

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 55

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
01/08/2015	45	Introduction and first reading Referred to State and Local Government See SF1398, Art. 12, Sec. 4-34, 37-38, 42

A bill for an act

1.1 relating to retirement; Public Employees Retirement Association; making
1.2 administrative and technical modifications; amending Minnesota Statutes 2014,
1.3 sections 353.01, subdivisions 6, 10, 11a, 16, 28, 36; 353.0161, by adding a
1.4 subdivision; 353.0162; 353.03, subdivision 3; 353.031, subdivisions 5, 10;
1.5 353.27, subdivision 10, by adding a subdivision; 353.29, subdivision 7; 353.33,
1.6 subdivisions 6, 13; 353.37, subdivision 1; 353.656, subdivisions 1a, 1b, 2, 4,
1.7 5a; 353D.03, subdivision 3; 353E.06, subdivisions 5, 6; 353F.01; 353F.02,
1.8 subdivisions 3, 5a; 353F.04, subdivision 2; 353F.051, subdivisions 1, 2, 3;
1.9 353G.08, subdivision 1; 355.07; 356.32, subdivision 1; repealing Minnesota
1.10 Statutes 2014, sections 353.025; 353.83; 353.84; 353.85; 353D.03, subdivision 4.
1.11

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

1.13 Section 1. Minnesota Statutes 2014, section 353.01, subdivision 6, is amended to read:

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

1.20 (b) Governmental subdivision also means the Public Employees Retirement
1.21 Association, the League of Minnesota Cities, the Association of Metropolitan
1.22 Municipalities, charter schools formed under section 124D.10, service cooperatives
1.23 exercising retirement plan participation under section 123A.21, subdivision 5, ~~joint~~
1.24 ~~powers boards organized under section 471.59, subdivision 11, paragraph (a), family~~
1.25 ~~service collaboratives and children's mental health collaboratives organized under~~
1.26 ~~section 471.59, subdivision 11, paragraph (b) or (c), provided that the entities creating~~
1.27 ~~the collaboratives are governmental units that otherwise qualify for retirement plan~~

2.1 ~~membership~~, public hospitals owned or operated by, or an integral part of, a governmental
 2.2 subdivision or governmental subdivisions, the Association of Minnesota Counties, the
 2.3 Minnesota Inter-county Association, the Minnesota Municipal Utilities Association, the
 2.4 Metropolitan Airports Commission, the University of Minnesota with respect to police
 2.5 officers covered by the public employees police and fire retirement plan, ~~the Minneapolis~~
 2.6 ~~Employees Retirement Fund for employment initially commenced after June 30, 1979~~, the
 2.7 Range Association of Municipalities and Schools, soil and water conservation districts,
 2.8 economic development authorities created or operating under sections 469.090 to 469.108,
 2.9 the Port Authority of the city of St. Paul, the Seaway Port Authority of Duluth, the Red
 2.10 Wing Port Authority, the Spring Lake Park Fire Department, incorporated, the Lake
 2.11 Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning
 2.12 Center, the Dakota County Agricultural Society, and Hennepin Healthcare System, Inc.

2.13 (c) Governmental subdivision does not mean any of the following:

2.14 (1) a department of the state under section 15.01 or a state agency under section
 2.15 15.012;

2.16 (2) any municipal housing and redevelopment authority organized under the
 2.17 provisions of sections 469.001 to 469.047; ~~or~~

2.18 (3) any port authority organized under sections 469.048 to 469.089 other than the
 2.19 Port Authority of the city of St. Paul or the Seaway Port Authority of Duluth and other
 2.20 than the Red Wing Port Authority; ~~or~~

2.21 (4) any hospital district organized or reorganized prior to July 1, 1975, under
 2.22 sections 447.31 to 447.37 or the successor of the district; or

2.23 (5) the board of a family service collaborative or children's mental health
 2.24 collaborative organized under sections 124D.23, 245.491 to 245.495, or 471.59, if that
 2.25 board is not controlled by representatives of governmental units.

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

2.33 (e) A joint powers board established under section 471.59, family service
 2.34 collaboratives and children's mental health collaboratives organized under section 471.59,
 2.35 subdivision 11, paragraph (b) or (c), or a public body created by state or local authority

3.1 may request membership on behalf of its employees by providing sufficient evidence that
3.2 it meets the requirements in paragraph (a).

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

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

3.7 Sec. 2. Minnesota Statutes 2014, section 353.01, subdivision 10, is amended to read:

3.8 Subd. 10. **Salary.** (a) Subject to the limitations of section 356.611, "salary" means:

3.9 (1) the wages or periodic compensation payable to a public employee by the
3.10 employing governmental subdivision before:

3.11 (i) employee retirement deductions that are designated as picked-up contributions
3.12 under section 356.62;

3.13 (ii) any employee-elected deductions for deferred compensation, supplemental
3.14 retirement plans, or other voluntary salary reduction programs that would have otherwise
3.15 been available as a cash payment to the employee; and

3.16 (iii) employee deductions for contributions to a supplemental plan or to a
3.17 governmental trust established under section 356.24, subdivision 1, clause (7), to save for
3.18 postretirement health care expenses, unless otherwise excluded under paragraph (b);

3.19 (2) for a public employee who is covered by a supplemental retirement plan under
3.20 section 356.24, subdivision 1, clause (8), (9), (10), or (12), the employer contributions
3.21 to the applicable supplemental retirement plan when an agreement between the parties
3.22 establishes that the contributions will either result in a mandatory reduction of employees'
3.23 wages through payroll withholdings, or be made in lieu of an amount that would otherwise
3.24 be paid as wages;

3.25 (3) a payment from a public employer through a grievance proceeding, settlement,
3.26 or court order that is attached to a specific earnings period in which the employee's regular
3.27 salary was not earned or paid to the member due to a suspension or a period of involuntary
3.28 termination that is not a wrongful discharge under section 356.50; provided the amount is
3.29 not less than the equivalent of the average of the hourly base salary rate in effect during
3.30 the last six months of allowable service prior to the suspension or period of involuntary
3.31 termination, plus any applicable increases awarded during the period that would have been
3.32 paid under a collective bargaining agreement or personnel policy but for the suspension
3.33 or involuntary termination, multiplied by the average number of regular hours for which
3.34 the employee was compensated during the six months of allowable service prior to the

4.1 suspension or period of involuntary termination, but not to exceed the compensation that
 4.2 the public employee would have earned if regularly employed during the applicable period;

4.3 (4) ~~the amount paid to~~ for a member who is absent from employment ~~by reason~~
 4.4 ~~of personal, parental, or military~~ due to an authorized leave of absence, other than an
 4.5 authorized medical leave of absence, the compensation paid during the leave if equivalent
 4.6 to the hourly base salary rate in effect during the six months of allowable service, or
 4.7 portions thereof, prior to the leave, multiplied by the average number of regular hours
 4.8 for which the employee was compensated during the six months of allowable service
 4.9 prior to the applicable leave of absence;

4.10 (5) ~~the amount paid to~~ for a member who is absent from employment by reason of an
 4.11 authorized medical leave of absence, the compensation paid during the leave if specified
 4.12 in advance to be at least one-half of, but no more than equal to, the earnings the member
 4.13 received, on which contributions were reported and allowable service credited during the
 4.14 six months immediately preceding the medical leave of absence; and

4.15 (6) for a public employee who receives performance or merit bonus payment under
 4.16 a written compensation plan, policy, or collective bargaining agreement in addition
 4.17 to regular salary or in lieu of regular salary increases, the compensation paid to the
 4.18 employee for attaining or exceeding performance goals, duties, or measures during a
 4.19 specified period of employment.

