnesota Statutes 2014, section 353.27, subdivision 1, is amended to read:

7.27 Subdivision 1. **Income; disbursements.** There is a special fund known as the
 7.28 "general employees retirement fund," the "retirement fund," or the "fund," which must
 7.29 include all the assets of the general employees retirement plan of the association. This
 7.30 fund must be credited with all contributions, all interest and all other income of the
 7.31 general employees retirement plan of the Public Employees Retirement Association that
 7.32 are authorized by law. From this fund there is appropriated the payments authorized by
 7.33 sections 353.01 to 353.46 and by Minnesota Statutes 2008, chapter 422A, in the amounts

8.1 and at such time provided herein, including the expenses of administering the general
8.2 employees retirement plan and fund.

8.3 Sec. 9. Minnesota Statutes 2014, section 353.27, subdivision 3b, is amended to read:

8.4 Subd. 3b. **Change in employee and employer contributions in certain instances.**

8.5 (a) For purposes of this section:

8.6 (1) a contribution sufficiency exists if the total of the employee contribution under
8.7 subdivision 2, the employer contribution under subdivision 3, the additional employer
8.8 contribution under subdivision 3a, and any additional contribution previously imposed
8.9 under this subdivision exceeds the total of the normal cost, the administrative expenses,
8.10 and the amortization contribution of the general employees retirement plan as reported in
8.11 the most recent actuarial valuation of the retirement plan prepared by the actuary retained
8.12 under section 356.214 and prepared under section 356.215 and the standards for actuarial
8.13 work of the Legislative Commission on Pensions and Retirement; and

8.14 (2) a contribution deficiency exists if the total of the employee contributions under
8.15 subdivision 2, the employer contributions under subdivision 3, the additional employer
8.16 contribution under subdivision 3a, and any additional contribution previously imposed
8.17 under this subdivision is less than the total of the normal cost, the administrative expenses,
8.18 and the amortization contribution of the general employees retirement plan as reported in
8.19 the most recent actuarial valuation of the retirement plan prepared by the actuary retained
8.20 under section 356.214 and prepared under section 356.215 and the standards for actuarial
8.21 work of the Legislative Commission on Pensions and Retirement.

8.22 (b) Employee and employer contributions to the general employees retirement plan
8.23 under subdivisions 2 and 3 must be adjusted:

8.24 (1) if the regular actuarial valuation of the general employees retirement plan of the
8.25 Public Employees Retirement Association under section 356.215 indicates that there is a
8.26 contribution sufficiency under paragraph (a) greater than one percent of covered payroll
8.27 and that the sufficiency has existed for at least two consecutive years, the coordinated
8.28 program employee and employer contribution rates must be decreased as determined
8.29 under paragraph (c) to a level such that the sufficiency is no greater than one percent of
8.30 covered payroll based on the most recent actuarial valuation; or

8.31 (2) if the regular actuarial valuation of the general employees retirement plan of the
8.32 Public Employees Retirement Association under section 356.215 indicates that there is a
8.33 contribution deficiency equal to or greater than 0.5 percent of covered payroll and that the
8.34 deficiency has existed for at least two consecutive years, the coordinated program employee

9.1 and employer contribution rates must be increased as determined under paragraph (d) to a
9.2 level such that no deficiency exists based on the most recent actuarial valuation.

9.3 (c) If the actuarially required contribution of the general employees retirement plan is
9.4 less than the total support provided by the combined employee and employer contribution
9.5 rates under subdivisions 2, 3, and 3a, by more than one percent of covered payroll,
9.6 the general employees retirement plan coordinated program employee and employer
9.7 contribution rates under subdivisions 2 and 3 must be decreased incrementally over one or
9.8 more years by no more than 0.25 percent of pay each for employee and employer matching
9.9 contribution rates to a level such that there remains a contribution sufficiency of at least one
9.10 percent of covered payroll. No contribution rate decrease may be made until at least two
9.11 years have elapsed since any adjustment under this subdivision has been fully implemented.

9.12 (d) If the actuarially required contribution exceeds the total support provided by the
9.13 combined employee and employer contribution rates under subdivisions 2, 3, and 3a,
9.14 the employee and matching employer contribution rates must be increased equally to
9.15 eliminate that contribution deficiency. If the contribution deficiency is:

9.16 (1) less than two percent, the incremental increase may be up to 0.25 percent for the
9.17 general employees retirement plan employee and matching employer contribution rates;

9.18 (2) greater than 1.99 percent and less than 4.01 percent, the incremental increase
9.19 may be up to 0.5 percent for the employee and matching employer contribution rates; or

9.20 (3) greater than four percent, the incremental increase may be up to 0.75 percent for
9.21 the employee and matching employer contribution.

9.22 (e) The general employees retirement plan contribution sufficiency or deficiency
9.23 determination under paragraphs (a) to (d) must be made ~~without the inclusion of~~ including
9.24 the contributions to, the funded condition of, or the actuarial funding requirements of the
9.25 MERF division credited under section 353.27, subdivision 3c, and state aid under section
9.26 353.505.

9.27 (f) Any recommended adjustment to the contribution rates must be reported to
9.28 the chair and the executive director of the Legislative Commission on Pensions and
9.29 Retirement by January 15 following the receipt of the most recent annual actuarial
9.30 valuation prepared under section 356.215. If the Legislative Commission on Pensions
9.31 and Retirement does not recommend against the rate change or does not recommend
9.32 a modification in the rate change, the recommended adjustment becomes effective for
9.33 any salary paid on or after the January 1 next following the legislative session in which
9.34 the Legislative Commission on Pensions and Retirement did not take any action to
9.35 disapprove or modify the Public Employees Retirement Association Board of Trustees'
9.36 recommendation to adjust the employee and employer rates.

10.1 (g) A contribution sufficiency of up to one percent of covered payroll must be held in
 10.2 reserve to be used to offset any future actuarially required contributions that are more than
 10.3 the total combined employee and employer contributions under subdivisions 2, 3, and 3a.

10.4 (h) Before any reduction in contributions to eliminate a sufficiency in excess of one
 10.5 percent of covered pay may be recommended, the executive director must review any
 10.6 need for a change in actuarial assumptions, as recommended by the actuary retained under
 10.7 section 356.214 in the most recent experience study of the general employees retirement
 10.8 plan prepared under section 356.215 and the standards for actuarial work promulgated by
 10.9 the Legislative Commission on Pensions and Retirement that may result in an increase
 10.10 in the actuarially required contribution and must report to the Legislative Commission
 10.11 on Pensions and Retirement any recommendation by the board to use the sufficiency
 10.12 exceeding one percent of covered payroll to offset the impact of an actuarial assumption
 10.13 change recommended by the actuary retained under section 356.214, subdivision 1, and
 10.14 reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

10.15 (i) No contribution sufficiency in excess of one percent of covered pay may be
 10.16 proposed to be used to increase benefits, and no benefit increase may be proposed that
 10.17 would initiate an automatic adjustment to increase contributions under this subdivision.
 10.18 Any proposed benefit improvement must include a recommendation, prepared by the
 10.19 actuary retained under section 356.214, subdivision 1, and reviewed by the actuary
 10.20 retained by the Legislative Commission on Pensions and Retirement as provided under
 10.21 section 356.214, subdivision 4, on how the benefit modification will be funded.

