

FIFTY-NINTH DAY

St. Paul, Minnesota, Friday, May 17, 2013

The Senate met at 11:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Senator Bakk imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Richard Carlson.

The members of the Senate gave the pledge of allegiance to the flag of the United States of America.

The roll was called, and the following Senators answered to their names:

Anderson	Eaton	Johnson	Osmek	Sieben
Bakk	Eken	Kent	Pappas	Skoe
Benson	Fischbach	Kiffmeyer	Pederson, J.	Sparks
Bonoff	Franzen	Koenen	Petersen, B.	Stumpf
Brown	Gazelka	Latz	Pratt	Thompson
Carlson	Goodwin	Limmer	Reinert	Tomassoni
Chamberlain	Hall	Lourey	Rest	Torres Ray
Champion	Hann	Marty	Rosen	Weber
Clausen	Hawj	Metzen	Ruud	Westrom
Cohen	Hayden	Miller	Saxhaug	Wiger
Dahle	Hoffman	Nelson	Scalze	Wiklund
Dahms	Housley	Newman	Schmit	
Dibble	Ingebrigtsen	Nienow	Senjem	
Dziedzic	Jensen	Ortman	Sheran	

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

April 26, 2013

The Honorable Sandra L. Pappas
President of the Senate

Dear Senator Pappas:

The following appointment is hereby respectfully submitted to the Senate for confirmation as required by law:

OFFICE OF ADMINISTRATIVE HEARINGS
CHIEF ADMINISTRATIVE LAW JUDGE

Tammy L. Pust, 600 N. Robert St., Saint Paul, in the county of Ramsey, effective May 8, 2013, for a term expiring on June 30, 2019.

(Referred to the Committee on State and Local Government.)

May 2, 2013

The Honorable Sandra L. Pappas
President of the Senate

Dear Senator Pappas:

The following appointments are hereby respectfully submitted to the Senate for confirmation as required by law:

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Mark Misukanis, 965 Stratford Rd., Mendota Heights, in the county of Dakota, effective May 7, 2013, for a term expiring on January 2, 2017.

David Rowland, 385 Washington St., Saint Paul, in the county of Ramsey, effective May 7, 2013, for a term expiring on January 2, 2017.

(Referred to the Committee on Higher Education and Workforce Development.)

May 8, 2013

The Honorable Sandra L. Pappas
President of the Senate

Dear Senator Pappas:

The following appointment is hereby respectfully submitted to the Senate for confirmation as required by law:

BOARD OF THE MINNESOTA STATE ACADEMIES

Jan Bailey, 2100 Valkyrie Dr. N.W. #106, Rochester, in the county of Olmsted, effective May 13, 2013, for a term expiring on January 2, 2017

(Referred to the Committee on Education.)

Sincerely,
Mark Dayton, Governor

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 671, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 671: A bill for an act relating to public safety; providing that funds received for out-of-state offenders incarcerated in Minnesota are appropriated to the Department of Corrections; modifying certificates of compliance for public contracts; appropriating money for public safety, judiciary, corrections, and human rights; amending Minnesota Statutes 2012, sections 243.51, subdivisions 1, 3; 363A.36, subdivisions 1, 2; Laws 2011, First Special Session chapter 1, article 1, section 3, subdivision 3; repealing Minnesota Statutes 2012, section 243.51, subdivision 5.

Senate File No. 671 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 16, 2013

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 840, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 840: A bill for an act relating to employment; modifying use of personal sick leave benefits; amending Minnesota Statutes 2012, section 181.9413.

Senate File No. 840 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 16, 2013

REPORTS OF COMMITTEES

Senator Bakk moved that the Committee Reports at the Desk be now adopted, with the exception of the report on S.F. No. 533. The motion prevailed.

Senator Bakk, from the Committee on Rules and Administration, to which was referred

H.F. No. 946 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
946	744				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 946 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 946, the first engrossment; and insert the language after the enacting clause of S.F. No. 744; further, delete the title of H.F. No. 946, the first engrossment; and insert the title of S.F. No. 744.

And when so amended H.F. No. 946 will be identical to S.F. No. 744, and further recommends that H.F. No. 946 be given its second reading and substituted for S.F. No. 744, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Senator Bakk, from the Committee on Rules and Administration, to which was referred

H.F. No. 392 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
392	286				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 392 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 392, the second engrossment; and insert the language after the enacting clause of S.F. No. 286, the first engrossment; further, delete the title of H.F. No. 392, the second engrossment; and insert the title of S.F. No. 286, the first engrossment.

And when so amended H.F. No. 392 will be identical to S.F. No. 286, and further recommends that H.F. No. 392 be given its second reading and substituted for S.F. No. 286, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Senator Bakk, from the Committee on Rules and Administration, to which was referred

H.F. No. 647 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
647	650				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 647 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 647, the third engrossment; and insert the language after the enacting clause of S.F. No. 650, the second engrossment; further, delete the title of H.F. No. 647, the third engrossment; and insert the title of S.F. No. 650, the second engrossment.

And when so amended H.F. No. 647 will be identical to S.F. No. 650, and further recommends that H.F. No. 647 be given its second reading and substituted for S.F. No. 650, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Senator Bakk, from the Committee on Rules and Administration, to which was referred

H.F. No. 792 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
792	768				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 792 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 792, the first engrossment; and insert the language after the enacting clause of S.F. No. 768, the first engrossment; further, delete the title of H.F. No. 792, the first engrossment; and insert the title of S.F. No. 768, the first engrossment.

And when so amended H.F. No. 792 will be identical to S.F. No. 768, and further recommends that H.F. No. 792 be given its second reading and substituted for S.F. No. 768, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Senator Pappas from the Committee on State and Local Government, to which was referred

S.F. No. 533: A bill for an act relating to state government; proposing an amendment to the Minnesota Constitution, article IV, section 9; authorizing a council to establish salaries for legislators; changing the composition of the Compensation Council; amending Minnesota Statutes 2012, section 15A.082, subdivisions 1, 2, 3.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, delete section 1 and insert:

"Section 1. CONSTITUTIONAL AMENDMENT PROPOSED.

An amendment to the Minnesota Constitution is proposed to the people. If the amendment is adopted, article IV, section 9, will read:

Sec. 9. The compensation salary of senators and representatives shall be prescribed by law. ~~No~~

increase of compensation shall take effect during the period for which the members of the existing house of representatives may have been elected. a council consisting of the following members: one person who is not a judge from each congressional district appointed by the chief justice of the Supreme Court, and one member from each congressional district appointed by the governor. If Minnesota has an odd number of congressional districts, the governor and the chief justice must each appoint an at-large member in addition to a member from each congressional district. One-half of the members appointed by the governor and one-half of the members appointed by the chief justice must belong to the political party that has the most members in the legislature. One-half of the members appointed by the governor and one-half of the members appointed by the chief justice must belong to the political party that has the second-most members in the legislature. None of the members of the council may be current or former legislators. None of the members of the council may be current or former lobbyists registered under Minnesota law. Membership terms, removal, and compensation of members shall be as provided by law. The council must prescribe salaries by March 31 of each odd-numbered year, taking into account any other legislative compensation provided to legislators by the state of Minnesota, with any changes in salary to take effect on July 1 of that year."

Page 2, line 1, delete "2014" and insert "2016"

Page 2, delete lines 3 to 6 and insert:

""Shall the Minnesota Constitution be amended to remove legislators' ability to set their own salaries, and instead establish an independent, citizens-only council to prescribe the salary of legislators?"