4.20 (b) Salary does not mean:

4.21 (1) fees paid to district court reporters;

4.22 (2) unused annual leave, vacation, or sick leave payments, in the form of lump-sum
 4.23 or periodic payments;

4.24 (3) for the donor, payment to another person of the value of hours donated under a
 4.25 benevolent vacation, personal, or sick leave donation program;

4.26 (4) any form of severance or retirement incentive payments;

4.27 (5) an allowance payment or per diem payments for or reimbursement of expenses;

4.28 (6) lump-sum settlements not attached to a specific earnings period;

4.29 (7) workers' compensation payments or disability insurance payments, including
 4.30 payments from employer self-insurance arrangements;

4.31 (8) employer-paid amounts used by an employee toward the cost of insurance
 4.32 coverage, flexible spending accounts, cafeteria plans, health care expense accounts, day
 4.33 care expenses, or any payments in lieu of any employer-paid group insurance coverage,
 4.34 including the difference between single and family rates that may be paid to a member with
 4.35 single coverage and certain amounts determined by the executive director to be ineligible;

4.36 (9) employer-paid fringe benefits, including, but not limited to:

- 5.1 (i) employer-paid premiums or supplemental contributions for employees for all
5.2 types of insurance;
- 5.3 (ii) membership dues or fees for the use of fitness or recreational facilities;
- 5.4 (iii) incentive payments or cash awards relating to a wellness program;
- 5.5 (iv) the value of any nonmonetary benefits;
- 5.6 (v) any form of payment made in lieu of an employer-paid fringe benefit;
- 5.7 (vi) an employer-paid amount made to a deferred compensation or tax-sheltered
5.8 annuity program; and
- 5.9 (vii) any amount paid by the employer as a supplement to salary, either as a
5.10 lump-sum amount or a fixed or matching amount paid on a recurring basis, that is not
5.11 available to the employee as cash;
- 5.12 (10) the amount equal to that which the employing governmental subdivision would
5.13 otherwise pay toward single or family insurance coverage for a covered employee when,
5.14 through a contract or agreement with some but not all employees, the employer:
- 5.15 (i) discontinues, or for new hires does not provide, payment toward the cost of the
5.16 employee's selected insurance coverages under a group plan offered by the employer;
- 5.17 (ii) makes the employee solely responsible for all contributions toward the cost of
5.18 the employee's selected insurance coverages under a group plan offered by the employer,
5.19 including any amount the employer makes toward other employees' selected insurance
5.20 coverages under a group plan offered by the employer; and
- 5.21 (iii) provides increased salary rates for employees who do not have any
5.22 employer-paid group insurance coverages;
- 5.23 (11) except as provided in section 353.86 or 353.87, compensation of any kind
5.24 paid to volunteer ambulance service personnel or volunteer firefighters, as defined in
5.25 subdivision 35 or 36;
- 5.26 (12) the amount of compensation that exceeds the limitation provided in section
5.27 356.611;
- 5.28 (13) amounts paid by a federal or state grant for which the grant specifically
5.29 prohibits grant proceeds from being used to make pension plan contributions, unless the
5.30 contributions to the plan are made from sources other than the federal or state grant; and
- 5.31 (14) bonus pay that is not performance or merit pay under paragraph (a), clause (6).
- 5.32 (c) Amounts, other than those provided under paragraph (a), clause (3), provided to
5.33 an employee by the employer through a grievance proceeding, a court order, or a legal
5.34 settlement are salary only if the settlement or court order is reviewed by the executive
5.35 director and the amounts are determined by the executive director to be consistent with
5.36 paragraph (a) and prior determinations.

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

6.2 Sec. 3. Minnesota Statutes 2014, section 353.01, subdivision 11a, is amended to read:

6.3 Subd. 11a. **Termination of public service.** (a) "Termination of public service"
6.4 occurs ~~(1)~~ when:

6.5 (1) a member resigns or is dismissed from public service by the employing
6.6 governmental subdivision and the employee does not, within 30 days of the date the
6.7 employment relationship ended, return to an employment position in the same with
6.8 a governmental subdivision; or

6.9 (2) when the employer-employee relationship is severed due to the expiration of a
6.10 layoff under subdivision 12 or 12c.

6.11 (b) The termination of public service must be recorded in the association records
6.12 upon receipt of an appropriate notice from the governmental subdivision.

6.13 (c) A termination of public service does not occur if:

6.14 (1) prior to termination of service, the member has an agreement, verbal or written,
6.15 to return provide service to a governmental subdivision as an employee; or to the same
6.16 governmental subdivision as an independent contractor; or employee of an independent
6.17 contractor; or

6.18 (2) within 30 days after the date the employment relationship ended, the member
6.19 provides service to the same governmental subdivision as an independent contractor or
6.20 employee of an independent contractor.

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

6.22 Sec. 4. Minnesota Statutes 2014, section 353.01, subdivision 16, is amended to read:

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

6.25 (1) service during years of actual membership in the course of which employee
6.26 deductions were withheld from salary and contributions were made at the applicable rates
6.27 under section 353.27, 353.65, or 353E.03;

6.28 (2) periods of service covered by payments in lieu of salary deductions under
6.29 sections 353.27, ~~subdivision~~ subdivisions 12 and 12a, and 353.35;

6.30 (3) service in years during which the public employee was not a member but for
6.31 which the member later elected, while a member, to obtain credit by making payments to
6.32 the fund as permitted by any law then in effect;

7.1 (4) a period of authorized leave of absence ~~with pay~~ during which the employee
7.2 receives pay as specified in subdivision 10, paragraph (a), clause (4) or (5), from which
7.3 deductions for employee contributions are made, deposited, and credited to the fund;

7.4 (5) a period of authorized ~~personal, parental, or medical~~ leave of absence without
7.5 pay, ~~including a leave of absence covered under the federal Family Medical Leave Act,~~
7.6 ~~that does not exceed one year~~ or with pay that is not included in the definition of salary
7.7 under subdivision 10, paragraph (a), clause (4) or (5), for which salary deductions are
7.8 not authorized, and for which a member obtained service credit for ~~each month in up~~
7.9 to 12 months of the authorized leave period by payment under section 353.0161 or
7.10 353.0162, to the fund made in place of salary deductions. ~~An employee must return to~~
7.11 ~~public service and render a minimum of three months of allowable service in order to be~~
7.12 ~~eligible to make payment under section 353.0161 for a subsequent authorized leave of~~
7.13 ~~absence without pay. Upon payment, the employee must be granted allowable service~~
7.14 ~~credit for the purchased period;~~

7.15 (6) a periodic, repetitive leave that is offered to all employees of a governmental
7.16 subdivision. The leave program may not exceed 208 hours per annual normal work cycle
7.17 as certified to the association by the employer. A participating member obtains service
7.18 credit by making employee contributions in an amount or amounts based on the member's
7.19 average salary, excluding overtime pay, that would have been paid if the leave had not been
7.20 taken. The employer shall pay the employer and additional employer contributions on
7.21 behalf of the participating member. The employee and the employer are responsible to pay
7.22 interest on their respective shares at the rate of 8.5 percent a year, compounded annually,
7.23 from the end of the normal cycle until full payment is made. An employer shall also make
7.24 the employer and additional employer contributions, plus 8.5 percent interest, compounded
7.25 annually, on behalf of an employee who makes employee contributions but terminates
7.26 public service. The employee contributions must be made within one year after the end of
7.27 the annual normal working cycle or within 30 days after termination of public service,
7.28 whichever is sooner. The executive director shall prescribe the manner and forms to be
7.29 used by a governmental subdivision in administering a periodic, repetitive leave. Upon
7.30 payment, the member must be granted allowable service credit for the purchased period;

7.31 (7) an authorized temporary or seasonal layoff under subdivision 12, limited to three
7.32 months allowable service per authorized temporary or seasonal layoff in one calendar year.
7.33 An employee who has received the maximum service credit allowed for an authorized
7.34 temporary or seasonal layoff must return to public service and must obtain a minimum of
7.35 three months of allowable service subsequent to the layoff in order to receive allowable
7.36 service for a subsequent authorized temporary or seasonal layoff;

