

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

S.F. No. 2442

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
03/06/2014	6006	Introduction and first reading Referred to State and Local Government

A bill for an act

relating to retirement; Minnesota State Retirement System and Teachers Retirement Association; specifying the interest rate for computing joint-and-survivor annuities, revising postretirement adjustment trigger procedures, revising annuity application time period, and revising reemployed annuitant benefit withholding procedures in certain divorce situations in various Minnesota State Retirement System plans; expanding and clarifying the Teachers Retirement Association medical advisor selection and resumption of teaching provisions; and making a technical revision in a federal compliance provision; amending Minnesota Statutes 2012, sections 3A.01, subdivision 1a; 352.01, subdivision 12; 352.115, subdivisions 8, 10; 352B.08, subdivision 3; 354.44, subdivision 5; 354.48, subdivision 6a; 356.635, subdivision 6; 490.121, subdivision 2a; Minnesota Statutes 2013 Supplement, sections 352.03, subdivision 4; 356.415, subdivisions 1a, 1e, 1f; proposing coding for new law in Minnesota Statutes, chapter 356.

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

ARTICLE 1

**MINNESOTA STATE RETIREMENT SYSTEM
INTEREST RATE FOR COMPUTING JOINT AND SURVIVOR ANNUITIES**

Section 1. Minnesota Statutes 2012, section 3A.01, subdivision 1a, is amended to read:

Subd. 1a. **Actuarial equivalent.** (a) "Actuarial equivalent" means the condition of one allowance or benefit having an equal actuarial present value to another allowance or benefit, determined by the actuary retained under section 356.214 as of a given date at a specified age with each actuarial present value based on the mortality table applicable for the plan and approved under section 356.215, subdivision 18, and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 8.

2.1 (b) For purposes of computing a joint and survivor annuity, the postretirement
 2.2 interest rate assumption specified in section 356.461 must be used, rather than the
 2.3 postretirement interest rate specified in section 356.215, subdivision 8.

2.4 **EFFECTIVE DATE.** This section is effective July 1, 2014.

2.5 Sec. 2. Minnesota Statutes 2012, section 352.01, subdivision 12, is amended to read:

2.6 Subd. 12. **Actuarial equivalent.** (a) "Actuarial equivalent" means the condition
 2.7 of one annuity or benefit having an equal actuarial present value as another annuity or
 2.8 benefit, determined as of a given date at a specified age with each actuarial present value
 2.9 based on the appropriate mortality table adopted by the board of directors based on the
 2.10 experience of the fund as recommended by the actuary retained under section 356.214, and
 2.11 approved under section 356.215, subdivision 18, and using the applicable preretirement or
 2.12 postretirement interest rate assumption specified in section 356.215, subdivision 8.

2.13 (b) For purposes of computing a joint and survivor annuity, the postretirement
 2.14 interest rate assumption specified in section 356.461 must be used, rather than the
 2.15 postretirement interest rate specified in section 356.215, subdivision 8.

2.16 **EFFECTIVE DATE.** This section is effective July 1, 2014.

2.17 Sec. 3. Minnesota Statutes 2013 Supplement, section 352.03, subdivision 4, is
 2.18 amended to read:

2.19 Subd. 4. **Duties and powers of board of directors.** (a) The board shall:

2.20 (1) elect a chair;

2.21 (2) appoint an executive director;

2.22 (3) establish rules to administer this chapter and chapters 3A, 352B, 352C, 352D,
 2.23 and 490 and transact the business of the system, subject to the limitations of law;

2.24 (4) consider and dispose of, or take any other action the board of directors deems
 2.25 appropriate concerning, denials of applications for annuities or disability benefits under
 2.26 this chapter, chapter 3A, 352B, 352C, 352D, or 490, and complaints of employees and
 2.27 others pertaining to the retirement of employees and the operation of the system;

2.28 (5) oversee the administration of the deferred compensation plan established in
 2.29 section 352.965;

2.30 (6) oversee the administration of the health care savings plan established in section;
 2.31 and

2.32 (7) approve early retirement and optional annuity factors for all plans administered
 2.33 by the system, including approving retirement annuity factors for the unclassified state

3.1 employees program under chapter 352D, subject to review by the actuary retained by
3.2 the Legislative Commission on Pensions and Retirement; establish the schedule for
3.3 implementation of the approved factors; and notify the Legislative Commission on
3.4 Pensions and Retirement of the implementation schedule.