Yes

No ""

And when so amended the bill do pass and be re-referred to the Committee on Rules and Administration.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

SECOND READING OF HOUSE BILLS

H.F. Nos. 946, 392, 647 and 792 were read the second time.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

Senator Sieben introduced--

S.F. No. 1667: A bill for an act relating to public safety; requiring operators of residential housing facilities to notify law enforcement in certain instances when residents required to register as predatory offenders abscond from the facility; proposing coding for new law in Minnesota Statutes, chapter 243.

Referred to the Committee on Judiciary.

Senator Champion introduced—

S.F. No. 1668: A bill for an act relating to health; repealing law relating to fluoridation of municipal water; repealing Minnesota Statutes 2012, section 144.145; Minnesota Rules, part 4720.0030.

Referred to the Committee on Health, Human Services and Housing.

Senators Petersen, B.; Benson; Chamberlain; Brown and Pratt introduced—

S.F. No. 1669: A bill for an act relating to public safety; prohibiting the implementation of any federal law requiring a national identification card.

Referred to the Committee on Judiciary.

Senators Petersen, B.; Osmek and Nienow introduced—

S.F. No. 1670: A bill for an act relating to commerce; regulating gasoline sales below cost; amending Minnesota Statutes 2012, section 325D.01, subdivision 5; repealing Minnesota Statutes 2012, sections 325D.01, subdivisions 11, 12; 325D.71.

Referred to the Committee on Commerce.

Senator Eaton introduced—

S.F. No. 1671: A bill for an act relating to public safety; requiring discussion of the total economic costs of violence and a report to the legislature.

Referred to the Committee on Judiciary.

Senator Westrom introduced—

S.F. No. 1672: A bill for an act relating to taxation; minerals; removing the authorization for Pope County to impose the aggregate material tax; amending Minnesota Statutes 2012, section 298.75, subdivision 1.

Referred to the Committee on Taxes.

Senators Tomassoni, Sparks and Pederson, J. introduced—

S.F. No. 1673: A bill for an act relating to motor vehicles; establishing Minnesota Professional Golfers' Association Foundation special license plates; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 168.

Referred to the Committee on Transportation and Public Safety.

Senators Cohen, Hayden, Tomassoni, Dibble and Franzen introduced—

S.F. No. 1674: A bill for an act proposing an amendment to the Minnesota Constitution, article I, by adding a section; providing for gender equality under the law.

Referred to the Committee on Judiciary.

MOTIONS AND RESOLUTIONS

Senator Ruud introduced –

Senate Resolution No. 82: A Senate resolution congratulating James Cragun of Ironton, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

RECESS

Senator Bakk moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

CALL OF THE SENATE

Senator Sieben imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12.5, Senator Rest moved that the following members be excused for a Conference Committee on S.F. No. 661 at 1:25 p.m.:

Senators Rest, Sieben and Schmit. The motion prevailed.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12.5, Senator Skoe moved that the following members be excused for a Conference Committee on H.F. No. 677 at 1:35 p.m.:

Senators Skoe, Rest, Koenen, Dziedzic and Senjem. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Rosen moved that her name be stricken as a co-author to S.F. No. 489. The motion prevailed.

S.F. No. 1236 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 1236

A bill for an act relating to higher education; providing funding for the University of Minnesota, Minnesota State Colleges and Universities, the Minnesota Office of Higher Education, and for other higher education purposes; regulating the state grant program; limiting certain tuition increases; regulating bonus payments; eliminating state regulation of certain online instruction; providing for

local bank deposit of certain MnSCU reserves; requiring the development of strategies to assist in the completion of post-secondary programs; requiring an assessment of the feasibility of a state program to refinance student debt; creating a pilot program for intensive mentoring, counseling, and job placement activities for certain students; requiring an evaluation of which performance standards should be used to evaluate institutional eligibility for state student financial aid programs; requiring the University of Minnesota to develop a plan to reduce administrative costs; requiring a higher education mental health summit; creating a tribal college supplemental grant assistance program; recognizing veteran's experience and training for various higher education purposes; providing a pilot program for state grant aid to part-time students at MnSCU institutions; appropriating money; amending Minnesota Statutes 2012, sections 13.47, subdivision 3; 127A.70, subdivision 2; 135A.61; 136A.031, subdivision 2; 136A.101, subdivisions 3, 5a, 9; 136A.121, subdivision 5, by adding a subdivision; 136A.125, subdivisions 2, 4; 136A.233, subdivision 2; 136A.62, by adding a subdivision; 136A.646; 136A.65, subdivisions 4, 8; 136A.653, by adding a subdivision; 136F.40, subdivision 2; 137.027; 141.25, subdivision 7; 141.35; 197.775, subdivisions 1, 2, by adding a subdivision; 268.19, subdivision 1; 299A.45, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 135A; 136A; 136F; 137; repealing Minnesota Statutes 2012, section 136A.121, subdivision 9b.

May 16, 2013

The Honorable Sandra L. Pappas
President of the Senate

The Honorable Paul Thissen
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 1236 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 1236 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

HIGHER EDUCATION APPROPRIATIONS

Section 1. **SUMMARY OF APPROPRIATIONS.**

Subdivision 1. **Summary By Fund.** The amounts shown in this subdivision summarize direct appropriations, by fund, made in this article.

	<u>SUMMARY BY FUND</u>				
	<u>2014</u>		<u>2015</u>		<u>Total</u>
<u>General</u>	\$	<u>1,393,096,000</u>	\$	<u>1,422,165,000</u>	<u>2,815,261,000</u>
<u>Health Care Access</u>		<u>2,157,000</u>		<u>2,157,000</u>	<u>4,314,000</u>
<u>Total</u>	\$	<u>1,395,253,000</u>	\$	<u>1,424,322,000</u>	<u>2,819,575,000</u>

Subd. 2. **Summary By Agency - All Funds.** The amounts shown in this subdivision summarize direct appropriations, by agency, made in this article.

SUMMARY BY AGENCY - ALL FUNDS

	<u>2014</u>	<u>2015</u>	<u>Total</u>
<u>Minnesota Office of Higher Education</u>	\$ <u>227,031,000</u>	\$ <u>224,572,000</u>	\$ <u>451,603,000</u>
<u>Board of Trustees of the Minnesota State Colleges and Universities</u>	<u>587,915,000</u>	<u>605,143,000</u>	<u>1,193,058,000</u>
<u>Board of Regents of the University of Minnesota</u>	<u>578,956,000</u>	<u>593,256,000</u>	<u>1,172,212,000</u>
<u>Mayo Clinic</u>	<u>1,351,000</u>	<u>1,351,000</u>	<u>2,702,000</u>
<u>Total</u>	\$ <u>1,395,253,000</u>	\$ <u>1,424,322,000</u>	\$ <u>2,819,575,000</u>

Sec. 2. **HIGHER EDUCATION APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015.

APPROPRIATIONS
Available for the Year
Ending June 30
2014 2015

Sec. 3. **MINNESOTA OFFICE OF HIGHER EDUCATION**

Subdivision 1. **Total Appropriation** \$ 227,031,000 \$ 224,572,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **State Grants** 179,141,000 176,781,000

If the appropriation in this subdivision for either year is insufficient, the appropriation for the other year is available for it.

Subd. 3. **Child Care Grants** 6,684,000 6,684,000

<u>Subd. 4. State Work-Study</u>	<u>14,502,000</u>	<u>14,502,000</u>
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<u>Subd. 5. Interstate Tuition Reciprocity</u>	<u>11,017,000</u>	<u>11,018,000</u>
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If the appropriation in this subdivision for either year is insufficient, the appropriation for the other year is available to meet reciprocity contract obligations.

<u>Subd. 6. Safety Officer's Survivors</u>	<u>100,000</u>	<u>100,000</u>
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This appropriation is to provide educational benefits under Minnesota Statutes, section 299A.45, to eligible dependent children and to the spouses of public safety officers killed in the line of duty.