10.22 Sec. 10. Minnesota Statutes 2014, section 353.27, is amended by adding a subdivision
 10.23 to read:

10.24 Subd. 3c. **Former MERF members; member and employer contributions.** (a)
 10.25 For the period July 1, 2015, until June 30, 2031, the member contributions for former
 10.26 members of the Minneapolis Employees Retirement Fund and by the former Minneapolis
 10.27 Employees Retirement Fund-covered employing units are governed by this subdivision.

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

10.31 (c) The employer regular contribution with respect to a public employee who was
 10.32 a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is
 10.33 9.75 percent of the salary of the employee.

10.34 (d) The employer additional contribution for any public employees who were
 10.35 members of the former Minneapolis Employees Retirement Fund on June 29, 2010, is

11.1 2.68 percent of the salary of each applicable employee plus an annual amount equal to
 11.2 the employing unit's share of \$3,900,000 that was paid or was payable during calendar
 11.3 year 2014.

11.4 (e) The employer supplemental contribution is the employing unit's share of \$.....,
 11.5 allocated between each employing unit in the portion equal to the unit's employer
 11.6 supplemental contribution paid or payable under Minnesota Statutes 2012, section 353.50,
 11.7 during calendar year 2014. The employer supplemental contribution amount for calendar
 11.8 year 2015 must be invoiced by the executive director of the Public Employees Retirement
 11.9 Association by July 1, 2015. The calendar year 2015 payment is payable in a single
 11.10 amount on or before September 30, 2015. For subsequent calendar years, the employer
 11.11 supplemental contribution must be invoiced on January 31 of each year and is payable
 11.12 in two parts, with the first half payable on or before July 31 and with the second half
 11.13 payable on or before December 15. Late payments are payable with compound interest at
 11.14 the rate of 0.71 percent per month for each month or portion of a month that has elapsed
 11.15 after the due date.

11.16 Sec. 11. Minnesota Statutes 2014, section 353.34, subdivision 1, is amended to read:

11.17 Subdivision 1. **Refund or deferred annuity.** (a) A former member is entitled to
 11.18 either a refund of accumulated employee deductions under subdivision 2, or to a deferred
 11.19 annuity under subdivision 3. Application for a refund may not be made before the date of
 11.20 termination of public service. A refund must be paid within 120 days following receipt
 11.21 of the application unless the applicant has again become a public employee required
 11.22 to be covered by the association.

11.23 (b) If an individual was placed on layoff under section 353.01, subdivision 12 or 12c,
 11.24 a refund is not payable before termination of service under section 353.01, subdivision 11a.

11.25 (c) An individual who terminates public service covered by the Public Employees
 11.26 Retirement Association general employees retirement plan, ~~the MERF division~~ except
 11.27 members of the former Minneapolis Employees Retirement Fund under section 353.01,
 11.28 subdivision 2b, paragraph (d), the Public Employees Retirement Association police
 11.29 and fire retirement plan, or the public employees local government correctional service
 11.30 retirement plan, and who is employed by a different employer and who becomes an
 11.31 active member covered by one of the other two plans, may receive a refund of employee
 11.32 contributions plus annual compound interest from the plan from which the member
 11.33 terminated service at the applicable rate specified in subdivision 2.

12.1 (d) Refunds payable to members of the former Minneapolis Employees Retirement
 12.2 Fund under section 353.01, subdivision 2a, paragraph (d), are governed by Minnesota
 12.3 Statutes 2008, chapter 422A.

12.4 Sec. 12. Minnesota Statutes 2014, section 353.37, subdivision 1, is amended to read:

12.5 Subdivision 1. **Salary maximums.** (a) The annuity of a person otherwise eligible
 12.6 for an annuity from the general employees retirement plan of the Public Employees
 12.7 Retirement Association, the public employees police and fire retirement plan, or the local
 12.8 government correctional employees retirement plan must be suspended under subdivision
 12.9 2 or reduced under subdivision 3, whichever results in the higher annual annuity amount, if
 12.10 the person reenters public service as a nonelective employee of a governmental subdivision
 12.11 in a position covered by this chapter or returns to work as an employee of a labor
 12.12 organization that represents public employees who are association members under this
 12.13 chapter and salary for the reemployment service exceeds the annual maximum earnings
 12.14 allowable for that age for the continued receipt of full benefit amounts monthly under the
 12.15 federal Old Age, Survivors and Disability Insurance Program as set by the secretary of
 12.16 health and human services under United States Code, title 42, section 403, in any calendar
 12.17 year. If the person has not yet reached the minimum age for the receipt of Social Security
 12.18 benefits, the maximum salary for the person is equal to the annual maximum earnings
 12.19 allowable for the minimum age for the receipt of Social Security benefits.

12.20 (b) The provisions of paragraph (a) do not apply to the members of the general
 12.21 employees plan of the Public Employees Retirement Association who were former
 12.22 members of MERF division.

12.23 Sec. 13. Minnesota Statutes 2014, section 353.46, subdivision 2, is amended to read:

12.24 Subd. 2. **Rights of deferred annuitant.** (a) The entitlement of a deferred annuitant
 12.25 or other former member of the general employees retirement plan of the Public Employees
 12.26 Retirement Association, ~~the Minneapolis Employees Retirement Fund division,~~ the
 12.27 public employees police and fire retirement plan, or the local government correctional
 12.28 employees retirement plan to receive an annuity under the law in effect at the time the
 12.29 person terminated public service is herein preserved. The provisions of section 353.71,
 12.30 subdivision 2, as amended by Laws 1973, chapter 753, apply to a deferred annuitant or
 12.31 other former member who first begins receiving an annuity after July 1, 1973.

12.32 (b) The entitlement of a deferred annuitant or former member of the Minneapolis
 12.33 Employees Retirement Fund, upon merger with the general employees retirement plan

13.1 of the Public Employees Retirement Association, continues under the provisions of
 13.2 Minnesota Statutes 2008, section 422A.16.