3.5 (b) The board shall advise the director on any matters relating to the system and
3.6 carrying out functions and purposes of this chapter. The board's advice shall control.

3.7 **EFFECTIVE DATE.** This section is effective July 1, 2014.

3.8 Sec. 4. Minnesota Statutes 2012, section 352B.08, subdivision 3, is amended to read:

3.9 Subd. 3. **Optional annuity forms.** (a) In lieu of the single life annuity provided in
3.10 subdivision 2, the member or former member may elect an optional annuity form. The
3.11 board of the Minnesota state retirement system shall establish a joint and survivor annuity,
3.12 payable to a designated beneficiary for life, adjusted to the actuarial equivalent value of
3.13 the single life annuity. The board shall also establish an additional optional annuity with
3.14 an actuarial equivalent value of the single life annuity in the form of a joint and survivor
3.15 annuity which provides that the elected annuity be reinstated to the single life annuity
3.16 provided in subdivision 2, if after commencing the elected joint and survivor annuity, the
3.17 designated beneficiary dies before the member, which reinstatement is not retroactive but
3.18 takes effect for the first full month occurring after the death of the designated beneficiary.
3.19 The board may also establish other actuarial equivalent value optional annuity forms. In
3.20 establishing actuarial equivalent value optional annuity forms, each optional annuity form
3.21 shall have the same present value as a regular single life annuity using the mortality
3.22 table adopted by the board and the interest assumption specified in section 356.215,
3.23 subdivision 8, ~~and~~.

3.24 (b) For purposes of computing a joint and survivor annuity, the postretirement
3.25 interest rate assumption specified in section 356.461 must be used, rather than the
3.26 postretirement interest rate specified in section 356.215, subdivision 8.

3.27 (c) The board shall obtain the written recommendation of the actuary retained under
3.28 section 356.214. These recommendations shall be a part of the permanent records of
3.29 the board.

3.30 **EFFECTIVE DATE.** This section is effective July 1, 2014.

3.31 Sec. 5. **[356.461] MINNESOTA STATE RETIREMENT SYSTEM; JOINT AND**
3.32 **SURVIVOR ANNUITY COMPUTATION.**

4.1 Subdivision 1. **Joint and survivor annuity computation.** Notwithstanding any
 4.2 provision of section 356.215, subdivision 8, to the contrary, for purposes of computing joint
 4.3 and survivor annuities, the applicable postretirement interest assumption is 6.5 percent.

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

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

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

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

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

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

4.14 (6) the judges retirement plan, established under chapter 490.

4.15 **EFFECTIVE DATE.** This section is effective July 1, 2014.

4.16 Sec. 6. Minnesota Statutes 2012, section 490.121, subdivision 2a, is amended to read:

4.17 Subd. 2a. **Actuarial equivalent.** (a) "Actuarial equivalent" means the condition
 4.18 of one annuity or benefit having an equal actuarial present value as another annuity or
 4.19 benefit, determined as of a given date with each actuarial present value based on the
 4.20 appropriate mortality table adopted by the board of directors of the Minnesota State
 4.21 Retirement System based on the experience of the fund as recommended by the actuary
 4.22 retained under section 356.214 and approved under section 356.215, subdivision 18, and
 4.23 using the applicable preretirement or postretirement interest rate assumption specified in
 4.24 section 356.215, subdivision 8.

4.25 (b) For purposes of computing a joint and survivor annuity, the postretirement
 4.26 interest rate assumption specified in section 356.461 must be used, rather than the
 4.27 postretirement interest rate specified in section 356.215, subdivision 8.

4.28 **EFFECTIVE DATE.** This section is effective July 1, 2014.

4.29 **ARTICLE 2**

4.30 **MINNESOTA STATE RETIREMENT SYSTEM PLANS** 4.31 **POSTRETIREMENT ADJUSTMENT TRIGGER PROCEDURES**

4.32 Section 1. Minnesota Statutes 2013 Supplement, section 356.415, subdivision 1a,
 4.33 is amended to read:

5.1 Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement**
5.2 **System plans other than State Patrol retirement plan.** (a) Retirement annuity, disability
5.3 benefit, or survivor benefit recipients of the legislators retirement plans, including
5.4 constitutional officers as specified in chapter 3A, the general state employees retirement
5.5 plan, the correctional state employees retirement plan, the unclassified state employees
5.6 retirement program, and the judges retirement plan are entitled to a postretirement
5.7 adjustment annually on January 1, as follows:

5.8 (1) a postretirement increase of two percent must be applied each year, effective
5.9 on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient
5.10 who has been receiving an annuity or a benefit for at least 18 full months before the
5.11 January 1 increase; and

5.12 (2) for each annuitant or benefit recipient who has been receiving an annuity or
5.13 a benefit for at least six full months, an annual postretirement increase of 1/12 of two
5.14 percent for each month that the person has been receiving an annuity or benefit must be
5.15 applied, effective January 1, following the calendar year in which the person has been
5.16 retired for at least six months, but has been retired for less than 18 months.

