



H.F. 285
(O'Driscoll)

S.F. 55
(Pappas)

Executive Summary of Commission Staff Materials

<i>Affected Pension Plan(s):</i>	PERA plans
<i>Relevant Provisions of Law:</i>	Minnesota Statutes, Chapters 353, 353D, 353E, 353F, 353G, 355, and 356
<i>General Nature of Proposal:</i>	Administrative provisions.
<i>Date of Summary:</i>	March 19, 2015

Specific Proposed Changes

Obsolete provision elimination or provision generalization clarification (Sec. 1-2, 4, 11, 14-16, 21, 25, 33); change from automatic coverage for joint powers and related entities (Sec. 1); revision of definition of employment termination (Sec. 3, 5); inclusion of Statewide Volunteer Firefighter Retirement Plan in volunteer firefighter definition (Sec. 6); requirements and restrictions on service and salary credit purchases (Sec. 7-8, 11); authorization of electronic signatures on applications and forms (Sec. 9); dropping Health Department as PERA medical adviser (Sec. 10); summary membership data release to employer (Sec. 12); permitting designated representative to certify membership exclusion reports (Sec. 13); clarification of dates for electing optional annuity form by disablitant (Sec. 18-19); clarification of disability benefit and Workers' Compensation limits (Sec. 20-22, 24); PERA Defined Contribution Plan option ended for privately operated ambulance services (Sec. 23); privatization retirement benefit law changes (Sec. 26-32); Social Security coverage changes (Sec. 34); adds proportionate annuity vesting requirement (Sec. 35); repeals duplicative, outdated, or obsolete provisions are proposed for repeal (Sec. 36).

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of proposed change in "governmental subdivision" definition. (Sec. 1)
2. Uniform allowances and the definition of "salary." (Sec. 2)
3. Appropriateness of changes in the returns to employment that disqualify retirement. (Sec. 3)
4. Appropriateness of the changes in "retirement" definition.
5. Unclear PERA "volunteer firefighter" definition. (Sec. 6)
6. Appropriateness of restrictions on successive leave of absence service or salary credit purchases. (Sec. 7-8, 11)
7. Electronic signature recognition procedures. (Sec. 9)
8. Retention of medical adviser. (Sec. 10)
9. Appropriateness of the authorization of the provision of summary data to employers. (Sec. 12)
10. Appropriateness of changes to PERA excluded employer reports from employing units. (Sec. 13)
11. Unclear identification of error in reemployed annuitant earnings limitation. (Sec. 17).
12. Appropriateness of change in PERA defined contribution plan coverage for certain privately operated ambulance services. (Sec. 23)
13. Appropriateness of excluding non-medical facilities from the application of the PERA privatization law. (Sec. 26-28)
14. Appropriateness of the diminished value of PERA privatization law. (Sec. 29-32)
15. Appropriateness of adding vesting requirement to proportionate retirement annuity. (Sec. 35)
16. Appropriateness of the various effective dates.

Potential Amendments

- H0285-1A redrafts the "governmental subdivision" definition to resolve the mandatory retirement vs. elective coverage issue and to restructure the provision into clauses to make the provision easier to cite.
- H0285-2A adds the same vesting requirement for making subsequent leave payments for MSRS and TRA.
- H0285-3A creates a uniform leave of absence payment procedure provision in Chapter 356.
- H0285-4A adds a comparable board electronic signature authority provision for MSRS and TRA.
- H0285-5A extends the Department of Health medical adviser exclusion to MSRS and TRA.
- H0285-6A exactly mimics for PERA the 2013 MSRS and 2014 TRA medical adviser changes.
- H0285-7A mandates rather than permits medical advisers for MSRS, PERA, and TRA if the Commission thinks that medical advisers are an integral part of the "best practices" disability determination process.
- H0285-8A deletes the authorization of the provision of summary data to employers. On February 23, 2015, PERA requested that the provision be deleted from the proposed legislation.
- H0285-9A retains the accuracy and completeness certification requirement in exclusion reporting while revising the sentence to make it consistent with the expansion of who may make an exclusion report.
- H0285-10A removes the public safety employee retirement plans from the list of applicable retirement plans.
- H0285-11A shifts the effective date for the sections identified by the Commission staff as substantive in impact to July 1, leaving all other effective dates as proposed.
- H0285-12A shifts the effective dates for all sections in the proposed legislation to July 1, 2015.
- H0285-13A makes a number of technical changes in the proposed legislation.

This page left blank intentionally.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JAM*
RE: H.F. 285 (O'Driscoll); S.F. 55 (Pappas): PERA; Administrative Provisions
DATE: March 19, 2015

General Summary of H.F. 285 (O'Driscoll); S.F. 55 (Pappas)

H.F. 285 (O'Driscoll); S.F. 55 (Pappas) amends various provisions of Minnesota Statutes, Chapters 353, 353D, 353E, 353F, 353G, 355, and 356, relating to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), the Public Employees Police and Fire Retirement Plan (PERA-P&F), the PERA Defined Contribution Plan, the Local Government Correctional Service Retirement Plan (PERA-Correctional), the PERA Privatized Public Employer Benefits law, the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan, the Social Security coverage law, and the Retirement Generally law, by making the following changes:

1. Obsolete Provision Elimination or Provision Generalization Clarification. An obsolete reference to the Minneapolis Employees Retirement Fund (MERF) is removed, conflicting membership for public body provisions are resolved, salary crediting for leaves of absence was generalized, an obsolete reference to the Community Corrections Act is removed, leaves of absence provision references are revised, the PERA disabilitant service credit restoration is revised, a reference to vocational rehabilitation is updated, the annuity accrual provision is reorganized, the disability post-retirement adjustment eligibility provision is revised, and the PERA-P&F and PERA-Correctional disability payout limitations are clarified (*Sec. 1-2, 4, 11, 14-16, 21, 25, 33*).
2. Change from Automatic Coverage for Joint Powers and Related Entities. The current automatic inclusion in PERA coverage for joint powers boards, family service collaborations, and children's mental health collaborations is replaced by PERA coverage only upon entity substantiation of governmental nature (*Sec. 1*).
3. Revision of Definition of Employment Termination. The termination definition is revised to require a 30-day separation from any governmental subdivision than the particular governmental subdivision, but permit independent contractor work for another governmental subdivision within 30 days without affecting the validity of the retirement (*Sec. 3, 5*).
4. Inclusion of Statewide Volunteer Firefighter Retirement Plan in Volunteer Firefighter Definition. The definition of "volunteer firefighter" used to exclude emergency on-call firefighters from PERA-General or PERA-P&F coverage is extended to firefighters covered by the statewide plan (*Sec. 6*).
5. Requirements and Restrictions on Service and Salary Credit Purchases. A 12-month service credit purchase maximum is applied to service periods with reduced salary credit purchases and an exemption for temporary workers' compensation service purchases is added to the post-disability prohibitions of service credit (*Sec. 7-8, 11*).
6. Authorization of Electronic Signatures on Applications and Forms. The PERA board of trustees powers provision is expanded to permit the board to specify procedures for electronic signatures on forms and applications (*Sec. 9*).
7. Dropping Health Department as PERA Medical Adviser. An independent disability determination organization or a licensed physician replaces the Department of Health physician as the PERA medical adviser (*Sec. 10*).
8. Summary Membership Data Release to Employer. Employers are permitted to request and receive summary non-public membership data on the employer's employees, including information on retirement-eligible employees (*Sec. 12*).
9. Permitting Designated Representative to Certify Membership Exclusion Reports. A department head may designate a representative to certify the annual list of employed personnel exempt from PERA-General membership (*Sec. 13*).
10. Clarification of Dates for Electing Optional Annuity Form by Disabilitant. The optional annuity form election opportunities for a PERA-P&F disabilitant are revised to match recent revisions in the PERA-P&F disability program (*Sec. 18-19*).

11. Clarification of Disability Benefit and Workers' Compensation Limits. The positioning of provisions is revised, references to "normal" disability benefits are replaced with references to "single life" disability benefits, and limits are clarified as being on a monthly basis (*Sec. 20-22, 24*).
12. PERA Defined Contribution Plan Option Ended for Privately Operated Ambulance Services. The option for private ambulance services with a governmental operating subsidy to participate in the PERA Defined Contribution Plan is eliminated (*Sec. 23*).
13. Privatization Retirement Benefit Law Changes. Conforming changes are made to the 2013 limitation of the privatization retirement benefit law to hospitals and medical facilities and the application of various aspects of the 1998 PERA-General law on disability coverage rather than the current PERA-General law for privatized employees were eliminated (*Sec. 26-32*).
14. Social Security Coverage Changes. A provision is added to the public employee Social Security coverage chapter to handle the cost of any future Social Security referendums and a generic reference to police and fire retirement plans is replaced with the appropriate statutory citation (*Sec. 34*).
15. Adds Proportionate Annuity Vesting Requirement. Adds a minimum vesting requirement of six months service credit in each retirement plan with coverage to be eligible to utilize the proportionate annuity provision (*Sec. 35*).
16. Repealers. A duplicative provision including Range Association of Municipalities and School Districts in PERA-General coverage, three outdated grandparenting provisions, and an obsolete restriction on contributions by former elected officials to the PERA Defined Contribution Plan are proposed for repeal (*Sec. 36*).

Section-by-Section Summary

A section-by-section summary of H.F. 285 (O'Driscoll); S.F. 55 (Pappas) is attached.

Background Information on Relevant Topics

The following attachments provide background information on topics relevant to the proposed legislation:

- **Attachment A:** Comparison of authorized leave of absence service credit purchase procedures.
- **Attachment B:** Background information on leave of absence/strike period provisions.
- **Attachment C:** Background information on the definition of "retirement" - MSRS, PERA, TRA.
- **Attachment D:** Background information on various aspects of Minnesota defined benefit retirement plan disability benefit coverage.
- **Attachment E:** Background information on the historical development of the PERA privatization chapter, Chapter 353F.

Discussion and Analysis

H.F. 285 (O'Driscoll); S.F. 55 (Pappas), the 2015 Public Employees Retirement Association (PERA) administrative bill, eliminates obsolete provisions, generalizes or clarifies various pension provisions, changes the retirement coverage for joint powers and related entities from automatic, revises the definition of employment termination, amends the "volunteer firefighter" definition to include Statewide Volunteer Firefighter Retirement Plan coverage, changes requirements and restrictions for service and salary credit purchases, authorizes procedure for electronic signatures on retirement applications and forms, ends the use of the Health Department as PERA medical adviser, permits employers to request and receive summary membership data, permits membership exclusion reports to be certified by a department head's designated representative, clarifies limits on disability benefit and workers' compensation, disqualifies privately operated ambulance services from PERA Defined Contribution Plan coverage, makes various changes in the PERA privatized employer retirement benefit law and the Social Security coverage law, adds a vesting requirement for the proportional annuity general law provision, and repeals some obsolete PERA provisions.

The proposed legislation raises a number of pension and related public policy issues for consideration by and possible discussion between members of the Commission, including the following:

1. Appropriateness of Proposed Change in "Governmental Subdivision" Definition (*Sec. 1*). The policy issue is whether or not the changes in the definition of "governmental subdivision," which generally triggers automatic retirement coverage by or is required for elective retirement coverage by a retirement plan administered by the Public Employees Retirement Association (PERA) are appropriate. Two proposed changes are problematic.

The first is the proposed change relating to "public bodies," which PERA suggests is intended to resolve a conflict in language. The conflict was created by the 2007 PERA administrative bill (see

Laws 2007, Ch. 134, Art. 2, Sec. 15) which expanded the characteristics of a public body for which PERA coverage was automatic in Minnesota Statutes, Section 353.01, Subdivision 6, Paragraph (a), from the pre-2007 law requirement that revenues be derived from taxation, fees, or assessments to the current criteria with five elements to the current criteria with five elements (established under state or local authority, has governmental purpose, is under public control, is responsible for employment and salary payment, and receives a major portion of revenues from taxation, fees, assessments, or other public sources) and which, in Minnesota Statutes, Section 353.01, Subdivision 6, Paragraph (e), authorized elective PERA coverage for a public body that meets the criteria set forth for public bodies subject to automatic PERA coverage. There is a clear conflict, where "public bodies" with the same characteristics have PERA coverage automatically and also have authority to elect coverage, if the public body does not elect PERA coverage such as joint powers agencies and entities. Rather than resolving the conflict as proposed by PERA, it may be better to remove the reference to "public bodies" in Minnesota Statutes, Section 353.01, Subdivision 6, Paragraph (e), because mandatory retirement rather than elective coverage at the whim of the employing unit does not strengthen PERA finances and, when exercised, can result in special legislation authorizing service credit purchases.

The second problem is the conflict PERA is proposing to create by including state departments and state agencies in the entities excluded from the definition of "governmental subdivision" in Minnesota Statutes, Section 353.01, Subdivision 6, Paragraph (c), while retaining state department, units and instrumentalities in Minnesota Statutes, Section 353.01, Subdivision 6, Paragraph (a). PERA covers state employees currently (University of Minnesota police officers, Minnesota Sports Facility Commission employees, Minnesota State Court Administrator employees, Metropolitan Council police officers and other employees, Minnesota Ballpark Authority employees, Minnesota State Colleges and Universities System (MnSCU) employees, Metropolitan Airports Commission employees, and Department of Military Affairs/Minnesota Air National Guard firefighters at the Duluth airport).

- **Amendment H0285-1A** redrafts the "governmental subdivision" definition to resolve the two problems outlined above and to restructure the provision into clauses to make the provision easier to cite.

2. Uniform Allowances and the Definition of "Salary" (Sec. 2). The policy issue arises in connection with Section 2 and the unaddressed issue, left unresolved from the 2013 Legislative Session, of the current exclusion from "salary" of uniform allowances. PERA requested a comprehensive revision of the definition in 2012. PERA opposed a proposal in 2013 from Brian Rice, representing the Minneapolis Police Fraternal Association, that uniform allowances be included in, rather than excluded from, the "salary" definition and promised to revisit the issue during the 2013-2014 Interim. No proposed legislation was forthcoming on the topic during the 2014 Legislative Session. As an item of potential "old business" for the Commission, the Commission staff wants to remind the Commission of a potentially unresolved issue arising with a statute amended in the proposed legislation.
3. Appropriateness of Changes in the Returns to Employment That Disqualify Retirement (Sec. 3). The policy issue is whether disqualifying from receipt of a retirement annuity retirees who return to public employment with any governmental subdivision within 30 days of a resignation or a dismissal from employment while permitting retirees to receive a retirement annuity who subsequently render independent contractor services to any governmental subdivision other than the same governmental subdivision within 30 days of the resignation or dismissal. PERA generally has a requirement that a retiree have a minimum 30-day break in service for the person to be considered to have retired and to be qualified to receive a retirement annuity, largely hinged on the "termination of public service" definition modified in Section 3. The modifications treat immediate post-retirement independent contractor service with a governmental subdivision different from immediate post-retirement direct employment with a governmental subdivision, banning direct employment with any governmental subdivision within the 30-day period to be considered to have a bona fide retirement while only banning independent contractor with the same governmental subdivision within the 30-day period as not being a bona fide retirement. The discouragement of reemployment in the local government sector shortly after a termination of employment is an understandable mechanism to reserve retirement benefits for the truly retired and to safeguard the funding of the retirement plan from contrived "retirements" before a person's regular working lifetime has concluded. The opposite treatment of independent contractor service for any local government unit other than the person's immediate pre-retirement employer functions as an encouragement of that independent contractor phenomenon, especially since it permits the negotiation of independent contractor arrangements in the immediate pre-retirement period with any other local government. The public policy advantage for the retirement system or for the public-sector personnel system at large is unclear.
4. Appropriateness of the Changes in "Retirement" Definition. The policy issue is the appropriateness of the redefinition of the term "retirement" for application to the retirement plans administered by the

Public Employees Retirement Association (PERA). From the information conveyed by the PERA staff, the changes are believed to clarify the definition by eliminating an incorrect reference to a designation by the PERA board of trustees and to make the definition of "retirement" consistent with the definition of "termination of public service." The changes also include other modifications for which the intent is unclear. The redefinition of the term eliminates the statutory specification of the date on which the retirement period began, which since the 1959 addition of the definition of the term to PERA law (see Laws 1959, Ch. 650, Sec. 7), has been a principal purpose of the definition. If that date specification is eliminated, it is unclear what PERA law provision clearly establishes the rights, entitlements, and eligibilities of PERA members upon ending their local government careers and becoming deferred members. Additionally, PERA is suggesting that a portion of the last sentence of paragraph (a) be eliminated that requires a 30-day discontinuation of "the provision of paid services to that employee." Its elimination may be interpreted to mean that some paid services to the employing unit can be provided by the person during the 30 days separation, including the situation that has been known to occur in school districts that, in return for greater pay increases during the "pre-termination" period, the public employee would perform "volunteer" services during the immediate post-termination period, which in effect could allow prepayment of salary to boost the final average salary for employees seeking to "retire" early.

5. Unclear PERA "Volunteer Firefighter" Definition (Sec. 6). The policy issue is the lack of clear application of the quasi-definition provision in apparently attempting to exclude volunteer firefighters from receiving retirement coverage from two retirement plans for the same employment duties. Although part of the PERA definition section, the PERA "volunteer firefighter" provision is really a status specification and apparently is intended to work with Minnesota Statutes, Section 353.87, to exclude persons who have retirement coverage from a volunteer firefighter relief association from also being covered by a PERA-administered retirement plan for the same service. While the addition of a reference to participants in the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan is a logical clarification, the underlying provision, in combination with Minnesota Statutes, Section 353.87, added in 1989, has problems. The primary intent of the provision in 1989 was to correct the situation when volunteer firefighters were hitting the minimum compensation threshold for membership inclusion in the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) and were automatically becoming PERA-General plan members in addition to local relief association members for the same service. The two PERA volunteer firefighter provisions, the quasi-definition here and Minnesota Statutes, Section 353.87, however do not address the situation that occurs in several communities where full-time firefighters with Public Employees Police and Fire Retirement Plan (PERA-P&F) coverage also are included in local volunteer firefighter relief association coverage. That double coverage, potentially for the same service, since full-time firefighters are likely to be compensated on an overtime basis for volunteer fire service under the federal Fair Labor Standards Act, is a more serious instance of double coverage than the PERA-General /firefighter coverage addressed in 1989.
6. Appropriateness of Restrictions on Successive Leave of Absence Service or Salary Credit Purchases (Sec. 7, 8, 11). The policy issue is whether or not the additional restriction on the Public Employees Retirement Association (PERA) leave of absence service or salary credit purchase procedure, requiring a return to active service covered by the plan and the acquisition of an additional three months of service credit before making a purchase for another leave of absence is appropriate. Over the last decade, the statewide retirement plans have largely standardized the procedure for the purchase of service credit for a leave of absence period, based on equivalent contribution amounts, plus interest, if accomplished within one year of the end of the leave or based on the full actuarial value purchase payment obligation if made later than one year. This was a change from the prior practice in handling leaves of absence, which previously differed considerably. The change proposed by PERA, not currently found in the comparable provision of the Minnesota State Retirement System (MSRS) or the Teachers Retirement Association (TRA) law, along with changes proposed by TRA for its comparable provision in H.F. 284 (O'Driscoll); S.F. 54 (Pappas), represent departures from the previous uniformity and threatens a return to the pre-2007 jumble of leave provisions.
 - If the Commission believes that the vesting requirement for making subsequent leave payments is a valuable development, but wishes to avoid having non-uniform provisions for the identical phenomenon in each retirement plan, **Amendment H0285-2A** would add the same change to the MSRS and TRA leave payment procedures.
 - If the Commission really wishes to engender continuing uniformity in this area of pension law, **Amendment H0285-3A** creates a uniform leave of absence payment procedure provision in Minnesota Statutes, Chapter 356.
7. Electronic Signature Recognition Procedures (Sec. 9). The policy issue relates to electronic signatures and is the extent to which the retirement plan currently recognizes electronic signatures and what procedures the retirement plan board expects to develop relating to electronic signature recognition.

Minnesota Statutes, Sections 325L.01 to 325L.19, the Uniform Electronic Transactions Act, adopted in 2000 (Laws 2000, Ch. 371), and amended twice in 2001 and 2004 (Laws 2001, Ch. 195, Art. 2, Sec. 20, and Laws 2004, Ch. 162, Art. 3, Sec. 8-9), provides for the general recognition of electronic signatures on documents in legal and commercial settings. The statutory requirement that electronic signatures be recognized presumably applies to all retirement plans, but only the Public Employees Retirement Association (PERA) is seeking specific statutory language requiring the board of trustees to specify the procedures for using electronic signatures. The Minnesota attorney general's office is the legal adviser to the three statewide retirement boards. This statutory change likely either was suggested by the attorney general's office or was reviewed by that office, yet neither the Minnesota State Retirement System (MSRS) nor the Teachers Retirement Association (TRA) is seeking comparable authority. If neither MSRS nor TRA believes the statutory change is necessary, the Commission may wish to question PERA about its need for the change.

- If the Commission determines that a comparable board authority should be added to MSRS law and TRA law, **Amendment H0285-4A** would add the provision to Minnesota Statutes, Sections 352.03 and 354.07.