13.3 Sec. 14. Minnesota Statutes 2014, section 353.46, subdivision 6, is amended to read:

13.4 Subd. 6. **Computation of benefits for certain coordinated members.** Any
 13.5 coordinated member of the general employees retirement plan of the Public Employees
 13.6 Retirement Association who, before July 1, 1979, was a member of the former coordinated
 13.7 program of the former Minneapolis Municipal Employees Retirement Fund and who,
 13.8 before July 1, 1978, was a member of the basic program of the Minneapolis Municipal
 13.9 Employees Retirement Fund is entitled to receive a retirement annuity when otherwise
 13.10 qualified, the calculation of which must utilize the formula accrual rates specified in
 13.11 Minnesota Statutes 2008, section 422A.15, subdivision 1, for that portion of credited
 13.12 service which was rendered before July 1, 1978, and the formula accrual rates specified
 13.13 in section 353.29, subdivision 3, for the remainder of credited service, both applied to
 13.14 the average salary as specified in section 353.01, subdivision 17a. The formula accrual
 13.15 rates to be used in calculating the retirement annuity must recognize the service after July
 13.16 1, 1978, as a member of the former coordinated program of the former Minneapolis
 13.17 Municipal Employees Retirement Fund and after July 1, 1979, as a member of the
 13.18 general employees retirement plan of the Public Employees Retirement Association as a
 13.19 continuation of service rendered before July 1, 1978. The annuity amount attributable
 13.20 to service as a member of the basic program of the former Minneapolis Municipal
 13.21 Employees Retirement Fund ~~is payable from the MERF division~~ and the annuity amount
 13.22 attributable to all other service is payable from the general employees retirement fund of
 13.23 the Public Employees Retirement Association.

13.24 Sec. 15. Minnesota Statutes 2014, section 353.50, subdivision 6, is amended to read:

13.25 Subd. 6. **Benefits for former MERF division members.** (a) **Retired, disabled,**
 13.26 **deferred, and inactive member benefits.** The annuities and benefits of, or attributable to,
 13.27 retired, disabled, deferred, or inactive ~~Minneapolis Employees Retirement Fund~~ members
 13.28 ~~with that status as of June 30, 2010~~ of the former MERF division, as calculated under
 13.29 Minnesota Statutes 2008, sections 422A.11; 422A.12; 422A.13; 422A.14; 422A.15;
 13.30 422A.151; 422A.155; 422A.156; 422A.16; 422A.17; 422A.18; 422A.19; 422A.20; and
 13.31 422A.23, continue in force and are payable from the general employees retirement plan.

13.32 (b) **Benefits; benefit eligibility for June 30, 2010, active members.** Persons who
 13.33 were active members of covered by the former ~~Minneapolis Employees Retirement~~
 13.34 ~~Fund~~ MERF division on ~~June 30, 2010~~ December 31, 2014, upon satisfying eligibility

14.1 requirements stated in the applicable sections of Minnesota Statutes 2008 specified in
 14.2 paragraph (a), are entitled to annuities or benefits specified in those sections. Eligibility
 14.3 for a formula retirement annuity includes the requirement in Minnesota Statutes 2008,
 14.4 sections 422A.13 and 422A.16, that the terminating member has attained the normal
 14.5 retirement age, which is age 60 if the person has at least ten years of service credit, or any
 14.6 age if the person has 30 or more years of service credit.

14.7 (c) **Postretirement adjustments.** After December 31, ~~2010~~ 2014, annuities and
 14.8 benefits ~~from~~ for former members of the former MERF division are eligible for annual
 14.9 automatic postretirement adjustments solely under the applicable portions of section
 14.10 356.415.

14.11 Sec. 16. Minnesota Statutes 2014, section 353.505, is amended to read:

14.12 **353.505 STATE CONTRIBUTIONS; FORMER MERF DIVISION.**

14.13 (a) ~~Subject to the limitation in paragraph (e), The state shall pay to the MERF division~~
 14.14 ~~account of the Public Employees Retirement Association general employees retirement~~
 14.15 ~~plan, with respect to the former Minneapolis Employees Retirement Fund annually an~~
 14.16 ~~amount equal to the amount calculated under paragraph (b) MERF division, \$.....~~

14.17 (b) ~~The payment amount is an amount equal to the financial requirements of the~~
 14.18 ~~MERF division of the Public Employees Retirement Association reported in the actuarial~~
 14.19 ~~valuation of the general employees retirement plan of the Public Employees Retirement~~
 14.20 ~~Association prepared by the actuary retained under section 356.214 consistent with section~~
 14.21 ~~356.215 for the most recent year but based on a target date for full amortization of the~~
 14.22 ~~unfunded actuarial accrued liabilities by June 30, 2031, less the amount of employee~~
 14.23 ~~contributions required under section 353.50, subdivision 7, paragraph (b), and the amount~~
 14.24 ~~of employer contributions required under section 353.50, subdivision 7, paragraphs (e)~~
 14.25 ~~and (d). Payments must be made September 15 annually.~~

14.26 (c) ~~The annual state contribution under this subdivision may not exceed \$9,000,000,~~
 14.27 ~~plus the cost of the annual supplemental benefit determined under Minnesota Statutes~~
 14.28 ~~2008, section 356.43, through June 30, 2012, and may not exceed \$9,000,000, plus the~~
 14.29 ~~cost of the annual supplemental benefit determined under Minnesota Statutes 2008, section~~
 14.30 ~~356.43, plus \$13,750,000 on September 15, 2011, \$13,750,000 on September 15, 2012,~~
 14.31 ~~and \$15,000,000 on September 15, 2013, and annually thereafter.~~

14.32 (d) ~~Annually and after June 30, 2012, if the amount determined under paragraph (b)~~
 14.33 ~~exceeds the applicable maximum amount specified in paragraph (c), the excess must be~~
 14.34 ~~allocated to and paid to the fund by the employers identified in Minnesota Statutes 2008,~~
 14.35 ~~section 422A.101, subdivisions 1a, 2, and 2a. Each employer's share of the excess is~~

15.1 ~~proportionate to the employer's share of the fund's unfunded actuarial accrued liability~~
 15.2 ~~as disclosed in the annual actuarial valuation prepared by the actuary retained under~~
 15.3 ~~section 356.214 compared to the total unfunded actuarial accrued liability as of July 1,~~
 15.4 ~~2009, attributed to all employers identified in Minnesota Statutes 2008, section 422A.101,~~
 15.5 ~~subdivisions 1a and 2, other than units of metropolitan government. Payments must be~~
 15.6 ~~made as set forth in paragraph (b).~~

15.7 (e) ~~(b)~~ State contributions under this section end on September 15, 2031, or on
 15.8 September 1 following the first date on which the current assets of the ~~MERF division~~
 15.9 general employees retirement plan of the Public Employees Retirement Association
 15.10 equal or exceed the actuarial accrued liability of the ~~MERF division~~ general employees
 15.11 retirement plan of the Public Employees Retirement Association in the actuarial valuation
 15.12 of the retirement plan prepared by an approved actuary under section 356.215 and the
 15.13 standards for actuarial work promulgated by the Legislative Commission on Pensions and
 15.14 Retirement, including any actuarial accrued liability increase resulting from a change in the
 15.15 interest rate actuarial assumption occurring after January 1, 2015, whichever occurs earlier.

