

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH SESSION**

**S.F. No. 2427**

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
03/06/2014	6003	Introduction and first reading Referred to State and Local Government See SF1803, Art. 14

1.1 A bill for an act  
 1.2 relating to retirement; Public Employees Retirement Association; resolving city  
 1.3 of Duluth and Duluth Airport Authority employee salary-supplement payments  
 1.4 coverage following Court of Appeals decision; ratifying past actions.

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

1.6 Section 1. **PERMITTING THE PURCHASE OF SALARY CREDIT BY**  
 1.7 **CERTAIN CURRENT AND FORMER CITY OF DULUTH OR DULUTH**  
 1.8 **AIRPORT AUTHORITY EMPLOYEES COVERED BY THE GENERAL**  
 1.9 **EMPLOYEES RETIREMENT PLAN OR THE PUBLIC EMPLOYEES POLICE**  
 1.10 **AND FIRE RETIREMENT PLAN.**

1.11 Subdivision 1. **Authorization.** Due to a Court of Appeals determination that certain  
 1.12 salary-supplement payments, provided to certain city of Duluth and Duluth Airport  
 1.13 Authority employees and deposited in the employee's deferred compensation account,  
 1.14 should have been considered salary for pension purposes, an eligible person is authorized  
 1.15 to receive the treatment specified in this section if the eligible person chooses to make the  
 1.16 employee contribution equivalent payment specified in this section.

1.17 Subd. 2. **Eligible person.** (a) An eligible person:

1.18 (1) is a current or former employee of the city of Duluth or the Duluth Airport  
 1.19 Authority, employed by that governmental subdivision between August 1, 2007, and  
 1.20 December 31, 2011;

1.21 (2) was a participating member of the general employees retirement plan of the  
 1.22 Public Employees Retirement Association or the public employees police and fire  
 1.23 retirement plan for that employment; and

2.1 (3) had employer-paid amounts made to the person's deferred compensation account  
2.2 for which contributions were not made to the applicable Public Employees Retirement  
2.3 Association plan fund between August 1, 2007, and December 31, 2011, or the date of  
2.4 the employee's termination of public service under Minnesota Statutes, section 353.01,  
2.5 subdivision 11a, whichever is earlier, due to an erroneous application of law under which  
2.6 the Public Employees Retirement Association executive director and board concluded  
2.7 that these employer-paid amounts were not salary for pension purposes under Minnesota  
2.8 Statutes, section 353.01, subdivision 10.

2.9 (b) A surviving spouse, as defined in this paragraph, is an eligible person for  
2.10 purposes of this section. A surviving spouse means:

2.11 (1) the surviving spouse of an eligible person as defined in paragraph (a) who, at  
2.12 the time of the eligible person's death, was a deferred annuitant of a Public Employees  
2.13 Retirement Association plan specified in this section;

2.14 (2) the surviving spouse of an eligible person as defined in paragraph (a) receiving  
2.15 benefits under a joint and survivor annuity from a Public Employees Retirement  
2.16 Association plan specified in this section; or

2.17 (3) the surviving spouse of an eligible person as defined in paragraph (a) receiving a  
2.18 survivor benefit under Minnesota Statutes, section 353.657.

2.19 Subd. 3. **Employee contributions.** An eligible person may make payment of an  
2.20 employee contribution equivalent amount to the fund of the general employees retirement  
2.21 plan of the Public Employees Retirement Association or the public employees police  
2.22 and fire retirement plan, whichever provided the coverage. The employee contribution  
2.23 equivalent amount is the amount of employee contributions that would have been made  
2.24 by the employee based on the employer-paid amounts made to the person's deferred  
2.25 compensation account for the period specified in subdivision 2, and the employee  
2.26 contribution rates to the applicable Public Employees Retirement Association plan during  
2.27 that period. If an employee contribution equivalent amount is paid, it must be made in  
2.28 full and in a lump sum.