If the appropriation in this subdivision for either year is insufficient, the appropriation for the other year is available for it.

<u>Subd. 7. Indian Scholarships</u>	<u>3,100,000</u>	<u>3,100,000</u>
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The director must contract with or employ at least one person with demonstrated competence in American Indian culture and residing in or near the city of Bemidji to assist students with the scholarships under Minnesota Statutes, section 136A.126, and with other information about financial aid for which the students may be eligible. Bemidji State University must provide office space at no cost to the Minnesota Office of Higher Education for purposes of administering the American Indian scholarship program under Minnesota Statutes, section 136A.126. This appropriation includes funding to administer the American Indian scholarship program.

<u>Subd. 8. Tribal College Grants</u>	<u>150,000</u>	<u>150,000</u>
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For tribal college assistance grants under new Minnesota Statutes, section 136A.50.

<u>Subd. 9. High School-to-College Developmental Transition Grants</u>	<u>100,000</u>	<u>100,000</u>
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For grants under Minnesota Statutes, section 135A.61, for the high school-to-college developmental transition program grants.

<u>Subd. 10. Intervention for College Attendance Program Grants</u>	<u>671,000</u>	<u>671,000</u>
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For the intervention for college attendance program under Minnesota Statutes, section 136A.861.

This appropriation includes funding to administer the intervention for college attendance program grants.

<u>Subd. 11. Student-Parent Information</u>	<u>122,000</u>	<u>122,000</u>
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<u>Subd. 12. Get Ready</u>	<u>180,000</u>	<u>180,000</u>
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<u>Subd. 13. Midwest Higher Education Compact</u>	<u>95,000</u>	<u>95,000</u>
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<u>Subd. 14. Minnesota Minority Partnership</u>	<u>45,000</u>	<u>45,000</u>
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<u>Subd. 15. United Family Medicine Residency Program</u>	<u>351,000</u>	<u>351,000</u>
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For a grant to United Family Medicine residency program. This appropriation shall be used to support up to 18 resident physicians each year in family practice at United Family Medicine residency programs and shall prepare doctors to practice family care medicine in underserved rural and urban areas of the state. It is intended that this program will improve health care in underserved communities, provide affordable access to appropriate medical care, and manage the treatment of patients in a cost-effective manner.

<u>Subd. 16. MnLINK Gateway and Minitex</u>	<u>5,905,000</u>	<u>5,905,000</u>
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<u>Subd. 17. Statewide Longitudinal Education Data System</u>	<u>882,000</u>	<u>882,000</u>
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\$582,000 in fiscal year 2014 and \$582,000 in fiscal year 2015 are appropriated to the Office of Higher Education for transfer to the Office of Enterprise Technology to maintain infrastructure of the Statewide Longitudinal Education Data System and to acquire additional data through purchase and development. This transfer to the Office

of Enterprise Technology is onetime. Any ongoing information technology support or costs for the Statewide Longitudinal Education Data System will be incorporated into the service level agreement and will be paid to the Office of Enterprise Technology by the Office of Higher Education under the rates and mechanism specified in that agreement.

Subd. 18. Hennepin County Medical Center

645,000

645,000

For transfer to Hennepin County Medical Center for graduate family medical education programs at Hennepin County Medical Center.

Subd. 19. Teach for America

750,000

750,000

For the purpose of supporting Teach for America activities in Minnesota and must not be used for teaching services performed outside Minnesota. The appropriation shall be used for:

(1) expenses related to the recruitment, selection, and training of Teach for America corps members;

(2) ongoing professional development and support of Teach for America corps members;

(3) ongoing alumni support; and

(4) management and operational support, development, and central services, including finance, technology, and human services.

The appropriation for fiscal year 2015 is not available until the appropriation for fiscal year 2014 is matched by \$2,121,000 from nonstate sources.

Teach for America must by February 1, 2015, report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over higher education on activities funded by this appropriation. Specifically, and without limitation, the report must include a report on the number of teachers of color funded and on

the success of the teaching activities. To the extent possible, success must be measured using the Minnesota teachers development and evaluation program.

Subd. 20. Prosperity Act.

\$100,000 in fiscal year 2014 is appropriated from the general fund to the Office of Higher Education for the information technology costs associated with the implementation of the Prosperity Act. This is a onetime appropriation.

Subd. 21. <u>Agency Administration</u>	<u>2,491,000</u>	<u>2,491,000</u>
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Subd. 22. Balances Forward

A balance in the first year under this section does not cancel, but is available for the second year.

Subd. 23. Transfers

The Minnesota Office of Higher Education may transfer unencumbered balances from the appropriations in this section to the state grant appropriation, the interstate tuition reciprocity appropriation, the child care grant appropriation, the Indian scholarship appropriation, the state work-study appropriation, the get ready appropriation, and the public safety officers' survivors appropriation. Transfers from the child care or state work-study appropriations may only be made to the extent there is a projected surplus in the appropriation. A transfer may be made only with prior written notice to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over higher education finance.

Sec. 4. BOARD OF TRUSTEES OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES

Subdivision 1. <u>Total Appropriation</u>	<u>\$ 587,915,000</u>	<u>\$ 605,143,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Central Office and Shared Services Unit</u>	<u>33,074,000</u>	<u>33,074,000</u>
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For the Office of the Chancellor and the Shared Services Division.

<u>Subd. 3. Operations and Maintenance</u>	<u>550,726,000</u>	<u>567,954,000</u>
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This appropriation includes \$25,500,000 in fiscal year 2014 and \$52,500,000 in fiscal year 2015 for student tuition relief. The Board of Trustees may not set the tuition rate in any undergraduate degree-granting program for the 2013-2014 and 2014-2015 academic years at a rate greater than the 2012-2013 academic year rate. The student tuition relief may not be offset by increases in mandatory fees, charges, or other assessments to the student.

To the extent that appropriations under this subdivision are insufficient to meet obligations contained in a labor or program contract, the Board of Trustees shall fund those obligations through reductions in costs associated with central administration of the system and executive administration of individual campuses, or through reallocation of nonstate funds received by the system. These outstanding obligations may not be funded through reduction in any program or service that directly impacts students or that is newly-authorized by the legislature for the 2014-2015 biennium, or through increased fees or costs directly assessed to students.

\$17,000,000 in fiscal year 2014 is for retention of talented faculty and staff. No later than April 1, 2014, the Board of Trustees must report to the legislative committees with jurisdiction over higher education finance and policy on the expenditure of these funds. The report must include:

(1) the aggregate number of positions retained systemwide, and by individual campus;

(2) the criteria used to determine whether a position qualified for retention funds from this appropriation;

(3) the allocation of this appropriation among employment categories including, but not limited to, central administrative staff, executive administration on individual campuses, directors or chairs of individual programs and departments, faculty, academic support and student services staff, auxiliary services, and other employment categories as appropriate, and the average compensation increase for positions within each category;

(4) an itemized accounting of this appropriation's allocation by individual employment position, including each position's job title, the full compensation and benefit structure for that position before and after this appropriation is allocated, the percent increase in compensation and benefits for that position as a result of this appropriation, and data comparing the compensation and benefit structure offered with similar positions at peer institutions; and

(5) the number of talented faculty and staff positions targeted for retention that were not able to be retained, and the reasons those positions were not retained.

\$18,000 each year is for transfer to the Cook County Higher Education Board to provide educational programming and academic support services to remote regions in northeastern Minnesota. This appropriation is in addition to the \$102,000 per fiscal year this project currently receives. The project shall continue to provide information to the Board of Trustees on the number of students served, credit hours delivered, and services provided to students. The base appropriation under this paragraph is \$120,000 each year.