15.16 Sec. 17. Minnesota Statutes 2014, section 356.214, subdivision 1, is amended to read:

15.17 Subdivision 1. **Actuary retention.** (a) The governing board or managing or
 15.18 administrative official of each public pension plan and retirement fund or plan enumerated
 15.19 in paragraph (b) shall contract with an established actuarial consulting firm to conduct
 15.20 annual actuarial valuations and related services. The principal from the actuarial
 15.21 consulting firm on the contract must be an approved actuary under section 356.215,
 15.22 subdivision 1, paragraph (c).

15.23 (b) Actuarial services must include the preparation of actuarial valuations and
 15.24 related actuarial work for the following retirement plans:

- 15.25 (1) the teachers retirement plan, Teachers Retirement Association;
- 15.26 (2) the general state employees retirement plan, Minnesota State Retirement System;
- 15.27 (3) the correctional employees retirement plan, Minnesota State Retirement System;
- 15.28 (4) the State Patrol retirement plan, Minnesota State Retirement System;
- 15.29 (5) the judges retirement plan, Minnesota State Retirement System;
- 15.30 (6) the general employees retirement plan, Public Employees Retirement
 15.31 Association, ~~including the MERF division~~;
- 15.32 (7) the public employees police and fire plan, Public Employees Retirement
 15.33 Association;
- 15.34 (8) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund
 15.35 Association;

16.1 (9) the legislators retirement plan, Minnesota State Retirement System; and
16.2 (10) the local government correctional service retirement plan, Public Employees
16.3 Retirement Association.

16.4 (c) The actuarial valuation for the legislators retirement plan must include a separate
16.5 calculation of total plan actuarial accrued liabilities due to constitutional officer coverage
16.6 under section 3A.17.

16.7 (d) The contracts must require completion of the annual actuarial valuation
16.8 calculations on a fiscal year basis, with the contents of the actuarial valuation calculations
16.9 as specified in section 356.215, and in conformity with the standards for actuarial work
16.10 adopted by the Legislative Commission on Pensions and Retirement.

16.11 The contracts must require completion of annual experience data collection and
16.12 processing and a quadrennial published experience study for the plans listed in paragraph
16.13 (b), clauses (1), (2), and (6), as provided for in the standards for actuarial work adopted by
16.14 the commission. The experience data collection, processing, and analysis must evaluate
16.15 the following:

- 16.16 (1) individual salary progression;
- 16.17 (2) the rate of return on investments based on the current asset value;
- 16.18 (3) payroll growth;
- 16.19 (4) mortality;
- 16.20 (5) retirement age;
- 16.21 (6) withdrawal; and
- 16.22 (7) disablement.

16.23 (e) The actuary shall annually prepare a report to the governing or managing board
16.24 or administrative official and the legislature, summarizing the results of the actuarial
16.25 valuation calculations. The actuary shall include with the report any recommendations
16.26 concerning the appropriateness of the support rates to achieve proper funding of
16.27 the retirement plans by the required funding dates. The actuary shall, as part of the
16.28 quadrennial experience study, include recommendations on the appropriateness of the
16.29 actuarial valuation assumptions required for evaluation in the study.

16.30 (f) If the actuarial gain and loss analysis in the actuarial valuation calculations
16.31 indicates a persistent pattern of sizable gains or losses, the governing or managing board
16.32 or administrative official shall direct the actuary to prepare a special experience study for
16.33 a plan listed in paragraph (b), clause (3), (4), (5), (7), (8), (9), or (10), in the manner
16.34 provided for in the standards for actuarial work adopted by the commission.

16.35 Sec. 18. Minnesota Statutes 2014, section 356.215, subdivision 11, is amended to read:

17.1 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating
17.2 the level normal cost, the actuarial valuation of the retirement plan must contain an
17.3 exhibit for financial reporting purposes indicating the additional annual contribution
17.4 sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit
17.5 for contribution determination purposes indicating the additional contribution sufficient
17.6 to amortize the unfunded actuarial accrued liability. For the retirement plans listed in
17.7 subdivision 8, paragraph (c), but excluding ~~the MERF division of the Public Employees~~
17.8 ~~Retirement Association~~ and the legislators retirement plan, the additional contribution
17.9 must be calculated on a level percentage of covered payroll basis by the established
17.10 date for full funding in effect when the valuation is prepared, assuming annual payroll
17.11 growth at the applicable percentage rate set forth in subdivision 8, paragraph (d). For all
17.12 other retirement plans and for the ~~MERF division of the Public Employees Retirement~~
17.13 ~~Association~~ and the legislators retirement plan, the additional annual contribution must be
17.14 calculated on a level annual dollar amount basis.

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

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

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

17.35 (ii) the level annual dollar contribution or level percentage, whichever is applicable,
17.36 needed to amortize the unfunded actuarial accrued liability amount determined under item

18.1 (i) by the established date for full funding in effect before the change must be calculated
18.2 using the interest assumption specified in subdivision 8 in effect before the change;

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

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

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

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

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

18.29 ~~(d) For the MERF division of the Public Employees Retirement Association, the~~
18.30 ~~established date for full funding is June 30, 2031.~~

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

18.33 ~~(f)~~ (e) For the Teachers Retirement Association, the established date for full funding
18.34 is June 30, 2037.

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

19.1 ~~(h)~~ (g) For the judges retirement plan, the established date for full funding is June
19.2 30, 2038.

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

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

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

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

19.18 Sec. 19. Minnesota Statutes 2014, section 356.30, subdivision 3, is amended to read:

19.19 Subd. 3. **Covered plans.** This section applies to the following retirement plans:

19.20 (1) the general state employees retirement plan of the Minnesota State Retirement
19.21 System, established under chapter 352;

19.22 (2) the correctional state employees retirement plan of the Minnesota State
19.23 Retirement System, established under chapter 352;

19.24 (3) the unclassified employees retirement program, established under chapter 352D;

19.25 (4) the State Patrol retirement plan, established under chapter 352B;

19.26 (5) the legislators retirement plan, established under chapter 3A, including
19.27 constitutional officers as specified in that chapter;

19.28 (6) the general employees retirement plan of the Public Employees Retirement
19.29 Association, established under chapter 353, ~~including the MERF division of the Public~~
19.30 ~~Employees Retirement Association;~~

19.31 (7) the public employees police and fire retirement plan of the Public Employees
19.32 Retirement Association, established under chapter 353;

19.33 (8) the local government correctional service retirement plan of the Public
19.34 Employees Retirement Association, established under chapter 353E;

19.35 (9) the Teachers Retirement Association, established under chapter 354;

- 20.1 (10) the St. Paul Teachers Retirement Fund Association, established under chapter
20.2 354A; and
20.3 (11) the judges retirement fund, established by chapter 490.