8.1 (8) a period during which a member is absent from employment by a governmental
8.2 subdivision by reason of service in the uniformed services, as defined in United States
8.3 Code, title 38, section 4303(13), if the member returns to public service with the same
8.4 governmental subdivision upon discharge from service in the uniformed service within the
8.5 time frames required under United States Code, title 38, section 4312(e), provided that
8.6 the member did not separate from uniformed service with a dishonorable or bad conduct
8.7 discharge or under other than honorable conditions. The service must be credited if the
8.8 member pays into the fund equivalent employee contributions based upon the contribution
8.9 rate or rates in effect at the time that the uniformed service was performed multiplied by
8.10 the full and fractional years being purchased and applied to the annual salary rate. The
8.11 annual salary rate is the average annual salary during the purchase period that the member
8.12 would have received if the member had continued to be employed in covered employment
8.13 rather than to provide uniformed service, or, if the determination of that rate is not
8.14 reasonably certain, the annual salary rate is the member's average salary rate during the
8.15 12-month period of covered employment rendered immediately preceding the period of the
8.16 uniformed service. Payment of the member equivalent contributions must be made during
8.17 a period that begins with the date on which the individual returns to public employment
8.18 and that is three times the length of the military leave period, or within five years of the
8.19 date of discharge from the military service, whichever is less. If the determined payment
8.20 period is less than one year, the contributions required under this clause to receive service
8.21 credit may be made within one year of the discharge date. Payment may not be accepted
8.22 following 30 days after termination of public service under subdivision 11a. If the member
8.23 equivalent contributions provided for in this clause are not paid in full, the member's
8.24 allowable service credit must be prorated by multiplying the full and fractional number
8.25 of years of uniformed service eligible for purchase by the ratio obtained by dividing the
8.26 total member contributions received by the total member contributions otherwise required
8.27 under this clause. The equivalent employer contribution, and, if applicable, the equivalent
8.28 additional employer contribution must be paid by the governmental subdivision employing
8.29 the member if the member makes the equivalent employee contributions. The employer
8.30 payments must be made from funds available to the employing unit, using the employer
8.31 and additional employer contribution rate or rates in effect at the time that the uniformed
8.32 service was performed, applied to the same annual salary rate or rates used to compute the
8.33 equivalent member contribution. The governmental subdivision involved may appropriate
8.34 money for those payments. The amount of service credit obtainable under this section may
8.35 not exceed five years unless a longer purchase period is required under United States Code,
8.36 title 38, section 4312. The employing unit shall pay interest on all equivalent member and

9.1 employer contribution amounts payable under this clause. Interest must be computed at a
 9.2 rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the
 9.3 break in service to the end of the month in which the payment is received. Upon payment,
 9.4 the employee must be granted allowable service credit for the purchased period; or

9.5 (9) a period specified under section 353.0162.

9.6 ~~(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for~~
 9.7 ~~state officers and employees displaced by the Community Corrections Act, chapter 401,~~
 9.8 ~~and transferred into county service under section 401.04, "allowable service" means the~~
 9.9 ~~combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and~~
 9.10 ~~section 352.01, subdivision 11.~~

9.11 ~~(e)~~ (b) No member may receive more than 12 months of allowable service credit in a
 9.12 year either for vesting purposes or for benefit calculation purposes. For an active member
 9.13 who was an active member of the former Minneapolis Firefighters Relief Association
 9.14 on December 29, 2011, "allowable service" is the period of service credited by the
 9.15 Minneapolis Firefighters Relief Association as reflected in the transferred records of the
 9.16 association up to December 30, 2011, and the period of service credited under paragraph
 9.17 (a), clause (1), after December 30, 2011. For an active member who was an active member
 9.18 of the former Minneapolis Police Relief Association on December 29, 2011, "allowable
 9.19 service" is the period of service credited by the Minneapolis Police Relief Association as
 9.20 reflected in the transferred records of the association up to December 30, 2011, and the
 9.21 period of service credited under paragraph (a), clause (1), after December 30, 2011.

9.22 (d) MS 2002 [Expired]

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

9.24 Sec. 5. Minnesota Statutes 2014, section 353.01, subdivision 28, is amended to read:

9.25 Subd. 28. **Retirement.** (a) "Retirement" means the commencement of the payment
 9.26 of an annuity based on a date designated by the board of trustees by the association. This
 9.27 ~~date determines the rights under this chapter which occur either before or after retirement.~~

9.28 A right to retirement is subject to termination of public service under subdivision 11a.

9.29 A right to retirement requires a complete and continuous separation for 30 days from
 9.30 employment as a public employee and from the provision of paid services to that employer.

9.31 ~~(b) An individual who separates from employment as a public employee and who,~~
 9.32 ~~within 30 days of separation, returns to provide service to a governmental subdivision~~
 9.33 ~~as an independent contractor or as an employee of an independent contractor, has not~~
 9.34 ~~satisfied the separation requirements under paragraph (a).~~

10.1 (e) (b) Notwithstanding the 30-day separation requirement under paragraph (a), a
 10.2 member of a defined benefit plan under this chapter, who also participates in the public
 10.3 employees defined contribution plan under chapter 353D for other public service, may be
 10.4 paid, if eligible, a retirement annuity from the defined benefit plan while participating in the
 10.5 defined contribution plan. A retirement annuity is also payable from a defined benefit plan
 10.6 under this chapter to an eligible member who terminates public service and who, within
 10.7 30 days of separation, takes office as an elected official of a governmental subdivision.

10.8 (d) (c) Elected officials included in association membership under subdivisions 2a
 10.9 and 2d meet the 30-day separation requirement under this section by resigning from office
 10.10 before filing for a subsequent term in the same office and by remaining completely and
 10.11 continuously separated from that office for 30 days prior to the date of the election.

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

10.13 Sec. 6. Minnesota Statutes 2014, section 353.01, subdivision 36, is amended to read:

10.14 Subd. 36. **Volunteer firefighter.** For purposes of this chapter, a person is
 10.15 considered a "volunteer firefighter" for all service for which the person receives credit
 10.16 in an association or fund operating under chapter 424A or credit in the retirement plan
 10.17 established under chapter 353G.

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

10.19 Sec. 7. Minnesota Statutes 2014, section 353.0161, is amended by adding a subdivision
 10.20 to read:

10.21 Subd. 3. **Restriction on subsequent purchases.** To purchase salary credit or
 10.22 service credit for a subsequent authorized leave of absence period, the member must return
 10.23 to public service and render a minimum of three months of allowable service credit.

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

10.25 Sec. 8. Minnesota Statutes 2014, section 353.0162, is amended to read:

10.26 **353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE.**

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

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

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

11.3 (2) on an authorized ~~medical~~ leave of absence; or

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

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

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

11.13 (1) the applicable employee contribution rate under section 353.27, subdivision
11.14 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the
11.15 differential salary amount;

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

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

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

11.25 (f) Payment under this section must include interest on the contribution amount
11.26 or amounts, whichever applies, at an 8.5 percent annual rate, prorated for applicable
11.27 months from the date on which the period of reduced salary specified under this section
11.28 terminates to the date on which the payment or payments are received by the executive
11.29 director. Payment under this section must be completed within the earlier of 30 days from
11.30 termination of public service by the employee under section 353.01, subdivision 11a, or
11.31 one year after the termination of the period specified in paragraph (b), as further restricted
11.32 under this section.

11.33 (g) The period for which additional allowable salary credit may be purchased is
11.34 limited to the period during which the person receives temporary workers' compensation
11.35 payments or for those business years in which the governmental subdivision offers or
11.36 mandates a budget or salary savings program, as certified to the executive director by a

12.1 resolution of the governing body of the governmental subdivision. For an authorized
 12.2 ~~medical~~ leave of absence, the period for which allowable salary credit may be purchased
 12.3 may not exceed 12 ~~consecutive~~ months of authorized ~~medical~~ leave.