8. Retention of Medical Adviser (Sec. 10). The policy issue is the appropriateness of the change proposed by the Public Employees Retirement Association (PERA) in the position of the medical adviser for the pension system. The proposal is to change the authority of the PERA executive director to contract with either an accredited independent organization specializing in disability determinations or a licensed physician to be the medical adviser to the association instead of licensed physicians on the staff of the Health Department. In adding the option of utilizing an accredited independent organization specializing in disability determinations, PERA is making the same change that the Minnesota State Retirement System (MSRS) made in 2013 (Laws 2013, Ch. 111, Art. 2, Sec. 10), and the Teachers Retirement Association (TRA) made in 2014 (Laws 2014, Ch. 296, Art. 13, Sec. 18). In its proposal, however, PERA eliminates any potential for utilizing the Minnesota Department of Health, which the other two statewide retirement administrations did not do. Where the retirement administrations are performing an identical function, unless there is a compelling argument made to do otherwise, the presumption probably should be that there will be uniform authority and regulation. If the Commission had fully aired the issue of the use of medical advisers to retirement plans in 2013, the updated and refined authority or regulation could be done once, without setting off a chain reaction as is evidenced here. It is unclear why the Department of Health will be excluded from being a retirement plan medical adviser in the PERA version of the authorization, which could be interpreted as actually being a prohibition on using the Health Department.

- If the PERA proposal, which has the largest number of disability benefit applicants of the three retirement systems, was triggered because of a policy change in the Department of Health, the Department of Health exclusion probably should be extended to MSRS and TRA, which **Amendment H0285-5A** would implement.
- If the PERA proposal represents some other motivation that could be temporary, such as a construct cost issue, a billing dispute, or a personality conflict, it may be a wiser policy choice for the Commission to exactly mimic the 2013 MSRS and 2014 TRA changes, which **Amendment H0285-6A** would do.
- The provisions of all three retirement administrations are permissive, meaning that the retirement plans are not required to have a medical adviser to assist in disability determinations. If the Commission thinks that medical advisers are an integral part of the "best practices" disability determination process, it could consider **Amendment H0285-7A**, which mandates rather than permits medical advisers.

9. Appropriateness of the Authorization of the Provision of Summary Data to Employers (Sec. 12). The policy issue is the appropriateness of a proposed authorization for the Public Employees Retirement Association (PERA) to provide upon request summary data to an employing unit on its employees. The provision of information about retirement coverage and potential retirements is consistent with the general function of the retirement plan to assist the personnel system in the public sector, but the provision of summary data to employers under the very rudimentary statutory grant proposed may be problematic. The current provision does not delineate the source of the employer request, potentially permitting any person associated with one of PERA's 2,100 employing units to request summary data on behalf of the employing unit, whether the information is required for a valid governmental purpose or otherwise. Once available to employing units, the demands to be able to make similar requests from current or potential employee collective bargaining representatives, governmental associations, and businesses that market investments, insurance, or other goods or services can be expected to be made. While the summary information may not include not public data, with small employing units, almost any information could be easily connected with individuals. The PERA provision does not specify any handling charge or assessment to offset the personnel or programming costs that may be incurred by PERA to provide the summary data.

- On February 23, 2015, PERA requested that the provision be deleted from the proposed legislation, which **Amendment H0285-8A** does.

10. Appropriateness of Changes to PERA Excluded Employer Reports from Employing Units. (*Sec. 13*) The policy issue is the appropriateness of the changes advanced by the Public Employees Retirement Association (PERA) regarding the employer membership exclusion reporting requirements, which are the authorization of a designated representative in addition to the department head to file an exclusion report and eliminates the requirement that the person filing the exclusion report certifies the accuracy and completeness of the document. Under Minnesota Statutes, Section 353.27, Subdivisions 4, 10, 10a, and 11, local government employers are required to report information on all employees included in PERA coverage as members, to provide any employee determined to be excluded from PERA coverage with notice of that determination and to retain a copy of that notice in the employee's personnel file, to provide an annual exclusion report listing all employees determined by the employing unit as excluded from PERA coverage, and to provide any information on included and excluded employees that PERA requests.

For decades, the Commission and the Legislature have had to contend with proposed special service credit purchase legislation largely attributable to individuals who were incorrectly excluded from PERA coverage and with that error extending beyond three years. That history indicates that the current system of monitoring and enforcing the membership criteria within PERA is either faulty in design or given low administrative priority by the pension system. The annual exclusion reporting modified in this proposed legislation is the last line of administrative effort to insure that PERA retirement plan coverage is properly provided. The change which permits designees to make the annual exclusion reports does not threaten the quality of that reporting requirement and may provide some local government employing units with some administrative assistance. The elimination of the requirement that the person filing an annual exclusion report certify the accuracy and completeness of the exclusion report, however, may threaten the quality of the reporting. The Commission may wish to question PERA about its problems in monitoring membership eligibility and about its intent in eliminating the current law requirement for employing units to certify the accuracy and completeness of exclusion reporting.

- If the Commission wishes to retain accuracy and completeness certification in exclusion reporting, **Amendment H0285-9A** retains the accuracy and completeness certification requirement while revising the sentence to make it consistent with the expansion of who may make an exclusion report.

11. Unclear Identification of Error in Reemployed Annuitant Earnings Limitation (*Sec. 17*). The policy issue is whether or not the proposed change in the reemployed annuitant earnings limitation salary maximum actually corrects an error. The section relates to a return to employment with an employing unit participating in the Public Employees Retirement Association (PERA). Without the proposed change, the limit on earnings from reemployment applies only to employment positions that were covered by the PERA General Employee Retirement Plan (PERA-General) or by the Public Employees Police and Fire Retirement Plan (PERA-P&F). With the change, the limit applies to any employment position with an employing unit covered by either PERA-General or PERA-P&F. PERA has indicated to the Commission staff that the change is a correction of an error in the application of the PERA reemployed annuitant earnings limitation provision. The language recommended by PERA for elimination was a chief change in the provision proposed in 1992 (Laws 1992, Ch. 440), that was likely recommended by PERA, although there was no testimony on the introduced bill when heard by the Commission and the bill was recommended by the Commission unchanged from the introduced bill. The change in this proposed legislation broadens the group of former local government employees who are subject to the reemployed annuitant earnings limitation and the change could be of concern to some current retirees. Since the change is premised on a contention that the current statute is in error, although the error has existed for 23 years, PERA probably should be queried as to its contention that the eliminated clause is an error, and if so, when it became erroneous.

12. Appropriateness of Change in PERA Defined Contribution Plan Coverage for Certain Privately Operated Ambulance Services (*Sec. 23*). The policy issue is whether or not it is appropriate to remove a reference to privately operated ambulance services with public operating subsidies in a portion of the Public Employees Retirement Association (PERA) Defined Contribution Plan that governs plan coverage and contributions. In 1987 (Laws 1987, Ch. 372, Art. 5, Sec. 1, 3), when the PERA Defined Contribution Plan was created specifically and solely of ambulance services, private ambulance services that received a public operating subsidy were included in coverage by the plan, recognizing that historically a number of emergency medical services in Minnesota were operated outside the public sector, but had financial support from one or more local governmental subdivisions. PERA has indicated to the Commission staff that these private ambulance services are no longer eligible for PERA Defined Contribution Plan coverage, and change made in the 2006 PERA administrative

changes bill (Laws 2006, Ch. 271, Art. 3, Sec. 30-31). It is unclear whether any private ambulance services ever participated in the PERA Defined Contribution Plan, so the provision may be appropriately eliminated as wholly unnecessary. If any private ambulance services did participate in the PERA Defined Contribution Plan, the provision may have been retained to cover those existing participating services. PERA could be requested to provide a breakdown of the types of participants covered by the PERA Defined Contribution Plan, including the various ambulance services.

13. Appropriateness of Excluding Non-Medical Facilities from the Application of the PERA Privatization Law. (Sec. 26-28) The policy issue is whether or not it is appropriate to limit the application of the Public Employees Retirement Association (PERA) privatization law to medical facilities that shift to the private sector and to exclude from privatization law benefits employees of other public employing units. In its communications with the Commission staff, PERA indicates that the elimination of references to "other public employing units" is simply updating the privatization law for a repeal of the facility-specific definition of "other public employing units" in 2013 (Laws 2013, Ch. 111, Art. 3, Sec. 31, Paragraph (a)). However, the repeal of the facility-specific definition for the non-medical employing units in 2013 was consistent with the shifting to an administrative determination of appropriateness for inclusion in the application of the privatization law from a prior statutory process, done at the request of PERA, and the 2013 amendatory language added some of the references in statutes that are proposed for elimination now. The 2013 proposed legislation was not presented to the Commission as making a substantive restriction in the privatization law. From 1999, when the PERA privatization law was enacted, to date, 24 medical facilities and two other employing units (Metro II and RiverCentre) have privatized and come under the application of the special benefit provisions of the privatization law. Unless there is some additional rationale for the change that can be presented by PERA, there is a substantial question about the appropriateness of changes in the three sections.
14. Appropriateness of the Diminished Value of PERA Privatization Law. (Sec. 29-32) The policy issue is the impact of the diminution of the value of benefits under 2013 legislation relating to deferred annuity augmentation rates (Laws 2013, Ch. 111, Art. 3, Sec. 20), and under this proposed legislation relating to deferred annuity augmentation eligibility and disability coverage so reduces the value of the Public Employees Retirement Association (PERA) privatization law that it will no longer adequately address the adverse retirement benefit impact of public employees whose employing units privatize in the future. Generally when a public sector employing unit privatizes, there is no replacement retirement coverage provided, or the replacement retirement coverage is significantly less valuable to the privatized public employee, or interferes with eligibility requirements for early retirement provisions in the PERA General Employee Retirement Plan. The PERA privatization law, modeled on Minnesota State Retirement System (MSRS) legislation addressing the transfer of the University of Minnesota Hospital and Clinics to Fairview Hospital in 1996, attempted to ameliorate some of the benefit losses suffered by privatized public employees, especially long-term public employees. If the proposed PERA privatization law changes to deferred annuity augmentation eligibility and to disability benefit coverage are enacted on top of the 2013 deferred annuity augmentation downsizing, the PERA privatization law will chiefly moderate the impact of privatization on the "Rule of 90" early normal retirement eligibility, but may do nothing else. If the PERA privatization law has little beneficial impact for future privatized employees, the Commission should not be surprised if future privatization again begin to generate legislative requests and demands for the enhanced contribution refund amounts or the post-privatization continuation of PERA-General plan coverage that were visited upon the Legislature between 1986 and 1999.
15. Appropriateness of Adding Vesting Requirement to Proportionate Retirement Annuity (Sec. 35). The policy issue is the appropriateness of one retirement system proposing the addition of a vesting requirement to the proportionate annuity that is applicable to seven retirement plans, of which the Public Employees Retirement Association (PERA) only administers two. The proportionate annuity provision, part of Minnesota Statutes, Chapter 356, Retirement Generally, was first enacted in 1975, when mandatory retirement provisions were still permitted by federal law, the State of Minnesota was setting or lowering mandatory ages, the common vesting period for applicable retirement plans was ten years, and some later age, at entry, plan members would not be eligible for a retirement annuity at mandatory retirement. When mandatory retirement provisions disappeared in practice or in conformity with federal law, the Age Discrimination in Employment Act, the proportionate annuity at mandatory retirement age became the proportionate annuity at age 65, the generally applicable mandatory retirement age when there was a mandatory retirement age. The proposed legislation adds a vesting requirement of six months of allowable service credit in each retirement plan in which the person has retirement coverage and eliminates coverage of the proposition for plans where the normal retirement age is less than age 65. The current vesting requirement is at least one year of allowable service in one or a combination of covered plans. The proposed vesting provision, as any vesting provision, will reduce access to the proportionate annuity provision and its imposition could work a hardship on older post-July 1, 2010, entrants into Minnesota public pension plan coverage who are

covered by longer vesting periods by virtue of the 2010 financial sustainability legislation and subsequent similar legislation, delaying their eligibility to retire until the full vesting period is obtained.

The number of potentially affected current plan members is not small:

	Under 5 Years Service	
	Over age 60	Over age 50
MSRS-General	942	
PERA-General	4,114	
TRA	1,238	
SPTRFA	81	
MSRS-Correctional		157
State Patrol		8
PERA-P&F		71

The Commission's Principles of Pension Policy, Principle II.C.22., is applicable and provides that

II.C.22. No Intended Ultimate Benefit Diminutions

- a. In recommending benefit plan modifications, the imposition of reductions in overall benefit coverage for existing pension plan members should not be recommended.
 - b. The imposition of a reduction in overall benefit coverage may be imposed for new pension plan members in order to achieve sound pension policy goals.
 - c. A reduction in some aspect or aspects of benefit coverage may be recommended in combination with a proposed benefit increase or benefit increases in implementing sound pension policy goals.
- If the elimination of access to the proportionate annuity provision for plans with a normal retirement age under age 65 is intended and is not a drafting defect, the proposition will never apply to the various public safety employee retirement plans. **Amendment H0285-10A** would make that clear by removing those plans from the list of applicable retirement plans.

16. Appropriateness of the Various Effective Dates. The policy issue is the dates specified for various provisions in the proposed legislation to become effective. The proposed legislation specifies an immediate effective date for 32 of the 36 sections, specifies a combination of effective dates (immediate and June 30, 2015) for one section, and specifies no effective date for three other sections, leaving them to have the August 1, 2015, default effective date. Where provisions affect the retirement coverage of plan members or where provisions affect the duties or actions of employing units with personnel covered by a Public Employees Retirement Association (PERA) administered retirement plan, the provision of some notice beyond simply introducing the proposed legislation generally dictates some lead time before a retirement plan change becomes effective unless any delay would cause some financial or other harm. The most common effective date for provisions with some substantive impact is the start of the plan year, July 1. The Commission staff has identified at least 14 sections that either made a substantive change that could affect member benefit coverage where notice from a later effective date would be appropriate.

- **Amendment H0285-11A** shifts the effective date for the sections identified by the Commission staff as substantive in impact to July 1, leaving all other effective dates as proposed.
- **Amendment H0285-12A** shifts the effective dates for all sections in the proposed legislation to July 1, 2015.

Technical Amendment

- **Amendment H0285-13A** makes a number of changes in the proposed legislation, recasting provisions in the Public Employees Retirement Association (PERA) definitions section as actual definitions, clarifying incomplete or ambiguous language, updating a cross-reference to accommodate 2014 legislation, restructuring a PERA Correctional disability conversion section to replicate an identical State Patrol Retirement Plan provision, and repositioning a Social Security provision in a more logical spot in Minnesota Statutes, Chapter 355.

Section-by-Section Summary of H.F. 285 (O'Driscoll); S.F. 55 (Pappas)

Sec.	Pg.Ln	Stat. Provision	Plan	Summary
1	1.13	353.01, Subd. 6	PERA Plans	The governmental subdivision definition is revised by removing an obsolete Minneapolis Employees Retirement Fund reference; by removing conflicting language regarding "public bodies;" and by changing the inclusion of joint powers boards, family service collaborative, and children's mental health collaboratives from automatic inclusion to inclusion only if the organization demonstrates sufficient governmental purpose, public control, and funding from taxes or other public sources.
2	3.7	353.01, Subd. 10	PERA Plans	The PERA definition of salary is revised by generalizing leaves of absence references.
3	6.2	353.01, Subd. 11a	PERA Plans	The PERA termination of public service definition is revised by requiring a 30-day break in service as an employee of any governmental subdivision, rather than just from the governmental subdivision from which the person separated, and by accepting a termination of service as valid if the terminated employee, within 30 days of termination, provides independent contractor service to a governmental subdivision other than the one from which the person terminated.
4	6.22	353.01, Subd. 16	PERA Plans	The PERA allowable service definition is revised by removing obsolete Community Corrections Act language, by revising references to various leave of absence provisions, and by striking a three-month return-to-work requirement being moved to another provision.
5	9.24	353.01, Subd. 28	PERA Plans	The PERA retirement definition is revised by striking erroneous board authority language, and by making the separation from service language consistent with the revised requirements in the termination from public service definition.
6	10.13	353.01, Subd. 36	PERA Plans	The volunteer firefighter definition is revised to by indicating that volunteer firefighting service includes service for which the individual receives service credit in Chapter 353G, the Statewide Lump-Sum Volunteer Firefighter Retirement Plan.
7	10.19	353.0161; New Subd. 3	PERA Plans	A new subdivision is added to the leave of absence service credit purchase section containing a three-month return to work requirement moved from the allowable service definition.
8	10.25	353.0162	PERA Plans	A provision specifying service credit purchase requirements applicable to periods of reduced salary is revised by restricting any purchase period to 12 months, rather than just applying the 12-month restriction to medical leave periods.
9	12.8	353.03, Subd. 3	PERA Plans	The PERA board duties and powers subdivision is revised by authorizing PERA's board to allow electronic signatures on applications and forms.
10	13.25	353.031, Subd. 5	PERA Plans	The PERA medical advisor provision is expanded to enable PERA to use providers of disability determination services other than the Department of Health.
11	14.1	353.031, Subd. 10	PERA Plans	A PERA disabilitant restoration of service credit subdivision is revised by dividing the subdivision into paragraphs, by clarifying that a purchase would also restore salary credit, and by stating that after the occurrence of a disability, the only purchase of salary credit allowed are those associated with a period of reduced salary during receipt of temporary workers' compensation benefits.
12	14.11	353.27; New Subd. 4a	PERA Plans	A new subdivision is added to a PERA retirement fund provision explicitly authorizing PERA to release to employing units summary data about members, including indicating which employees are eligible for normal retirement and various early retirement provisions. The released data must not include not-public data.
13	14.20	353.27, Subd. 10	PERA Plans	The PERA employer exclusion report provision is revised by permitting a designated representative of the department head, rather than just the department head, to submit employer exclusion reports, and by striking language which required the department head to certify the accuracy and completeness of the exclusion report.
14	15.8	353.29, Subd. 7	PERA Plans	A PERA annuity accrual subdivision is clarified by dividing the subdivision into paragraphs and reorganizing the language.
15	15.27	353.33, Subd. 6	PERA Plans	A PERA disability continuing eligibility subdivision is revised by changing a reference to "vocational rehabilitation evaluation" to "vocational rehabilitation assessment."
16	16.4	353.33, Subd. 13	PERA Plans	The PERA disabilitant post-retirement adjustment eligibility provision is revised by clarifying that when a disabilitant transfers to retirement status, the retirement benefit includes all prior benefit adjustments which occurred while the individual was in disabilitant status.
17	16.11	353.37, Subd. 1	PERA Plans	The PERA reemployed annuitant exempt salary maximum provision is revised by removing an erroneous clause.
18	16.30	353.656, Subd. 1a	PERA-P&F	The PERA-P&F total and permanent disability computation of benefits provision is revised by stating that the disabilitant is authorized to elect an optional annuity at the time of any determination which shifts the person's status from total-and-permanent disability to duty disability.
19	17.31	353.656, Subd. 1b	PERA-P&F	The PERA-P&F disabilitant optional annuity election provision is revised by referring to benefit recipients as disability benefit recipients rather than "disabilitants," and by indicating that an optional annuity may be elected at the time that someone previously classified as a total and permanent disabilitant is reclassified as a duty disabilitant.
20	18.31	353.656, Subd. 2	PERA-P&F	A PERA-P&F disability subdivision specifying treatment if workers' compensation benefits are also involved is clarified and reorganized.
21	19.21	353.656, Subd. 4	PERA-P&F	The PERA-P&F disability benefit payout limitation subdivision is revised by clarifying the provision, including specifying that the limitation computation is to be based on monthly amounts.
22	20.10	353.656, Subd. 5a	PERA-P&F	A PERA-P&F cessation of disability benefit subdivision is revised by removing obsolete statute date references, and by generally updating language.