20.4 Sec. 20. Minnesota Statutes 2014, section 356.302, subdivision 7, is amended to read:

20.5 Subd. 7. **Covered retirement plans.** This section applies to the following
20.6 retirement plans:

20.7 (1) the general state employees retirement plan of the Minnesota State Retirement
20.8 System, established by chapter 352;

20.9 (2) the unclassified state employees retirement program of the Minnesota State
20.10 Retirement System, established by chapter 352D;

20.11 (3) the general employees retirement plan of the Public Employees Retirement
20.12 Association, established by chapter 353, ~~including the MERF division of the Public~~
20.13 ~~Employees Retirement Association;~~

20.14 (4) the Teachers Retirement Association, established by chapter 354;

20.15 (5) the St. Paul Teachers Retirement Fund Association, established by chapter 354A;

20.16 (6) the state correctional employees retirement plan of the Minnesota State
20.17 Retirement System, established by chapter 352;

20.18 (7) the State Patrol retirement plan, established by chapter 352B;

20.19 (8) the public employees police and fire plan of the Public Employees Retirement
20.20 Association, established by chapter 353;

20.21 (9) the local government correctional service retirement plan of the Public
20.22 Employees Retirement Association, established by chapter 353E; and

20.23 (10) the judges retirement plan, established by chapter 490.

20.24 Sec. 21. Minnesota Statutes 2014, section 356.303, subdivision 4, is amended to read:

20.25 Subd. 4. **Covered retirement plans.** This section applies to the following
20.26 retirement plans:

20.27 (1) the legislators retirement plan, established by chapter 3A;

20.28 (2) the general state employees retirement plan of the Minnesota State Retirement
20.29 System, established by chapter 352;

20.30 (3) the correctional state employees retirement plan of the Minnesota State
20.31 Retirement System, established by chapter 352;

20.32 (4) the State Patrol retirement plan, established by chapter 352B;

20.33 (5) the elective state officers retirement plan, established by chapter 352C;

20.34 (6) the unclassified state employees retirement program, established by chapter 352D;

21.1 (7) the general employees retirement plan of the Public Employees Retirement
 21.2 Association, established by chapter 353, ~~including the MERF division of the Public~~
 21.3 ~~Employees Retirement Association;~~

21.4 (8) the public employees police and fire plan of the Public Employees Retirement
 21.5 Association, established by chapter 353;

21.6 (9) the local government correctional service retirement plan of the Public
 21.7 Employees Retirement Association, established by chapter 353E;

21.8 (10) the Teachers Retirement Association, established by chapter 354;

21.9 (11) the St. Paul Teachers Retirement Fund Association, established by chapter
 21.10 354A; and

21.11 (12) the judges retirement fund, established by chapter 490.

21.12 Sec. 22. Minnesota Statutes 2014, section 356.32, subdivision 2, is amended to read:

21.13 Subd. 2. **Covered retirement plans.** The provisions of this section apply to the
 21.14 following retirement plans:

21.15 (1) the general state employees retirement plan of the Minnesota State Retirement
 21.16 System, established under chapter 352;

21.17 (2) the correctional state employees retirement plan of the Minnesota State
 21.18 Retirement System, established under chapter 352;

21.19 (3) the State Patrol retirement plan, established under chapter 352B;

21.20 (4) the general employees retirement plan of the Public Employees Retirement
 21.21 Association, established under chapter 353, ~~including the MERF division of the Public~~
 21.22 ~~Employees Retirement Association;~~

21.23 (5) the public employees police and fire plan of the Public Employees Retirement
 21.24 Association, established under chapter 353;

21.25 (6) the Teachers Retirement Association, established under chapter 354; and

21.26 (7) the St. Paul Teachers Retirement Fund Association, established under chapter
 21.27 354A.

21.28 Sec. 23. Minnesota Statutes 2014, section 356.401, subdivision 3, is amended to read:

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

21.31 (1) the legislators retirement plan, established by chapter 3A, including constitutional
 21.32 officers as specified in that chapter;

21.33 (2) the general state employees retirement plan of the Minnesota State Retirement
 21.34 System, established by chapter 352;

- 22.1 (3) the correctional state employees retirement plan of the Minnesota State
 22.2 Retirement System, established by chapter 352;
- 22.3 (4) the State Patrol retirement plan, established by chapter 352B;
- 22.4 (5) the unclassified state employees retirement program, established by chapter 352D;
- 22.5 (6) the general employees retirement plan of the Public Employees Retirement
 22.6 Association, established by chapter 353, ~~including the MERF division of the Public~~
 22.7 ~~Employees Retirement Association;~~
- 22.8 (7) the public employees police and fire plan of the Public Employees Retirement
 22.9 Association, established by chapter 353;
- 22.10 (8) the public employees defined contribution plan, established by chapter 353D;
- 22.11 (9) the local government correctional service retirement plan of the Public
 22.12 Employees Retirement Association, established by chapter 353E;
- 22.13 (10) the voluntary statewide lump-sum volunteer firefighter retirement plan,
 22.14 established by chapter 353G;
- 22.15 (11) the Teachers Retirement Association, established by chapter 354;
- 22.16 (12) the St. Paul Teachers Retirement Fund Association, established by chapter 354A;
- 22.17 (13) the individual retirement account plan, established by chapter 354B;
- 22.18 (14) the higher education supplemental retirement plan, established by chapter
 22.19 354C; and
- 22.20 (15) the judges retirement fund, established by chapter 490.

22.21 Sec. 24. Minnesota Statutes 2014, section 356.407, subdivision 2, is amended to read:

22.22 Subd. 2. **Covered funds.** The provisions of this section apply to the following
 22.23 retirement funds:

- 22.24 (1) the general employees retirement plan of the Public Employees Retirement
 22.25 Association established under chapter 353, ~~including the MERF division of the Public~~
 22.26 ~~Employees Retirement Association;~~
- 22.27 (2) the public employees police and fire plan of the Public Employees Retirement
 22.28 Association established under chapter 353;
- 22.29 (3) the State Patrol retirement plan established under chapter 352B;
- 22.30 (4) the legislators retirement plan established under chapter 3A;
- 22.31 (5) the elective state officers retirement plan established under chapter 352C; and
- 22.32 (6) the Teachers Retirement Association established under chapter 354.