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

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

12.8 Sec. 9. Minnesota Statutes 2014, section 353.03, subdivision 3, is amended to read:

12.9 Subd. 3. **Duties and powers.** (a) The board shall:

12.10 (1) elect a president and vice-president;

12.11 (2) approve the staffing complement, as recommended by the executive director,
 12.12 necessary to administer the fund;

12.13 (3) adopt bylaws for its own government and for the management of the fund
 12.14 consistent with the laws of the state and may modify them at pleasure;

12.15 (4) adopt, alter, and enforce reasonable rules consistent with the laws of the state and
 12.16 the terms of the applicable benefit plans for the administration and management of the
 12.17 fund, for the payment and collection of payments from members and for the payment of
 12.18 withdrawals and benefits, and that are necessary in order to comply with the applicable
 12.19 federal Internal Revenue Service and Department of Labor requirements;

12.20 (5) pass upon and allow or disallow all applications for membership in the fund and
 12.21 allow or disallow claims for withdrawals, pensions, or benefits payable from the fund;

12.22 (6) authorize procedures for use of electronic signatures as defined in section
 12.23 325L.02, paragraph (h), on applications and forms required by the association;

12.24 ~~(6)~~ (7) adopt an appropriate mortality table based on experience of the fund as
 12.25 recommended by the association actuary and approved under section 356.215, subdivision
 12.26 18, with interest set at the rate specified in section 356.215, subdivision 8;

12.27 ~~(7)~~ (8) provide for the payment out of the fund of the cost of administering this
 12.28 chapter, of all necessary expenses for the administration of the fund and of all claims for
 12.29 withdrawals, pensions, or benefits allowed;

12.30 ~~(8)~~ (9) approve or disapprove all recommendations and actions of the executive
 12.31 director made subject to its approval or disapproval by subdivision 3a; and

12.32 ~~(9)~~ (10) approve early retirement and optional annuity factors, subject to review by
 12.33 the actuary retained by the Legislative Commission on Pensions and Retirement; establish
 12.34 the schedule for implementation of the approved factors; and notify the Legislative
 12.35 Commission on Pensions and Retirement of the implementation schedule.

13.1 (b) In passing upon all applications and claims, the board may summon, swear, hear,
 13.2 and examine witnesses and, in the case of claims for disability benefits, may require the
 13.3 claimant to submit to a medical examination by a physician of the board's choice, at the
 13.4 expense of the fund, as a condition precedent to the passing on the claim, and, in the
 13.5 case of all applications and claims, may conduct investigations necessary to determine
 13.6 their validity and merit.

13.7 (c) The board may continue to authorize the sale of life insurance to members under
 13.8 the insurance program in effect on January 1, 1985, but must not change that program
 13.9 without the approval of the commissioner of management and budget. The association
 13.10 shall not receive any financial benefit from the life insurance program beyond the amount
 13.11 necessary to reimburse the association for costs incurred in administering the program.
 13.12 The association shall not engage directly or indirectly in any other activity involving the
 13.13 sale or promotion of goods or services, or both, whether to members or nonmembers.

13.14 (d) The board shall establish procedures governing reimbursement of expenses
 13.15 to board members. These procedures must define the types of activities and expenses
 13.16 that qualify for reimbursement, must provide that all out-of-state travel be authorized
 13.17 by the board, and must provide for the independent verification of claims for expense
 13.18 reimbursement. The procedures must comply with the applicable rules and policies of the
 13.19 Department of Management and Budget and the Department of Administration.

13.20 (e) The board may purchase fiduciary liability insurance and official bonds for the
 13.21 officers and members of the board of trustees and employees of the association and may
 13.22 purchase property insurance or may establish a self-insurance risk reserve including, but
 13.23 not limited to, data processing insurance and "extra-expense" coverage.

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

13.25 Sec. 10. Minnesota Statutes 2014, section 353.031, subdivision 5, is amended to read:

13.26 Subd. 5. **Medical adviser.** The executive director may contract with an accredited
 13.27 independent organization specializing in disability determinations or a licensed physicians
 13.28 or physicians on the staff of the state commissioner of health, as designated by the
 13.29 commissioner, physician to be the medical adviser of the association. The medical adviser
 13.30 shall review all medical reports submitted to the association, including the findings of
 13.31 an independent medical examination requested under this section, and shall advise the
 13.32 executive director.

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

14.1 Sec. 11. Minnesota Statutes 2014, section 353.031, subdivision 10, is amended to read:

14.2 Subd. 10. **Restoring forfeited service and salary credit.** (a) To restore forfeited
14.3 service and salary credit, a repayment of a refund must be made within six months after
14.4 the effective date of disability benefits or within six months after the date of the filing of
14.5 the disability application, whichever is later.

14.6 (b) Except for the salary credit purchase authorized under section 353.0162,
14.7 paragraph (b), clause (1), no purchase of prior service or payment made in lieu of salary
14.8 deductions otherwise authorized under section 353.01 or 353.0162 may be made
14.9 after the occurrence of the disability for which an application is filed under this section.

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

14.11 Sec. 12. Minnesota Statutes 2014, section 353.27, is amended by adding a subdivision
14.12 to read:

14.13 Subd. 4a. **Authorization to release summary data to employers.** The executive
14.14 director is authorized to release summary data about the members of the association
14.15 employed by a governmental subdivision upon request by the employer. Summary data
14.16 may include, but is not limited to, the number of employees eligible to retire under the rule
14.17 of 90, at normal retirement age, or at early retirement. Summary data does not include
14.18 not-public data about individual members or groups of members.

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

14.20 Sec. 13. Minnesota Statutes 2014, section 353.27, subdivision 10, is amended to read:

14.21 Subd. 10. **Employer exclusion reports.** (a) The head of a department or a
14.22 designated representative shall annually furnish the executive director with an exclusion
14.23 report listing and certifying only those employees in potentially PERA general employees
14.24 retirement plan-eligible positions who were not reported as members of the general
14.25 employees retirement plan and who worked during the school year for school employees
14.26 and calendar year for nonschool employees. ~~The department head must certify the~~
14.27 ~~accuracy and completeness of the exclusion report to the association.~~ The executive
14.28 director shall prescribe the manner and forms, including standardized exclusion codes, to
14.29 be used by a governmental subdivision in preparing and filing exclusion reports. Also, the
14.30 executive director shall check the exclusion report to ascertain whether any omissions
14.31 have been made ~~by a department head~~ in the reporting of new public employees for
14.32 membership. The executive director may delegate an association employee under section

15.1 353.03, subdivision 3a, paragraph (b), clause (5), to conduct a field audit to review the
15.2 payroll records of a governmental subdivision.

15.3 (b) If an employer fails to comply with the reporting requirements under this
15.4 subdivision, the executive director may assess a fine of \$25 for each failure if the
15.5 association staff has notified the employer of the noncompliance and attempted to obtain
15.6 the missing data or form from the employer for a period of more than three months.

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

15.8 Sec. 14. Minnesota Statutes 2014, section 353.29, subdivision 7, is amended to read:

15.9 Subd. 7. **Annuities; accrual.** (a) Except as to elected public officials, a retirement
15.10 annuity granted under this chapter begins with the first day of the first calendar month
15.11 after the date of termination of public service. The annuity must be paid in equal monthly
15.12 installments and does not accrue beyond the end of the month in which entitlement to the
15.13 annuity has terminated. ~~If the annuitant dies prior to negotiating the check for the month~~
15.14 ~~in which death occurs, payment must be made to the surviving spouse, or if none, to the~~
15.15 ~~designated beneficiary, or if none, to the estate.~~

15.16 (b) An annuity granted to an elective public official accrues on the day following
15.17 expiration of public office or expiration of the right to hold that office. The annuity for the
15.18 month during which the expiration occurred is prorated accordingly.

15.19 (c) An annuity, once granted, must not be increased, decreased, or revoked except
15.20 under this chapter.

15.21 (d) An annuity payment may be made retroactive for up to one year prior to that month
15.22 in which a complete application is received by the executive director under subdivision 4.

15.23 (e) If an annuitant dies before negotiating the check for the month in which death
15.24 occurs, payment must first be made to the surviving spouse, or if none, then to the
15.25 designated beneficiary, or if none, lastly to the estate.

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

15.27 Sec. 15. Minnesota Statutes 2014, section 353.33, subdivision 6, is amended to read:

15.28 Subd. 6. **Continuing eligibility for benefits.** Disability benefits are contingent upon
15.29 a disabled person's participation in a vocational ~~rehabilitation evaluation~~ assessment if the
15.30 executive director determines that the disabled person may be able to return to a gainful
15.31 occupation. If, after a review by the executive director under section 353.031, subdivision
15.32 8, a member is found to be no longer totally and permanently disabled, payments must

16.1 cease the first of the month following the expiration of a 30-day period after the member
16.2 receives a certified letter notifying the member that payments will cease.