Section-by-Section Summary of H.F. 285 (O'Driscoll); S.F. 55 (Pappas)

Sec.	Pg.Ln	Stat. Provision	Plan	Summary
23	21.14	353D.03, Subd. 3	Public Employees Defined Contrib.	The Public Employees Defined Contribution Plan ambulance service, rescue squad contribution subdivision is revised by formatting the subdivision into paragraphs and removing obsolete references to privately operated ambulance services, because they are no longer eligible for plan coverage.
24	21.29	353E.06, Subd. 5	PERA-Correctional	The PERA-Correctional disability termination subdivision is revised by terminating the disability benefit and transitioning to retirement at, for new disabilitants after June 30, 2015, age 55 or the five year anniversary of the disability benefit, whichever is later, rather than age 65; by clarifying language including specifying that the retirement benefit, following the termination of the disability benefit, must include all prior post-retirement adjustments.
25	22.20	353E.06, Subd. 6	PERA-Correctional	The PERA-Correctional disabilitant resumption of employment subdivision is revised by clarifying that the earnings limitations are based on monthly amounts.
26	22.31	353F.01	PERA Privatized Employee Chapter	The PERA privatization chapter purpose and intent section is revised by restricting the intent statement to privatized public medical facilities, removing application to "other public employing units (consistent with the repeal of the "other public employing unit" definition in 2013).
27	23.9	353F.02, Subd. 3	PERA Privatized Employee Chapter	The PERA privatization chapter effective date of privatization subdivision is revised by removing application to "other public employing units," (consistent with the repeal of the "other public employing unit" definition in 2013).
28	23.16	353F.02, Subd. 5a	PERA Privatized Employee Chapter	The PERA privatization chapter privatized former public employer subdivision is revised by removing application to "other public employing units," (consistent with the repeal of the "other public employing unit" definition in 2013).
29	23.22	353F.04, Subd. 2	PERA Privatized Employee Chapter	The PERA privatization chapter exceptions to deferred annuity augmentation provision is revised by stating that the increased deferred annuity augmentation provided under the privatization chapter terminate for the privatized individual the first of the month that the individual again becomes employed in a position covered by PERA-General.
30	24.5	353F.051, Subd. 1	PERA Privatized Employee Chapter	The PERA privatization chapter continuation of disability coverage eligibility subdivision is revised by removing specific reference to the 1998 version of Minnesota Statutes as the applicable version of statutes to use for determining total and permanent disability status.
31	24.11	353F.051, Subd. 2	PERA Privatized Employee Chapter	The PERA privatization chapter continuation of disability coverage calculation of benefits subdivision is revised by removing specific reference to the 1998 version of Minnesota Statutes, as the applicable version of statutes to use for computing disability benefits and benefit augmentation.
32	24.18	353F.051, Subd. 3	PERA Privatized Employee Chapter	The PERA privatization chapter continuation of disability coverage applicability of general law provision is revised by removing specific reference to the 1998 version of Minnesota Statutes, Section 353.33, as the applicable version of that statute to use for determining benefit eligibility.
33	24.22	353G.08, Subd. 1	PERA-SVF	The annual funding requirement provision in the Statewide Lump-Sum Volunteer Firefighter Retirement Plan (PERA-SVF) administered by PERA is revised by changing the computation of administrative expenses from increasing last year's expense by a factor of 1.035, to multiplying the most recent year's per person administrative expense by the number of active and deferred firefighters reported to PERA; and by netting from the municipal contribution requirement any supplemental state aid under section 423A.022 expected to be received.
34	26.25	355.07	All Plans	The Chapter 355 Social Security coverage declaration of policy provision is revised by specifying that the cost of any Social Security referendum must be covered by the applicable government subdivisions, by stating that any person in a division of members who did not desire Social Security coverage may be transferred to the division who elected coverage by filing a written request for such a transfer with the PERA executive director, and by replacing the general exclusion of members covered by police and fire plans by specific reference to PERA-P&F and MSRS State Patrol.
35	27.27	356.32, Subd. 1	All plans other than those covering elected officials	The proportionate retirement annuity provision in Chapter 356 is revised by requiring at least one year of service rather than at least one year but less than ten; by excluding those who retire prior to age 65 unless the retirement is due to mandatory retirement law, rather than permitting inclusion by those who retire at an age earlier than age 65 if normal retirement age in the plan is under age 65; and by specifying that a plan may not be included in the proportionate annuity if the service in the plan is less than six months.
36	28.10	Repealer	Various PERA Plans	The following sections of Minnesota Statutes are repealed: <ul style="list-style-type: none"> – 353.025, which extends PERA coverage to employees of the Range Association of Municipalities and Schools, because the provision duplicates coverage provided elsewhere in PERA law; – 353.83, Additional Payments to Certain Annuitants, because no eligible individuals remain; – 353.84, Increase in Benefits, a post-retirement increase provision, because no eligible individuals remain; – 353.85, Optional Benefits to Survivors of Members who Died After June 15, 1973, because there are no benefits recipients covered by the provision; and – 353D.03, Payments by Former Eligible Elected Officials, because the section is obsolete.

Minnesota Session Laws 2007

CHAPTER 134-H.F.No. 430

ARTICLE 2 ADMINISTRATIVE PROVISIONS

Sec. 15. Minnesota Statutes 2006, section 353.01, subdivision 6, is amended to read:

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

(b) Governmental subdivision also means the Public Employees Retirement Association, the League of Minnesota Cities, the Association of Metropolitan Municipalities, charter schools formed under section 124D.10, service cooperatives exercising retirement plan participation under section 123A.21, subdivision 5, joint powers boards organized under section 471.59, subdivision 11, paragraph (a), family service collaboratives and children's mental health collaboratives organized under section 471.59, subdivision 11, paragraph (b) or (c), provided that the entities creating the collaboratives are governmental units that otherwise qualify for retirement plan membership, public hospitals owned or operated by, or an integral part of, a governmental subdivision or governmental subdivisions, the Association of Minnesota Counties, the ~~Metropolitan~~ Minnesota Intercounty Association, the Minnesota Municipal Utilities Association, the Metropolitan Airports Commission, the University of Minnesota with respect to police officers covered by the public employees police and fire retirement plan, the Minneapolis Employees Retirement Fund for employment initially commenced after June 30, 1979, the Range Association of Municipalities and Schools, soil and water conservation districts, economic development authorities created or operating under sections 469.090 to 469.108, the Port Authority of the city of St. Paul, the Spring Lake Park Fire Department, incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning Center, the Dakota County Agricultural Society, and Hennepin Healthcare System, Inc.

(c) Governmental subdivision does not mean any municipal housing and redevelopment authority organized under the provisions of sections 469.001 to 469.047; or any port authority organized under sections 469.048 to 469.089 other than the Port Authority of the city of St. Paul; or any hospital district organized or reorganized prior to July 1, 1975, under sections 447.31 to 447.37 or the successor of the district, ~~nor the Minneapolis Community Development Agency; or the board of a family service collaborative or children's mental health collaborative organized under sections 124D.23, 245.491 to 245.495, or 471.59, if that board is not controlled by representatives of governmental units.~~

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

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

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

EFFECTIVE DATE. This section is effective the day following final enactment. Paragraphs (e) and (f) apply to initial plan coverage dates occurring on or after that date.

This page left blank intentionally.

Comparison of Authorized Leave of Absence Service Credit Purchase Procedures

MSRS	PERA		TRA	
Current	Current	HF285/SF55	Current	HF284/SF54
<p>352.017 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>Subdivision 1. Application. Except for leaves or breaks in service covered by section 352.27, this section applies to all plans specified in this chapter for any period of authorized leave of absence without pay that does not exceed one year and for which the employee obtains credit for allowable service by making payment as specified in this section to the applicable fund.</p> <p>Subd. 2. Purchase procedure. (a) An employee covered by a plan specified in this chapter may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.</p> <p>(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at a monthly rate of 0.71 percent from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.</p>	<p>353.0161 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>Subdivision 1. Application. This section applies to employees covered by any plan specified in this chapter or chapter 353E for any period of authorized leave of absence specified in section 353.01, subdivision 16, paragraph (a), clause (5), for which the employee obtains credit for allowable service by making payment as specified in this section to the applicable fund.</p> <p>Subd. 2. Purchase procedure. (a) An employee covered by a plan specified in subdivision 1 may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.</p> <p>(b) If payment is received by the executive director within one year from the date the member returned to work following the authorized leave, or within 30 days after the date of termination of public service if the member did not return to work, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period, or at termination of public service, whichever is earlier, multiplied by the employee's average monthly salary, excluding overtime, upon which deductions were paid during the six months, or portion thereof, before the commencement of the leave of absence and by the number of months of the leave of absence for which the employee wants allowable service credit. Payments made under this paragraph must include compound interest at a monthly rate of 0.71 percent from the last day of the leave period until the last day of the month in which payment is received.</p>	<p>353.0161 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>Subdivision 1. Application. This section applies to employees covered by any plan specified in this chapter or chapter 353E for any period of authorized leave of absence specified in section 353.01, subdivision 16, paragraph (a), clause (5), for which the employee obtains credit for allowable service by making payment as specified in this section to the applicable fund.</p> <p>Subd. 2. Purchase procedure. (a) An employee covered by a plan specified in subdivision 1 may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.</p> <p>(b) If payment is received by the executive director within one year from the date the member returned to work following the authorized leave, or within 30 days after the date of termination of public service if the member did not return to work, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period, or at termination of public service, whichever is earlier, multiplied by the employee's average monthly salary, excluding overtime, upon which deductions were paid during the six months, or portion thereof, before the commencement of the leave of absence and by the number of months of the leave of absence for which the employee wants allowable service credit. Payments made under this paragraph must include compound interest at a monthly rate of 0.71 percent from the last day of the leave period until the last day of the month in which payment is received.</p>	<p>354.72 AUTHORIZED LEAVE OF ABSENCE AND STRIKE PERIOD SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>Subdivision 1. Application. This section applies to any strike period under section 354.05, subdivision 13, clause (9), and to any period of authorized leave of absence without pay under sections 354.093, 354.094, 354.095, and 354.096 for which the teacher obtains credit for allowable service by making payment as specified in this section to the Teachers Retirement Association fund. Each year of an extended leave of absence under section 354.094 is considered to be a separate leave for purposes of this section.</p> <p>Subd. 2. Purchase procedure. (a) A teacher may purchase credit for allowable and formula service in the plan for a period specified in subdivision 1 if the teacher makes a payment as specified in paragraph (b), (c), or (d), whichever applies. The employing unit, at its option, may pay the employer portion of the amount on behalf of its employees.</p> <p>(b) If payment is received by the executive director by June 30 of the fiscal year of the strike period or authorized leave included under section 354.093, 354.095, or 354.096, payment must equal the total employee and employer contribution rates, including amortization contribution rates if applicable, multiplied by the member's average monthly salary rate on the date the leave or strike period commenced, or for an extended leave under section 354.094, on the salary received during the year immediately preceding the initial year of the leave, multiplied by the months and portions of a month of the leave or strike period for which the teacher seeks allowable service credit.</p>	<p>354.72 AUTHORIZED LEAVE OF ABSENCE AND STRIKE PERIOD SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>Subdivision 1. Application. This section applies to any strike period under section 354.05, subdivision 13, clause (9), and to any period of authorized leave of absence without pay under sections 354.093, 354.094, 354.095, and 354.096 for which the teacher obtains credit for allowable service by making payment as specified in this section to the Teachers Retirement Association fund. Each year of an extended leave of absence under section 354.094 is considered to be a separate leave for purposes of this section.</p> <p>Subd. 2. Purchase procedure. (a) A teacher may purchase credit for allowable and formula service in the plan for a period specified in subdivision 1 if the teacher makes a payment as specified in paragraph (b), (c), or (d), whichever applies. The employing unit, at its option, may pay the employer portion of the amount on behalf of its employees.</p> <p>(b) If payment is received by the executive director by June 30 of the fiscal year of the strike period or by <u>December 31 of the fiscal year following an authorized leave included under section 354.093, 354.095, or 354.096, payment must equal the total employee and employer contribution rates, including amortization contribution rates if applicable, multiplied by the member's average monthly salary rate on the date the leave or strike period commenced, or for an extended leave under section 354.094, on the salary received during the year immediately preceding the initial year of the leave, multiplied by the months and portions of a month of the leave or strike period for which the teacher seeks allowable service credit. <u>This paragraph also applies to an extended leave under section 354.094, except that payment must be received by June 30 of the year of the leave, and the salary used in the computation is the salary received during the year immediately preceding the initial year of the leave.</u></u></p>

MSRS	PERA		TRA	
Current	Current	HF285/SF55	Current	HF284/SF54
<p>(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.</p>	<p>(c) If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date the person terminates public service under section 353.01, subdivision 11a.</p>	<p>(c) If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date the person terminates public service under section 353.01, subdivision 11a.</p> <p style="text-align: center;"><u>Subd. 3. Restriction on subsequent purchases. To purchase salary credit or service credit for a subsequent authorized leave of absence period, the member must return to public service and render a minimum of three months of allowable service credit.</u></p> <p>353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE</p> <p>(a) A member may purchase additional salary credit for a period specified in this section.</p> <p>(b) The applicable period is a period during which the member is receiving a reduced salary from the employer while the member is:</p> <p>(1) receiving temporary workers' compensation payments related to the member's service to the public employer;</p> <p>(2) on an authorized medical leave of absence; or</p> <p>(3) on an authorized partial paid leave of absence as a result of a budgetary or</p>	<p>(c) If payment is made after June 30 and before the following June 30 for a strike period or for leaves of absence under section 354.093, 354.095, or 354.096, or for an extended leave of absence under section 354.094, the payment must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 until the last day of the month in which payment is received.</p> <p>(d) If payment is received by the executive director after the applicable last permitted date under paragraph (c), the payment amount is the amount determined under section 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under this section may be made anytime before the effective date of retirement.</p>	<p>(c) If payment is made after June 30 and before the following June 30 for a strike period, or for leaves after December 31 of the fiscal year following a leave of absence under section 354.093, 354.095, or 354.096, or for an extended leave of absence under section 354.094, and before July 1, the payment must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 for a strike period, or from December 31 for a leave under section 354.093, 354.095, or 354.096, until the last day of the month in which payment is received. <u>If payment is made on or after July 1 and before the following July 1 for an extended leave of absence under section 354.094, the payment must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 until the last day of the month in which payment is received.</u></p> <p>(d) If payment is received by the executive director after the applicable last permitted date under paragraph (c), the payment amount is the amount determined under section 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under this section may be made anytime before the effective date of retirement.</p>

MSRS	PERA		TRA	
Current	Current	HF285/SF55	Current	HF284/SF54
	<p>salary savings program offered or mandated by a governmental subdivision.</p> <p>(c) The differential salary amount is the difference between the average monthly salary received by the member during the period of reduced salary under this section and the average monthly salary of the member, excluding overtime, on which contributions to the applicable plan were made during the period of the last six months of covered employment occurring immediately before the period of reduced salary, applied to the member's normal employment period, measured in hours or otherwise, as applicable.</p> <p>(d) To receive eligible salary credit, the member shall pay an amount equal to:</p> <p>(1) the applicable employee contribution rate under section 353.27, subdivision 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the differential salary amount;</p> <p>(2) plus an employer equivalent payment equal to the applicable employer contribution rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03, subdivision 2, as applicable, multiplied by the differential salary amount;</p> <p>(3) plus, if applicable, an equivalent employer additional amount equal to the additional employer contribution rate in section 353.27, subdivision 3a, multiplied by the differential salary amount.</p> <p>(e) The employer, by appropriate action of its governing body and documented in its official records, may pay the employer equivalent contributions and, as applicable, the equivalent employer additional contributions on behalf of the member.</p> <p>(f) Payment under this section must include interest on the contribution amount or amounts, whichever applies, at an 8.5 percent annual rate, prorated for applicable months from the date on which the period of reduced salary specified under this section terminates to the date on which the payment or payments are received by the executive director. Payment under this section must be completed within the earlier of 30 days from termination of public service by the employee under section 353.01, subdivision 11a, or one year after the termination of the period specified in paragraph (b), as further restricted under this section.</p>	<p>salary savings program offered or mandated by a governmental subdivision.</p> <p>(c) The differential salary amount is the difference between the average monthly salary received by the member during the period of reduced salary under this section and the average monthly salary of the member, excluding overtime, on which contributions to the applicable plan were made during the period of the last six months of covered employment occurring immediately before the period of reduced salary, applied to the member's normal employment period, measured in hours or otherwise, as applicable.</p> <p>(d) To receive eligible salary credit, the member shall pay an amount equal to:</p> <p>(1) the applicable employee contribution rate under section 353.27, subdivision 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the differential salary amount;</p> <p>(2) plus an employer equivalent payment equal to the applicable employer contribution rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03, subdivision 2, as applicable, multiplied by the differential salary amount;</p> <p>(3) plus, if applicable, an equivalent employer additional amount equal to the additional employer contribution rate in section 353.27, subdivision 3a, multiplied by the differential salary amount.</p> <p>(e) The employer, by appropriate action of its governing body and documented in its official records, may pay the employer equivalent contributions and, as applicable, the equivalent employer additional contributions on behalf of the member.</p> <p>(f) Payment under this section must include interest on the contribution amount or amounts, whichever applies, at an 8.5 percent annual rate, prorated for applicable months from the date on which the period of reduced salary specified under this section terminates to the date on which the payment or payments are received by the executive director. Payment under this section must be completed within the earlier of 30 days from termination of public service by the employee under section 353.01, subdivision 11a, or one year after the termination of the period specified in paragraph (b), as further restricted under this section.</p>		

MSRS Current	PERA		TRA	
	Current	HF285/SF55	Current	HF284/SF54
	<p>(g) The period for which additional allowable salary credit may be purchased is limited to the period during which the person receives temporary workers' compensation payments or for those business years in which the governmental subdivision offers or mandates a budget or salary savings program, as certified to the executive director by a resolution of the governing body of the governmental subdivision. For an authorized medical leave of absence, the period for which allowable salary credit may be purchased may not exceed 12 consecutive months of authorized medical leave.</p> <p>(h) To purchase salary credit for a subsequent period of temporary workers' compensation benefits or subsequent authorized medical leave of absence, the member must return to public service and render a minimum of three months of allowable service.</p>	<p>(g) The period for which additional allowable salary credit may be purchased is limited to the period during which the person receives temporary workers' compensation payments or for those business years in which the governmental subdivision offers or mandates a budget or salary savings program, as certified to the executive director by a resolution of the governing body of the governmental subdivision. For an authorized medical leave of absence, the period for which allowable salary credit may be purchased may not exceed 12 consecutive months of authorized medical leave.</p> <p>(h) To purchase salary credit for a subsequent period of temporary workers' compensation benefits or subsequent authorized medical leave of absence, the member must return to public service and render a minimum of three months of allowable service.</p>		

Background Information on Leave of Absence/Strike Period Provisions

Plan	Statute	Nature of Provision	Treatment
MSRS-General	352.01, Subd. 11	General Leave of Absence	The length of the leave cannot exceed one year. Employee and all employer contributions; employer may pay employer contribution on behalf of employee. Payments must include 8.5% interest compounded annually if payment is not made within one year of the end of the leave. No time limit on payments.
MSRS-General	352.27	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
MSRS Plans	352.275	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize the Military Leave/Break-in-Service provision in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
State Patrol	352B.01, Subd. 3a	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize the Military Leave/Break-in-Service provision in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
State Patrol	352B.01, Subd. 3b	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
PERA-General PERA-P&F PERA-Corr.	353.01, Subd. 16, Cl. (4)	Personal/Parental/ Medical Leave	The length of the leave cannot exceed one year. Employee, employer, and any employer additional contributions; the employer may pay the employer contributions on behalf of the employee. The contributions must include 8.5% interest from the end of the leave until paid. Payment must be made within one year of the end of the leave, or within 20 days following termination of employment, whichever is earlier.
PERA-General PERA-P&F PERA-Corr.	353.01, Subd. 16, Cl. (5)	Periodic/Repetitive Leave	Leave not to exceed 280 hours per annual work cycle. Employee pays employee contributions plus interest; employer pays employer contributions plus interest. Interest is at 8.5% from the end of the normal work cycle until paid. Payment must be made within one year of the end of the work cycle or within 20 days after termination of employment, whichever is earlier.
PERA-General PERA-P&F PERA-Corr.	353.01, Subd. 16, Cl. (7)	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
PERA-General PERA-P&F PERA-Corr.	353.01, Subd. 16a	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize Section 353.01. Subd. 16, Clause (7), in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
TRA	354.092	Sabbatical Leave	Employee must receive a minimum on one-third normal salary while on the leave. The employer will deduct the full-time equivalent employee contributions from pay and will also make the full-time equivalent employer contributions. Payments are made through normal payroll process.
TRA	354.093	Parental Leave	The length of the leave cannot exceed one year. The employee must pay the employee and all employer contributions by the end of the fiscal year following the fiscal year in which the leave ends.

Plan	Statute	Nature of Provision	Treatment
TRA	354.094	Extended Leave	Employee and employer contributions required by June 30 without interest or by September 30 with interest from June 30 until paid.
TRA	354.095	Medical Leave	Employee and employer contributions required with 8.5% interest from the end of the fiscal year in which the leave terminated to the end of the month in which payment is made. Payment must be made within one year of the end of the fiscal year in which the leave terminates.
TRA	354.096	Family Leave	Employee and employer contributions without interest. Payment must be made within one year of the end of the fiscal year in which the leave terminates.
TRA	354.53	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
TRA	354.533	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize the Military Leave/Break-in-Service provision in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
First Class City Teacher Plans	354A.091	Extended Leave	Employee and employer contributions must be made by June 30 of each year of the leave.
First Class City Teacher Plans	354A.092	Sabbatical Leave	Employee and employer contributions based on full salary in the year prior to the leave. The employee contribution is due by June 30 in the year the leave terminates. The employer pays the employer contribution upon notification from the applicable association. No interest charged.
First Class City Teacher Plans	354A.093	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
First Class City Teacher Plans	354A.095	Parental and Maternity Leave	Up to one year of service credit may be purchased by making employee and employer contributions without interest by the end of the fiscal year following the fiscal year in which the leave terminates.
First Class City Teacher Plans	354A.096	Medical Leave	Up to one year of service by paying employee and employer contributions plus 8.5% interest from the end of the year in which the leave terminates until paid. Payment must be made within one year of the end of the fiscal year in which the leave terminates.
First Class City Teacher Plans	354A.097	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize the Military Leave/Break-in-Service provision in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
All Plans	356.195	Service Credit for Strike Period	Employee pays employee and employer contributions plus 0.071% monthly interest (equivalent to 8.5% annual interest) within one year of the end of the strike. If paid after one year of the end of the strike, employee pays full actuarial value. Payment cannot be made more than five years after the end of the strike.