\$7,278,000 in fiscal year 2015 is for a leveraged equipment program. For the purpose of this section, "equipment" means equipment for instructional purposes for

programs that the board determines would produce graduates with skills for which there is a high employer need within the state. An equipment acquisition may be made under this appropriation only if matched by cash or in-kind contributions from nonstate sources.

No later than January 15, 2015, the Board of Trustees shall submit a report to the legislative committees with oversight over higher education finance and policy on the expenditure of these funds to date. The reports must also list each donor, and the amount contributed by the donor, or in the case of an in-kind contribution, the nature and value of the contribution, received to date for purposes of the required match.

\$50,000 in fiscal year 2014 is to convene a mental health issues summit. This is a onetime appropriation.

Five percent of the fiscal year 2015 appropriation in this subdivision is available in fiscal year 2015 when the Board of Trustees of the Minnesota State Colleges and Universities (MnSCU) demonstrates to the commissioner of management and budget that the board has met at least three of the following five performance goals:

(1) increase by at least four percent in fiscal year 2013, compared to fiscal year 2010, graduates or degrees, diplomas, and certificates conferred;

(2) increase by at least one percent the fall 2013 persistence and completion rate for fall 2012 entering students compared to the fall 2010 rate for fall 2009 entering students;

(3) increase by at least four percent the fiscal year 2013 related employment rate for 2012 graduates compared to the 2011 rate for 2010 graduates;

(4) by 2014, MnSCU must collect data on the number of Open Educational Resources (OER) tools and services offered and formulate a plan to actualize a one percent

reduction in expenses directly related to the cost of instruction incurred by students; and

(5) reallocate \$22,000,000 that became available through expense realignment in fiscal year 2014.

"Open Educational Resources" includes, but is not limited to, textbooks, study guides, worksheets, journals, video, audio recordings, massive open online courses, or other innovative course configuration.

"Cost of instruction" means average tuition, average fees, average cost to student for textbooks and related course material.

By August 1, 2013, the Board of Trustees and the Minnesota Office of Higher Education must agree on specific numerical indicators and definitions for each of the five goals that will be used to demonstrate the Minnesota State Colleges and Universities' attainment of each goal. On or before April 1, 2014, the Board of Trustees must report to the legislative committees with primary jurisdiction over higher education finance and policy the progress of the Minnesota State Colleges and Universities toward attaining the goals. The appropriation base for the next biennium shall include appropriations not made available under this subdivision for failure to meet performance goals.

<u>Subd. 4. Learning Network of Minnesota</u>	<u>4,115,000</u>	<u>4,115,000</u>
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Sec. 5. BOARD OF REGENTS OF THE UNIVERSITY OF MINNESOTA

<u>Subdivision 1. Total Appropriation</u>	<u>\$ 578,956,000</u>	<u>\$ 593,256,000</u>
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Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>576,799,000</u>	<u>591,099,000</u>
<u>Health Care Access</u>	<u>2,157,000</u>	<u>2,157,000</u>

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. Operations and Maintenance

515,211,000

529,511,000

This appropriation includes funding for operation and maintenance of the system.

This appropriation includes \$14,200,000 in fiscal year 2014 and \$28,400,000 in fiscal year 2015 for tuition relief. The Board of Regents is requested to maintain the Minnesota resident undergraduate tuition rate for the 2013-2014 and 2014-2015 academic years at the 2012-2013 academic year rate.

\$17,775,000 in fiscal year 2014 and \$17,875,000 in fiscal year 2015 are for the Minnesota Discovery, Research, and InnoVation Economy (MnDRIVE) funding program.

Five percent of the fiscal year 2015 appropriation in this subdivision is available in fiscal year 2015 when the Board of Regents of the University of Minnesota demonstrates to the commissioner of management and budget that the board has met at least three of the following five performance goals:

(1) increase by at least one percent the Twin Cities campus undergraduate four-year, five-year, or six-year graduation rates averaged over three years, for low-income students reported in fall 2014 over fall 2012. The average rate for fall 2012 is calculated with the fall 2010, 2011, and 2012 graduation rates;

(2) increase by at least three percent the total number of undergraduate STEM degrees, averaged over three years, conferred by the University of Minnesota Twin Cities campus reported in fiscal year 2014 over fiscal year 2012. The averaged number for fall 2012 is calculated with the fall 2010, 2011, and 2012 number;

(3) increase by at least one percent the four-year, five-year, or six-year graduation rates, averaged over three years, at the University of Minnesota reported in fall 2014 over fall 2012. The average rate for fall 2012 is calculated with the fall 2010, 2011, and 2012 graduation rates;

(4) for fiscal year 2014, decrease administrative costs by \$15,000,000; and

(5) increase invention disclosures by three percent for fiscal year 2014 over fiscal year 2013 (net of student disclosures).

By August 1, 2013, the Board of Regents and the Minnesota Office of Higher Education must agree on specific numerical indicators and definitions for each of the five goals that will be used to demonstrate the University of Minnesota's attainment of each goal. On or before April 1, 2014, the Board of Regents must report to the legislative committees with primary jurisdiction over higher education finance and policy the progress of the University of Minnesota toward attaining the goals. The appropriation base for the next biennium shall include appropriations not made available under this subdivision for failure to meet performance goals.

Subd. 3. Primary Care Education Initiatives

2,157,000

2,157,000

This appropriation is from the health care access fund.

Subd. 4. Special Appropriations

(a) Agriculture and Extension Service

42,922,000

42,922,000

For the Agricultural Experiment Station and the Minnesota Extension Service:

(1) the agricultural experiment stations and Minnesota Extension Service must convene agricultural advisory groups to focus research, education, and extension activities on producer needs and implement an outreach strategy that more effectively and rapidly

transfers research results and best practices to producers throughout the state;

(2) this appropriation includes funding for research and outreach on the production of renewable energy from Minnesota biomass resources, including agronomic crops, plant and animal wastes, and native plants or trees. The following areas should be prioritized and carried out in consultation with Minnesota producers, renewable energy, and bioenergy organizations:

(i) biofuel and other energy production from perennial crops, small grains, row crops, and forestry products in conjunction with the Natural Resources Research Institute (NRRI);

(ii) alternative bioenergy crops and cropping systems; and

(iii) biofuel coproducts used for livestock feed;

(3) this appropriation includes funding for the College of Food, Agricultural, and Natural Resources Sciences to establish and provide leadership for organic agronomic, horticultural, livestock, and food systems research, education, and outreach and for the purchase of state-of-the-art laboratory, planting, tilling, harvesting, and processing equipment necessary for this project;

(4) this appropriation includes funding for research efforts that demonstrate a renewed emphasis on the needs of the state's agriculture community. The following areas should be prioritized and carried out in consultation with Minnesota farm organizations:

(i) vegetable crop research with priority for extending the Minnesota vegetable growing season;

(ii) fertilizer and soil fertility research and development;

(iii) soil, groundwater, and surface water conservation practices and contaminant reduction research;

(iv) discovering and developing plant varieties that use nutrients more efficiently;

(v) breeding and development of turf seed and other biomass resources in all three Minnesota biomes;

(vi) development of new disease-resistant and pest-resistant varieties of turf and agronomic crops;

(vii) utilizing plant and livestock cells to treat and cure human diseases;

(viii) the development of dairy coproducts;

(ix) a rapid agricultural response fund for current or emerging animal, plant, and insect problems affecting production or food safety;

(x) crop pest and animal disease research;

(xi) developing animal agriculture that is capable of sustainably feeding the world;

(xii) consumer food safety education and outreach;

(xiii) programs to meet the research and outreach needs of organic livestock and crop farmers; and

(xiv) alternative bioenergy crops and cropping systems; and growing, harvesting, and transporting biomass plant material; and

(5) by February 1, 2015, the Board of Regents must submit a report to the legislative committees and divisions with responsibility for agriculture and higher education finance on the status and outcomes of research and initiatives funded in this section.