5.17 (b) The increases provided by this subdivision commence on January 1, 2011.
5.18 Increases under this subdivision for the general state employees retirement plan, the
5.19 correctional state employees retirement plan, or the judges retirement plan terminate on
5.20 December 31 of the calendar year in which the two prior consecutive actuarial valuation
5.21 valuations prepared by the approved actuary under sections 356.214 and 356.215 and the
5.22 standards for actuarial work promulgated by the Legislative Commission on Pensions
5.23 and Retirement indicates that the market value of assets of the retirement plan equals or
5.24 exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases
5.25 under subdivision 1 recommence after that date. Increases under this subdivision for
5.26 the legislators retirement plan or the elected state officers retirement plan terminate
5.27 on December 31 of the calendar year in which the actuarial valuation prepared by the
5.28 approved actuary under sections 356.214 and 356.215 and the standards for actuarial work
5.29 promulgated by the Legislative Commission on Pensions and Retirement indicates that the
5.30 market value of assets of the general state employees retirement plan equals or exceeds
5.31 90 percent of the actuarial accrued liability of the retirement plan and increases under
5.32 subdivision 1 recommence after that date.

5.33 (c) An increase in annuity or benefit payments under this subdivision must be made
5.34 automatically unless written notice is filed by the annuitant or benefit recipient with the
5.35 executive director of the applicable covered retirement plan requesting that the increase
5.36 not be made.

6.1 **EFFECTIVE DATE.** This section is effective July 1, 2014.

6.2 Sec. 2. Minnesota Statutes 2013 Supplement, section 356.415, subdivision 1e, is
6.3 amended to read:

6.4 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.**

6.5 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol
6.6 retirement plan are entitled to a postretirement adjustment annually on January 1, as
6.7 follows:

6.8 (1) a postretirement increase of one percent must be applied each year, effective on
6.9 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
6.10 has been receiving an annuity or a benefit for at least 18 full months before the January 1
6.11 increase; and

6.12 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
6.13 benefit for at least six full months, an annual postretirement increase of 1/12 of one percent
6.14 for each month that the person has been receiving an annuity or benefit must be applied,
6.15 effective January 1, following the calendar year in which the person has been retired for at
6.16 least six months, but has been retired for less than 18 months.

6.17 (b) The increases provided by this subdivision commence on January 1, 2014.
6.18 Increases under paragraph (a) for the State Patrol retirement plan terminate on December
6.19 31 of the calendar year in which the two prior consecutive actuarial valuation valuations
6.20 prepared by the approved actuary under sections 356.214 and 356.215 and the standards
6.21 for actuarial work promulgated by the Legislative Commission on Pensions and
6.22 Retirement indicates that the market value of assets of the retirement plan equals or
6.23 exceeds 85 percent of the actuarial accrued liability of the retirement plan and increases
6.24 under paragraph (c) recommence after that date.

6.25 (c) Retirement annuity, disability benefit, or survivor benefit recipients of the State
6.26 Patrol retirement plan are entitled to a postretirement adjustment annually on January
6.27 1, as follows:

6.28 (1) a postretirement increase of 1.5 percent must be applied each year, effective on
6.29 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
6.30 has been receiving an annuity or a benefit for at least 18 full months before the January 1
6.31 increase; and

6.32 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
6.33 benefit for at least six full months, an annual postretirement increase of 1/12 of 1.5 percent
6.34 for each month that the person has been receiving an annuity or benefit must be applied,

7.1 effective January 1, following the calendar year in which the person has been retired for at
7.2 least six months, but has been retired for less than 18 months.