Background Information on the Definition of "Retirement" – MSRS, PERA, and TRA

MSRS	PERA-General	TRA
Minnesota Statutes, 352.01, Subd. 19	Minnesota Statutes, 353.01, Subd. 28	Minnesota Statutes, 354.05, Subd. 21
2014	2014	2014
<p>Subd. 19. Retirement. "Retirement" means the time after a state employee is entitled to an accrued annuity, as defined in subdivision 21, payable under an application for annuity filed in the office of the system as provided in section 352.115, subdivision 8 or, in the case of an employee who has received a disability benefit, when that employee reaches normal retirement age.</p>	<p>Subd. 28. Retirement. (a) "Retirement" means the commencement of the payment of an annuity based on a date designated by the board of trustees. This date determines the rights under this chapter which occur either before or after retirement. A right to retirement is subject to termination of public service under subdivision 11a. A right to retirement requires a complete and continuous separation for 30 days from employment as a public employee and from the provision of paid services to that employer.</p> <p>(b) An individual who separates from employment as a public employee and who, within 30 days of separation, returns to provide service to a governmental subdivision as an independent contractor or as an employee of an independent contractor, has not satisfied the separation requirements under paragraph (a).</p> <p>(c) Notwithstanding the 30-day separation requirement under paragraph (a), a member of a defined benefit plan under this chapter, who also participates in the public employees defined contribution plan under chapter 353D for other public service, may be paid, if eligible, a retirement annuity from the defined benefit plan while participating in the defined contribution plan. A retirement annuity is also payable from a defined benefit plan under this chapter to an eligible member who terminates public service and who, within 30 days of separation, takes office as an elected official of a governmental subdivision.</p> <p>(d) Elected officials included in association membership under subdivisions 2a and 2d meet the 30-day separation requirement under this section by resigning from office before filing for a subsequent term in the same office and by remaining completely and continuously separated from that office for 30 days prior to the date of the election.</p>	<p>Subd. 21. Retirement. "Retirement" means the withdrawal of a member from active teaching service who is paid a retirement annuity thereafter and commences with the date designated by the retirement board when the retirement annuity first accrues to the former member after withdrawal from active teaching service and application for an annuity under section 354.44, subdivisions 3 and 4. The effective date of retirement must occur for an annuity plan selection to take effect. This date determines any rights specified in this chapter which occur either before or after retirement.</p>
Original Definition (Ex. Sess. Laws 1967, Ch. 57, Sec. 7)	Original Definition (Laws 1959, Ch. 650, Sec. 7)	Original Definition (Ex. Sess. Laws 1959, Ch. 50, Sec. 4)
<p><i>Subd. 19. Retirement. "Retirement" means the time after a state employee is entitled to an accrued annuity, as defined in subdivision 21 of this section, payable to him pursuant to his application for annuity filed in the office of the system as provided in section 352.115, subdivision 8 or, in the case of an employee who has received a disability benefit, when he attains age 65.</i></p>	<p><i>Subd. 28. Retirement. "Retirement" means the withdrawal of a member from active public service who is paid a retirement annuity thereafter and commences with the date designated by the retirement board when the retirement annuity shall first accrue to the former member after his withdrawal from, active public service. This date shall determine any rights specified in this chapter which occur either before or after retirement, as the case may be.</i></p>	<p><i>Subd. 21. Retirement. "Retirement" means the withdrawal of a member from active teaching service who is paid a retirement annuity thereafter and commences with the date designated by the retirement board when the retirement annuity shall first accrue to the former member after his withdrawal from active teaching service. This date shall determine any rights specified, in sections 135.01 to 135.18 and 135.31 to 135.55 which occur either before or after retirement, as the case may be.</i></p>

This page left blank intentionally.

Background Information on Various Aspects of Minnesota Defined Benefit Retirement Plan Disability Benefit Coverage

1. Disability Casualty Benefit Coverage in General. Although Minnesota public pension plans exist primarily to provide retirement annuities to plan members who reach a conclusion of their regular working lifetimes, Minnesota plans have long provided casualty benefit coverage, including disability benefit coverage. Among past Minnesota public safety employee retirement plans, the local police and paid firefighter relief associations, casualty benefit coverage proceeded the age and service retirement annuity, which grew out of superannuation disability benefit coverage, when a plan participant became so enfeebled by age, without a specific illness or injury, that the person qualified for a retirement benefit.

Most Minnesota public pension plans provide disability benefit coverage as part of their package of benefits. The exceptions are the Legislators Retirement Plan, the Elective State Officers Retirement Plan, and some volunteer firefighter relief associations. As elected officials, legislators and constitutional officers who suffer a disability in office would be entitled to a continuation of salary for the length of their term unless they choose to resign before the end of their term. Volunteer firefighter relief associations are authorized to provide disability, death, or survivor benefits beyond a service pension, at their election.

Basic retirement plans, where the public pension plan coverage does not supplement Social Security coverage, provide the totality of disability benefit coverage. Coordinated retirement plans provide benefit coverage that supplements Social Security disability benefits and both provide disability coverage. Public safety and quasi-public-safety retirement plans provide disability benefits for inability to perform any significant gainful employment (total and permanent disabilities) or to perform the tasks of the person's particular employment position (occupational disabilities). General employee retirement plans provide disability benefits solely for total and permanent disabilities. The disability benefit is typically the accrued retirement annuity, unreduced for early commencement.

Disability benefits are part of the portion of a public pension plan's benefit package referred to as ancillary benefits or casualty benefits. The ancillary or casualty benefit coverage is funded actuarially in whole or in part by the primary age and service retirement annuity coverage provided by the pension plan and supplants or supplements other employment-related insurance coverage. In many Minnesota public pension plans, the disability benefit represents early access to or early payment of the unreduced benefit portion of a public pension benefit plan can become a de facto early retirement incentive program.

The principal means of regulating disability benefit utilization is the definition of disability. For the various Minnesota public pension plans other than volunteer firefighter relief associations, where the disability definition is specified in statute or special law, one of two disability definitions are used, an occupationally based definition or a non-occupational definition. The occupationally based definition is common among public safety employee pension plans, and provides that an employee is disabled if the employee is unable to perform the duties of the person's employment position due to a physical or mental impairment. The non-occupational definition, common among general or non-uniformed employee pension plans, provides that an employee is disabled if the employee is unable to engage in any substantial gainful employment. The disability definition regulates disability benefit utilization if the interpretation and administration of the definition is consistent and exacting.

2. Summary of the Current Total and Permanent Disability Definition Provisions.

MSRS-General [352.01, Subd. 17]	PERA-General [353.01, Subd. 19]	Legislators Plan
"Total and permanent disability" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that has existed or is expected to continue for a period of at least one year.	"Total and permanent disability" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long-continued and indefinite duration. Long-continued and indefinite duration means that the disability has been or is expected to be for a period of at least one year.	No disability benefit coverage.
TRA [354.05, Subd. 14]	First Class City Teachers [354A.011, Subd. 14]	Judges Retirement Plan [490.121, Subd. 13]
"Total and permanent disability" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long-continued and indefinite duration. An "indefinite duration" is a period of at least one year.	"Disability" or "permanent and total disability" means the inability of a member to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long-continued and indefinite duration which shall not be less than one year.	"Disability" means the permanent inability of a judge to continue to perform the functions of judge by reason of a physical or mental impairment resulting from a sickness or an injury.

State Patrol Plan [325B.03, Subd. 7, 12]	PERA-P&F [353.01, Subd. 41 and 46]	MSRS-Correctional [352.01, Subd. 17a-17e]	PERA-Correctional [353.001, Subd.1-4]
“Duty disability” means the physical or psychological condition that is expected to prevent a member for at least 12 months from performing the normal duties of the person’s position and that is a direct result of an injury incurred during or a disease arising out of the performance of normal duties or out of the performance of less frequent duties in either case are specifies to protecting the property and personal safety of others and prevent inherent dangers specifies to the position “Regular disability” means physical or psychological condition that is expected to prevent a member for at least 12 months from performing the normal duties of the person’s position resulting from a disease or an injury arising from non-work activities or from work normal or less frequent activities without inherent dangers specific to occupation.	“Duty disability” means the physical or psychological condition that is expected to prevent a member for at least 12 months from performing the normal duties of the person’s position and that is direct result of an injury incurred leaving or a disease arising out of the performance of inherently dangerous duties that are specific to the employment position. “Regular disability” means a physical or psychological condition that is expected, for at least 12 month, to prevent a member from performing normal or less frequent position duties that do not present inherent dangers specific to occupations covered by the retirement plan.	“Duty disability” means the physical or psychological disabling condition expected to last at least 12 months to prevent a member from performing normal duties of the employment position that is a direct result of an injury incurred during or arising out of the performance of normal duties or the performance of less frequent duties that is either of which present inherent dangers specifies to cover correctional positions. “Regular disability” means the physical or psychological disability condition expected to continue for at least months, to prevent the person from performing normal duties from a disease or injury arising from non-work activities or from work activities performing normal or less frequent duties that do not have inherent dangers specific to correctional positions.	“Duty disability” means the physical or psychological condition expected to last at least 12 months to prevent a member from performing normal of positions that is a direct result of an injury incurred during or a disease arising out of the performance of inherently dangerous duties specific to correctional positions. “Regular disability” means the physical or psychological condition expected to last at least 12 months from performing the normal correctional position duties that result from disease or an injury that arises from non-work activities or from normal or less frequent work duties that do not have the inherent dangers specific to occupational positions covered by the plan.

3. **Actuarial Cost Differential.** The calculated actuarial cost of disability benefit coverage is much higher for public safety employee retirement plans than it is for general employee retirement plans. The following sets forth the calculated normal cost requirement over time for the disability benefit coverage for PERA-P&F as compared to the State Patrol Retirement Plan, the other statewide public safety employee retirement plan; the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) and the Local Government Correctional Service Retirement Plan (PERA-Correctional), the two statewide quasi-public safety employee retirement plans; and MSRS-General, PERA-General, and the Teachers Retirement Association (TRA):

Retirement Plan	1990	1995	2000	2001	2002	2003	2004	2005
PERA-P&F	1.70%	2.12%	2.02%	2.03%	2.03%	2.26%	3.50%	3.42%
State Patrol Plan	1.84	2.39	2.39	2.41	2.43	2.43	2.50	2.50
MSRS-Correctional	0.21	0.24	1.23	1.25	1.24	1.25	1.61	1.60
PERA-Correctional	N/A	N/A	2.11	2.00	1.93	1.86	1.54	1.53
MSRS-General	0.25	0.27	0.46	0.46	0.42	0.42	0.45	0.43
PERA-General	0.30	0.49	0.49	0.49	0.37	0.37	0.34	0.35
TRA	0.47	0.62	0.10	0.10	0.21	0.21	0.18	0.19

Plan	2006	2007	2008	2009	2010	2011	2012	2013	2014
PERA-P&F	3.42%	3.18%	3.75%	2.89%	2.62%	2.86%	3.19%	2.96%	3.27%
State Patrol Plan	2.34	2.46	2.16	2.19	1.96	2.17	1.78	1.69	1.85
MSRS-Correctional	3.06	3.15	2.91	2.34	3.38	3.43	2.21	2.19	2.23
PERA-Correctional	1.49	1.48	1.92	1.88	1.82	1.82	2.08	2.02	2.00
MSRS-General	0.42	0.41	0.45	0.45	0.41	0.38	0.37	0.37	0.38
PERA-General	0.35	0.35	0.37	0.37	0.29	0.30	0.29	0.29	0.31
TRA	0.21	0.21	0.19	0.20	0.17	0.18	0.19	0.19	0.20

Sources: Table 11 of Actuarial Valuation Reports for 1990, 1995, 2000, 2001, 2002, 2003, 2008 Exhibit V of Actuarial Valuation Reports for 2004, 2005, 2006, and 2007

4. **Comparison of Current Disability Benefit Coverage Provisions.**

Retirement Plan	MSRS-General [Minn. Stat. Sec. 352.113]	PERA-General [Minn. Stat. Sec. 353.33]	TRA [Minn. Stat. Sec. 354.48]
Disability	Total and permanent disability	Total and permanent disability	Total and permanent disability
Age/Service requirement	Before normal retirement age with three years of allowable service (five years if hired after 6/30/2010).	Before normal retirement age if vested. 100% vested after three years allowable service if hired before 7/1/2010 and 100% vested after five years of allowable service if hired after 6/30/2010.	Before normal retirement age with three years of allowable service.

Retirement Plan	MSRS-General	PERA-General	TRA
Amount	Normal retirement benefit based on allowable service and average salary at disability without reduction for commencement before normal retirement age. Payments stop if disability ceases or death occurs. Benefits may be reduced on resumption of partial employment.	Normal retirement benefit based on allowable service and average salary at disability without reduction for commencement before normal retirement age. The disability benefit is reduced to that amount which, when added to Workers' Compensation, does not exceed the salary the disabled member received as of the date of the disability or the salary currently payable for the same employment position substantially similar to the one the person held as of the date of the disability, whichever is greater. If a member became disabled prior to 7/1/1997 but did not commence his or her benefit before 7/1/1997, the benefit payable is calculated under the laws in effect before 7/1/1987 and an actuarial increase shall be made for the change in the post-retirement interest rates from 5% to 6%. Payments stop if disability ceases or death occurs.	Normal retirement benefit based on allowable service and average salary at disability without reduction for commencement before normal retirement age unless an optional annuity plan is selected. Payments stop at normal retirement age or the five-year anniversary of the effective date of the disability benefit, whichever is later. Payments may stop earlier if disability ceases or death occurs. Benefits may be reduced on resumption of partial employment.
Retirement after disability age/ service requirement	Normal retirement age with continued disability.	Payments change to a retirement annuity at normal age.	Normal retirement age or the five-year anniversary of the effective date of the disability benefit, whichever is later.
Amount	Payments revert to a retirement annuity at normal retirement age. Any optional annuity continues. Otherwise, a normal retirement benefit equal to the disability benefit paid before normal retirement age, or an actuarially equivalent optional annuity.	Benefits may be reduced on resumption of partial employment.	Any optional annuity continues. Otherwise, the larger of the disability benefit paid before normal retirement age or the normal retirement benefit available at normal retirement age, or an actuarially equivalent optional annuity.
Form of payment	Same as for retirement.	Same as for retirement.	Same as for retirement.
Benefit Increases	Same as for retirement.	Same as for retirement.	Same as for retirement.

Retirement Plan	State Patrol Plan <i>[Minn. Stat. Sec. 352B.10]</i>	PERA-P&F <i>[Minn. Stat. Sec. 353.656]</i>	MSRS-Correctional <i>[Minn. Stat. Sec.352.95]</i>	PERA-Correctional <i>[Minn. Stat. Sec. 353E.06]</i>
Duty Disability	Occupational disability	Occupational disability	Occupational disability	Occupational disability
Age/Service requirement	Member who cannot perform his duties as a direct result of a disability relating to an act of duty.	Physically or mentally unable to perform normal duties as a police officer or firefighter as direct result of an act of duty specific to protecting property and personal safety of others. Members age 55 or older with 20 or more years of allowable service are not eligible to apply for duty disability benefits.	Physically or mentally unable to perform normal job duties as a direct result of a disability relating to an incident while performing the duties of the job. Members who become disabled after 6/30/2009 will have disability benefits converted to retirement benefits at age 55 instead of age 65.	Member who cannot perform his duties as a direct result of a disability relating to an act of duty specific to protecting the property and personal safety of others.
Amount	60% of average salary plus 3% of average salary for each year in excess of 20 years of allowable service (pro rata for completed months). Payments cease at age 65 or earlier if disability ceases or death occurs. Benefits may be paid upon reemployment but salary plus benefit cannot exceed current salary of position held at time of disability.	60%, plus an additional 3% for each year of service in excess of 20 years, of average salary paid until normal retirement age, of for 60 months, whichever is later. The retirement benefit is then recalculated but is never lower than the disability benefit. If a member became disabled prior to 7/1/1997 but did not commence the benefit before 7/1/1997, the benefit is calculated under the laws in	50% of average salary plus 2.4% (2.2% if first hired after 6/30/2010) of average salary for each year in excess of 20 years and 10 months of allowable service (pro rata for completed months). Payment begins at disability and ends at age 55 (age 65 if disabled prior to 7/1/2009) or the five-year anniversary of the effective date of the disability benefit, whichever is later. Payments	47.5% of average salary plus 1.9% of average salary for each year in excess of 25 years of allowable service (pro rata for completed months). Payment begins at disability and ends at age 65 or earlier if disability ceases or death occurs. Benefits may be paid upon reemployment but salary plus benefit cannot exceed current salary of position held at time of disability.

Retirement Plan	State Patrol Plan	PERA-P&F	MSRS-Correctional	PERA-Correctional
		effect before 7/1/1997 but did not commence their benefit before 7/1/1997 and an actuarial increase shall be made for the change in post- retirement interest rates from 5% to 6%.	stop earlier if disability ceases or death occurs. Benefits may be paid upon reemployment but salary plus benefit cannot exceed current salary of position held at time of disability.	
Non-Duty Disability	Disability not related to covered employment.	Physically or mentally unable to perform normal duties as a police officer or firefighter.	Employee determined to have a regular disability not related to an incident while performing the duties of the job.	Disability preventing member from performing normal duties that arise out of activities not related to covered employment or while at work, activities related to duties that do not present inherent dangers specific to the occupation.
Age/Service requirement	At least one year of allowable service.	One year of allowable service. Members age 55 or older with 15 or more years of allowable service are not eligible to apply for regular disability benefits.	At least one year of covered Correctional service for employees hired before 7/1/2009, or a vested Correctional employee hired after 6/30/2009.	At least one year of allowable service.
Amount	Normal retirement benefit based on allowable service (minimum of 15 years) and average salary at disability without reduction for commencement before age 55. Payments cease at age 65 or earlier if disability ceases or death occurs. Benefits may be paid upon reemployment, but salary plus benefit cannot exceed current salary of position held at time of disability.	45% of average salary, paid until normal retirement Age, or for 60 months, whichever is later. The retirement benefit is then recalculated, but is never lower than the disability benefit. Benefits for total and permanent regular disability are calculated as 3% of average salary for each year of allowable service, with a minimum of 45% of average salary. If a member became disabled prior to 7/1/1997 but did not commence the benefit before 7/1/1997 the benefit payable is calculated under the laws in effect before 7/1/1997 and an actuarial increase shall be made for the change in post-retirement interest rates from 5% to 6%.	Normal retirement benefit based on covered correctional Service (minimum of 15 years if hired prior to 7/1/2009) and average salary at disability. Payment begins at disability and ends at age 55 (age 65 if disabled prior to 7/1/2009) or the five-year anniversary of the effective date of the disability benefit, whichever is later. Payments stop earlier if disability ceases or death occurs.	Normal retirement benefit based on allowable service (minimum of 10 years) and average salary at disability. Payment begins at disability and ends at age 65 or earlier if the disability ceases or death occurs. Benefits may be paid upon reemployment but salary plus benefit cannot exceed current salary of position held at time of disability.
Retirement after disability age/ service requirement	Age 65 with continuing disability.	Same as for retirement.	Member is reclassified from disabled to retired at age 55 (age 65 if disabled prior to 7/1/2009).	Age 65 with continued disability.
Amount	Optional annuity continues. Otherwise, normal retirement benefit equal to the disability benefit paid, or an actuarially equivalent option.	Upon cessation of disability benefits. Any optional annuity continues. Otherwise, the larger of the disability benefit paid before age 55 or the normal retirement benefit available at age 55, or an actuarially equivalent optional annuity.	Optional amount continues. Otherwise, normal retirement benefit equal to the disability benefit paid, or an actuarially equivalent option. Benefits may be paid upon reemployment but salary plus benefit cannot exceed current salary of position held at time of disability.	Any optional annuity continues. Otherwise, the larger of the disability benefit paid before age 65 or the normal retirement benefit available at age 65, or an actuarially equivalent optional annuity.
Form of payment	Same as for retirement.	Same as for retirement.		Same as for retirement.
Benefit increase	Same as for retirement.	Same as for retirement.	Same as for retirement.	Same as for retirement.

Retirement Plan	DTRFA <i>[Minn. Stat. Sec. 354A.36]</i>	SPTFRA <i>[Minn. Stat. Sec. 354A.36]</i>	Judges <i>[Minn. Stat. Sec.490.124, Subd.4]</i>
Disability	Totally and permanently disabled.	Totally and permanently disabled.	Permanent inability to perform the function of judge.
Age/Service requirement	Under the normal retirement age, with three years of allowable service credit (five years if hired after 6/30/2010,) with at least two years of allowable service credit uninterrupted.	Three years of allowable service with service earned within the current fiscal year and at least two years of allowable service since the last interruption in service.	No benefit is paid by the fund. Instead salary is continued for one year but not beyond age 70. Employee contributions continue and allowable service is earned.
Amount	Equal to normal retirement benefit based on allowable service credit and average salary at disability without reduction for commencement before the retirement age, but reduced by any Worker's Compensation received. Payments begin after disability and ends at the normal retirement age or earlier if the disability ceases or death occurs. Benefits paid while partially employed may be reduced.	Calculated as a normal retirement benefit payable for life without reduction for early commencement. At normal retirement age, the benefit converts from a disability benefit to a retirement benefit. The disability benefit is reduced by any Workers' Compensation benefits payable.	If disability continues after the first year (or at age 70 if earlier), the larger of 25.00% of average salary or the normal retirement benefit, without reduction.
Retirement after disability age/ service requirement	Normal retirement age if still totally and permanently disabled.		Member is still disabled after salary payments cease after one year or at age 70, if earlier.
Amount	Optional annuity form continues, otherwise the larger of the disability benefit paid before the normal retirement age or the normal retirement benefit available at normal retirement age, or an actuarial equivalent optional annuity.		No change in disability benefit amount from pre-retirement computed benefit amount.
Form of payment	Same as for normal retirement.	Same as for normal retirement.	Same as for normal retirement.
Benefit Increases	Same as for normal retirement.	Same as for normal retirement.	Same as for normal retirement.