(b) Health Sciences

4,854,000

4,854,000

\$346,000 each year is to support up to 12 resident physicians in the St. Cloud Hospital family practice residency program. The program must prepare doctors to practice

primary care medicine in rural areas of the state. The legislature intends this program to improve health care in rural communities, provide affordable access to appropriate medical care, and manage the treatment of patients in a more cost-effective manner. The remainder of this appropriation is for the rural physicians associates program, the Veterinary Diagnostic Laboratory, health sciences research, dental care, and the Biomedical Engineering Center.

(c) Institute of Technology

1,140,000

1,140,000

For the geological survey and the talented youth mathematics program.

(d) System Special

5,181,000

5,181,000

For general research, the Labor Education Service, Natural Resources Research Institute, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey exhibit.

Of this amount, \$125,000 in fiscal year 2014 and \$125,000 in fiscal year 2015 are added to the base for the Labor Education Service.

(e) University of Minnesota and Mayo Foundation Partnership

7,491,000

7,491,000

For the direct and indirect expenses of the collaborative research partnership between the University of Minnesota and the Mayo Foundation for research in biotechnology and medical genomics. This appropriation is available until expended. An annual report on the expenditure of these funds must be submitted to the governor and the chairs of the legislative committee responsible for higher education finance by June 30 of each fiscal year.

Subd. 5. Academic Health Center

The appropriation for Academic Health Center funding under Minnesota Statutes, section 297F.10, is estimated to be \$22,250,000 each year.

Sec. 6. MAYO CLINIC

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>1,351,000</u>	<u>\$</u>	<u>1,351,000</u>
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The amounts that may be spent are specified in the following subdivisions.

<u>Subd. 2. Medical School</u>		<u>665,000</u>		<u>665,000</u>
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The state must pay a capitation each year for each student who is a resident of Minnesota. The appropriation may be transferred between each year of the biennium to accommodate enrollment fluctuations. It is intended that during the biennium the Mayo Clinic use the capitation money to increase the number of doctors practicing in rural areas in need of doctors.

<u>Subd. 3. Family Practice and Graduate Residency Program</u>		<u>686,000</u>		<u>686,000</u>
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The state must pay stipend support for up to 27 residents each year.

ARTICLE 2

HIGHER EDUCATION POLICY

Section 1. Minnesota Statutes 2012, section 13.47, subdivision 3, is amended to read:

Subd. 3. **Dissemination.** (a) Employment and training data may be disseminated by employment and training service providers:

(a) (1) to other employment and training service providers to coordinate the employment and training services for the data subject or to determine eligibility or suitability for services from other programs;

(b) (2) to local and state welfare agencies for monitoring the eligibility of the participant for assistance programs, or for any employment or training program administered by those agencies; and

(c) (3) to the commissioner of employment and economic development.

(b) The commissioner of employment and economic development may disseminate employment and training data to the Office of Higher Education for purposes of supporting program improvement, system evaluation, and research initiatives including the Statewide Longitudinal Education Data System.

Sec. 2. Minnesota Statutes 2012, section 127A.70, subdivision 2, is amended to read:

Subd. 2. **Powers and duties; report.** (a) The partnership shall develop recommendations to the governor and the legislature designed to maximize the achievement of all P-20 students while promoting the efficient use of state resources, thereby helping the state realize the maximum value for its investment. These recommendations may include, but are not limited to, strategies, policies, or other actions focused on:

(1) improving the quality of and access to education at all points from preschool through graduate education;

(2) improving preparation for, and transitions to, postsecondary education and work; and

(3) ensuring educator quality by creating rigorous standards for teacher recruitment, teacher preparation, induction and mentoring of beginning teachers, and continuous professional development for career teachers.

(b) Under the direction of the P-20 Education Partnership Statewide Longitudinal Education Data System Governance Committee, the Office of Higher Education, and the Departments of Education and Employment and Economic Development shall improve and expand the statewide longitudinal education data system (SLEDS) to provide policymakers, education and workforce leaders, researchers, and members of the public with data, research, and reports to:

(1) expand reporting on students' educational outcomes;

(2) evaluate the effectiveness of educational and workforce programs; and

(3) evaluate the relationship between education and workforce outcomes.

To the extent possible under federal and state law, research and reports should be accessible to the public on the Internet, and disaggregated by demographic characteristics, organization or organization characteristics, and geography.

It is the intent of the legislature that the statewide longitudinal education data system inform public policy and decision-making. The SLEDS governance committee, with assistance from staff of the Office of Higher Education, the Department of Education, and the Department of Employment and Economic Development, shall respond to legislative committee and agency requests on topics utilizing data made available through the statewide longitudinal education data system as resources permit. Any analysis of or report on the data must contain only summary data.

(c) By January 15 of each year, the partnership shall submit a report to the governor and to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over P-20 education policy and finance that summarizes the partnership's progress in meeting its goals and identifies the need for any draft legislation when necessary to further the goals of the partnership to maximize student achievement while promoting efficient use of resources.

Sec. 3. Minnesota Statutes 2012, section 135A.031, subdivision 7, is amended to read:

Subd. 7. **Reports.** (a) ~~Instructional and noninstructional expenditure data and enrollment data must be submitted in the biennial budget document under section 135A.034. This report must include a description of the methodology for determining instructional and noninstructional expenditures and estimates of inflation in higher education and the methodology or index used to determine the inflation rate. The University of Minnesota and the Minnesota State Colleges and Universities systems shall include in their biennial budget proposals to the legislature:~~

(1) a five-year history of systemwide expenditures, reported by:

(i) functional areas, including instruction, research, public service, student financial aid, and auxiliary services, and including direct costs and indirect costs, such as institutional support, academic support, student services, and facilities management, associated with each functional area; and

(ii) objects of expenditure, such as salaries, benefits, supplies, and equipment;

(2) a five-year history of the system's total instructional expenditures per full-year equivalent student, by level of instruction, including upper-division undergraduate, lower-division undergraduate, graduate, professional, and other categories of instructional programs offered by the system;

(3) a five-year history of the system's total revenues by funding source, including tuition, state operations and maintenance appropriations, state special appropriations, other restricted state funds, federal appropriations, sponsored research funds, gifts, auxiliary revenue, indirect cost recovery, and any other revenue sources;

~~(b) By February 1 of each even-numbered year, the Board of Regents of the University of Minnesota and the Board of Trustees of the Minnesota State Colleges and Universities must submit a report to the chairs of the legislative committees with jurisdiction over higher education policy and finance. The report must describe the following:~~

~~(1) (4) an explanation describing how state appropriations made to the system in the previous odd-numbered year biennium were allocated and the methodology used to determine the allocation;~~

~~(2) (5) data describing how the institution reallocated resources to advance the priorities set forth in the budget submitted under section 135A.034 and the statewide objectives under section 135A.011. The information must indicate whether instruction and support programs received a reduction in or additional resources. The total amount reallocated must be clearly explained;~~

~~(3) (6) the tuition rates and fees established by the governing board in each of the past ten years and comparison data for peer institutions and national averages;~~

~~(4) (7) data on the number and proportion of students graduating within four, five, and six years from universities and within three years from colleges as reported in the integrated postsecondary education data system. These data must be provided for each institution by race, ethnicity, and gender. Data and information must be submitted that describe the system's plan and progress toward attaining the goals set forth in the plan to increase the number and proportion of students that graduate within four, five, or six years from a university or within three years from a college;~~

~~(5) (8) data on, and the methodology used to measure, the number of students traditionally underrepresented in higher education enrolled at the system's institutions. Data and information must be submitted that describe the system's plan and progress toward attaining the goals set forth in the plan to increase the recruitment, retention, and timely graduation of students traditionally underrepresented in higher education; and~~

~~(6) (9) data on the revenue received from all sources to support research or workforce development activities or the system's efforts to license, sell, or otherwise market products, ideas, technology, and related inventions created in whole or in part by the system. Data and information must be submitted that describe the system's plan and progress toward attaining the goals set~~

forth in the plan to increase the revenue received to support research or workforce development activities or revenue received from the licensing, sale, or other marketing and technology transfer activities by the system.