22.33 Sec. 25. Minnesota Statutes 2014, section 356.415, subdivision 2, is amended to read:

23.1 Subd. 2. **Covered retirement plans.** The provisions of this section apply to the
 23.2 following retirement plans:

23.3 (1) the legislators retirement plan established under chapter 3A, including
 23.4 constitutional officers as specified in that chapter;

23.5 (2) the correctional state employees retirement plan of the Minnesota State
 23.6 Retirement System established under chapter 352;

23.7 (3) the general state employees retirement plan of the Minnesota State Retirement
 23.8 System established under chapter 352;

23.9 (4) the State Patrol retirement plan established under chapter 352B;

23.10 (5) the general employees retirement plan of the Public Employees Retirement
 23.11 Association established under chapter 353, ~~including the MERF division of the Public~~
 23.12 ~~Employees Retirement Association;~~

23.13 (6) the public employees police and fire retirement plan of the Public Employees
 23.14 Retirement Association established under chapter 353;

23.15 (7) the local government correctional employees retirement plan of the Public
 23.16 Employees Retirement Association established under chapter 353E;

23.17 (8) the teachers retirement plan established under chapter 354; and

23.18 (9) the judges retirement plan established under chapter 490.

23.19 Sec. 26. Minnesota Statutes 2014, section 356.461, subdivision 2, is amended to read:

23.20 Subd. 2. **Covered plans.** This section applies to the following retirement plans:

23.21 (1) the legislators retirement plan, established under chapter 3A, including
 23.22 constitutional officers as specified in that chapter;

23.23 (2) the correctional state employees retirement plan of the Minnesota State
 23.24 Retirement System, established under chapter 352;

23.25 (3) the general state employees retirement plan of the Minnesota State Retirement
 23.26 System, established under chapter 352;

23.27 (4) the State Patrol retirement plan, established under chapter 352B;

23.28 (5) the unclassified state employees retirement program of the Minnesota State
 23.29 Retirement System, established under chapter 352D;

23.30 (6) the judges retirement plan, established under chapter 490;

23.31 (7) the general employees retirement plan of the Public Employees Retirement
 23.32 Association, established under chapter 353, ~~including the MERF division of the Public~~
 23.33 ~~Employees Retirement Association;~~

23.34 (8) the public employees police and fire retirement plan of the Public Employees
 23.35 Retirement Association, established under chapter 353;

- 24.1 (9) the local government correctional service retirement plan of the Public
 24.2 Employees Retirement Association, established under chapter 353E; and
 24.3 (10) the Teachers Retirement Association, established under chapter 354.

24.4 Sec. 27. Minnesota Statutes 2014, section 356.465, subdivision 3, is amended to read:

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

24.7 (1) the general state employees retirement plan of the Minnesota State Retirement
 24.8 System established under chapter 352;

24.9 (2) the correctional state employees retirement plan of the Minnesota State
 24.10 Retirement System established under chapter 352;

24.11 (3) the State Patrol retirement plan established under chapter 352B;

24.12 (4) the legislators retirement plan established under chapter 3A;

24.13 (5) the judges retirement plan established under chapter 490;

24.14 (6) the general employees retirement plan of the Public Employees Retirement
 24.15 Association established under chapter 353, ~~including the MERF division of the Public~~
 24.16 ~~Employees Retirement Association;~~

24.17 (7) the public employees police and fire plan of the Public Employees Retirement
 24.18 Association established under chapter 353;

24.19 (8) the teachers retirement plan established under chapter 354;

24.20 (9) the St. Paul Teachers Retirement Fund Association established under chapter
 24.21 354A; and

24.22 (10) the local government correctional service retirement plan of the Public
 24.23 Employees Retirement Association established under chapter 353E.

24.24 Sec. 28. Minnesota Statutes 2014, section 480.181, subdivision 2, is amended to read:

24.25 Subd. 2. **Election to retain insurance and benefits; retirement.** (a) Before a
 24.26 person is transferred to state employment under this section, the person may elect to do
 24.27 either or both of the following:

24.28 (1) keep life insurance; hospital, medical, and dental insurance; and vacation and
 24.29 sick leave benefits and accumulated time provided by the county instead of receiving
 24.30 benefits from the state under the judicial branch personnel rules; or

24.31 (2) remain a member of the general employees retirement plan of the Public
 24.32 Employees Retirement Association or the MERF division of the Public Employees
 24.33 Retirement Association instead of joining the Minnesota State Retirement System.

25.1 Employees who make an election under clause (1) remain on the county payroll,
 25.2 but the state shall reimburse the county on a quarterly basis for the salary and cost of the
 25.3 benefits provided by the county. The state shall make the employer contribution on behalf
 25.4 of employees who make an election under clause (2) to the general employees retirement
 25.5 plan of the Public Employees Retirement Association or the employer contribution under
 25.6 section ~~353.50~~ 353.27, subdivision 7 3c, paragraphs (c) and (d), to the MERF division
 25.7 general employees retirement fund of the Public Employees Retirement Association on
 25.8 behalf of employees who make an election under clause (2) for any employees who were
 25.9 members of the former Minneapolis Employees Retirement Fund on June 24, 2010.

25.10 (b) An employee who makes an election under paragraph (a), clause (1), may revoke
 25.11 the election, once, at any time, but if the employee revokes the election, the employee
 25.12 cannot make another election. An employee who makes an election under paragraph (a),
 25.13 clause (2), may revoke the election at any time within six months after the person becomes
 25.14 a state employee. Once an employee revokes this election, the employee cannot make
 25.15 another election.

25.16 (c) The Supreme Court, after consultation with the Judicial Council, the
 25.17 commissioner of management and budget, and the executive directors of the Public
 25.18 Employees Retirement Association and the Minnesota State Retirement Association shall
 25.19 adopt procedures for making elections under this section.

25.20 (d) The Supreme Court shall notify all affected employees of the options available
 25.21 under this section. The executive directors of the Public Employees Retirement
 25.22 Association and the Minnesota State Retirement System shall provide counseling to
 25.23 affected employees on the effect of making an election to remain a member of the Public
 25.24 Employees Retirement Association.