5. Federal Income Tax Treatment of Disability Benefit Coverage. Section 61(a) of the federal Internal Revenue Code provides that, except as otherwise provided by law, gross income means all income from whatever source derived, including compensation for services. Section 104(a)(1) of the federal Internal Revenue Code provides that gross income does not include amounts received under workers' compensation acts as compensation for personal injuries or sickness. Specifically, Section 104(a)(1) of the federal Internal Revenue Code provides the following:

Section 104. Compensation for injuries or sickness

(a) In General

Except in the case of amounts attributable to (and not in excess of) deductions allowed under section 213 (relating to medical, etc., expenses) for any prior taxable year, gross income does not include—

(1) amounts received under workmen's compensation acts as compensation for personal injuries or sickness;

Section 1.104-1(b) of the federal Income Tax Regulations states that section 104(a)(1) of the federal Internal Revenue Code excludes from gross income amounts received by an employee under a workers' compensation act or under a statute in the nature of a workers' compensation act that provides compensation to the employee for personal injury or sickness incurred in the course of employment. Section 104(a) (1) also applies to compensation which is paid under a workers' compensation act to the survivor or survivors of a deceased employee. Section 104(a)(1) does not apply to a retirement pension or annuity to the extent it is determined by reference to the employee's age or length of service, or the employee's prior contributions, even though the employee's retirement is occasioned by an occupational injury or sickness. Section 104(a)(1) also does not apply to amounts which are received as compensation for a non-occupational injury or sickness nor to amounts received as compensation for an occupational injury or sickness to the extent that they are in excess of the amount provided in the applicable workers' compensation act or acts.

Thus, if the public retirement plan has a duty- or occupational-based disability benefit and are in the nature of workers' compensation, the duty- or occupational-based disability benefits are excludable from the gross income of the recipients under section 104(a) (1) of the federal Internal Revenue Code to the extent that the benefit amount is not determined by reference to the disabilitant's age, length of service credit, or prior contributions.

The federal Internal Revenue Code, Section 104(a)(1), disability income exclusion replaced the pre-1977 "sick pay" provisions and is more restrictive than the pre-1977 law.

a. MSRS-General.

- In 1951 (Laws 1951, Ch. 441, Sec. 21), the current disability benefit provisions of the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) were enacted, including an internal definition of total and permanent disability, which was set as one that results from some impairment of mind or body that substantially precludes a person from performing with reasonable regularity the substantial and material parts of any gainful work or occupation that the person would be competent to perform were it not for that impairment where the impairment was founded on conditions rendering it reasonably certain that it will continue indefinitely.
- In 1959 (Ex. Sess. Laws 1959, Ch. 6, Sec. 3, 13), the definition of total and permanent disability was removed from the disability benefit section and was added to the definitions section, set essentially identical to the pre-1959 definition.
- In 1961 (Ex. Sess. Laws 1961, Ch. 67, Sec. 2), the definition was totally revamped, set as the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long-continued and indefinite duration.
- In 1975 (Laws 1975, Ch. 368, Sec. 13), the adjectival clause “which is a period of at least one year” was added to long-continued and indefinite duration.
- In 1983 (Laws 1983, Ch. 128, Sec. 3), the 1975 adjectival clause was eliminated and a sentence was added defining “long-continued and indefinite duration” as a disability that has been or is expected to be for a period of at least one year.
- In 1987 (Laws 1987, Ch. 229, Art. 6, Sec. 1, Subd. 17), the current definition was enacted, with “long-continued and indefinite duration” dropped in favor of a specification that the disability must have existed or is expected to continue for a one-year minimum period.

b. PERA-General.

- Before 1957, the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) provided no disability benefit coverage.
- In 1957 (Laws 1957, Ch. 935, Sec. 13, Subd. 1, 3), a disability benefit program was added to the retirement plan in general and defined a disability specifically, and internal within the substantive benefit provision, as the result of some impairment of mind or body that substantially precludes a person from performing with reasonable regularity the substantial and material parts of any gainful work or occupation that the person would be competent to perform were it not for that impairment when the impairment was founded upon conditions that render it reasonably certain to continue indefinitely as determined by two licensed physicians as rendering the person totally and likely permanently disabled for the further performance of the duties of the person’s assigned position in the service of the employer and consequently not entitled to compensation from the employer.
- In 1959 (Laws 1959, Ch. 650, Sec. 7, 21), the internal disability definition was replaced by a definition in the definitions section, without change in the provision.
- In 1961 (Laws 1961, Ch. 595, Sec. 1, 2), the prior definition was replaced, specifying that a total and permanent disability is the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long-continued and indefinite duration, and the previous parallel medical certification language was replaced by a statutory cross-reference.
- In 1974 (Laws 1974, Ch. 229, Sec. 6), the long-continued and indefinite duration requirement portion of the definition was augmented, specifying that the period be at least one year.
- In 1981 (Laws 1981, Ch. 180, Sec. 1), the definition was divided into two sentences, with the second sentence specifying the meaning of long-continued and indefinite duration.

c. TRA.

- In 1953, the Teachers Retirement Association (TRA) provided disability benefit coverage to members who became totally disabled and were determined by the retirement board to be permanently disqualified to render teaching service. “Total and permanent disability” was not separately defined in the 1953 law.
- In 1957 (Ex. Sess. Laws 1957, Ch. 15, Sec. 7), a disability benefit was provided for plan members electing Social Security coverage in a Social Security referendum, without any disability definition. Also in 1957 (Ex. Sess. Laws 1957, Ch. 16, Sec. 10), the pre-1957 disability coverage was replaced by a new disability benefit for totally and permanently disabled members, defined as a disability resulting from some impairment of mind or body that substantially precludes a person from performing with reasonable regularity the substantial and material parts of any gainful work or occupation that the person would be

competent to perform were it not for that impairment, where the impairment is founded upon conditions that render it reasonably certain to continue indefinitely.

- In 1959 (Ex. Sess. Laws 1959, Ch. 50, Sec. 4, 15), the “total and permanent disability” definition was moved to the general definitions section of TRA law.
- In 1961 (Laws 1961, Ch. 596, Sec. 1), the “total and permanent disability” definition was totally revised, specified as the inability to engage in any substantial gainful activity by reason of any medical determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.
- In 1974 (Laws 1974, Ch. 289, Sec. 4), the alternative requirement that the impairment be expected to result in death was eliminated and the “indefinite duration” definition was made into a separate sentence.

d. First Class City Teachers Retirement Plans.

- In 1979 (Laws 1979, Ch. 217, Sec. 1, Subd. 14), the terms “disability” or “permanent and total disability” were defined as the inability of a member to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long-continued and indefinite duration, which must not be less than one year in any event. The definition has been unchanged since 1979.

e. Judges Retirement Plan.

- In 1953, under Minnesota Statutes, Sections 490.025, Subdivision 1; 490.08; and 490.11, disability was defined as “incapacitated for the performance of...official duties” for Supreme Court judges and district court judges and was defined as “incapacitated physically or mentally from performing...judicial duties” for probate court judges.
- In 1973 (Laws 1973, Ch. 744, Sec. 1, Subd. 14), as part of the Uniform Judicial Retirement Law that replaced the separate Supreme Court Justices Retirement Plan, the District Court Judges Retirement Plan, and the Probate and County Court Judges Retirement Plan, a specific definition of “disability” was included, set as the permanent inability to perform the functions of judge by reason of physical or mental impairment resulting from sickness or injury. The definition has been unchanged since 1973.

6. Function and Statutory Development of Disability Benefit Application Time Limits. Minnesota defined benefit public pension plans generally specify time limits for filing a disability benefit application. Typically, an application cannot be filed while the individual remains an active employee, or at a minimum will not become effective while the individual remains active or is receiving some form of continuing salary. The justification for that policy is obvious: to qualify as disabled, the individual must be incapable, due to injury or illness, of continuing employment. If the individual remains in employment, then the individual is not disabled. General employee plans use a total and permanent definition of disability. Under that definition, to qualify as disabled the individual must be incapable of performing any gainful employment. Public safety plans use a less stringent standard, an occupation specific standard. Typically, a public safety plan member can qualify as disabled if the individual is incapable of continuing in the current employment position.

The plans typically place an end date on when an application can be filed. The shortest seems to be 18 months after termination of service, although a few plans have no limit. Disability benefits are payable from our public plans for a disabling event or illness that occurred while the person was a public employee. If an event or illness is sufficient to cause the person to be disabled, that should be evident within a reasonable timeframe. Also, at some point in time following termination of service, it becomes too difficult to determine whether the disabling event or illness can be traceable to the employment period, rather than to an injury, re-injury, or illness that occurred after the person left public employment.

The statutes governing the various Minnesota general employee plans, major statewide public safety plans, and correctional employee retirement plans not consistent in the time limits for filing a disability benefit application. Presumably, creating more uniformity across similar plans has merit, since this would cause similar employees to be treated more consistently.

The applicable pension policy principle established by the Legislative Commission on Pension and Retirement is Principle 2.C.11., covering deadline extensions and waivers. The principle provides:

2.C.11. Deadline Extension and Waivers

Deadline extension or waivers should be permitted only if, on case-by-case basis, it is determined that there is a sufficient equitable basis for the extension or waiver, the extension or waiver does not involve broader applicability than the pension plan members making the request, and that the extension or waiver is unlikely to constitute an inappropriate precedent for the future.

Deadline extensions or waivers of time requirements relating to public pension coverage or public pension benefits. The various Minnesota public pension plans have numerous deadlines for exercising coverage options, making payments in lieu of member contributions deductions, repaying

refunds, or applying for benefits. Like any administrative deadline, due to unfortunate occurrences, procrastination, or neglect a deadline may be missed and the remedy of a deadline extension or waiver sought. In the Commission policy principle, the Commission has emphasized both individual and group equities, in requiring that the extension be meritorious without overriding adverse individual considerations, that any broader application to individuals with comparable equitable considerations be gauged, and that no adverse future precedent will be created.

Deadlines exist in public pension plan provisions to provide closure in applications, payments, and elections, and to avoid the same “adverse election” or “election against the fund” phenomenon that occurs with purchases of prior service. Deadlines also function for administrative considerations and convenience, to keep paperwork moving smoothly. Grants of deadline extensions to individuals are comparatively rare, unlike purchases of prior service. Deadline extensions and waivers can allow an individual pension plan member to control circumstances, departing from generally applicable averages, and potentially increasing the actuarial accrued liability of the pension plan involved.

General Employee Retirement Plans Disability Benefit Application Time Limits

Retirement Plan	Eligible Applicant	Time Limit on Application
MSRS-General	Covered state employee or someone acting on behalf of the employee with satisfactory proof of authority determined by the MSRS executive director. [352.113, Subd. 2]	Application must be filed within 18 months of the termination of state employment as long as the disability occurred while in state employment. [352.113, Subd. 4, Para. (d)-(e)]
PERA-General	Covered public employees. [353.33, Subd. 1]	Application must be filed within 18 months. [353.031, Subd. 3, Para. (a)]
TRA	Covered teacher or another person authorized to act on behalf of the covered teacher. [354.48, Subd. 2]	Application must be filed within 18 months following the termination of teaching service. [354.48, Subd. 2]
MSRS-Unclassified	Participant. [352D.065, Subd. 1]	No time limitation.
First class city teacher plans (DTRFA/SPTRFA)	Eligible coordinated member. [354A.36, Subd. 1]	No time limitation.
MERF Division of PERA	Head of the department in which the contributing employee was employed, the contributing employee, or a person acting on behalf of the contributing employee. [422A.18, Subd. 1]	No time limitation.

Public Safety Employee Retirement Plans Disability Benefit Application Time Limits

Retirement Plan	Eligible Applicant	Time Limit on Application
MSRS-Correctional	Covered correctional employee. [352.95, Subd. 1]	No application before the day after the last day the correctional employee physically was on the job; application must be filed within 18 months of the termination of state employment as long as the disability occurred while in state employment. [352.95, Subd. 3]
State Patrol Retirement Plan	Member of the plan. [352B.101]	Application must be filed within 18 months of the termination of employment as long as the disability occurred while in employment. [352B.10, Subd. 2a]
PERA-P&F	Covered PERA-P&F member. [353.33, Subd. 1]	Application must be filed within 18 months. [353.031, Subd. 3, Para. (a)]
PERA-Correctional	Covered local government correctional employee. [353E.06, Subd. 1]	Application must be filed within 18 months. [353.031, Subd. 3, Para. (a)]

Special Retirement Plans Disability Benefit Application Time Limits

Retirement Plan	Eligible Applicant	Time Limit on Application
Military Affairs Personnel Retirement Plan	Covered employee. [352.85, Subd. 2]	Application must be filed within 18 months of the termination of state employment as long as the disability occurred while in state employment. [352.85, Subd. 2]
Transportation Dept. Pilots Retirement Plan	Covered employee. [352.86, Subd. 1a]	Application must be filed within 18 months of the termination of state employment as long as the disability occurred while in state employment. [352.86, Subd. 6]
State Fire Marshal Fire /Arson Investigator Retirement Plan	Eligible plan member. [352.87, Subd. 4]	Application must be filed within 18 months of the termination of state employment as long as the disability occurred while in state employment. [352.87, Subd. 6]

The 18-month restriction was created in TRA in 1981 (Laws 1981, Ch. 160, Sec. 8). Before 1981, TRA had no time limit. MSRS moved to an 18-month limit in 2009 (Laws 2009, Ch. 169, Art. 2, Sec. 9). Previously, MSRS had a 180 day after the date of termination time limit. PERA moved to an 18-month limit in 2007 (Laws 2007, Ch. 134, Art. 4, Sec. 8). Before then, time limits varied between PERA plans. PERA-General and PERA-Correctional permitted applications within three years following termination, while the limit in PERA-P&F was two years. PERA administrators concluded that two or three years was too long, and proposed restricting the time limit to 18 months, comparable to TRA.

There has been prior special legislation permitting late disability benefit applications. When the Commission has recommended provisions of this type to pass, there has been some justification which the Commission found compelling to justify the deadline waiver. The provisions are as follows:

- In 1995, H.F. 688; S.F. 643 would have permitted a teacher who was employed as a welding instructor at the Detroit Lakes vocational-technical institute before terminating in 1991, to apply for Teachers Retirement Association (TRA) disability benefits, notwithstanding the 180 days following terminating deadline in TRA law. The Commission heard this disability deadline extension request but took no action.
- In 2000 (Laws 2000, Ch. 461, Art. 19, Sec. 1), a former Minnesota Department of Economic Security employee who was disabled in 1994 was permitted to file a late disability benefit application with the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General). Testimony in connection with the 2000 special legislation indicated that the state employee involved was misinformed about his disability benefit entitlement until he was employed part-time by the Minnesota Council on Disability.
- In 2002 (Laws 2002, Ch. 392, Art. 14, Sec. 9), a former Blooming Prairie police officer who was injured while conducting traffic management at a highway accident site in 1997 was permitted to file a late disability benefit application with the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) or with the Public Employees Police and Fire Retirement Plan (PERA-P&F). Testimony in connection with the 2002 special legislation indicated that the failure of the Blooming Prairie employee to file a timely disability benefit application was due to depression and post-traumatic stress disorder resulting from the accident causing the disability.
- In 2005 (1st Spec. Sess. Laws 2005, Ch. 1, Art. 2, Sec. 159), a former Minnesota Department of Natural Resources photo lab supervisor who terminated that employment in 1998 was permitted to apply for an MSRS-General disability benefit, notwithstanding the 180-day time limit in MSRS law. The provision did specifically require that the individual provide satisfactory proof that the individual became disabled while a state employee. This provision was never heard by the Commission, but was added to an Agriculture, Environment, and Natural Resources bill.
- In 2007 (Laws 2007, Ch. 134, Art. 12, Sec. 6), a former school bus driver covered by PERA-General with a variety of health problems from prior railroad employment and school district employment was permitted to make a late disability benefit application. No equitable arguments for the authorization appear to have been offered in testimony, but the bus driver's public employment career was short, his disability benefit very modest, and he did qualify for a Railroad Retirement System disability benefit.
- In 2009 (Laws 2009, Ch. 169, Art. 12, Sec. 14), a former employee of the Minnesota Veterans Home at Silver Bay, Minnesota, who suffered from various mental health problems, had a lifting restriction, and qualified for Social Security disability benefits, was authorized to make a late disability application to MSRS-General. Testimony indicated that he was unaware of the time limit until a social service agency brought it to his attention.

7. 2004 PERA-P&F Disability Benefit Application and Determination Reforms.

- a. PERA-P&F Disability Benefit and Related Coverage. The package of disability-related benefits provided to members of the Public Employees Police and Fire Retirement Plan (PERA-P&F) includes the PERA-P&F duty disability or non-duty disability benefits, the PERA-P&F disability automatic survivor benefit coverage, and employer-paid health care coverage for duty public safety pension plan disability, as follows:
 - i. PERA-P&F Disability Benefit. Due to the hazardous nature of public safety employment, public safety plans provide generous disability benefits. In PERA-P&F, a disability receives the retirement benefit to which the individual would be eligible, but without any reduction due to early retirement, or a minimum benefit amount if the disability did not have long public safety service credit. A duty disability benefit is payable if the person is physically or mentally unable to perform duties as a police officer or firefighter as a direct result of an act of duty. The duty disability benefit amount is 60% of average salary plus 3% of average salary for each year in excess of 20 years of allowable service. The disability benefit is reduced to that amount which, when added to Workers' Compensation and actual earnings, does not exceed salary or

125% of pay for an employee at the same position. Payments change to a retirement annuity at age 65. A non-duty disability benefit is payable if the person is physically or mentally unable to perform duties as a police officer or firefighter with one year of allowable service. The non-duty disability benefit is 3% of the person's highest five successive years average salary per year of allowable service credit, with a minimum benefit based on 15 years of service credit for a shorter service disabilitant. Payments change to a retirement annuity at age 65. PERA-P&F duty and non-duty disability benefits are eligible for post-retirement adjustments from the Minnesota Post Retirement Investment Fund.

- ii. Automatic Survivor Coverage. PERA-P&F disability benefits include automatic surviving spouse coverage. If an individual were to retire under the PERA-P&F plan rather than become a PERA-P&F disabilitant, the person would need to take a reduction in the retirement benefit to provide joint and survivor coverage, if that coverage is elected. In contrast, survivor coverage comparable to that provided under a joint and survivor annuity is provided automatically to the spouse of disabilitants without any benefit reduction on the part of the disabilitant.
 - iii. Employer-Paid Health Care for Public Safety Plan Disabilitants and Their Families. Public safety plan duty-related disabilitants receive continued employer-paid health care. Minnesota Statutes, Section 299A.465, enacted in 1999, requires the employer to continue to pay the employer contribution portion of health care insurance costs to age 65 if the disability is duty-related.
- b. Pre-2004 PERA-P&F Disability Program Problems.

- i. In General. In the last few years, the Public Employees Retirement Association (PERA) has become increasingly concerned about significant increases in Public Employees Police and Fire Retirement Plan (PERA-P&F) disability applications, which has led to a sizable increase in the number of PERA-P&F disabilitants. In the broadest terms, this increased use of disability stems from the ease of qualifying for these benefits in PERA-P&F, and in public safety plans in general, and the strong financial incentive to be a PERA-P&F disabilitant prior to age 65 rather than a service retiree.
- ii. Benefit Plan Design Elements. It is easier to qualify for disability in the PERA-P&F plan than in the PERA General Employee Retirement Plan (PERA-General) because disability is based on the ability to perform in a specific public safety occupation, and PERA has not utilized historically a disability benefit application and review process that was specifically designed for a public safety employee plan. This situation has led to the need for reforms. In PERA-P&F and other public safety plans, an individual who can no longer perform the duties to which the individual had been assigned qualifies for disability. In contrast, PERA-General and other general employee plans use a far more restrictive standard, requiring that the individual must be unable to engage in any gainful employment in order to qualify for disability benefits.

Recent PERA-P&F experience studies show a large number of PERA-P&F disability applications, considerably higher than expected, by members who were approaching early retirement age for the plan (age 50) and by those who were approaching normal retirement age (age 55). Some of these applications are likely due to the strong financial incentive provided by law to seek disability benefits rather than retirement benefits for an individual who is eligible to receive either benefit.

- iii. PERA-P&F Disability Experience. In recent years, in part because of the attractive package of benefits provided to PERA-P&F disabilitants, particularly if the disability is duty-related, the number of disabilitants has been much higher than expected under the prior actuarial assumptions used in actuarial valuations. Thus, the normal cost of PERA-P&F disability coverage (and possibly the State Patrol Plan) as indicated in the actuarial valuations could be considerably understated. The higher than expected use of disability has held for all ages other than the earliest ages.

The table below, from an experience study report dated December 10, 2002, by PERA's retained actuarial firm, Mercer Human Resource Consulting, and from an experience study report dated November 10, 2010, by PERA's retained actuarial consulting firm, Mercer, shows the PERA-P&F disabilities that occurred 1997-2001 and 2004-2009 compared to the expected numbers given the assumptions used in the actuarial work. At lower ages there were fewer disabilities than expected, but from age 35 and older, there were considerably more than expected. The highest spikes are at age 45 to 49, prior to the earliest service retirement age for the plan (age 50), and particularly the age group 50 to 54, (prior to age 55, the normal retirement age for this plan) where disabilities were 283% of the expected amount. For 1997-2001, for the 50 to 54 age group, disabilities were 178% of those expected in 1997-1998, 161% in 1998-1999, 375% in 1999-2000, and 391% of those expected in 2000-2001. The 1997-2001 table also shows 28 disabilitants occur since at age 55 or after. Under the pre-1993 law, this 1997-2001 experience would not occur because these individuals would be treated as retirees.