~~(c) Instructional expenditure and enrollment data~~ (b) Data required by this subdivision shall be submitted by the public postsecondary systems to the Minnesota Office of Higher Education and the Department of Management and Budget and included in the biennial budget document. The specific data shall be submitted only after the director of the Minnesota Office of Higher Education has consulted with a data advisory task force to determine the need, content, and detail of the information. Representatives from each system, in consultation with the commissioner of management and budget and the director of the Office of Higher Education, shall develop consistent reporting practices for this purpose.

(c) To the extent practicable, each system shall develop the ability to respond to legislative requests for financial analyses that are more detailed than those required by this subdivision, including but not limited to analyses that show expenditures or revenues by institution or program, or in multiple categories of expenditures or revenues, and analyses that show revenue sources for particular types of expenditures.

Sec. 4. Minnesota Statutes 2012, section 135A.61, is amended to read:

135A.61 HIGH SCHOOL-TO-COLLEGE DEVELOPMENTAL TRANSITION PROGRAMS PROGRAM GRANTS.

Subdivision 1. **High school-to-college developmental transition programs program grants.** ~~All public higher education systems and other higher education institutions in Minnesota are encouraged to offer~~ (a) The director of the Minnesota Office of Higher Education shall award competitive matching grants to Minnesota public and private postsecondary institutions offering research-based high school-to-college developmental transition programs to prepare students for college-level academic coursework. A program under this section must, at a minimum, include instruction to develop the skills and abilities necessary to be ready for college-level coursework when the student enrolls in a degree, diploma, or certificate program and must address the academic skills identified as needing improvement by a college readiness assessment completed by the student. A program Developmental courses offered under this section must not constitute more than the equivalent of one semester of full-time study occurring in the summer following high school graduation. The courses completed in a program under this section must be identified on the student's transcript with a unique identifier to distinguish it them from other developmental education courses or programs. Courses attended will not count towards the limit on postsecondary education used for state financial aid programs under sections 136A.121, subdivision 9, and 136A.125, subdivision 2, paragraph (a), clause (4).

Grants must be awarded to programs that provide instruction and services including, but not limited to:

- (1) summer developmental courses in academic areas requiring remediation;
- (2) academic advising, mentoring, and tutoring during the summer program and throughout the student's first year of enrollment;
- (3) interaction with student support services, admissions and financial aid offices; and

(4) orientation to college life, such as study skills or time management.

(b) Grants shall be awarded to eligible postsecondary institutions as defined in section 136A.103.

(c) Grants shall be awarded for one year and may be renewed for a second year with documentation to the Minnesota Office of Higher Education of successful program outcomes.

Subd. 1a. **Eligible students.** (a) Eligible students include students who earned a high school diploma or its equivalent during the academic year immediately preceding the summer program and who meet one or more of the following criteria:

(1) are counted under section 1124(c) of the Elementary and Secondary Education Act of 1965 (Title I);

(2) are eligible for free or reduced-price lunch under the National School Lunch Act;

(3) receive assistance under the Temporary Assistance for Needy Families Law (Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996); or

(4) are a member of a group traditionally underrepresented in higher education.

(b) Eligible students include those who met the student eligibility criteria in the student's final year of high school and plan to enroll in college the academic year following high school graduation or its equivalency.

Subd. 1b. **Application process.** (a) The director of the Minnesota Office of Higher Education shall develop a grant application process. The director shall attempt to support projects in a manner that ensures that eligible students throughout the state have access to program services.

(b) The grant application must include, at a minimum, the following information:

(1) a description of the characteristics of the students to be served reflective of the need for services listed in subdivision 1;

(2) a description of the services to be provided and a timeline for implementation of the activities;

(3) a description of how the services provided will improve postsecondary readiness and support postsecondary retention;

(4) a description of how the services will be evaluated to determine whether the program goals were met; and

(5) other information as identified by the director.

Grant recipients must specify both program and student outcome goals, and performance measures for each goal.

Subd. 1c. **Match required.** Applicants are required to match the grant amount dollar-for-dollar. The match may be in cash or an in-kind contribution.

Subd. 1d. **Review committee.** The director must establish and convene a grant selection committee to review applications and award grants. The members of the committee may include representatives of postsecondary institutions, school districts, organizations providing college outreach services, and others deemed appropriate by the director.

Subd. 2. **High school-to-college developmental transition programs evaluation report.**

(a) Institutions that offer a high school-to-college developmental transition program ~~and enroll students that receive a grant under section 136A.121, subdivision 9b,~~ must annually submit data and information about the services provided and program outcomes to the director of the Minnesota Office of Higher Education.

(b) The director must establish and convene a data working group to develop: (1) the data methodology to be used in evaluating the effectiveness of the programs implemented to improve the academic performance of participants, including the identification of appropriate comparison groups; and (2) a timeline for institutions to submit data and information to the director. The data working group must develop procedures that ensure consistency in the data collected by each institution. Data group members must have expertise in data collection processes and the delivery of academic programs to students, and represent the types of institutions that offer a program under this section. The data group must assist the director in analyzing and synthesizing institutional data and information to be included in the evaluation report submitted to the legislature under subdivision 3.

(c) Participating institutions must specify both program and student outcome goals and the activities implemented to achieve the goals. The goals must be clearly stated and measurable, and data collected must enable the director to verify the program has met the outcome goals established for the program.

(d) The data and information submitted must include, at a minimum, the following:

- (1) demographic information about program participants;
- (2) names of the high schools from which the students graduated;
- (3) the college readiness test used to determine the student was not ready for college-level academic coursework;
- (4) the academic content areas assessed and the scores received by the students on the college readiness test;
- (5) a description of the services, including any supplemental noncredit academic support services, provided to students;
- (6) data on the registration load, courses completed, and grades received by students;
- (7) the retention of students from the term they participated in the program to the fall term immediately following graduation from high school;
- (8) information about the student's enrollment in subsequent terms; and
- (9) other information specified by the director or the data group that facilitates the evaluation process.

Subd. 3. **Report to legislature.** By March 15 of each year, ~~beginning in 2011,~~ the director shall submit a report to the committees of the legislature with jurisdiction over higher education finance and policy that evaluates the effectiveness of programs in improving the academic performance of students who participated in the transition programs.

EFFECTIVE DATE. The amendments in this section are effective for programs offered in the summer of 2014 and thereafter.

Sec. 5. Minnesota Statutes 2012, section 136A.101, subdivision 3, is amended to read:

Subd. 3. **Director Commissioner.** "Director" "Commissioner" means the director commissioner of the Minnesota Office of Higher Education.

Sec. 6. Minnesota Statutes 2012, section 136A.101, subdivision 9, is amended to read:

Subd. 9. **Independent student.** "Independent student" has the meaning given it in under Title IV of the Higher Education Act of 1965, United States Code, title 20, section 1070a-6 as amended, and applicable regulations.