25.25 Sec. 29. **MERF DIVISION MERGER INTO PERA-GENERAL.**

25.26 The MERF division and division account are merged into the general employees
 25.27 retirement plan and fund of the Public Employees Retirement Association as provided
 25.28 under Minnesota Statutes 2014, section 353.50, subdivision 9, and no longer exist as
 25.29 a component part of the association or of the general employees retirement plan. The
 25.30 general employees retirement plan of the Public Employees Retirement Association is
 25.31 the successor in interest of the former Minneapolis Employees Retirement Fund under
 25.32 Minnesota Statutes 2014, section 353.50, subdivision 5. The beneficial title for the assets
 25.33 of the former MERF division account is combined with the beneficial title for the assets of
 25.34 the general employees retirement plan and is vested undivided in the benefit recipients of

26.1 the general employees retirement plan. The liabilities of the general employees retirement
26.2 fund include the liabilities under Minnesota Statutes 2014, section 353.50, subdivision 6.

26.3 Sec. 30. **REPEALER.**

26.4 Minnesota Statutes 2014, sections 353.01, subdivision 49; 353.27, subdivision 1a;
26.5 353.50, subdivisions 1, 2, 3, 4, 5, 7, 8, 9, 10; and 354.71, are repealed.

26.6 Sec. 31. **EFFECTIVE DATE.**

26.7 Sections 1 to 30 are effective the day following final enactment.

353.01 DEFINITIONS.

Subd. 49. **MERF division account.** "MERF division account" means the separate account within the retirement fund of the general employees retirement fund of the Public Employees Retirement Association in which the actuarial liabilities of the former Minneapolis Employees Retirement Fund are held, and in which the assets of the former Minneapolis Employees Retirement Fund are credited.

353.27 GENERAL EMPLOYEES RETIREMENT FUND.

Subd. 1a. **MERF division account established; revenue and disbursements.** The MERF division account is established as a special account. The MERF division account includes all of the assets of the former Minneapolis Employees Retirement Fund that were transferred to the administration of the Public Employees Retirement Association under section 353.50. The special account is credited with the contributions under section 353.50, subdivision 7, state aid under section 353.505, investment performance on the special account assets, and all other income of the MERF division authorized by law. The payments of annuities and benefits authorized by Minnesota Statutes 2008, chapter 422A, in the amounts and at the times provided in that chapter, and the administrative expenses of the MERF division are appropriated from the special account.

353.50 MERF CONSOLIDATION ACCOUNT; ESTABLISHMENT AND OPERATION.

Subdivision 1. **Administrative consolidation.** (a) Notwithstanding any provision of this chapter or chapter 422A to the contrary, the administration of the Minneapolis Employees Retirement Fund as the MERF division is transferred to the Public Employees Retirement Association board of trustees. The assets, service credit, and benefit liabilities of the Minneapolis Employees Retirement Fund transfer to the MERF division account within the general employees retirement plan of the Public Employees Retirement Association established by section 353.27, subdivision 1a, on July 1, 2010.

(b) The creation of the MERF division must not be construed to alter the Social Security or Medicare coverage of any member of the former Minneapolis Employees Retirement Fund on June 29, 2010, while the person is employed in a position covered under the MERF division of the Public Employees Retirement Association.

Subd. 2. **Membership transfer.** Effective June 30, 2010, the active, inactive, and retired members of the Minneapolis Employees Retirement Fund are transferred to the MERF division administered by the Public Employees Retirement Association and are no longer members of the Minneapolis Employees Retirement Fund.

Subd. 3. **Service credit and benefit liability transfer.** (a) All allowable service credit and salary credit of the members of the Minneapolis Employees Retirement Fund as specified in the records of the Minneapolis Employees Retirement Fund through June 30, 2010, are transferred to the MERF division of the Public Employees Retirement Association and are credited by the MERF division.

(b) The liability for the payment of annuities and benefits of the Minneapolis Employees Retirement Fund retirees and benefit recipients as specified in the records of the Minneapolis Employees Retirement Fund on June 29, 2010, is transferred to the MERF division of the Public Employees Retirement Association on June 30, 2010.

Subd. 4. **Records transfer.** On June 30, 2010, the executive director of the Minneapolis Employees Retirement Fund shall transfer all records and documents relating to the Minneapolis Employees Retirement Fund and its benefit plan to the executive director of the Public Employees Retirement Association. To the extent possible, original copies of all records and documents must be transferred.

Subd. 5. **Transfer of title to assets.** On June 30, 2010, legal title to the assets of the Minneapolis Employees Retirement Fund transfers to the State Board of Investment and the assets must be invested under section 11A.14, as assets of the MERF division of the Public Employees Retirement Association. The MERF division is the successor in interest to all claims that the former Minneapolis Employees Retirement Fund may have or may assert against any person and is the successor in interest to all claims which could have been asserted against the former Minneapolis Employees Retirement Fund, but the MERF division is not liable for any claim against the former Minneapolis Employees Retirement Fund, its former governing board, or its former administrative staff acting in a fiduciary capacity under chapter 356A or under common law, which is founded upon a claim of breach of fiduciary duty, but where the act or

APPENDIX

Repealed Minnesota Statutes: 15-1840

acts constituting the claimed breach were not undertaken in good faith, the Public Employees Retirement Association may assert any applicable defense to any claim in any judicial or administrative proceeding that the former Minneapolis Employees Retirement Fund, its former board, or its former administrative staff would otherwise have been entitled to assert, and the Public Employees Retirement Association may assert any applicable defense that it has in its capacity as a statewide agency.

Subd. 7. **MERF division account contributions.** (a) After June 30, 2010, the member and employer contributions to the MERF division account are governed by this subdivision.

(b) An active member covered by the MERF division must make an employee contribution of 9.75 percent of the total salary of the member as defined in section 353.01, subdivision 10. The employee contribution must be made by payroll deduction by the member's employing unit under section 353.27, subdivision 4, and is subject to the provisions of section 353.27, subdivisions 7, 7a, 7b, 12, 12a, and 12b.

(c) The employer regular contribution to the MERF division account with respect to an active MERF division member is 9.75 percent of the total salary of the member as defined in section 353.01, subdivision 10.

(d) The employer additional contribution to the MERF division account with respect to an active member of the MERF division is 2.68 percent of the total salary of the member as defined in section 353.01, subdivision 10, plus the employing unit's share of \$3,900,000 that the employing unit paid or is payable to the former Minneapolis Employees Retirement Fund under Minnesota Statutes 2008, section 422A.101, subdivision 1a, 2, or 2a, during calendar year 2009, as was certified by the former executive director of the former Minneapolis Employees Retirement Fund.