Comparison of Actual to Expected 1997-2001				Comparison of Actual to Expected 2004-2009			
Age	Actual	Expected	Actual/Expected	Age	Actual	Expected	Actual/Expected
20-24	0	1.25	0%	<25	1	1.9	52.6%
25-29	1	7.65	13%	25-29	4	9.07	44.1
30-34	10	11.87	84%	30-34	8	15.64	51.2
35-39	17	14.93	114%	35-39	24	23.06	104.17
40-44	31	17.75	175%	40-44	38	36.36	104.5
45-49	48	26.20	183%	45-49	53	56.51	93.8
50-54	91	32.11	283%	50-54	64	71.12	90.0
55-59	21	14.05	149%	55-59	24	22.46	106.9
60-64	5	0.00	--	60-64	9	0	--
65+	2	0.00	--				
Total:	226	125.81	180%	Total:	225	236.12	95.3%

- c. 2004 PERA-P&F Disability Benefit Application and Determination Process Reforms. In 2004 (Laws 2004, Ch. 267, Art. 8, Sec. 20-25), the Legislative Commission on Pensions and Retirement recommended and the Legislature enacted several disability benefit application and review procedures for PERA-P&F. The 2004 reforms included the following PERA-P&F disability benefit applications, determination, and review procedure reforms:
- i. Benefit Application on PERA Form. The applicant must apply for benefits in writing on forms provided by the executive director (Minn. Stat. Sec. 353.656, Subd. 8, Para. (a)).
 - ii. Written Expert Report Required. The application must include adequate proof of a disability including a written report by a licensed physician, chiropractor, or psychologist (Minn. Stat. Sec. 353.656, Subd. 5, Para. (c)).
 - iii. Medical Release Required for Benefit Continuation. The individual must release all medical records, both for purposes of the initial benefit application or for later benefit continuation purposes (Minn. Stat. Sec. 353.656, Subd. 5, Para. (d)).
 - iv. Two-Year Application Filing Deadline. If the application is filed within two years of the date of the injury or illness, the disability determination depends on whether the individual is capable of performing the duties of the position held on the date of the injury or illness. If the application is filed more than two years after the injury or illness, the determination is whether the individual can perform the duties assigned during the 90 days before filing the application (Minn. Stat. Sec. 353.656, Subd. 8, Para. (b)).
 - v. Revised Standard After Two-Year Deadline. Applications can be filed after termination of service, but if the application is filed more than two years after the individual terminates from PERA-P&F covered employment, the individual must provide evidence that the disability is the direct result of an injury or illness contracted while the individual was a PERA-P&F covered employee (Minn. Stat. Sec. 353.656, Subd. 8, Para. (c)).
 - vi. Absolute Three-Year Application Deadline. PERA-P&F disability benefit applications are not permitted three years after the applicant terminated PERA-P&F-covered employment (Minn. Stat. Sec. 353.656, Subd. 8, Para. (d)).
 - vii. First Report of Duty-Related Injury Required. Every duty-related application must include a first report of injury, as specified under workers' compensation law (Minn. Stat. Sec. 353.656, Subd. 8, Para. (e)).
 - viii. Required Employer Input. The employer must provide input regarding the individual's ability to provide services (Minn. Stat. Sec. 353.656, Subd. 8, Para. (b)).
 - ix. Voidable Application without Employment Termination. If a disability benefit application is approved but the individual does not terminate service or is not placed on an authorized leave within 45 days after the application is approved, the application is voided and another may not be filed within one year (Minn. Stat. Sec. 353.656, Subd. 8, Para. (f)).
 - x. Simultaneous Retirement and Disability Applications Permitted. A disability benefit application is also permitted to file simultaneous disability benefit and retirement benefit applications, with the retirement application processed if the disability benefit application is denied (Minn. Stat. Sec. 353.656, Subd. 8, Para. (g)).
 - xi. Repayment Time Limit. Individuals may repay a refund up to six months after the effective date of the disability benefits (Minn. Stat. Sec. 353.656, Subd. 8, Para. (h)).
 - xii. Maximum Benefit Accrual Retroactivity. Benefits can accrue up to 90 days before the filing of an application, but not prior to the date of the disabling injury or illness (Minn. Stat. Sec. 353.656, Subd. 10).
 - xiii. Independent Medical Examination Required. An individual applying for or receiving disability benefits must submit to an independent medical evaluation paid for by PERA (Minn. Stat. Sec. 353.656, Subd. 11).
- d. Appeal Time Limit. Any applicant who is denied initial benefits or a benefit continuation may appeal the executive director's decision to the PERA board within 45 days of receipt of a certified letter notifying the individual of denial of benefits or benefit continuation (Minn. Stat. Sec. 353.656, Subd. 12).

8. PERA-General Early Reduced Retirement Annuities Compared to PERA-General Disability Benefits.

- a. In General. Under Minnesota Statutes, Chapter 353, Minnesota public employees who are under the normal retirement age, who terminate public employment, and who seek to receive a benefit may be entitled to a reduced early retirement annuity from the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) or a PERA-General disability benefit. The two potential benefit coverages differ in their qualification requirements and in their benefit amount calculation.
- b. PERA-General Early Reduced Retirement Annuity. A public employee who terminates active public employment at or after age 55 but before age 65 (pre-1989 hires) or age 66 (post-1988 hires) with at least three years of service credit may elect to receive a reduced early retirement annuity. The reduced early retirement annuity is a percentage of the employee's highest five successive years' average salary and will be the greater amount produced by two different calculation methods:

Method 1 (Step Rate Formula)	Method 2 (Level Formula)
<p>Method 1. For each of the first ten years of service, the retiree earns 1.2% of the average salary and for each year of service exceeding ten years, the retiree earns 1.7% of the average salary. The Rule of 90 allows early retirement with no reduction of your pension if the sum of your age and years and months of service totals at least 90. If the total of age and service does not total 90 or the retiree is not age 65, the benefit will be reduced by 3% for each year under age 65 (or from age 62 with 30 or more years of service.)</p> <p>For a retiree with 25 years of service and a high five-year average salary of \$35,000, under this method, the base (full) retirement benefit is calculated first and then the early retirement reduction is calculated, as follows:</p> <p><u>Base benefit:</u></p> $1.2\% \times \text{First 10 Years} = 12.0\%$ $1.7\% \times 15 \text{ Additional Years} = 25.5\%$ $12.0\% + 25.5\% = 37.5\%$ $37.5\% \times \$35,000 = \$13,125 \text{ } (\$1,093.75 \text{ per month})$ <p><u>Reduction:</u></p> $65 - 55 = 10 \text{ Years}$ $3\% \times 10 \text{ Years} = 30\%$ $30\% \times \$1,093.75 = \328.13 $\$1,093.75$ $- \underline{328.13} \text{ (30\% reduction)}$ $\$ 765.62 \text{ (monthly pension)}$ <p style="text-align: center;">Early Reduced Retirement Annuity Payable: \$765.62 per month</p>	<p>Method 2. For each year of service, the retiree earns 1.7% of the average salary. There is an actuarial reduction, which is about 6% per year, for each year you retire prior to full retirement age for Social Security benefits (to a maximum age 66). The Rule of 90 does not apply when this formula is used.</p> <p>For a retiree with 25 years of service and a high five-year average salary of \$35,000, under this method, the base (full) retirement benefit is calculated first and then the early retirement reduction is calculated, as follows:</p> <p><u>Base benefit:</u></p> $1.7\% \times 25 \text{ Years} = 42.5\%$ $42.5\% \times \$35,000 = \$14,875 \text{ } (\$1,239.58 \text{ per month})$ <p><u>Reduction:</u></p> <p>Based on life expectancy tables for age 55, the early retirement reduction is 49.31%.</p> $49.31\% \times \$1,239.58 = \611.24 $\$1,239.58$ $- \underline{611.24} \text{ (49.31\% reduction)}$ $\$ 628.34 \text{ (monthly pension)}$

- c. PERA-General Disability Benefit. A public employee who terminates active public employment before age 65 with at least three years of service credit, if unable to engage in any substantial gainful activity by reason of a medically determinable long-term physical or mental impairment, may elect to receive a disability benefit.

The disability benefit is the retirement annuity application to the former public employee based on the service rendered to the date of termination without reduction for early (before age 65 or before Rule of 90 age) retirement.

For a disabilitant with 25 years of service and a high five-year average salary of \$35,000, the disability benefit will be based on the level formula retirement annuity calculation method, calculated as follows:

$$1.7\% \times 25 \text{ Years} = 42.5\%$$

$$42.5\% \times \$35,000 = \$14,875 \text{ } (\$1,239.58 \text{ per month})$$

Total and Permanent Disability Benefit Payable: \$1,239.58 per month

For a former public employee with some physical or mental impairment to continued employment, the person would be advantaged if the person could qualify for a disability benefit from PERA-General rather than an early reduced retirement annuity. However, because a total and permanent disability is a severe standard of incapacity, not every former public employee with an illness or an injury will qualify for a PERA-General disability benefit.

9. Combined Service Disability Benefit Provision.

- a. Defined Benefit Plan Portability, In General. Because the items of value earned in a defined benefit plan, which are allowable service credit and salary credit, are not as fungible as money is in a defined contribution plan. When defined benefit plan members are mobile in their employment, consequently have coverage by more than one defined benefit plan, and seek to have comprehensive pension coverage at the culmination of their careers, either the service and salary credit must be transferred (with accompanying financial resources) in some manner or recognized through a portability mechanism.
- b. Combined Service Annuity. The Combined Service Annuity provision, found in Minnesota Statutes, Section 356.30, was enacted in 1975. This law provides portability between the Minnesota public pensions plans included in the provision. The provision is elective by the member. Before 1975, if a person shifted employment between a city and the state, the person would receive separate benefits from each pension plan calculated without reference to the other public employment. With the Combined Service Annuity law, the benefit calculations for a person with multiple public pension plan coverage are very similar to those for a person who changed employment between employers covered by the same plan. To provide benefit treatment for the public employee who changed employment to another public employer covered by a different retirement system that is similar to that of a public employee who changes jobs all covered by the same retirement plan, the Combined Service Annuity law requires the benefit to be computed using a common high-five average salary, with the years used for determining the high-five average salary to include the most recent employment, the prior employment, or a combination of the two, whichever provides the highest average. The common high-five average salary is then used to compute the benefits from all plans to be included in the calculations. The accrual rates and other plan features used to compute the benefits are those in effect for each included plans on the date the individual terminated from the last plan. Under the Combined Service Annuity provision, the individual is advantaged by receiving benefits from all the plans based on the recent high-five average salary, and the individual receives any benefit improvements or other plan changes that occurred since the individual terminated from the prior plan or plans.
- c. Combined Service Disability Benefit. The Combined Service Disability Benefit provision, coded as Minnesota Statutes, Section 356.302, enacted in 1987 (Laws 1987, Chapter 284, Article 8, Section 1, and also elective, provides of the recognition of any prior public service covered by another pension fund in vesting for a disability benefit, qualifies a disabilitant for a disability benefit from all funds in which the person had service credit, specifies that the disability benefit from each fund is to be calculated using a common final average salary and recognizes any continuation of service in the benefit calculation where back-loaded or front-loaded benefit accrual rates are applicable. The Combined Service Disability Benefit makes the necessary accommodation between qualifying disabilities for public safety employee pension plans where a less strict incapacitation standard is used, and for general employee pension plans, where a more stringent incapacitation standard is used. The Combined Service Disability Benefit also distinguishes between duty-related disability qualifications and non-duty-related disability qualifications. Under the Combined Service Disability Benefit provision, like the Combined Service Annuity, duplicate service credit does not result in additional benefit amounts, such as duty-related disability benefit amounts (i.e., presumed minimum length of service credit in the disability benefit calculation) that function to extend back over another period of service credit, but additional salary amounts are included in calculations. The provision is applicable to all of the major statewide pension funds, to all of the statewide specialty pension plans other than the Legislators Retirement Plan and the Elective State Officers Retirement Plan (which lack disability benefit coverage), and to all of the local general employee pension plans other than the University of Minnesota Faculty Supplemental Plan (also omitted from the Combined Service Annuity).

This page left blank intentionally.

Background Information on the Historical Development of the PERA Privatization Chapter Minnesota Statutes, Chapter 353F

1. Legislative History Concerning PERA Membership for Public Hospital and Related Employees.

Before 1963, employees of public hospitals and related health facilities were covered by the Public Employees Retirement Association (PERA) on a mandatory basis. Legislation enacted in 1951 required every person who received compensation for services performed which was paid in whole or in part from governmental revenue to be a member of PERA as a condition of the acceptance of or the continuance in public employment, including public hospital, nursing home, and extended health care facility employees (Laws 1951, Ch. 22, Sec. 10). Only public employees who were elected public officials, or who attained the age of 60 years at the time of employment or who were required to contribute to a local public pension fund or who were employed by a governmental unit which was previously never covered by PERA, were excluded. For elected public officials and employees who had attained the age of 60 years at the time of employment, membership was optional at the election of the employee. For employees who were employed by a governmental unit which was never previously covered by PERA, membership was optional at the election of the governmental subdivision through the adoption of the appropriate resolution.

In 1963, legislation was enacted which made PERA membership optional for public hospital employees (Laws 1963, Ch. 793, Sec. 3, Subd. 5, now coded as Minn. Stat. Sec. 355.72, Subd. 5). In 1963, there was no PERA Coordinated Program and no PERA-covered employees had Social Security coverage by virtue of their public employment. The 1963 legislation made public hospital employees eligible for Social Security coverage, authorizing a separate Social Security employee referendum and Social Security agreement with the federal government. Each public hospital was treated as an individual unit for purposes of the referendum. Public hospital employees were given the option of having coverage by Social Security in lieu of PERA Basic Program coverage, or retaining the PERA Basic Program coverage, or having reduced PERA coverage (under a predecessor to the PERA Coordinated Program) and Social Security coverage. The Legislative Commission on Pensions and Retirement, then an interim commission entitled the “Interim Commission on Employee Retirement Systems,” was not reestablished by the 1961 Legislature, did not function during the 1961-1962 interim or the 1963 legislative session consequently, and did not study or recommend these changes applicable to public hospital employees.

In 1967, the authority for public hospital employees to retain or terminate PERA coverage at their option was revoked (Laws 1967, Ch. 687, Sec. 22). The Commission was reestablished on an interim basis by the 1963 and 1965 Legislatures and the Commission did study and recommend this change in the optional membership for public hospital employees.

The question of optional PERA membership for public hospital employees also arose in 1969 concerning a specific public hospital, the Duluth Miller Memorial Hospital. Special legislation adopted during the 1969 legislative session, redefining the powers and duties of the directors of the hospital, included a provision which was alleged by the hospital to have given its employees the option to be members of PERA or not (Laws 1969, Ch. 224, Subd. 1). The question was resolved by an opinion of the Attorney General, which held that the Duluth Miller Memorial Hospital employees did not have the right to terminate PERA membership by virtue of the special legislation because of constitutional defects related to the manner in which the legislation was enacted, and the general policy of the legislature towards public hospital employees expressed in the 1967 general legislation on the subject (Opinion of the Attorney General to PERA dated November 10, 1971).

In 1973, PERA law was amended to specifically provide that public hospital employees are included within the definition of “public employee” and are members of PERA (Laws 1973, Ch. 753, Sec. 4). In 1975, PERA law was amended to remove one additional exception to PERA membership applicable to hospital districts by providing that only public hospital districts which were organized or reorganized pursuant to Laws 1959, Chapter 570, prior to July 1, 1975, would be excluded from the definition of “governmental subdivision,” which determines PERA coverage in part (Laws 1975, Ch. 102, Sec. 1). The exclusion for public hospital districts which were organized or reorganized pursuant to the 1959 legislation was added to PERA in 1959 (Laws 1959, Ch. 650, Sec. 2). Employees of public hospital districts which were organized or reorganized pursuant to the 1959 hospital organization legislation had retirement coverage solely from Social Security (Laws 1959, Ch. 633).

2. Pre-1999 Retirement Plan Treatment for Public Employees Affected by Public Health Care Facility Privatizations. There has been a trend among health care facilities to convert from public sector ownership to private sector or quasi-public sector ownership. These conversions have involved selling, leasing, or transferring the facility, and transferring the existing employees to that reorganized health care facility.

The privatization of health care facilities is occurring both among large and small hospitals, clinics, and related health care providers. The privatizations typically increase organizational flexibility and reduce various costs to remain financially competitive. One area of potential savings is that of retirement coverage by PERA, or other public pension plan, which may be eliminated by the privatization.

When a privatization occurs, the employees may no longer qualify as public employees for PERA pension purposes. When this occurs, membership in PERA terminates, and retirement benefit coverage problems may emerge.

Under current PERA law, three years of PERA coverage is required for vesting for employees hired before July 1, 2010, and five years is required for partial or total vesting for employees hired after June 30, 2010. For employees who terminate PERA membership without vesting, no deferred retirement annuity right typically is available. The member may elect a refund of accumulated member contributions with 6% interest, or the individual may leave the contributions at PERA, perhaps in the expectation that the individual will change employment in the future and again become a covered public employee. For a vested employee who terminates PERA membership with at least three years of service, there is a choice between a deferred retirement annuity right and a refund. The deferred retirement annuity is augmented by 3% per year under age 55 and 5% per year thereafter until retirement or 2.5% per year until retirement, depending on the date of hire, and no augmentation for members terminating after December 31, 2011.

When a privatization occurs and employees lose the right to continue coverage by the public plan, all of the employees are impacted. The employee may be terminated from employment at the time of the sale, transfer, or reorganization. Those employees will lose both continued employment and continued retirement coverage. For employees who remain employed after transfer to the newly organized health care facility, the privatization interrupts their benefit coverage. If there is no pension plan established by the privatized health care facility, the employees will suffer a loss of overall benefit coverage beyond Social Security. If a plan is provided by the new employer, portability problems between the old and new plan are likely.

Before 1999, the Legislature dealt with health care privatizations numerous times and has used several different treatments to address pension coverage issues. At times, in addition to any benefit that the employee may have been eligible for under a public pension plan, the individual was offered an alternative of an enhanced refund (employee plus employer contributions) plus interest. On at least one occasion, the individuals were permitted to remain in PERA, although that practice has not been favored in more recent years.

The following is a summary of treatments used since 1984 and before 1999.

- In 1984, relating to the privatization of the Owatonna City Hospital, legislation allowed the affected employees to receive a deferred retirement annuity with at least five years of service or to receive a refund of employee and employer contributions, plus interest at 6% compounded annually.
- In 1986, relating to the St. Paul Ramsey Medical Center reorganization, legislation allowed only a delayed right to withdraw from PERA and receipt of a refund of only member contributions plus interest at 5% compounded.
- In 1987, relating to the Albany Community Hospital and the Canby Community Hospital, legislation allowed the affected employees to receive a deferred retirement annuity with a five-year vesting period or to receive a refund of both employee and employer contributions, plus compound annual interest at 6%.
- In 1988, relating to the Gillette Children's Hospital employees, legislation continued the membership of the affected employees in the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), but excluded new employees from public pension plan coverage.
- In 1994, relating to the St. Paul Ramsey Medical Center again, legislation continued the PERA membership of existing employees who were PERA members unless the employee elected to terminate PERA membership before July 1, 1995.

- In 1995 through 1997, two approaches have been used with respect to hospital privatizations:
 - a. Public Pension Plan Membership Discontinuation with Local Employer Option. In the first model, continuing PERA coverage ends for all employees as of the time of the transfer of the health care facility to the new ownership. The new health care entity may provide a “PERA-like” plan for individuals who are transferred with the facility and remain as employees of the new entity. For individuals who are terminated at the time of the transfer, and who were not vested in PERA, the city may match any refund with interest that the individual receives from PERA. This model was used with the Olmsted County Medical Center privatization (1995), the Itasca County Medical Center (1995 and 1996), and Jackson Medical Center, Melrose Hospital, Pine Villa Nursing Home, and the Tracy Municipal Hospital and Clinic (1997), and the Glencoe Area Health Center (1998).
 - b. Special Continuing Public Pension Plan Rights after Membership Discontinuation. In the second model, termination of coverage by the public plan occurs at the time of the privatization, but the employees who terminated coverage were permitted deferred annuities (even those that were not vested) from the public plan with an augmentation rate that exceeded that used under general law, and the employees were allowed to use service with the new organization to meet age/service requirements for qualifying for the Rule of 90 under the public plan. This approach was used in 1996 for the University of Minnesota Hospital-Fairview merger. The plan that had previously provided coverage to the transferred employees was the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General).
- 3. Precedent for the PERA Privatization Law. In 1996, the Fairview and University Hospitals merged and employees at University Hospital who had been covered members of the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) were not permitted to continue as active members of that public plan because the new employer was not a public entity. Special treatment was proposed and enacted for these former public employees (coded as Ch. 352F, University Hospital Employee Retirement), including deferred annuity augmentation rates in excess of that offered to other terminated employees. The Fairview/University Hospital model for treating privatizations was later used when some similar situations arose for General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) privatized employees. Enacted in 1999, Minnesota Statutes, Chapter 353F, has been used in recent years to deal with PERA-covered public employer privatizations, either due to a sale or lease to a private sector company or nonprofit corporation, or due to reorganization that changes a public employer into a 501(c)(3) nonprofit corporation.
- 4. Minnesota Statutes, Chapter 353F, the PERA Privatization Provision, as Enacted in 1999. In 1999, three pieces of proposed legislation were introduced relating to the privatization of public hospitals:
 - H.F. 551 (Mulder); S.F. 707 (Lesewski): PERA; Luverne Hospital privatization;
 - H.F. 1027 (Molnau); S.F. 912 (Robling): PERA; Ridgeview Medical Center privatization; and
 - H.F. 1842 (Swenson); S.F. 1694 (Frederickson): PERA; Glencoe Public Hospital privatization.