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

16.4 Sec. 16. Minnesota Statutes 2014, section 353.33, subdivision 13, is amended to read:

16.5 Subd. 13. **Postretirement adjustment eligibility.** (a) A disability benefit under this
16.6 section is eligible for postretirement adjustments under section 356.415.

16.7 (b) When a disability benefit terminates under subdivision 11, the retirement annuity
16.8 electd by the individual must include all prior adjustments provided under section
16.9 11A.18, through January 1, 2009, and thereafter as provided in section 356.415.

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

16.11 Sec. 17. Minnesota Statutes 2014, section 353.37, subdivision 1, is amended to read:

16.12 Subdivision 1. **Salary maximums.** (a) The annuity of a person otherwise eligible
16.13 for an annuity from the general employees retirement plan of the Public Employees
16.14 Retirement Association, the public employees police and fire retirement plan, or the local
16.15 government correctional employees retirement plan must be suspended under subdivision
16.16 2 or reduced under subdivision 3, whichever results in the higher annual annuity amount, if
16.17 the person reenters public service as a nonelective employee of a governmental subdivision
16.18 ~~in a position covered by this chapter~~ or returns to work as an employee of a labor
16.19 organization that represents public employees who are association members under this
16.20 chapter and salary for the reemployment service exceeds the annual maximum earnings
16.21 allowable for that age for the continued receipt of full benefit amounts monthly under the
16.22 federal Old Age, Survivors and Disability Insurance Program as set by the secretary of
16.23 health and human services under United States Code, title 42, section 403, in any calendar
16.24 year. If the person has not yet reached the minimum age for the receipt of Social Security
16.25 benefits, the maximum salary for the person is equal to the annual maximum earnings
16.26 allowable for the minimum age for the receipt of Social Security benefits.

16.27 (b) The provisions of paragraph (a) do not apply to the members of the MERF
16.28 division.

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

16.30 Sec. 18. Minnesota Statutes 2014, section 353.656, subdivision 1a, is amended to read:

16.31 Subd. 1a. **Total and permanent duty disability; computation of benefits.** (a) A
16.32 member of the police and fire plan, other than a firefighter covered by section 353.6511, or

17.1 a police officer covered by section 353.6512, whose disabling condition is determined
17.2 to be a duty disability that is also a permanent and total disability as defined in section
17.3 353.01, subdivision 19, is entitled to receive, for life, disability benefits in an amount equal
17.4 to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an
17.5 additional 3.0 percent of that average salary for each year of service in excess of 20 years.

17.6 (b) A disability benefit payable under paragraph (a) is subject to eligibility review
17.7 under section 353.33, subdivision 6, but the review may be waived if the executive director
17.8 receives a written statement from the association's medical advisor that no improvement
17.9 can be expected in the member's disabling condition that was the basis for payment of the
17.10 benefit under paragraph (a). A member receiving a disability benefit under this subdivision
17.11 who is found to no longer be permanently and totally disabled as defined under section
17.12 353.01, subdivision 19, but continues to meet the definition for receipt of a duty disability
17.13 under section 353.01, subdivision 41, is subject to subdivision 1 upon written notice from
17.14 the association's medical advisor that the person is no longer considered permanently and
17.15 totally disabled, and may upon application, elect an optional annuity under subdivision 1b.

17.16 (c) If a member approved for disability benefits under this subdivision dies before
17.17 attaining normal retirement age as defined in section 353.01, subdivision 37, paragraph
17.18 (b), or within 60 months of the effective date of the disability, whichever is later,
17.19 the surviving spouse is entitled to receive a survivor benefit under section 353.657,
17.20 subdivision 2, paragraph (a), clause (1), if the death is the direct result of the disabling
17.21 condition for which disability benefits were approved, or section 353.657, subdivision
17.22 2, paragraph (a), clause (2), if the death is not directly related to the disabling condition
17.23 for which benefits were approved under this subdivision.

17.24 (d) If the election of an actuarial equivalent optional annuity is not made at the time
17.25 the permanent and total disability benefit accrues, an election must be made within 90
17.26 days before the member attains normal retirement age as defined under section 353.01,
17.27 subdivision 37, paragraph (b), or having collected total and permanent disability benefits
17.28 for 60 months, whichever is later. If a member receiving disability benefits who has
17.29 dependent children dies, subdivision 6a, paragraph (c), applies.

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

17.31 Sec. 19. Minnesota Statutes 2014, section 353.656, subdivision 1b, is amended to read:

17.32 Subd. 1b. **Optional annuity election.** (a) A disabled member of the police and fire
17.33 fund may elect to receive the normal disability benefit or an actuarial equivalent optional
17.34 annuity. If the election of an actuarial equivalent optional annuity is made before the
17.35 commencement of payment of the disability benefit, the optional annuity must begin to

18.1 accrue on the same date as the disability benefit covering only the ~~disabilitant~~ disability
 18.2 benefit recipient would have accrued.

18.3 (b) If an election of an optional annuity is not made before the commencement of the
 18.4 disability benefit, the ~~disabilitant~~ disability benefit recipient may elect an optional annuity:

18.5 (1) within 90 days before normal retirement age;

18.6 (2) upon the filing of an application to convert to an early retirement annuity, if
 18.7 electing to convert to an early retirement annuity before the normal retirement age; ~~or~~

18.8 (3) within 90 days before the expiration of the 60-month period for which a disability
 18.9 benefit is paid, if the disability benefit is payable because the disabled member did not
 18.10 have at least 20 years of allowable service at normal retirement age; or

18.11 (4) upon being determined that the disability benefit recipient continues to be disabled
 18.12 under subdivision 1, but is no longer totally and permanently disabled under subdivision 1a.

18.13 (c) If a disabled member who has named a joint and survivor optional annuity
 18.14 beneficiary dies before the disability benefit ceases and is recalculated under subdivision
 18.15 5a, the beneficiary eligible to receive the joint and survivor annuity may elect to have
 18.16 the annuity converted at the times designated in paragraph (b), clause (1), (2), or (3),
 18.17 whichever allows for the earliest payment of a higher joint and survivor annuity option
 18.18 resulting from recalculation under subdivision 5a, paragraph (e).

18.19 (d) A disabled member may name a person other than the spouse as beneficiary
 18.20 of a joint and survivor annuity only if the spouse of the disabled member permanently
 18.21 waives surviving spouse coverage on the disability application form prescribed by the
 18.22 executive director.

18.23 (e) If the spouse of the member permanently waives survivor coverage, the
 18.24 dependent child or children, if any, continue to be eligible for dependent child benefits
 18.25 under section 353.657, subdivision 3, and the designated optional annuity beneficiary
 18.26 may draw the monthly benefit.

18.27 (f) Any optional annuity under this subdivision, plus dependent child benefits, if
 18.28 applicable, are subject to the maximum and minimum family benefit amounts specified in
 18.29 section 353.657, subdivision 3a.

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

18.31 Sec. 20. Minnesota Statutes 2014, section 353.656, subdivision 2, is amended to read:

18.32 Subd. 2. **Benefits paid under workers' compensation law.** (a) If ~~When the amount~~
 18.33 determined under paragraph (b) exceeds the equivalent salary determined under paragraph
 18.34 (c), the disability benefit amount must be reduced to that amount which, when added to
 18.35 the workers' compensation benefits, equals the equivalent salary.

19.1 ~~(b) When a member becomes disabled and receives~~ receiving a disability benefit as
 19.2 specified in this section ~~and~~ is also entitled to receive lump sum or periodic benefits under
 19.3 workers' compensation laws, the single life annuity actuarial equivalent disability benefit
 19.4 amount and the workers' compensation amount must be added. The computation must
 19.5 exclude any attorney fees paid by the ~~disablitant~~ disability benefit recipient as authorized
 19.6 under applicable workers' compensation laws. The computation must also exclude
 19.7 permanent partial disability payments provided under section 176.101, subdivision 2a,
 19.8 and retraining payments under section 176.102, subdivision 11, if the permanent partial
 19.9 disability or retraining payments are reported to the executive director in a manner
 19.10 specified by the executive director.