Sec. 7. Minnesota Statutes 2012, section 136A.121, is amended by adding a subdivision to read:

Subd. 20. **Institution reporting.** (a) Each institution receiving financial aid under this section must annually report by December 31 to the office the following for its undergraduate programs:

(1) enrollment, persistence, and graduation data for all students, including aggregate information on state and federal Pell grant recipients;

(2) the job placement rate and salary and wage information for graduates of each program that is either designed or advertised to lead to a particular type of job or advertised or promoted with a claim regarding job placement, as is practicable; and

(3) the student debt to earnings ratio of graduates.

(b) The office shall provide the following on its Internet Web site:

(1) the information submitted by an institution pursuant to paragraph (a), which shall be made available in a searchable database; and

(2) other information and links that are useful to students and parents who are in the process of selecting a college or university. This information may include, but is not limited to, local occupational profiles.

(c) The office shall provide a standard format and instructions for supplying the information required under paragraph (a).

Sec. 8. Minnesota Statutes 2012, section 136A.125, subdivision 2, is amended to read:

Subd. 2. **Eligible students.** (a) An applicant is eligible for a child care grant if the applicant:

(1) is a resident of the state of Minnesota;

(2) has a child 12 years of age or younger, or 14 years of age or younger who is disabled as defined in section 125A.02, and who is receiving or will receive care on a regular basis from a licensed or legal, nonlicensed caregiver;

(3) is income eligible as determined by the office's policies and rules, but is not a recipient of assistance from the Minnesota family investment program;

(4) has not earned a baccalaureate degree and has been enrolled full time less than eight semesters or the equivalent;

(5) is pursuing a nonsectarian program or course of study that applies to an undergraduate degree, diploma, or certificate;

(6) is enrolled at least half time in an eligible institution; and

(7) is in good academic standing and making satisfactory academic progress.

(b) A student who withdraws from enrollment for active military service or for a major illness, while under the care of a medical professional, that substantially limits the student's ability to complete the term is entitled to an additional semester or the equivalent of grant eligibility and will be considered to be in continuing enrollment status upon return.

Sec. 9. Minnesota Statutes 2012, section 136A.125, subdivision 4, is amended to read:

Subd. 4. **Amount and length of grants.** (a) The amount of a child care grant must be based on:

(1) the income of the applicant and the applicant's spouse;

(2) the number in the applicant's family, as defined by the office; and

(3) the number of eligible children in the applicant's family.

(b) The maximum award to the applicant shall be ~~\$2,600~~ \$2,800 for each eligible child per academic year, except that the campus financial aid officer may apply to the office for approval to increase grants by up to ten percent to compensate for higher market charges for infant care in a community. The office shall develop policies to determine community market costs and review institutional requests for compensatory grant increases to ensure need and equal treatment. The office shall prepare a chart to show the amount of a grant that will be awarded per child based on the factors in this subdivision. The chart shall include a range of income and family size.

Sec. 10. Minnesota Statutes 2012, section 136A.233, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of sections 136A.231 to 136A.233, the words defined in this subdivision have the meanings ascribed to them.

(a) "Eligible student" means a Minnesota resident enrolled or intending to enroll at least half time in a degree, diploma, or certificate program in a Minnesota postsecondary institution.

(b) "Minnesota resident" means a student who meets the conditions in section 136A.101, subdivision 8.

(c) "Financial need" means the need for financial assistance in order to attend a postsecondary institution as determined by a postsecondary institution according to guidelines established by the Minnesota Office of Higher Education.

(d) "Eligible employer" means any eligible postsecondary institution, any nonprofit, nonsectarian agency or state institution located in the state of Minnesota, a disabled person or a person over 65 who employs a student to provide personal services in or about the person's residence, or a private, for-profit employer employing a student as an intern in a position directly related to the student's field of study that will enhance the student's knowledge and skills in that field.

(e) "Eligible postsecondary institution" means any postsecondary institution eligible for participation in the Minnesota state grant program as specified in section 136A.101, subdivision 4.

(f) "Independent student" has the meaning given it in under Title IV of the Higher Education Act of 1965, United States Code, title 20, section 1070a-6 as amended, and applicable regulations.

(g) "Half time" for undergraduates has the meaning given in section 136A.101, subdivision 7b, and for graduate students is defined by the institution.

Sec. 11. **[136A.50] TRIBAL COLLEGE SUPPLEMENTAL GRANT ASSISTANCE.**

Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the meanings given them.

(b) "Nonbeneficiary student" means a resident of Minnesota who is enrolled in a tribally controlled college but is not an enrolled member of a federally recognized Indian tribe.

(c) "Tribally controlled college" means an accredited institution of higher education located in this state that is formally controlled by or has been formally sanctioned or chartered by the governing body of a federally recognized Indian tribe, or a combination of federally recognized Indian tribes. Tribally controlled college does not include any institution or campus subject to the jurisdiction of the Board of Trustees of the Minnesota State Colleges and Universities or the Board of Regents of the University of Minnesota.

Subd. 2. **Eligibility; grant assistance.** (a) A tribally controlled college is eligible to receive supplemental grant assistance from the Office of Higher Education, as provided in this section, for nonbeneficiary student enrollment if the college is not otherwise eligible to receive federal grant funding for those students under United States Code, title 25, section 1808.

(b) The office shall make grants to tribally controlled colleges to defray the costs of education associated with the enrollment of nonbeneficiary students. Grants made pursuant to this section must be provided directly to the recipient college.

Subd. 3. **Grant application.** To receive a grant under this section, a tribally controlled college must submit an application in the manner required by the Office of Higher Education. Upon submission of a completed application indicating that the tribally controlled college is eligible, the office shall distribute to the college, during each year of the biennium, a grant of \$5,300 for each nonbeneficiary student on a full-time equivalent basis. If the amount appropriated for grants under this section is insufficient to cover the total amount of grant eligibility, the office shall distribute a prorated amount per nonbeneficiary student on a full-time equivalent basis.

Subd. 4. **Reporting by recipient institutions.** Each tribally controlled college receiving a grant under this section shall provide to the Office of Higher Education, on an annual basis, an accurate and detailed account of the expenditures of the grant funds received by the college, and a copy of the college's most recent audit report and documentation of the enrollment status and ethnic status of each nonbeneficiary student for which grant assistance is sought under this section.

Sec. 12. Minnesota Statutes 2012, section 136A.62, is amended by adding a subdivision to read:

Subd. 6. **Online platform service.** An online platform service is a nondegree granting entity that provides online access to schools as defined in subdivision 3, to enable the schools to offer online training, courses, or programs.

Sec. 13. Minnesota Statutes 2012, section 136A.646, is amended to read:

136A.646 ADDITIONAL SECURITY.

(a) In the event any registered institution is notified by the United States Department of Education that it has fallen below minimum financial standards and that its continued participation in Title IV will be conditioned upon its satisfying either the Zone Alternative, Code of Federal Regulations, title 34, section 668.175, paragraph (f), or a Letter of Credit Alternative, Code of Federal Regulations, title 34, section 668.175, paragraph (c), the institution shall provide a surety bond conditioned upon the faithful performance of all contracts and agreements with students in a sum equal to the "letter of credit" required by the United States Department of Education in the Letter of Credit Alternative, but in no event shall such bond be less than \$10,000 nor more than \$250,000.

(b) In lieu of a bond, the applicant may deposit with the commissioner of management and budget:

- (1) a sum equal to the amount of the required surety bond in cash; or
- (2) securities, as may be legally purchased by savings banks or for trust funds, in an aggregate market value equal to the amount of the required surety bond.

(c) The surety of any bond may cancel it upon giving 60 days' notice in writing to the office and shall be relieved of liability for any breach of condition occurring after the effective date of cancellation.