The bills were heard by the Commission on February 26, 1999, and March 25, 1999. The bills proposed replicating the 1996 Fairview-University of Minnesota Hospitals merger MSRS-General legislation. The Commission ultimately decided to create a single coded law rather than three special local laws from the three bills, which was Minnesota Statutes, Section 353F. PERA did testify on the initial two bills as neutral on the proposed legislation so long as the actuarial experience gain to PERA-General from the privatization and the removal of members from plan coverage was not exceeded by the actuarial accrued liability of the enhancements in the privatization legislation.

The PERA privatization chapter provisions passed as Laws 1999, Chapter 222, Article 1, and contained the following provisions:

- a. Section 353F.01, Purpose and Intent Section, addresses the needs of PERA-General covered employees who are terminated from the plan due to the privatization of their employing unit.
- b. Section 353F.02, Definitions, defines important terms and the employers and employees who are to be covered under this chapter, including:
 - (1) Effective Date. The treatment provided under this chapter begins on the “effective date,” defined as the date the employing unit is privatized.

- (2) Covered Employers: “Medical Facility” and “Other Public Employing Unit.” A privatized entity is included under this chapter if the employing unit is listed in the definitions under “medical facility” or “other public employing unit.” The medical facilities or other public employing units included under the chapter when enacted in 1999 are Glencoe Area Health Center, Luverne Public Hospital, Waconia-Ridgeview Medical Center, and Metro II, a joint powers organization.
- (3) Eligible Employees: “Terminated Medical Facility or Other Public Employing Unit Employee” defines the employees of the privatized employing unit who are to receive the prescribed treatment. Eligible employees are those who were active PERA-General members immediately prior to the covered privatization.
- c. Enhanced Benefits. Certain benefits beyond those authorized for PERA terminated employees are extended to privatized employees who are included under the chapter. These enhanced benefits are:
- (1) Section 353F.03, Waiver of Vesting Requirements. The normal vesting period is waived, so any privatized employee would be entitled to eventually receive an annuity, notwithstanding general law regarding vesting requirements. When enacted in 1999, the PERA-General vesting requirement that would otherwise have applied was three years of service.
- (2) Section 353F.04, Increased Deferred Annuity Augmentation Rate. For the period between the date of privatization and the date of eventual retirement, the privatized employee’s deferred PERA retirement annuity will increase at the rate of 5.5% rather than 3% until January 1 of the year in which the individual turns age 55 and at the rate of 7.5% rather than 5% thereafter until retirement. However, some restrictions apply:
- These rates are no longer applicable for any time after the terminated medical facility or other public employing unit again becomes covered by any plan included in the combined service annuity provision; and
 - these rates do not apply if the individual begins receipt of a PERA retirement annuity while remaining employed with the privatized employer.
- (3) Section 353F.05, Rule of 90 Eligibility with Post-Privatization Service. For purposes of qualifying for the Rule of 90 (combination of age and total service credit totals at least 90), privatized employees will be able to count future privatized service with the privatized entity for eligibility purposes, but not for benefit computation purposes.
- d. Application, Interpretation of PERA-General Law. The chapter included a few sections clarifying how certain provisions of PERA-General law apply to privatized employees, as follows:
- (1) Section 353F.06, Application of Reemployed Annuitant Earnings Limitations. For purposes of PERA law, the privatized medical facility will be treated as a PERA employing unit for purposes of application of PERA’s reemployed annuitant earnings limitation provision. If the person leaves service with the privatized employer and commences receipt of a PERA annuity, and the employee becomes reemployed with that privatized medical facility, PERA’s reemployed annuitant earnings limitation provision will apply.
- (2) Section 353F.07, Application of Refund Provision. In lieu of an eventual PERA annuity, an eligible privatized employee may take a refund (with 6% interest) any time after beginning employment under the privatized employing unit. The refund may not be repaid unless the person again begins PERA-covered employment or employment covered by any other plan included under the combined service annuity provision.
- e. Section 353F.08, Counseling Services. PERA and the privatized employer must provide counseling services to privatized employees regarding PERA benefit provisions within 90 days of the start of privatized employment. The effective date provision for the article reflected a policy which the Commission continued to follow in later years when new entities were proposed for addition to the privatization chapter. First, some entity other than PERA (either the old or new employing unit) had to pay for the actuarial work needed to determine the impact on PERA if the privatized entity was adding to the privatization chapter. Second, the actuarial work had to indicate that PERA would not suffer an actuarial loss if the privatization was added. The effective date provision stated that the addition of Metro II would be effective if these conditions were met. For the other three privatization included in the 1999 legislation, the actuarial work had been completed in time for the Commission to make the determination that the applicable standards were met.

5. Later Revisions of Minnesota Statutes, Chapter 353F. The following is a description of the changes that have occurred in the PERA privatization chapter since its 1999 enactment:
- In 2000 (Laws 2000, Ch. 461, Art. 9), the St. Paul Civic Center privatization was added to the chapter, if the actuarial work indicated PERA would not suffer an actuarial loss.
 - In 2001 (1st Spec. Sess. Laws 2001, Ch. 10, Art. 9, Sec. 2), new Section 353F.051, Continuation of Disability Coverage, was added. Following a covered privatization, a privatized employee who suffers total and permanent disability can apply for PERA-General disability benefits if the person had a medically documented pre-existing condition prior to the privatization. The disability benefit will augment from the date of termination of PERA-General coverage due to the privatization until the accrual date of the disability benefit. A comparable provision was also added to the MSRS privatization chapter.
 - In 2002 (Laws 2002, Ch. 392, Art. 5), Kanabec Hospital was added to the chapter, if the actuarial work indicated PERA would not suffer an actuarial loss. Note: There were several efforts to privatize the Kanabec Hospital, but apparently privatization did not occur. The 2002 addition therefore became ineffective and Kanabec Hospital was dropped from the list. It was again added in 2004, but that privatization again failed to occur and it was dropped from the list in 2008.
 - In 2003 (Laws 2003, Ch. 12, Art. 5), Renville County Hospital was added to the chapter, if the actuarial work indicated PERA would not suffer an actuarial loss. Note: Renville County Hospital was dropped from the list in 2008 because the privatization failed to occur.
 - In 2004 (Laws 2004, Ch. 267, Art. 12, Sec. 1, 4), Fair Oaks Lodge (Wadena), Kanabec Hospital, RenVilla Nursing Home, and St. Peter Community Healthcare Center were added to the chapter if the actuarial work indicated PERA would not suffer an actuarial loss. Also in 2004 (Laws 2004, Ch. 267, Art. 9, Sec. 16), and the provisions in PERA-General covering annuities and refunds applicable to surviving spouses and dependent children (Minn. Stat. Sec. 353.32) made applicable to the survivors of a terminated medical facility or other public employing unit employee.
 - In 2005 (1st Spec. Sess. Laws 2005, Ch. 8, Art. 6, Sec. 1, 4), Bridges Medical Services, Hutchinson Area Health Care, and Northfield Hospital were added to the chapter, if the actuarial work indicated PERA would not suffer an actuarial loss. Note: Northfield Hospital was dropped from the list in 2008 because the privatization failed to occur.
 - In 2006 (Laws 2006, Ch. 271, Art. 5, Sec. 2, 5), City of Cannon Falls Hospital, Clearwater Health Services in Bagley, and Dassel Lakeside Bridges Medical Services were added to the chapter, if the actuarial work indicated PERA would not suffer an actuarial loss. Also in 2006 (Laws 2006, Ch. 271, Art. 5, Sec. 3), revisions were made in the deferred annuities augmentation rates, as follows:
 - (1) New Privatizations Reduced Deferred Augmentation Rates. For any privatizations occurring on or after January 1, 2007, the deferred annuity augmentation rate will be 4.0% (rather than 5.5%) through the year in which the individual attains age 55, and 6.0% (rather than 7.5%) thereafter until retirement.
 - (2) Drafting Revision. The section was divided into subdivisions, one dealing with enhanced augmentation and the other covering exceptions.
 - (3) Possible Revision in Treatment for Those Who Again Become Active Employees Covered by PERA or Another Combined Service Annuity Plan. Under the revision, the enhanced augmentation rates do not apply if the terminated medical facility or other public employing unit employee becomes an active member of any combined service annuity plan, rather than the enhanced augmentation rates are no longer applicable for any time after the terminated medical facility or other public employing unit employee becomes an active member of any combined service annuity plan.
 - In 2007 (Laws 2007, Ch. 134, Art. 5, Sec. 1), The Lakefield Nursing Home, Lakeview Nursing Home in Gaylord, and the Oakland Park Nursing Home were added to the medical facility definition, if the actuarial work indicated PERA would not suffer an actuarial loss. Also in 2007 (Laws 2007, Ch. 134, Art. 5, Sec. 2), The enhanced deferred annuities augmentation provision was revised by extending the rates generally applicable to pre-January 1, 2007, privatizations (deferred annuity augmentation of 5.5% through the year in which the individual attains age 55, and 7.5% thereafter until retirement), to Hutchinson Area Health Care, if that privatization occurred before January 1, 2008.
 - In 2008 (Laws 2008, Ch. 349, Art. 5, Sec. 26-27, and Art. 7), Kanabec Hospital, Northfield Hospital, and Renville County Hospital in Olivia were removed from the privatization chapter

because the privatizations failed to occur. The Department of Radiology and the Department of Radiation/Oncology in Rice Memorial Hospital in Willmar, and Worthington Regional Hospital were added to the privatization chapter if the actuarial work indicated PERA would not suffer an actuarial loss. Also in 2008 (Laws 2008, Ch. 349, Art. 5, Sec. 27), Rather than continuing with individual bills for each privatization and having the Commission determine whether the actuarial work for the given privatization indicates no expected loss to PERA, a new procedure was created which will have PERA determine whether these standards are met, and will have PERA submit a single bill covering all those privatizations which meet the standards. The submitted bill will also void any previously approved additions where the entity failed to privatize within one year.

- In 2009 (Laws 2009, Ch. 169, Art. 4, Sec. 20), using the certification process enacted in 2008, Weiner Memorial Medical Center was added to the privatization chapter.
- In 2010 (Laws 2010, Ch. 359, Art. 5, Sec. 17), using the certification process, Chris Jenson Health and Rehabilitation Center in St. Louis County, the Douglas County Hospital Mental Health Unit, and Wheaton Community Hospital were added to the privatization chapter. Also in 2010 (Laws 2010, Ch. 359, Art. 5, Sec. 18-19), the certification/ decertification procedure enacted in 2008 was revised to permit inclusion in the chapter, despite actuarial work indicating an expected loss to PERA, if the employer makes a lump sum payment to PERA to eliminate the expected loss, and PERA was authorized to include recommendations for inclusion/decertifying of privatizations in its administrative legislation.

6. Application of the PERA Privatization Law. As of March 15, 2015, the PERA privatization chapter applies to the following privatizations:

- | | |
|--|--|
| • Benedictine Living Community of St. Peter | • Oak Terrace Health Care Center |
| • Bridges Medical Services | • Oakland Park Nursing Home of Pennington County |
| • City of Cannon Falls Hospital/Cannon Falls Med Center of Mayo Health | • RenVilla Nursing Home/Renville Health Services |
| • Cedarview Care Center | • Rice Memorial Hospital in Willmar, with respect to the Dept. of Radiology and Dept. of Radiation/ Oncology |
| • Centracare Health of Paynesville | • St. Michael's Hospital |
| • Chris Jenson Health and Rehabilitation Center in St. Louis County | • St. Paul Civic Center Authority/St. Paul Arena Company |
| • Clearwater County Memorial Hospital d/b/a Clearwater Health Services in Bagley | • St. Peter Community Health Care Center |
| • Cornerstone Nursing & Rehabilitation Center | • Sibley Medical Center |
| • Dassel Lakeside Community Home? | • Traverse Care Center |
| • Douglas County Hospital, with respect to the Mental Health Unit | • Virginia Regional Medical Center |
| • Fair Oaks Lodge, Wadena | • Waconia-Ridgeview Medical Center/Ridgeview Medical Center |
| • Glencoe Area Health Center/Glencoe Regional Health Center | • Weiner Memorial Medical Center, Inc./Weiner Hospital of the City of Marshall |
| • Hutchinson Area Health Care | • Wheaton Community Hospital/Wheaton Hospital |
| • Lake County Sunrise Home | • Willmar Medical Services LLP |
| • Lakefield Nursing Home/Lakefield Colonial Nursing Home | • Worthington Regional Hospital/Sanford Regional Hospital of Worthington |
| • Lakeland Medical Center | • Metro II, a joint powers organization formed under Minn. Stat. Sec. 471.59 |
| • Lakeside Health Care Center | |
| • Lakeview Nursing Home in Gaylord | |
| • Luverne Public Hospital/Sanford Hospital of Luverne | |

Note: This list represents a composite of the names of privatization entities when privatization occurred and the names of privatized entities listed in the 2015 PERA Annual Financial Report.

When a PERA privatization occurs, the privatized employees are excluded from continued PERA-General coverage as active employees because the employees are no longer public employees. For purposes of the pension plan they are considered to be terminated employees although many of them may continue in the same employment, but with a new privatized employer.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 1, delete section 1 and insert:

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

1.4 Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means:

1.5 (1) a county, city, town, school district within this state; or

1.6 (2) a department, unit or instrumentality of state or local government; or

1.7 (3) any public body that

1.8 (A) was established under state or local authority that;

1.9 (B) has a governmental purpose;

1.10 (C) is under public control;

1.11 (D) is responsible for the employment and payment of the salaries of employees

1.12 of the entity; and

1.13 (E) receives a major portion of its revenues from taxation, fees, assessments or

1.14 from other public sources.

1.15 (b) Governmental subdivision also means:

1.16 (1) the Public Employees Retirement Association;

1.17 (2) the League of Minnesota Cities;

1.18 (3) the Association of Metropolitan Municipalities;

1.19 (4) charter schools formed under section 124D.10;

1.20 (5) service cooperatives exercising retirement plan participation under section

1.21 123A.21, subdivision 5, joint powers boards organized under section 471.59, subdivision

1.22 11, paragraph (a), family service collaboratives and children's mental health collaboratives

1.23 organized under section 471.59, subdivision 11, paragraph (b) or (c), provided that the

1.24 entities creating the collaboratives are governmental units that otherwise qualify for

1.25 retirement plan membership;

1.26 (6) public hospitals owned or operated by, or an integral part of, a governmental

1.27 subdivision or governmental subdivisions;

- 2.1 (7) the Association of Minnesota Counties;₂
- 2.2 (8) the Minnesota Inter-county Association;₂
- 2.3 (9) the Minnesota Municipal Utilities Association;₂
- 2.4 (10) the Metropolitan Airports Commission;₂
- 2.5 (11) the University of Minnesota with respect to police officers covered by the public
2.6 employees police and fire retirement plan,~~the Minneapolis Employees Retirement Fund~~
2.7 ~~for employment initially commenced after June 30, 1979;~~₂
- 2.8 (12) the Range Association of Municipalities and Schools;₂
- 2.9 (13) soil and water conservation districts;₂
- 2.10 (14) economic development authorities created or operating under sections 469.090
2.11 to 469.108;₂
- 2.12 (15) the Port Authority of the city of St. Paul;₂
- 2.13 (16) the Seaway Port Authority of Duluth;₂
- 2.14 (17) the Red Wing Port Authority;₂
- 2.15 (18) the Spring Lake Park Fire Department, incorporated;₂
- 2.16 (19) the Lake Johanna Volunteer Fire Department, incorporated;₂
- 2.17 (20) the Red Wing Environmental Learning Center;₂
- 2.18 (21) the Dakota County Agricultural Society;₂ and
- 2.19 (22) Hennepin Healthcare System, Inc.
- 2.20 (c) Governmental subdivision does not mean:
- 2.21 (1) any municipal housing and redevelopment authority organized under the
2.22 provisions of sections 469.001 to 469.047;~~or~~
- 2.23 (2) any port authority organized under sections 469.048 to 469.089 other than the
2.24 Port Authority of the city of St. Paul or the Seaway Port Authority of Duluth and other
2.25 than the Red Wing Port Authority;~~or~~
- 2.26 (3) any hospital district organized or reorganized ~~prior to~~ before July 1, 1975, under
2.27 sections 447.31 to 447.37 or the successor of the district; or
- 2.28 (4) the board of a family service collaborative or children's mental health
2.29 collaborative organized under sections 124D.23, 245.491 to 245.495, or 471.59, if that
2.30 board is not controlled by representatives of governmental units.
- 2.31 (d) A nonprofit corporation governed by chapter 317A or organized under Internal
2.32 Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a
2.33 governmental subdivision unless the entity has obtained a written advisory opinion from
2.34 the United States Department of Labor or a ruling from the Internal Revenue Service
2.35 declaring the entity to be an instrumentality of the state so as to provide that any future

3.1 contributions by the entity on behalf of its employees are contributions to a governmental
3.2 plan within the meaning of Internal Revenue Code, section 414(d).

3.3 (e) A ~~public body created by state or local authority~~ joint powers board established
3.4 under section 471.59, a family service collaborative and a children's health collaborative
3.5 organized under section 471.59, subdivision 11, paragraph (b) or (c), may request elect
3.6 membership on behalf of its employees by providing sufficient evidence that it meets the
3.7 requirements in paragraph (a), clause (3).

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

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

This page left blank intentionally.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 1, after line 12, insert:

1.3 "Section 1. Minnesota Statutes 2014, section 352.017, is amended by adding a
1.4 subdivision to read:

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

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

1.9 Page 26, after line 24, insert:

1.10 "Sec. 35. Minnesota Statutes 2014, section 354.72, is amended by adding a subdivision
1.11 to read:

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

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

1.16 Renumber the sections in sequence

1.17 Amend the title accordingly

This page left blank intentionally.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 10, delete section 7

1.3 Page 28, after line 9, insert:

1.4 "Sec. 36. **[356.53] AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT**
1.5 **PURCHASE PROCEDURE.**

1.6 Subdivision 1. **Application.** The procedure specified in subdivision 2 applies to
1.7 any person who is an active member of a covered retirement plan listed in subdivision
1.8 4 and applies to any authorized leave of absence period for which the acquisition of
1.9 allowable service credit is permitted by the law governing the covered retirement plan by
1.10 making a payment.

1.11 Subd. 2. **Purchase Procedure.** (a) A member of a covered retirement plan listed
1.12 in subdivision 4 may obtain service credit in that retirement plan for an authorized leave
1.13 of absence period if the member makes the payment specified in paragraph (b) or (c),
1.14 whichever applies.

1.15 (b) If payment is received by the executive director administering the applicable
1.16 covered retirement plan within one year of the date on which the person returned to
1.17 covered employment following the conclusion of the authorized leave or within 30 days of
1.18 the date on which the right to return to covered employment expired or terminated if the
1.19 person did not return to covered employment following the conclusion of the authorized
1.20 leave, whichever occurs earlier, the payment amount is equal to:

1.21 (1) the employee or member contribution and the employer contribution rates in
1.22 effect during the period of the leave in the law applicable to the covered retirement plan
1.23 applied to the average monthly salary, excluding overtime compensation, from which
1.24 deductions were made during the six months of employment preceding the leave of
1.25 absence and multiplied by the months or portions of months of the leave of absence for
1.26 which the person is eligible to receive service credit; and

2.1 (2) compound interest at the monthly rate of 0.71% from the last day of the leave
2.2 period to the last day of the month in which payment is received.

2.3 (c) If payment is not received by the executive director administering the applicable
2.4 covered retirement plan within one year of the date on which the person returned to
2.5 covered employment following the conclusion of the authorized leave or within 30 days of
2.6 the date on which the right to return to covered employment expired or terminated if the
2.7 person did not return to covered employment following the conclusion of the authorized
2.8 leave, whichever occurs earlier, the payment amount is equal to the amount determined
2.9 under section 356.551 and must be made before the termination of employment covered
2.10 by the applicable retirement plan.

2.11 (d) The employer of the person, at its option, may pay the portion of the payment
2.12 that is equivalent to the employer contributions calculated under paragraph (b), clause (1),
2.13 and the interest on that amount calculated under paragraph (b), clause (2).

2.14 Subd. 3. **Minimum service credit requirement between purchases.** If a person
2.15 acquired service credit under this section or Minnesota Statutes 2014, section 352.017,
2.16 353.0161, or 354.72, the person must have returned to employment covered by a covered
2.17 retirement plan listed in subdivision 4 and must have rendered at least three years of
2.18 service credit before becoming eligible to obtain service credit under the section again.

2.19 Subd. 4. **Covered retirement plans.** This section applies to the following
2.20 retirement plans:

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

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

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

2.26 (4) the general employees retirement plan of the Public Employees Retirement
2.27 Association, established under chapter 353, including the MERF division of the Public
2.28 Employees Retirement Association;

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

2.31 (6) the local government correctional service retirement plan of the Public
2.32 Employees Retirement Association, established under chapter 353E;

2.33 (7) the Teachers Retirement Association, established under chapter 354; and

2.34 (8) the St. Paul Teachers Retirement Fund Association, established under chapter
2.35 354A."