19.11 ~~(b)~~ (c) The equivalent salary is the amount determined under clause (1) or (2),
 19.12 whichever is greater:

19.13 (1) the salary the disabled member received as of the date of the disability; or

19.14 (2) the salary currently payable for the same employment position or substantially
 19.15 similar positions in the applicable government subdivision.

19.16 ~~(e) If the amount determined under paragraph (a) exceeds the equivalent salary~~
 19.17 ~~determined under paragraph (b), the disability benefit amount must be reduced to that~~
 19.18 ~~amount which, when added to the workers' compensation benefits, equals the equivalent~~
 19.19 ~~salary.~~

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

19.21 Sec. 21. Minnesota Statutes 2014, section 353.656, subdivision 4, is amended to read:

19.22 Subd. 4. **Limitation on disability benefit payments.** (a) No member is entitled to
 19.23 receive a disability benefit payment when there remains to the member's credit unused
 19.24 annual leave, sick leave, or any other employer-provided salary continuation plan, or
 19.25 under any other circumstances when, during the period of disability, there has been no
 19.26 impairment of the person's salary as a police officer, a firefighter, or a paramedic as defined
 19.27 in section 353.64, subdivision 10, whichever applies.

19.28 (b) If a disabled member resumes a gainful occupation with earnings that, when added
 19.29 to the ~~normal~~ single life disability benefit, and workers' compensation benefit if applicable,
 19.30 exceed the ~~disablitant~~ disability benefit recipient's reemployment earnings limit, the
 19.31 amount of the disability benefit must be reduced during the months of employment and
 19.32 receipt of workers' compensation benefits, if applicable, as provided in this paragraph.

19.33 The ~~disablitant~~ disability benefit recipient's reemployment earnings limit is the greater of:

19.34 (1) the monthly salary earned at the date of disability; or

20.1 (2) 125 percent of the base monthly salary currently paid by the employing
20.2 governmental subdivision for similar positions.

20.3 (c) The disability benefit must be reduced by one dollar for each three dollars by
20.4 which the total amount of the current monthly disability benefit, any monthly workers'
20.5 compensation benefits if applicable, and actual monthly earnings exceed the greater
20.6 ~~disability~~ disability benefit recipient's reemployment earnings limit. In no event may
20.7 the monthly disability benefit as adjusted under this subdivision exceed the disability
20.8 benefit originally allowed.

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

20.10 Sec. 22. Minnesota Statutes 2014, section 353.656, subdivision 5a, is amended to read:

20.11 Subd. 5a. **Cessation of disability benefit.** (a) The association shall cease the
20.12 payment of any disability benefit the first of the month following the reinstatement of a
20.13 member to full time or less than full-time service in a position covered by the police
20.14 and fire fund.

20.15 (b) A disability benefit paid to a disabled member of the police and fire plan, that
20.16 was granted under laws in effect after June 30, 2007, terminates at the end of the month in
20.17 which the member:

20.18 (1) reaches normal retirement age;

20.19 (2) if the disability benefit is payable for a 60-month period as determined under
20.20 subdivisions 1 and 3, as applicable, the first of the month following the expiration of
20.21 the 60-month period; or

20.22 (3) if the disabled member so chooses, the end of the month in which the member
20.23 has elected to convert to an early retirement annuity under section 353.651, subdivision 4.

20.24 (c) If the police and fire plan member continues to be disabled when the disability
20.25 benefit terminates under this subdivision, the member is deemed to be retired. The
20.26 individual is entitled to receive a normal retirement annuity or an early retirement annuity
20.27 under section 353.651, whichever is applicable, as further specified in paragraph (d) or
20.28 (e). If the individual did not previously elect an optional annuity under subdivision ~~1a~~
20.29 1b, paragraph (a), the individual may elect an optional annuity under subdivision ~~1a~~
20.30 1b, paragraph (b).

20.31 (d) A member of the police and fire plan who is receiving a disability benefit under
20.32 this section may, upon application, elect to receive an early retirement annuity under
20.33 section 353.651, subdivision 4, at any time after attaining age 50, but must convert to a
20.34 retirement annuity no later than the end of the month in which the disabled member attains
20.35 normal retirement age. An early retirement annuity elected under this subdivision must be

21.1 calculated on the disabled member's accrued years of service and average salary as defined
 21.2 in section 353.01, subdivision 17a, and when elected, the member is deemed to be retired.

21.3 (e) When an individual's disability benefit terminates under paragraph (b), clause (1)
 21.4 or (2), and is recalculated as a retirement annuity under this section, the annuity must be
 21.5 based on clause (1) or clause (2), whichever provides the greater amount:

21.6 (1) the benefit amount at the time of reclassification, including all prior adjustments
 21.7 provided under ~~Minnesota Statutes 2008~~, section 11A.18, through January 1, 2009, and
 21.8 thereafter as provided in section 356.415; or

21.9 (2) a benefit amount computed on the member's actual years of accrued allowable
 21.10 service credit and the law in effect at the time the disability benefit first accrued, plus any
 21.11 increases that would have applied since that date under ~~Minnesota Statutes 2008~~, section
 21.12 11A.18, through January 1, 2009, and thereafter as provided in section 356.415.

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

21.14 Sec. 23. Minnesota Statutes 2014, section 353D.03, subdivision 3, is amended to read:

21.15 Subd. 3. **Ambulance service, rescue squad personnel contribution.** (a) A public
 21.16 ambulance service ~~or privately operated ambulance service that receives an operating~~
 21.17 ~~subsidy from a governmental entity~~ that elects to participate in the plan shall fund benefits
 21.18 for its qualified personnel who individually elect to participate.

21.19 (b) Personnel who are paid for their services may elect to make member contributions
 21.20 in an amount not to exceed the service's contribution on their behalf.

21.21 (c) Ambulance service contributions on behalf of salaried employees must be a
 21.22 fixed percentage of salary.

21.23 (d) An ambulance service making contributions for volunteer or largely
 21.24 uncompensated personnel, or a municipality or county making contributions on behalf
 21.25 of rescue squad members who are volunteers or largely uncompensated personnel, may
 21.26 assign a unit value for each call or each period of alert duty for the purpose of calculating
 21.27 ambulance service or rescue squad service contributions, as applicable.

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

21.29 Sec. 24. Minnesota Statutes 2014, section 353E.06, subdivision 5, is amended to read:

21.30 Subd. 5. **Disability benefit termination.** (a) The disability benefit paid to a disabled
 21.31 local government correctional employee terminates at the end of the month in which the
 21.32 employee reaches age ~~65~~ 55, or the first of the month after the expiration of the 60-month
 21.33 period from the effective date of the disability benefit, whichever is later.

22.1 (b) If the disabled local government correctional employee is still disabled when the
 22.2 employee reaches has been collecting the disability benefit for 60 months or has reached
 22.3 age ~~65~~ 55, whichever is later, the employee is deemed to be a retired employee and, if the
 22.4 employee had elected an optional annuity under subdivision 3, must receive an annuity in
 22.5 accordance with the terms of the optional annuity previously elected.

22.6 (c) If the employee had not elected an optional annuity under subdivision 3, the
 22.7 employee may elect either to receive a ~~normal~~ single life retirement annuity computed
 22.8 in the manner provided in section 353E.04, subdivision 3, or to receive an optional
 22.9 annuity as provided in section 353.30, subdivision 3, based on the same length of service
 22.10 as used in the calculation of the disability benefit. Election of an optional annuity must
 22.11 be made within 90 days before ~~attaining the age of 65 years, or reaching the five-year~~
 22.12 ~~anniversary of the effective date of the disability benefit, whichever is later~~ termination of
 22.13 the disability benefit under paragraph (a).

22.14 (d) When an individual's disability benefit terminates under this subdivision and
 22.15 is recalculated as a retirement annuity, the annuity must include all prior adjustments
 22.16 provided under section 11A.18, through January 1, 2009, and thereafter as provided in
 22.17 section 356.415.

22.18 **EFFECTIVE DATE.** Paragraphs (a) to (c) are effective for disability benefits that
 22.19 accrue after June 30, 2015. Paragraph (d) is effective the day following final enactment.