7.3 (d) Increases under paragraph (c) for the State Patrol retirement plan terminate on
7.4 December 31 of the calendar year in which ~~the~~ two prior consecutive actuarial valuation
7.5 valuations prepared by the approved actuary under sections 356.214 and 356.215 and
7.6 the standards for actuarial work adopted by the Legislative Commission on Pensions
7.7 and Retirement indicates that the market value of assets of the retirement plan equals or
7.8 exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases
7.9 under subdivision 1 recommence after that date.

7.10 (e) An increase in annuity or benefit payments under this subdivision must be made
7.11 automatically unless written notice is filed by the annuitant or benefit recipient with the
7.12 executive director of the applicable covered retirement plan requesting that the increase
7.13 not be made.

7.14 **EFFECTIVE DATE.** This section is effective July 1, 2014.

7.15 Sec. 3. Minnesota Statutes 2013 Supplement, section 356.415, subdivision 1f, is
7.16 amended to read:

7.17 Subd. 1f. **Annual postretirement adjustments; Minnesota State Retirement**
7.18 **System judges retirement plan.** (a) The increases provided under this subdivision begin
7.19 on January 1, 2014, and are in lieu of increases under subdivision 1 or 1a for retirement
7.20 annuity, disability benefit, or survivor benefit recipients of the judges retirement plan.

7.21 (b) Retirement annuity, disability benefit, or survivor benefit recipients of the
7.22 judges retirement plan are entitled to a postretirement adjustment annually on January
7.23 1, as follows:

7.24 (1) a postretirement increase of 1.75 percent must be applied each year, effective
7.25 on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient
7.26 who has been receiving an annuity or a benefit for at least 18 full months before the
7.27 January 1 increase; and

7.28 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
7.29 benefit for at least six full months, an annual postretirement increase of 1/12 of 1.75
7.30 percent for each month that the person has been receiving an annuity or benefit must be
7.31 applied, effective January 1, following the calendar year in which the person has been
7.32 retired for at least six months, but has been retired for less than 18 months.

7.33 (c) Increases under this subdivision terminate on December 31 of the calendar
7.34 year in which ~~the~~ two prior consecutive actuarial valuation valuations prepared by the
7.35 approved actuary under sections 356.214 and 356.215 and the standards for actuarial work

8.1 promulgated by the Legislative Commission on Pensions and Retirement indicates that
 8.2 the market value of assets of the judges retirement plan equals or exceeds 70 percent of
 8.3 the actuarial accrued liability of the retirement plan. Increases under subdivision 1 or 1a,
 8.4 whichever is applicable, begin on the January 1 next following that date.

8.5 (d) An increase in annuity or benefit payments under this subdivision must be made
 8.6 automatically unless written notice is filed by the annuitant or benefit recipient with the
 8.7 executive director of the applicable covered retirement plan requesting that the increase
 8.8 not be made.

8.9 **EFFECTIVE DATE.** This section is effective July 1, 2014.

8.10 **ARTICLE 3**

8.11 **MISCELLANEOUS PROVISIONS**

8.12 Section 1. Minnesota Statutes 2012, section 352.115, subdivision 8, is amended to read:

8.13 Subd. 8. **Accrual of annuity.** ~~State employees shall apply for an annuity. The~~
 8.14 application for an annuity must not be made more than ~~90~~ 60 days before the time the state
 8.15 employee is eligible to retire by reason of both age and service requirements or former
 8.16 state employee elects to begin collecting a retirement annuity. If the director determines an
 8.17 applicant for annuity has fulfilled the legal requirements for an annuity, the director shall
 8.18 authorize the annuity payment in accordance with this chapter and payment must be made
 8.19 as authorized. An annuity shall begin to accrue no earlier than 180 days before the date the
 8.20 application is filed with the director, but not before the day following the termination of
 8.21 state service or before the day the employee is eligible to retire by reason of both age and
 8.22 service requirements. The retirement annuity shall cease with the last payment which had
 8.23 accrued during the lifetime of the retired employee unless an optional annuity provided in
 8.24 section 352.116, subdivision 3, had been selected and had become payable. The joint and
 8.25 last survivor annuity shall cease with the last payment received by the survivor during
 8.26 the lifetime of the survivor. If a retired employee had not selected an optional annuity, or
 8.27 a survivor annuity is not payable under the option, and a spouse survives, the spouse is
 8.28 entitled only to the annuity for the calendar month in which the retired employee died.
 8.29 If an optional annuity is payable after the death of the retired employee, the survivor is
 8.30 entitled to the annuity for the calendar month in which the retired employee died.