2.29 Subd. 4. **Employer contributions.** (a) If an eligible person makes the employee  
2.30 equivalent contribution under subdivision 3, the city of Duluth or the Duluth Airport  
2.31 Authority, whichever is the applicable employing unit, must make the corresponding  
2.32 employer contributions, plus any employer supplemental and employer additional  
2.33 contributions required by law during the applicable time period.

2.34 (b) Any contributions required under this subdivision must be based on the  
2.35 employer-paid amounts referred to in subdivision 2, and the contribution rates applicable

3.1 during the time period for regular employer contributions, and any employer supplemental  
3.2 and employer additional contributions, if applicable.

3.3 (c) Within 30 days of receipt by the executive director of the Public Employees  
3.4 Retirement Association of employee equivalent contributions under subdivision 3,  
3.5 the executive director shall notify the city of Duluth or the Duluth Airport Authority,  
3.6 whichever is the applicable employer, of amounts due under this subdivision. These  
3.7 amounts are to be remitted by the applicable employer to the executive director for deposit  
3.8 in the applicable fund within 30 days of notification. If payment is not made in full within  
3.9 that time period, the executive director may collect the necessary amounts by applying  
3.10 Minnesota Statutes, section 353.28, subdivision 6.

3.11 Subd. 5. **Benefit adjustments.** Upon receipt of the applicable employee equivalent  
3.12 contribution under subdivision 3 from an eligible person, the executive director shall  
3.13 revise the records of the Public Employees Retirement Association and grant the person  
3.14 the additional salary credit. If a retirement, disability, or survivor annuity has commenced,  
3.15 the executive director must adjust the benefit being paid to include in the calculation the  
3.16 additional salary on which contributions were paid, and the adjusted benefit must be paid  
3.17 retroactive from the effective date of the initial benefit payment under the annuity.

3.18 Subd. 6. **Restrictions.** This section does not apply if service credit and other rights  
3.19 under the plan were forfeited by taking a refund.

3.20 Subd. 7. **Treatment of interest.** Notwithstanding any provision in Minnesota  
3.21 Statutes, chapter 353, to the contrary, all payments specified in this section made by an  
3.22 eligible person to the executive director for deposit in the applicable Public Employees  
3.23 Retirement Association fund are to be made without interest. Any payments required from  
3.24 the employer under this section are also without interest, provided the employer makes  
3.25 the payment to the executive director within 30 days of notification. Interest shall be  
3.26 charged, as specified in Minnesota Statutes, section 353.28, on any employer obligations  
3.27 not paid within the 30-day period.

3.28 Subd. 8. **Notification; counseling.** The executive director shall notify all active  
3.29 members, deferred members, retirees, and survivors to whom this section may apply and  
3.30 shall provide counseling regarding the implications of this section, including payment  
3.31 requirements and likely adjustments in current or future benefit amounts if employee  
3.32 equivalent contributions as specified in this section are made.

3.33 Subd. 9. **Expiration of salary credit purchase authority.** Payment of employee  
3.34 contribution equivalent amounts, as authorized under this section, is prohibited after 180  
3.35 days following the date that local approval is provided by the applicable employing unit of  
3.36 the current or former employee.

4.1 Subd. 10. **Ratification.** Actions taken before the effective date of this section by  
4.2 the executive director and board of the Public Employees Retirement Association, the  
4.3 city of Duluth, the Duluth Airport Authority, and eligible persons which are otherwise  
4.4 consistent with this section are ratified.

4.5 **EFFECTIVE DATE.** (a) This section is effective the day after the Duluth city  
4.6 council and the chief clerical officer of the city of Duluth timely complete their compliance  
4.7 with Minnesota Statutes, section 645.021, subdivisions 2 and 3, for members who are,  
4.8 and former members who were, employees of the city of Duluth, and for the surviving  
4.9 spouses of former members.

4.10 (b) This section is effective the day after the Duluth Airport Authority and the  
4.11 chief clerical officer of the Duluth Airport Authority timely complete their compliance  
4.12 with Minnesota Statutes, section 645.021, subdivisions 2 and 3, for members who are,  
4.13 and former members who were, employees of the Duluth Airport Authority, and for the  
4.14 surviving spouses of former members.