22.20 Sec. 25. Minnesota Statutes 2014, section 353E.06, subdivision 6, is amended to read:

22.21 Subd. 6. **Resumption of employment.** If a disabled employee resumes a gainful
 22.22 occupation from which earnings are less than the monthly salary received at the date
 22.23 of disability or the monthly salary currently paid for similar positions, or should the
 22.24 employee be entitled to receive workers' compensation benefits, the disability benefit
 22.25 must be continued in an amount that, when added to such earnings during the months of
 22.26 employment, and workers' compensation benefits, if applicable, does not exceed the
 22.27 monthly salary received at the date of disability or the monthly salary currently payable
 22.28 for the same employment position or an employment position substantially similar to the
 22.29 one the person held as of the date of the disability, whichever is greater.

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

22.31 Sec. 26. Minnesota Statutes 2014, section 353F.01, is amended to read:

22.32 **353F.01 PURPOSE AND INTENT.**

23.1 The purpose of this chapter is to ensure, to the extent possible, that persons
 23.2 employed at public medical facilities ~~and other public employing units~~ who are privatized
 23.3 and consequently are excluded from retirement coverage by the Public Employees
 23.4 Retirement Association will be entitled to receive future retirement benefits under the
 23.5 general employees retirement plan of the Public Employees Retirement Association
 23.6 commensurate with the prior contributions made by them or made on their behalf upon the
 23.7 privatization of the medical facility ~~or other public employing unit~~.

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

23.9 Sec. 27. Minnesota Statutes 2014, section 353F.02, subdivision 3, is amended to read:

23.10 Subd. 3. **Effective date of privatization.** "Effective date of privatization" means
 23.11 the date that the operation of a medical facility ~~or other public employing unit~~ is assumed
 23.12 by another employer or the date that a medical facility ~~or other public employing unit~~
 23.13 is purchased by another employer and active membership in the Public Employees
 23.14 Retirement Association consequently terminates.

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

23.16 Sec. 28. Minnesota Statutes 2014, section 353F.02, subdivision 5a, is amended to read:

23.17 Subd. 5a. **Privatized former public employer.** "Privatized former public
 23.18 employer" means a medical facility ~~or other employing unit~~ that was formerly included in
 23.19 the definition of governmental subdivision under section 353.01, subdivision 6, that is
 23.20 privatized and whose employees are certified for participation under this chapter.

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

23.22 Sec. 29. Minnesota Statutes 2014, section 353F.04, subdivision 2, is amended to read:

23.23 Subd. 2. **Exceptions.** The increased augmentation rates specified in subdivision 1
 23.24 do not apply to a privatized former public employee:

23.25 (1) beginning the first of the month in which the privatized former public employee
 23.26 becomes covered again by a retirement plan enumerated in section 356.30, subdivision 3,
 23.27 if the employee ~~continues to be covered and~~ accrues at least six months of credited service
 23.28 in any single plan enumerated in section 356.30, subdivision 3, except clause (6);

23.29 (2) beginning the first of the month in which the privatized former public employee
 23.30 becomes covered again by the general employees retirement plan of the Public Employees
 23.31 Retirement Association;

24.1 (2) (3) beginning the first of the month after a privatized former public employee
24.2 terminates service with the successor entity; or

24.3 (3) (4) if the person begins receipt of a retirement annuity while employed by the
24.4 employer which assumed operations of or purchased the privatized former public employer.

24.5 Sec. 30. Minnesota Statutes 2014, section 353F.051, subdivision 1, is amended to read:

24.6 Subdivision 1. **Eligibility.** A privatized former public employee who is totally and
24.7 permanently disabled under ~~Minnesota Statutes 1998~~, section 353.01, subdivision 19,
24.8 and who had a medically documented preexisting condition of the disability before the
24.9 termination of coverage, may apply for a disability benefit.

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

24.11 Sec. 31. Minnesota Statutes 2014, section 353F.051, subdivision 2, is amended to read:

24.12 Subd. 2. **Calculation of benefits.** A person qualifying under subdivision 1 is
24.13 entitled to receive a disability benefit calculated under ~~Minnesota Statutes 1998~~, section
24.14 353.33, subdivision 3. The disability benefit must be augmented under ~~Minnesota Statutes~~
24.15 ~~1998~~, section 353.71, subdivision 2, from the date of termination to the date the disability
24.16 benefit begins to accrue.

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

24.18 Sec. 32. Minnesota Statutes 2014, section 353F.051, subdivision 3, is amended to read:

24.19 Subd. 3. **Applicability of general law.** Except as otherwise provided, ~~Minnesota~~
24.20 ~~Statutes 1998~~, section 353.33, applies to a person who qualifies for disability under
24.21 subdivision 1.

24.22 Sec. 33. Minnesota Statutes 2014, section 353G.08, subdivision 1, is amended to read:

24.23 Subdivision 1. **Annual funding requirements.** (a) Annually, the executive director
24.24 shall determine the funding requirements of each account in the voluntary statewide
24.25 lump-sum volunteer firefighter retirement plan on or before August 1. The funding
24.26 requirements as directed under this section, must be determined using a mathematical
24.27 procedure developed and certified as accurate by an approved actuary retained by the
24.28 Public Employees Retirement Association and based on present value factors using a six
24.29 percent interest rate, without any decrement assumptions. The funding requirements
24.30 must be certified to the entity or entities associated with the fire department whose active
24.31 firefighters are covered by the retirement plan.

25.1 (b) The overall funding balance of each account for the current calendar year must
25.2 be determined in the following manner:

25.3 (1) The total accrued liability for all active and deferred members of the account as
25.4 of December 31 of the current year must be calculated based on the good time service
25.5 credit of active and deferred members as of that date.

25.6 (2) The total present assets of the account projected to December 31 of the current
25.7 year, including receipts by and disbursements from the account anticipated to occur on or
25.8 before December 31, must be calculated. To the extent possible, the market value of assets
25.9 must be utilized in making this calculation.

25.10 (3) The amount of the total present assets calculated under clause (2) must be
25.11 subtracted from the amount of the total accrued liability calculated under clause (1). If the
25.12 amount of total present assets exceeds the amount of the total accrued liability, then the
25.13 account is considered to have a surplus over full funding. If the amount of the total present
25.14 assets is less than the amount of the total accrued liability, then the account is considered
25.15 to have a deficit from full funding. If the amount of total present assets is equal to the
25.16 amount of the total accrued liability, then the special fund is considered to be fully funded.

25.17 (c) The financial requirements of each account for the following calendar year must
25.18 be determined in the following manner:

25.19 (1) The total accrued liability for all active and deferred members of the account
25.20 as of December 31 of the calendar year next following the current calendar year must be
25.21 calculated based on the good time service used in the calculation under paragraph (b),
25.22 clause (1), increased by one year.

25.23 (2) The increase in the total accrued liability of the account for the following calendar
25.24 year over the total accrued liability of the account for the current year must be calculated.

25.25 (3) The amount of ~~anticipated future~~ administrative expenses of the account must be
25.26 calculated by multiplying the per person dollar amount of the administrative expenses for
25.27 the most recent prior calendar year by the ~~factor of 1.035~~ number of active and deferred
25.28 firefighters reported to PERA on the most recent good time service credit certification
25.29 form for each account.

25.30 (4) If the account is fully funded, the financial requirement of the account for the
25.31 following calendar year is the total of the amounts calculated under clauses (2) and (3).

25.32 (5) If the account has a deficit from full funding, the financial requirement of the
25.33 account for the following calendar year is the total of the amounts calculated under clauses
25.34 (2) and (3) plus an amount equal to one-tenth of the amount of the deficit from full
25.35 funding of the account.

26.1 (6) If the account has a surplus over full funding, the financial requirement of
26.2 the account for the following calendar year is the financial requirement of the account
26.3 calculated as though the account was fully funded under clause (4) and, if the account has
26.4 also had a surplus over full funding during the prior two years, additionally reduced by an
26.5 amount equal to one-tenth of the amount of the surplus over full funding of the account.