8.31 **EFFECTIVE DATE.** This section is effective July 1, 2014.

8.32 Sec. 2. Minnesota Statutes 2012, section 352.115, subdivision 10, is amended to read:

9.1 Subd. 10. **Reemployment of annuitant.** (a) Except for salary or wages received
9.2 as a temporary employee of the legislature during a legislative session, if any retired
9.3 employee again becomes entitled to receive salary or wages from any employer who
9.4 employs state employees as that term is defined in section 352.01, subdivision 2, in a
9.5 position covered by this chapter, the annuity or retirement allowance must cease ~~when~~ the
9.6 first of the month following the month that the retired employee has earned an amount
9.7 equal to the annual maximum earnings allowable for that age for the continued receipt of
9.8 full benefit amounts monthly under the federal old age, survivors, and disability insurance
9.9 program as set by the secretary of health and human services under United States Code,
9.10 title 42, section 403, in any calendar year. If the retired employee has not yet reached the
9.11 minimum age for the receipt of Social Security benefits, the maximum earnings for the
9.12 retired employee are equal to the annual maximum earnings allowable for the minimum
9.13 age for the receipt of Social Security benefits.

9.14 (b) The balance of the annual retirement annuity after cessation must be handled or
9.15 disposed of as provided in section 356.47.

9.16 (c) The annuity must be resumed ~~when~~ the first of the month following the month
9.17 that state service ends, or, if the retired employee is still employed at the beginning of the
9.18 next calendar year, at the beginning of that calendar year, and payment must again end
9.19 when the retired employee has earned the applicable reemployment earnings maximum
9.20 specified in this subdivision. If the retired employee is granted a sick leave without pay,
9.21 but not otherwise, the annuity or retirement allowance must be resumed during the period
9.22 of sick leave.

9.23 (d) No payroll deductions for the retirement fund may be made from the earnings of
9.24 a reemployed retired employee.

9.25 (e) No change may be made in the monthly amount of an annuity or retirement
9.26 allowance because of the reemployment of an annuitant.

9.27 (f) If a reemployed annuitant whose annuity is suspended under paragraph (a)
9.28 is having insurance premium amounts withheld under section 356.87, subdivision 2,
9.29 insurance premium amounts must continue to be withheld and transferred from the
9.30 suspended portion of the annuity. The balance of the annual retirement annuity after
9.31 cessation, after deduction of the insurance premium amounts, must be treated as specified
9.32 in paragraph (b).

9.33 (g) If a reemployed annuitant whose annuity is suspended under paragraph (a)
9.34 has a former spouse receiving a portion of the annuity allowable under section 518.58,
9.35 subdivision 1, the portion payable to the former spouse must continue to be paid.

9.36 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2014.

10.1 Sec. 3. Minnesota Statutes 2012, section 354.44, subdivision 5, is amended to read:

10.2 Subd. 5. **Resumption of teaching service after retirement.** (a) Any person who
 10.3 retired under the provisions of this chapter and has thereafter resumed teaching in any
 10.4 employer unit to which this chapter applies is eligible to continue to receive payments
 10.5 in accordance with the annuity except that all or a portion of the annuity payments must
 10.6 be deferred during the calendar year immediately following the fiscal year in which the
 10.7 person's salary from the teaching service is in an amount greater than \$46,000. The
 10.8 amount of the annuity deferral is one-half of the salary amount in excess of \$46,000 and
 10.9 must be deducted from the annuity payable for the calendar year immediately following
 10.10 the fiscal year in which the excess amount was earned.

10.11 (b) If the person is retired for only a fractional part of the fiscal year during the initial
 10.12 year of retirement, the maximum reemployment salary exempt from triggering a deferral
 10.13 as specified in this subdivision must be prorated for that fiscal year.

10.14 (c) After a person has reached the Social Security normal retirement age, no deferral
 10.15 requirement is applicable regardless of the amount of salary.

10.16 (d) The amount of the retirement annuity deferral must be handled or disposed
 10.17 of as provided in section 356.47.