(e) Annually after June 30, 2012, the employer supplemental contribution to the MERF division account by the city of Minneapolis, Special School District No. 1, Minneapolis, a Minneapolis-owned public utility, improvement, or municipal activity, Hennepin county, the Metropolitan Council, the Metropolitan Airports Commission, and the Minnesota State Colleges and Universities system is the larger of the following:

(1) the amount by which the total actuarial required contribution determined under section 356.215 by the approved actuary retained by the Public Employees Retirement Association in the most recent actuarial valuation of the MERF division and based on a June 30, 2031, amortization date, after subtracting the contributions under paragraphs (b), (c), and (d), exceeds \$22,750,000 or \$24,000,000, whichever applies; or

(2) the amount of \$27,000,000, but the total supplemental contribution amount plus the contributions under paragraphs (c) and (d) may not exceed \$34,000,000. Each employing unit's share of the total employer supplemental contribution amount is equal to the applicable portion specified in paragraph (h). The initial total actuarial required contribution after June 30, 2012, must be calculated using the mortality assumption change recommended on September 30, 2009, for the Minneapolis Employees Retirement Fund by the approved consulting actuary retained by the Minneapolis Employees Retirement Fund board.

(f) Before January 31, each employing unit must be invoiced for its share of the total employer supplemental contribution amount under paragraph (e). The amount is payable by the employing unit in two parts. The first half of the amount due is payable on or before the July 31 following the date of the invoice, and the second half of the amount due is payable on or before December 15. Each invoice must be based on the actuarial valuation report prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement as of the valuation date occurring 18 months earlier.

(g) Notwithstanding any provision of paragraph (c), (d), or (e) to the contrary, as of August 1 annually, if the amount of the retirement annuities and benefits paid from the MERF division account during the preceding fiscal year, multiplied by the factor of 1.035, exceeds the market value of the assets of the MERF division account on the preceding June 30, plus state aid of \$9,000,000, \$22,750,000, or \$24,000,000, whichever applies, plus the amounts payable under paragraphs (b), (c), (d), and (e) during the preceding fiscal year, multiplied by the factor of 1.035, the balance calculated is a special additional employer contribution. The special additional employer contribution under this paragraph is payable in addition to any employer contribution required under paragraphs (c), (d), and (e), and is payable on or before the following June 30. The special additional employer contribution under this paragraph must be allocated as specified in paragraph (h).

(h) The employer supplemental contribution under paragraph (e) or the special additional employer contribution under paragraph (g) must be allocated between the city of Minneapolis, Special School District No. 1, Minneapolis, any Minneapolis-owned public utility, improvement, or municipal activity, the Minnesota State Colleges and Universities system, Hennepin County, the Metropolitan Council, and the Metropolitan Airports Commission in proportion to their share

APPENDIX

Repealed Minnesota Statutes: 15-1840

of the actuarial accrued liability of the former Minneapolis Employees Retirement Fund as of July 1, 2009, as calculated by the approved actuary retained under section 356.214 as part of the actuarial valuation prepared as of July 1, 2009, under section 356.215 and the Standards for Actuarial Work adopted by the Legislative Commission on Pensions and Retirement.

(i) The employer contributions under paragraphs (c), (d), (e), and (g) must be paid as provided in section 353.28.

(j) Contributions under this subdivision are subject to the provisions of section 353.27, subdivisions 4, 7, 7a, 7b, 11, 12, 12a, 12b, 13, and 14.

Subd. 8. Minneapolis Municipal Retirement Association dues. If authorized by an annuitant or retirement benefit recipient in writing on a form prescribed by the executive director of the Public Employees Retirement Association, the executive director shall deduct the dues for the Minneapolis Municipal Retirement Association from the person's annuity or retirement benefit. This dues deduction authority expires upon the eventual full consolidation of the MERF account under subdivision 9.

Subd. 9. Eventual full consolidation. (a) Once the fiscal year end market value of assets of the MERF division account equals or exceeds 80 percent of the actuarial accrued liability of the MERF division as calculated by the approved actuary retained by the Public Employees Retirement Association under section 356.215 and the Standards for Actuarial Work adopted by the Legislative Commission on Pensions and Retirement, the MERF division must be merged with the general employees retirement plan of the Public Employees Retirement Association and the MERF division account ceases as a separate account within the general employees retirement fund of the Public Employees Retirement Association.

(b) If the market value of the MERF division account is less than 100 percent of the actuarial accrued liability of the MERF division under paragraph (a), the total employer contribution of employing units referenced in subdivision 7, paragraph (e), for the period after the full consolidation and June 30, 2031, to amortize on a level annual dollar payment the remaining unfunded actuarial accrued liability of the former MERF division account on the full consolidation date by June 30, 2031, shall be calculated by the consulting actuary retained under section 356.214 using the applicable postretirement interest rate actuarial assumption for the general employees retirement plan under section 356.215. The actuarial accrued liability of the MERF division must be calculated using the healthy retired life mortality assumption applicable to the general employees retirement plan.

(c) The merger shall occur as of the first day of the first month after the date on which the triggering actuarial valuation report is filed with the executive director of the Legislative Commission on Pensions and Retirement.

(d) The executive director of the Public Employees Retirement Association shall prepare proposed legislation fully implementing the merger and updating the applicable provisions of chapters 353 and 356 and transmit the proposed legislation to the executive director of the Legislative Commission on Pensions and Retirement by the following February 15.

Subd. 10. Merger of former MERF membership groups into PERA-general. If provided for in an agreement between the board of trustees of the Public Employees Retirement Association and the governing board of an employing unit formerly with retirement coverage provided for its employees by the former Minneapolis Employees Retirement Fund, an employing unit may transfer sufficient assets to the general employees retirement fund to cover the anticipated actuarial accrued liability for its current or former employees that is in excess of MERF division account assets attributable to those employees, have those employees be considered full members of the general employees retirement plan, and be relieved of any further contribution obligation to the general employees retirement plan for those employees under this section. Any agreement under this subdivision and any actuarial valuation report related to a merger under this subdivision must be submitted to the executive director of the Legislative Commission on Pensions and Retirement for comment prior to the final execution.

354.71 MINNEAPOLIS EMPLOYEES RETIREMENT FUND STATE AID REDEDICATED.

Subdivision 1. Appropriation. The positive difference, if any, between the actual state aid payable to the MERF division account of the Public Employees Retirement Association with respect to the former Minneapolis Employees Retirement Fund under section 353.505, and \$8,065,000 annually is appropriated from the general fund to the commissioner of management and budget for deposit in the Teachers Retirement Association to offset all or a portion of the unfunded actuarial accrued liability of the former Minneapolis Teachers Retirement Fund Association.

APPENDIX

Repealed Minnesota Statutes: 15-1840

Subd. 2. **Financial requirements.** The appropriation in subdivision 1 is available to the extent that financial requirements with respect to the MERF division of the Public Employees Retirement Association as the successor of the former Minneapolis Employees Retirement Fund under section 353.50 have been satisfied.