26.6 (d) The required contribution of the entity or entities associated with the fire
26.7 department whose active firefighters are covered by the retirement plan is the annual
26.8 financial requirements of the account of the retirement plan under paragraph (c) reduced by
26.9 the amount of any fire state aid payable under sections 69.011 to 69.051 and supplemental
26.10 state aid under section 423A.022 reasonably anticipated to be received by the retirement
26.11 plan attributable to the entity or entities during the following calendar year, and an
26.12 amount of interest on the assets projected to be received during the following calendar
26.13 year calculated at the rate of six percent per annum. The required contribution must be
26.14 allocated between the entities if more than one entity is involved. A reasonable amount
26.15 of anticipated fire state aid is an amount that does not exceed the fire state aid actually
26.16 received in the prior year multiplied by the factor 1.035.

26.17 (e) The required contribution calculated in paragraph (d) must be paid to the
26.18 retirement plan on or before December 31 of the year for which it was calculated. If
26.19 the contribution is not received by the retirement plan by December 31, it is payable
26.20 with interest at an annual compound rate of six percent from the date due until the date
26.21 payment is received by the retirement plan. If the entity does not pay the full amount of
26.22 the required contribution, the executive director shall collect the unpaid amount under
26.23 section 353.28, subdivision 6.

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

26.25 Sec. 34. Minnesota Statutes 2014, section 355.07, is amended to read:

26.26 **355.07 DECLARATION OF POLICY.**

26.27 (a) In order to extend to employees of the state, its political subdivisions, and its
26.28 other governmental employers, and to the dependents and survivors of the employees of
26.29 those employing units, the basic protection accorded to others by the old age, survivors,
26.30 and disability insurance system embodied in the Social Security Act, it is hereby declared
26.31 to be the policy of the legislature, subject to the limitations of this chapter, that these steps
26.32 are taken to provide protection to employees of the state and its political subdivisions on
26.33 as broad a basis as may be authorized by the legislature and is permitted under the Social
26.34 Security Act.

27.1 (b) It is also the policy of the legislature that the protection afforded employees in
 27.2 positions covered by a retirement system on the date an agreement under this chapter is
 27.3 made applicable to service performed in those positions, or receiving periodic benefits
 27.4 under the retirement system at that time, will not be impaired as a result of making the
 27.5 agreement so applicable or as a result of legislative enactment in anticipation thereof when
 27.6 combined with the benefits accorded the employee by the Social Security Act.

27.7 (c) To this end, the agreement referred to in section 355.02 must not be made
 27.8 applicable to any service performed in any position covered by a retirement system unless
 27.9 a referendum is first held by secret ballot in which a majority of "eligible employees," as
 27.10 defined in section 218(d) (3) of the Social Security Act, vote in favor thereof, or unless
 27.11 a retirement system is divided in two divisions or parts, one of which is composed of
 27.12 positions of members of the system who desire coverage and one of which is composed of
 27.13 positions of members of the system who do not desire coverage under section 218(d) (3)
 27.14 of the Social Security Act, in accordance with subsections (6) and (7) thereof. The cost of
 27.15 the referendum must be borne by the affected governmental subdivision or subdivisions,
 27.16 which are required to elect a voting method.

27.17 (d) If a retirement system is divided as described in paragraph (c), any member of
 27.18 the division of members that did not desire coverage may be transferred to the division of
 27.19 members who did desire coverage as provided in section 218(d)(6)(f) of the Social Security
 27.20 Act so long as the individual files a written request for such a transfer with the director.

27.21 ~~(d)~~ (e) Nothing in any provision of this chapter authorizes the extension of the
 27.22 insurance system established by this chapter, to service in any police officer's or firefighter's
 27.23 position ~~or in any position covered by a retirement system applicable exclusively to~~
 27.24 ~~positions in one or more law enforcement or firefighting units, agencies or departments~~ as
 27.25 covered by a retirement system in section 356.30, subdivision 3, clauses (4) and (7).

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

27.27 Sec. 35. Minnesota Statutes 2014, section 356.32, subdivision 1, is amended to read:

27.28 Subdivision 1. **Proportionate retirement annuity.** (a) Notwithstanding any
 27.29 provision to the contrary of the laws governing any of the retirement funds enumerated
 27.30 in subdivision 2, any person who is an active member of any applicable fund, who has
 27.31 credit for at least one year ~~but less than ten years~~ of allowable service in one or more of
 27.32 the covered plans, and who terminates active service under a mandatory retirement law or
 27.33 policy or at age 65 or older, ~~or at the normal retirement age if this age is~~ but not less than
 27.34 age 65, for any reason is entitled upon making written application on the form prescribed

28.1 by the chief administrative officer of the plan to a proportionate retirement annuity from
28.2 each covered plan in which the person has at least six months of allowable service credit.

28.3 (b) The proportionate annuity must be calculated under the applicable laws
28.4 governing annuities based upon allowable service credit at the time of retirement and the
28.5 person's average salary for the highest five successive years of allowable service or the
28.6 average salary for the entire period of allowable service if less than five years.

28.7 (c) Nothing in this section prevents the imposition of the appropriate early retirement
28.8 reduction of an annuity which commences before the normal retirement age.

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

28.10 Sec. 36. **REPEALER.**

28.11 Minnesota Statutes 2014, sections 353.025; 353.83; 353.84; 353.85; and 353D.03,
28.12 subdivision 4, are repealed.

28.13 **EFFECTIVE DATE.** This section is effective July 1, 2015.

353.025 RANGE ASSOCIATION OF MUNICIPALITIES AND SCHOOLS.

Employees of the Range Association of Municipalities and Schools are coordinated members of the general employees retirement plan of the Public Employees Retirement Association unless specifically exempt under section 353.01, subdivision 2b. The Range Association of Municipalities and Schools is a governmental subdivision for the purposes of this chapter.

353.83 ADDITIONAL PAYMENTS TO CERTAIN ANNUITANTS.

Payments of retirement annuities pursuant to this chapter, to annuitants who (a) retired prior to July 1, 1962, (b) had at least 20 years of allowable service credit in the Public Employees Retirement Association upon their termination of public employment, and (c) receive annuities of less than \$200 per month must, retroactive to July 1, 1967, be supplemented by additional payments of \$15 per month from the Public Employees Retirement Association, if the annuitants have not previously qualified for the additional payments under this section, and the annuities plus the additional payments do not exceed \$200 per month. These additional payments must be made in the same manner and at the same time retirement annuities are paid and must be included in the warrants on which the annuities are so paid. The additional payments are to be added to and considered a portion of the annuity otherwise payable to the recipient and must be included in the computation of any monthly survivor benefit or optional annuity which may become due and payable to any person following the death of an annuitant who, during life, received a benefit under this section. If an annuitant entitled to receive additional payment under this section dies before retroactive payment is received, payment must be made upon demand to the designated beneficiary in an amount equal to the accumulated benefit from July 1, 1967, to the date of death, without interest.

353.84 INCREASE IN BENEFITS.

All survivors and disabilitants who were receiving benefits on June 30, 1973, shall receive from the appropriate special fund, a 25 percent increase in such benefits accruing from January 1, 1974; provided, that survivors of members who died prior to July 1, 1973 and will not become eligible to receive benefits until after June 30, 1973, shall receive the 25 percent increase in such benefits when the benefits begin to accrue. Such increases shall not be affected by any maximum limitations otherwise provided in this chapter.

Increases in payments pursuant to this section will be made automatically unless the intended recipient files written notice with the Public Employees Retirement Association requesting that the increase shall not be made.

353.85 OPTIONAL BENEFITS TO SURVIVORS OF MEMBERS WHO DIED AFTER JUNE 15, 1973.

A qualified survivor of a "basic" member or a member of the police and fire fund where such member died after June 15, 1973 and was entitled to salary or vacation pay after June 30, 1973 shall in lieu of all other association survivor benefits be entitled to the survivor benefits payable under the law in effect on July 1, 1973.

353D.03 FUNDING OF PLAN.

Subd. 4. **Payments by former eligible elected officials.** Former eligible elected local government officials in the defined contribution plan under this chapter shall not contribute to the plan.