10.18 (e) For the purpose of this subdivision, salary from teaching service includes all
 10.19 salary or income earned as a teacher as defined in section 354.05, subdivision 2, paragraph
 10.20 (a), clause (1). Salary from teaching service also includes, but is not limited to:

10.21 (1) all income for services performed as a consultant ~~or an~~ independent contractor
 10.22 ~~for~~, or third-party supplier, or as a employee of a consultant, independent contractor, or
 10.23 third-party supplier, to an employer unit covered by the provisions of this chapter; and

10.24 (2) the greater of either the income received or an amount based on the rate paid with
 10.25 respect to an administrative position, consultant, ~~or independent contractor,~~ or third-party
 10.26 supplier, or as an employee of a consultant, independent contractor, or third-party supplier,
 10.27 in an employer unit with approximately the same number of pupils and at the same level
 10.28 as the position occupied by the person who resumes teaching service.

10.29 **EFFECTIVE DATE.** This section is effective July 1, 2014.

10.30 Sec. 4. Minnesota Statutes 2012, section 354.48, subdivision 6a, is amended to read:

10.31 Subd. 6a. **Medical adviser; duties.** ~~The state commissioner of health or a~~
 10.32 ~~licensed physician on the staff of the Department of Health who is designated by the~~
 10.33 ~~commissioner is the medical adviser of~~ The executive director may contract with an
 10.34 accredited independent organization specializing in disability determinations, licensed
 10.35 physicians, or physicians on the staff of the commissioner of health as designated by the

11.1 commissioner, to be the medical advisor to the executive director. The medical adviser
 11.2 shall designate licensed physicians, licensed chiropractors, or licensed psychologists with
 11.3 respect to a mental impairment, who shall examine applicants for disability benefits. The
 11.4 medical adviser shall pass upon all expert reports based on any examinations performed
 11.5 in order to determine whether a teacher is totally and permanently disabled as defined in
 11.6 section 354.05, subdivision 14. The medical adviser shall also investigate all health and
 11.7 medical statements and certificates by or on behalf of a teacher in connection with a
 11.8 disability benefit, and shall report in writing to the director setting forth any conclusions
 11.9 and recommendations on all matters referred to the medical adviser.

11.10 **EFFECTIVE DATE.** This section is effective July 1, 2014.

11.11 Sec. 5. Minnesota Statutes 2012, section 356.635, subdivision 6, is amended to read:

11.12 Subd. 6. **Eligible retirement plan.** (a) An "eligible retirement plan" is:

11.13 (1) an individual retirement account under section 408(a) or 408A of the federal
 11.14 Internal Revenue Code;

11.15 (2) an individual retirement annuity plan under section 408(b) of the federal Internal
 11.16 Revenue Code;

11.17 (3) an annuity plan under section 403(a) of the federal Internal Revenue Code;

11.18 (4) a qualified trust plan under section 401(a) of the federal Internal Revenue Code
 11.19 that accepts the distributee's eligible rollover distribution;

11.20 (5) an annuity contract under section 403(b) of the federal Internal Revenue Code;

11.21 (6) an eligible deferred compensation plan under section 457(b) of the federal
 11.22 Internal Revenue Code, which is maintained by a state or local government and which
 11.23 agrees to separately account for the amounts transferred into the plan; or

11.24 (7) in the case of an eligible rollover distribution to a nonspousal beneficiary, an
 11.25 individual account or annuity treated as an inherited individual retirement account under
 11.26 section 402(c)(11) of the federal Internal Revenue Code.

11.27 (b) For distributions of after-tax contributions which are not includable in gross
 11.28 income, the after-tax portion may be transferred only to an individual retirement account
 11.29 or annuity described in section 408(a) or (b) of the federal Internal Revenue Code, to a
 11.30 Roth individual retirement account described in section 408A of the federal Internal
 11.31 Revenue Code, or to a qualified plan described in either section 401(a) of the federal
 11.32 Internal Revenue Code or ~~403(a)~~ to an annuity contract described in section 403(b) of
 11.33 the federal Internal Revenue Code, that agrees to separately account for the amounts
 11.34 transferred, including separately accounting for the portion of the distribution which is
 11.35 includable in gross income and the portion of the distribution which is not includable.

12.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

APPENDIX
Article locations in 14-4693

ARTICLE 1	MINNESOTA STATE RETIREMENT SYSTEM INTEREST RATE FOR COMPUTING JOINT AND SURVIVOR ANNUITIES	Page.Ln 1.17
ARTICLE 2	MINNESOTA STATE RETIREMENT SYSTEM PLANS POSTRETIREMENT ADJUSTMENT TRIGGER PROCEDURES	Page.Ln 4.29
ARTICLE 3	MISCELLANEOUS PROVISIONS	Page.Ln 8.10