2.36 Page 28, line 11, before "Minnesota" insert "(a)"

3.1 Page 28, after line 12, insert:

3.2 "(b) Minnesota Statutes 2014, sections 352.017, 353.0161, and 354.72 are repealed."

This page left blank intentionally.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 1, after line 12, insert:

1.3 "Section 1. Minnesota Statutes 2014, section 352.03, subdivision 4, is amended to read:

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

1.5 (1) elect a chair;

1.6 (2) appoint an executive director;

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

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

1.13 (5) adopt procedures for the use of electronic signatures as defined in section
1.14 352L.02, paragraph (h), on applications and forms required by the system;

1.15 (6) oversee the administration of the deferred compensation plan established in
1.16 section 352.965;

1.17 ~~(6)~~ (7) oversee the administration of the health care savings plan established in
1.18 section 352.98; and

1.19 ~~(7)~~ (8) approve early retirement and optional annuity factors for all plans
1.20 administered by the system, including approving retirement annuity factors for the
1.21 unclassified state employees program under chapter 352D, subject to review by the
1.22 actuary retained by the Legislative Commission on Pensions and Retirement; establish
1.23 the schedule for the implementation of the approved factors; and notify the Legislative
1.24 Commission on Pensions and Retirement of the implementation schedule.

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

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

2.2 Page 26, after line 24, insert:

2.3 "Sec. 35. Minnesota Statutes 2014, section 354.07, subdivision 1, is amended to read:

2.4 Subdivision 1. **General powers of board.** The board has the power to:

2.5 (1) frame bylaws for its own government and for the management of the association
2.6 not inconsistent with the laws of the state and to modify them at its pleasure; to

2.7 (2) adopt, alter, and enforce reasonable rules not inconsistent with the laws of the
2.8 state for the administration and management of the association, for the payment and
2.9 collection of payments from members, and for the payment of withdrawals and benefits; to

2.10 (3) pass upon and allow or disallow applications for membership in the association
2.11 and for credit for teaching service; to pass upon and allow or disallow claims for
2.12 withdrawals, pensions, or benefits payable by the fund; to

2.13 (4) adopt procedures for the use of electronic signatures as defined in section
2.14 352L.02, paragraph (h), on applications and forms required by the association;

2.15 (5) adopt an appropriate mortality table based on experience of the association as
2.16 recommended by the actuary retained under section 356.214 and using the applicable
2.17 ~~postretirement~~ interest assumption specified in section 356.215, subdivision 8; to

2.18 (6) approve early retirement and optional annuity factors, subject to review by the
2.19 actuary retained by the Legislative Commission on Pensions and Retirement; to

2.20 (7) establish the schedule for implementation of the approved factors; to notify the
2.21 Legislative Commission on Pensions and Retirement of the implementation schedule;
2.22 and to

2.23 (8) provide for the payment out of the fund of necessary expenses for the
2.24 administration by the association and of claims for withdrawals, pensions, or benefits
2.25 allowed.

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

2.27 Sec. 36. Minnesota Statutes 2014, section 354A.021, subdivision 2, is amended to read:

2.28 Subd. 2. **Organization; board duties.** (a) Each teachers retirement fund association
2.29 shall be organized and governed pursuant to this chapter and chapter 317A, except that
2.30 each association shall be deemed to be a nonprofit corporation without coming within
2.31 the definition in section 317A.011, subdivision 6. Any corporate action of any teachers
2.32 retirement fund association taken prior to April 9, 1976, shall be deemed to be valid if it
2.33 conformed with Minnesota Statutes 1976, chapter 317 or 354A, or Revised Laws 1905,
2.34 chapter 58, as amended through April 9, 1976.

3.1 (b) In addition to the other powers and duties of a board of trustees of a first class
3.2 city teacher retirement fund association, the board shall:

3.3 (1) adopt procedures for the use of electronic signatures as defined in section
3.4 352L.02, paragraph (h), on applications and forms required by the association; and

3.5 (2) approve early retirement and optional annuity factors, subject to review by
3.6 the actuary retained by the Legislative Commission on Pensions and Retirement; shall
3.7 establish the schedule for implementation of the approved factors; and shall notify the
3.8 Legislative Commission on Pensions and Retirement of the implementation schedule.

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

3.10 Renumber the sections in sequence

3.11 Amend the title accordingly

This page left blank intentionally.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 1, after line 12, insert:

1.3 "Section 1. Minnesota Statutes 2014, section 352.03, subdivision 8, is amended to read:

1.4 Subd. 8. **Medical adviser.** The executive director may contract with an accredited
1.5 independent organization specializing in disability determinations, or a licensed
1.6 ~~physicians, or physicians on the staff of the commissioner of health as designated by the~~
1.7 ~~commissioner,~~physician to be the medical adviser to the system.

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

1.9 Page 26, after line 24, insert:

1.10 "Sec. 35. Minnesota Statutes 2014, section 354.48, subdivision 6a, is amended to read:

1.11 Subd. 6a. **Medical adviser; duties.** The executive director may contract with an
1.12 accredited independent organization specializing in disability determinations, or a licensed
1.13 ~~physicians, or physicians on the staff of the commissioner of health as designated by~~
1.14 ~~the commissioner,~~ physician to be the medical adviser to the executive director. The
1.15 medical adviser shall designate licensed physicians, licensed chiropractors, or licensed
1.16 psychologists with respect to a mental impairment, who shall examine applicants for
1.17 disability benefits. The medical adviser shall pass upon all expert reports based on any
1.18 examinations performed in order to determine whether a teacher is totally and permanently
1.19 disabled as defined in section 354.05, subdivision 14. The medical adviser shall also
1.20 investigate all health and medical statements and certificates by or on behalf of a teacher
1.21 in connection with a disability benefit, and shall report in writing to the director setting
1.22 forth any conclusions and recommendations on all matters referred to the medical adviser.

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

1.24 Renumber the sections in sequence

1.25 Amend the title accordingly

This page left blank intentionally.

- 1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:
- 1.2 Page 13, line 27, delete "or a" and insert a comma and reinstate "physicians"
- 1.3 Page 13, line 28, reinstate the stricken language
- 1.4 Page 13, line 29, reinstate "commissioner," and delete "physician"

This page left blank intentionally.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 1, after line 12, insert:

1.3 "Section 1. Minnesota Statutes 2014, section 352.03, subdivision 8, is amended to read:

1.4 Subd. 8. **Medical adviser.** The executive director ~~may~~ shall contract with an
1.5 accredited independent organization specializing in disability determinations, licensed
1.6 physicians, or physicians on the staff of the commissioner of health as designated by the
1.7 commissioner, to be the medical adviser to the system.

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

1.9 Page 13, line 26, strike "may" and insert "shall"

1.10 Page 26, after line 24, insert:

1.11 "Sec. 35. Minnesota Statutes 2014, section 354.48, subdivision 6a, is amended to read:

1.12 Subd. 6a. **Medical adviser; duties.** The executive director ~~may~~ shall contract with
1.13 an accredited independent organization specializing in disability determinations, licensed
1.14 physicians, or physicians on the staff of the commissioner of health as designated by the
1.15 commissioner, to be the medical adviser to the executive director. The medical adviser
1.16 shall designate licensed physicians, licensed chiropractors, or licensed psychologists with
1.17 respect to a mental impairment, who shall examine applicants for disability benefits. The
1.18 medical adviser shall pass upon all expert reports based on any examinations performed
1.19 in order to determine whether a teacher is totally and permanently disabled as defined in
1.20 section 354.05, subdivision 14. The medical adviser shall also investigate all health and
1.21 medical statements and certificates by or on behalf of a teacher in connection with a
1.22 disability benefit, and shall report in writing to the director setting forth any conclusions
1.23 and recommendations on all matters referred to the medical adviser.

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

This page left blank intentionally.

- 1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:
- 1.2 Page 14, delete section 12
- 1.3 Renumber the sections in sequence
- 1.4 Amend the title accordingly

This page left blank intentionally.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 14, line 27, before "accuracy" insert "The person furnishing the report must
1.3 attest to the" and reinstate the stricken language

This page left blank intentionally.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 28, after line 9, insert:

1.3 "Sec. 36. Minnesota Statutes 2014, section 356.32, subdivision 2, is amended to read:

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

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

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

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

1.11 ~~(4)~~ (2) the general employees retirement plan of the Public Employees Retirement
1.12 Association, established under chapter 353, including the MERF division of the Public
1.13 Employees Retirement Association;

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

1.16 ~~(6)~~ (3) the Teachers Retirement Association, established under chapter 354; and

1.17 ~~(7)~~ (4) the St. Paul Teachers Retirement Fund Association, established under chapter
1.18 354A.

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

1.20 Renumber the sections in sequence

1.21 Amend the title accordingly

This page left blank intentionally.

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 3, delete line 6 and insert:

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

1.4 Page 6, delete line 21 and insert:

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

1.6 Page 10, delete line 12 and insert:

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

1.8 Page 10, delete line 24 and insert:

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

1.10 Page 12, delete line 7 and insert:

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

1.12 Page 14, delete line 10 and insert:

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

1.14 Page 14, delete line 19 and insert:

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

1.16 Page 15, delete line 7 and insert:

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

1.18 Page 17, delete line 30 and insert:

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

1.20 Page 18, delete line 30 and insert:

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

1.22 Page 19, delete line 20 and insert:

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

2.1 Page 24, delete line 10 and insert:

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

2.3 Page 24, delete line 17 and insert:

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

2.5 Page 28, delete line 9 and insert:

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

1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:

1.2 Page 3, line 6, delete "the day following final enactment" and insert "July 1, 2015"

1.3 Page 6, lines 1 and 21, delete "the day following final enactment" and insert "July
1.4 1, 2015"

1.5 Page 9, line 23, delete "the day following final enactment" and insert "July 1, 2015"

1.6 Page 10, lines 12, 18, and 24, delete "the day following final enactment" and insert "
1.7 July 1, 2015"

1.8 Page 12, line 7, delete "the day following final enactment" and insert "July 1, 2015"

1.9 Page 13, lines 24 and 33, delete "the day following final enactment" and insert "
1.10 July 1, 2015"

1.11 Page 14, lines 10 and 19, delete "the day following final enactment" and insert "
1.12 July 1, 2015"

1.13 Page 15, lines 7 and 26, delete "the day following final enactment" and insert "July
1.14 1, 2015"

1.15 Page 16, lines 3, 10 and 29, delete "the day following final enactment" and insert "
1.16 July 1, 2015"

1.17 Page 17, line 30, delete "the day following final enactment" and insert "July 1, 2015"

1.18 Page 18, line 30, delete "the day following final enactment" and insert "July 1, 2015"

1.19 Page 19, line 20, delete "the day following final enactment" and insert "July 1, 2015"

1.20 Page 20, line 9, delete "the day following final enactment" and insert "July 1, 2015"

1.21 Page 21, lines 13 and 28, delete "the day following final enactment" and insert "
1.22 July 1, 2015"

1.23 Page 22, lines 19, and 30, delete "the day following final enactment" and insert "
1.24 July 1, 2015"

1.25 Page 23, lines 8, 15, and 21, delete "the day following final enactment" and insert "
1.26 July 1, 2015"

- 2.1 Page 24, lines 10 and 17, delete "the day following final enactment" and insert "
- 2.2 July 1, 2015"
- 2.3 Page 26, line 24, delete "the day following final enactment" and insert "July 1, 2015"
- 2.4 Page 27, line 26, delete "the day following final enactment" and insert "July 1, 2015"
- 2.5 Page 28, line 9, delete "the day following final enactment" and insert "July 1, 2015"
- 2.6 Page 24, after line 4, insert
- 2.7 "**EFFECTIVE DATE.** This section is effective July 1, 2015."
- 2.8 Page 24, after line 21, insert
- 2.9 "**EFFECTIVE DATE.** This section is effective July 1, 2015."

- 1.1 moves to amend H.F. No. 285; S.F. No. 55, as follows:
- 1.2 Page 4, line 5, delete the comma
- 1.3 Page 6, line 4, before "occurs" insert "means a discontinuation of employment
- 1.4 that" and strike "when"
- 1.5 Page 6, line 5, after "(1)" insert "when"
- 1.6 Page 6, line 9, reinstate "when"
- 1.7 Page 6, strike line 13 and insert "(c) "Termination of public service" does not mean a
- 1.8 disintermediation of employment when:"
- 1.9 Page 6, line 14, strike "prior to" and insert "before the"
- 1.10 Page 6, line 15, after "or" insert "to render services"
- 1.11 Page 6, line 16, after "or" insert "as an"
- 1.12 Page 6, line 19, after "or" insert "as an"
- 1.13 Page 7, line 9, before "payment" insert "making"
- 1.14 Page 9, line 19, after "Association" insert "has commenced and annuity payments
- 1.15 continue to be made"
- 1.16 Page 9, line 25, before "payment" insert "the period during which"
- 1.17 Page 10, line 16, before "credit" insert "receives good time service"
- 1.18 Page 10, line 17, delete "established under chapter 353G" and insert "certified
- 1.19 under section 353G.07"
- 1.20 Page 12, line 22, delete "authorize" and insert "adopt" and after "for" insert "the"
- 1.21 Page 14, line 18, delete "not-public" and insert "not public" and after "data" insert "
- 1.22 as defined in section 13.02, subdivision 8a,"
- 1.23 Page 14, line 26, after "and" insert "during the"
- 1.24 Page 16, line 8, delete "elected by" insert "postretirement"
- 1.25 Page 16, line 9, delete "thereafter as" and delete "in" and insert "under" and after "
- 1.26 356.415" insert "thereafter"
- 1.27 Page 17, line 15, after "may" insert a comma and after "upon" insert "written"

2.1 Page 18, line 11, after "determined" insert "under section 353.031, subdivision 8,"

2.2 Page 18, line 32, reinstate "If" and delete "When"

2.3 Page 19, line 1, delete "When" and insert "If"

2.4 Page 19, line 29, before the first comma insert " amount"

2.5 Page 21, delete section 24 and insert:

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

2.7 Subd. 5. **Disability benefit termination.** ~~The disability benefit paid to a disabled~~
 2.8 ~~local government correctional employee terminates at the end of the month in which the~~
 2.9 ~~employee reaches age 65. If the disabled local government correctional employee is~~
 2.10 ~~still disabled when the employee reaches age 65, the employee is deemed to be a retired~~
 2.11 ~~employee and, if the employee had elected an optional annuity under subdivision 3, must~~
 2.12 ~~receive an annuity in accordance with the terms of the optional annuity previously elected.~~
 2.13 ~~If the employee had not elected an optional annuity under subdivision 3, the employee~~
 2.14 ~~may elect either to receive a normal retirement annuity computed in the manner provided~~
 2.15 ~~in section 353E.04, subdivision 3, or to receive an optional annuity as provided in section~~
 2.16 ~~353.30, subdivision 3, based on the same length of service as used in the calculation of the~~
 2.17 ~~disability benefit. Election of an optional annuity must be made within 90 days before~~
 2.18 ~~attaining the age of 65 years, or reaching the five-year anniversary of the effective date of~~
 2.19 ~~the disability benefit, whichever is later.~~ (a) Disability benefits payable under this section
 2.20 must terminate on the date on which the disabilitant transfers status as a disabilitant to
 2.21 status as a retirement annuitant.

2.22 (b) The transfer date for a person whose disability benefits began to accrue before
 2.23 July 1, 2015, and who is still disabled is the end of the month in which the disabilitant
 2.24 becomes 65 years old or the five-year anniversary of the effective date of the disability
 2.25 benefit, whichever is later.

2.26 (c) The transfer date for a person whose disability benefits began to accrue after
 2.27 June 30, 2015, and who is still disabled is the end of the month in which the disabilitant
 2.28 becomes 55 years old or the five-year anniversary of the effective date of the disability
 2.29 benefit, whichever is later.

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

2.31 Page 21, after line 13, insert:

2.32 "Sec. 23. Minnesota Statutes 2014, section 353D.01, subdivision 2, is amended to read:

2.33 Subd. 2. **Eligibility.** (a) Eligibility to participate in the defined contribution plan
 2.34 is available to:

3.1 (1) elected local government officials of a governmental subdivision who elect to
3.2 participate in the plan under section 353D.02, subdivision 1, and who, for the elected
3.3 service rendered to a governmental subdivision, are not members of the Public Employees
3.4 Retirement Association within the meaning of section 353.01, subdivision 7;

3.5 (2) physicians who, if they did not elect to participate in the plan under section
3.6 353D.02, subdivision 2, would meet the definition of member under section 353.01,
3.7 subdivision 7;

3.8 (3) basic and advanced life-support emergency medical service personnel who
3.9 are employed by any public ambulance service that elects to participate under section
3.10 353D.02, subdivision 3;

3.11 (4) members of a municipal rescue squad associated with the city of Litchfield
3.12 in Meeker County, or of a county rescue squad associated with Kandiyohi County, if
3.13 an independent nonprofit rescue squad corporation, incorporated under chapter 317A,
3.14 performing emergency management services, and if not affiliated with a fire department
3.15 or ambulance service and if its members are not eligible for membership in that fire
3.16 department's or ambulance service's relief association or comparable pension plan;

3.17 (5) employees of the Port Authority of the city of St. Paul who elect to participate in
3.18 the plan under section 353D.02, subdivision 5, and who are not members of the Public
3.19 Employees Retirement Association under section 353.01, subdivision 7;

3.20 (6) city managers who elected to be excluded from the general employees retirement
3.21 plan of the Public Employees Retirement Association under section 353.028 and who
3.22 elected to participate in the public employees defined contribution plan under section
3.23 353.028, subdivision 3, paragraph (b);

3.24 (7) volunteer or emergency on-call firefighters serving in a municipal fire department
3.25 or an independent nonprofit firefighting corporation who are not covered by the public
3.26 employees police and fire retirement plan and who are not covered by a volunteer
3.27 firefighters relief association and who elect to participate in the public employees defined
3.28 contribution plan;

3.29 (8) elected county sheriffs who are former members of the police and fire plan and
3.30 who are receiving a retirement annuity as provided under section 353.651; and

3.31 (9) persons who are excluded from membership under section 353.01, subdivision
3.32 2b, paragraph (a), clause ~~(23)~~ (21).

3.33 (b) For purposes of this chapter, an elected local government official includes
3.34 a person appointed to fill a vacancy in an elective office. Service as an elected local
3.35 government official only includes service for the governmental subdivision for which the
3.36 official was elected by the public at large. Service as an elected local government official

4.1 ceases and eligibility to participate terminates when the person ceases to be an elected
 4.2 official. An elected local government official does not include an elected county sheriff
 4.3 who must be a member of the police and fire plan as provided under chapter 353.

4.4 (c) Individuals otherwise eligible to participate in the plan under this subdivision
 4.5 who are currently covered by a public or private pension plan because of their employment
 4.6 or provision of services are not eligible to participate in the public employees defined
 4.7 contribution plan.

4.8 (d) A former participant is a person who has terminated eligible employment or
 4.9 service and has not withdrawn the value of the person's individual account."

4.10 Page 26, line 9, before "supplemental" insert "police and fire"

4.11 Page 26, after line 24, insert:

4.12 "Sec. 34 Minnesota Statutes 2014, section 355.02, subdivision 4, is amended to read:

4.13 Subd. 4. **Referendum.** (a) The director shall authorize and supervise a referendum
 4.14 under section 218(d)(6)(C) of the Social Security Act to be held on the date or dates set
 4.15 by the local governmental subdivision or by the special authority or district desiring
 4.16 inclusion under subdivision 3, paragraph (b).

4.17 (b) The referendum must permit each eligible employee the opportunity to elect
 4.18 Social Security coverage.

4.19 (c) The notice of referendum required by section 218(d) of the Social Security Act
 4.20 must contain a statement sufficient to inform the person of the rights which accrue under
 4.21 the Social Security Act and the employee contribution rates applicable to the program.

4.22 (d) The agreement referred to in section 355.02 must not be made applicable to any
 4.23 service performed in any position covered by a retirement system unless a referendum is
 4.24 first held by secret ballot in which a majority of "eligible employees," as defined in section
 4.25 218(d) (3) of the Social Security Act, vote in favor thereof, or unless a retirement system
 4.26 is divided in two divisions or parts, one of which is composed of positions of members of
 4.27 the system who desire coverage and one of which is composed of positions of members of
 4.28 the system who do not desire coverage under section 218(d) (3) of the Social Security
 4.29 Act, in accordance with subsections (6) and (7) thereof.

4.30 (e) The cost of the referendum must be borne by the governmental subdivision or
 4.31 subdivisions which are required to elect a voting method.

4.32 (f) The director, on receiving satisfactory evidence that the conditions required by
 4.33 section 218 of the Social Security Act have been met, must so certify to the Secretary
 4.34 of Health and Human Services.

4.35 (g) If a retirement system is divided as described in paragraph (d), any member of
 4.36 the division of members that did not desire coverage may be transferred to the division of

5.1 members who did desire coverage as provided in section 218(d)(6)(f) of the Social Security
5.2 Act so long as the individual files a written request for such a transfer with the director."

5.3 Page 27, line 7, strike everything after "(c)"

5.4 Page 27, strike lines 8 to 13

5.5 Page 27, line 14, strike the old language and delete the new language

5.6 Page 27, delete lines 15 to 20

5.7 Page 27, line 25, after "system" insert "listed"

5.8 Page 27, line 33, before "but" insert a comma

5.9 Renumber the sections in sequence

5.10 Amend the title accordingly

This page left blank intentionally.

This Document can be made available in alternative formats upon request

State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 285

01/22/2015 Authored by O'Driscoll

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

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

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

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

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

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