Sec. 14. Minnesota Statutes 2012, section 136A.65, subdivision 8, is amended to read:

Subd. 8. **Disapproval of registration appeal.** ~~(a) If a school's degree or use of a term in its name is disapproved by the office, the school may request a hearing under chapter 14. The request must be in writing and made to the office within 30 days of the date the school is notified of the disapproval.~~

~~(b) (a) The office may refuse to renew, revoke, or suspend registration, approval of a school's degree, or use of a regulated term in its name by giving written notice and reasons to the school. The school may request a hearing under chapter 14. If a hearing is requested, no revocation or suspension shall take effect until after the hearing.~~

~~(c) (b) Reasons for revocation or suspension of registration or approval may be for one or more of the following reasons:~~

- ~~(1) violating the provisions of sections 136A.61 to 136A.71;~~
- ~~(2) providing false, misleading, or incomplete information to the office;~~
- ~~(3) presenting information about the school which is false, fraudulent, misleading, deceptive, or inaccurate in a material respect to students or prospective students; or~~
- ~~(4) refusing to allow reasonable inspection or to supply reasonable information after a written request by the office has been received.~~

(c) Any order refusing, revoking, or suspending a school's registration, approval of a school's degree, or use of a regulated term in the school's name is appealable in accordance with chapter 14. The request must be in writing and made to the office within 30 days of the date the school is notified of the action of the office. If a school has been operating and its registration has been

revoked, suspended, or refused by the office, the order is not effective until the final determination of the appeal, unless immediate effect is ordered by the court.

Sec. 15. Minnesota Statutes 2012, section 136A.653, is amended by adding a subdivision to read:

Subd. 3a. **Tuition-free educational courses.** A school, including a school using an online platform service, offering training, courses, or programs is exempt from sections 136A.61 to 136A.71, to the extent it offers tuition-free courses to students in Minnesota. A course will be considered tuition-free if the school charges no tuition and the required fees and other required charges paid by the student for the course do not exceed two percent of the most recent average undergraduate tuition and required fees as of January 1 of the current year charged for full-time students at all degree-granting institutions as published annually by the United States Department of Education as of January 1 of each year. To qualify for an exemption a school or online platform service must prominently display a notice comparable to the following: "IMPORTANT: Each educational institution makes its own decision regarding whether to accept completed coursework for credit. Check with your university or college."

Sec. 16. Minnesota Statutes 2012, section 136F.40, subdivision 2, is amended to read:

Subd. 2. **Contracts.** (a) The board may enter into a contract with the chancellor, a vice-chancellor, or a president, containing terms and conditions of employment. The terms of the contract must be authorized under a plan approved under section 43A.18, subdivision 3a.

(b) Notwithstanding section 43A.17, subdivision 11, or other law to the contrary, a contract under this section may provide a liquidated salary amount or other compensation if a contract is terminated by the board prior to its expiration.

(c) Notwithstanding section 356.24 or other law to the contrary, a contract under this section may contain a deferred compensation plan made in conformance with section 457(f) of the Internal Revenue Code.

(d) Notwithstanding any provision of the plan approved under section 43A.18, subdivision 3a, a contract under this section must not authorize or otherwise provide for a discretionary or mandatory bonus or other performance-based incentive payment.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to contracts entered into on or after that date.

Sec. 17. **[136F.99] STATEWIDE ELECTRONIC INFRASTRUCTURE; PORTFOLIO SOLUTIONS.**

Subdivision 1. **Collaborative infrastructure.** (a) The Department of Employment and Economic Development, the Department of Education, the Office of Higher Education, the University of Minnesota, and the Minnesota State Colleges and Universities shall collaborate to implement an electronic infrastructure to support academic and workforce success statewide. The infrastructure shall first utilize existing assets, tools, and services, including but not limited to efolioMinnesota and GPS LifePlan. To facilitate implementation of this section, the Board of Trustees of the Minnesota State Colleges and Universities shall support efolioMinnesota and GPS LifePlan until at least June 30, 2015.

(b) To the extent possible, the basic electronic infrastructure shall be available at no charge to all state residents and to all students attending Minnesota educational institutions.

Subd. 2. **Goals; programs.** The Board of Trustees of the Minnesota State Colleges and Universities may enhance the efolioMinnesota platform to allow, at a minimum, implementation of:

(1) a portfolio-based individual learning plan solution that includes comprehensive academic and life planning instruments, to support student transitions to postsecondary school or to work; and

(2) a student-owned proficiency portfolio solution to support student transitions to the workplace and employers seeking first-day-work-ready employees.

Subd. 3. **Resources; accountability reports.** (a) The Board of Trustees of the Minnesota State Colleges and Universities may seek and accept contributions from individuals, businesses, and other organizations to support the goals required by this section. The parties listed in subdivision 1 are not required to contribute. All contributions received are appropriated to the Board of Trustees of the Minnesota State Colleges and Universities and shall be administered as directed by the Board of Trustees.

(b) The Board of Trustees of the Minnesota State Colleges and Universities shall submit, no later than January 15 of each year, a report to the governor and legislature on the progress of the Minnesota State Colleges and Universities system's activities related to implementation of this section.

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

Sec. 18. Minnesota Statutes 2012, section 137.027, is amended to read:

137.027 APPROPRIATION; FRINGE BENEFITS.

(a) Direct appropriations to the University of Minnesota include money to pay the employer's share of Social Security, state retirement, and health insurance. Money provided for these purposes shall be expended only for these purposes and any amounts in excess of the employer's share shall be returned to the state treasury.

(b) Unless otherwise explicitly provided for in law, direct appropriations to the University of Minnesota do not include, and may not be used to pay, any mandatory or discretionary bonus or other performance-based incentive payment provided for in an employment contract with the president or vice-presidents, chancellors, provosts, vice provosts, deans, or directors of individual programs.

Sec. 19. **[137.71] MINNESOTA DISCOVERY, RESEARCH, AND INNOVATION ECONOMY FUNDING PROGRAM.**

Subdivision 1. **Establishment.** (a) The Minnesota Discovery, Research, and Innovation Economy (MnDRIVE) funding program is established to discover new knowledge through scientific research that will:

(1) advance the state's economy;

(2) leverage opportunities and establish priorities in sectors of state strength and comparative advantage;

(3) improve the health and wellbeing of Minnesota's citizens;

(4) advance the capacity and competitiveness of existing and emerging food- and manufacturing-related science and technology industries; and

(5) build a better Minnesota by driving progress and advancing the common good.

(b) The MnDRIVE funding program shall establish priorities by investing in scientific research that promotes:

(1) programs that can position Minnesota as a leader in engineering, science, technology, and food-related solutions;

(2) initiatives that support the growth of targeted industry clusters and the competitiveness of existing Minnesota engineering, science, technology, and food companies in developing new products and services;

(3) initiatives that can result in creating new Minnesota-based companies;

(4) initiatives that can improve the quality of life of Minnesota's citizens, decrease the incidence of disease, and transform how we prevent, treat, and cure diseases; and

(5) initiatives that can secure a safer environment, seek sustainable energy solutions, and prevent, diagnose, and treat environmental problems associated with Minnesota industry.

Subd. 2. **Funding requests.** The Board of Regents of the University of Minnesota, acting alone or in partnership with other public or private entities, is requested to submit investment proposals consistent with the goals and objectives of the MnDRIVE funding program as part of the Board of Regents biennial budget request to the legislature. The Board of Regents must give consideration to investments in existing scientific research programs that meet these guidelines but may require additional resources in order to preserve or accelerate Minnesota into a national or global leadership position. The governor shall submit a recommendation to the legislature regarding funding requests submitted by the Board of Regents.

Subd. 3. **Reporting.** By March 1 of each odd-numbered year, the Board of Regents of the University of Minnesota must provide to the chairs and ranking minority members of the legislative committees with primary jurisdiction over higher education policy and finance a summary report of investments and accomplishments related to funds received from the state under subdivision 2 from the prior biennium.

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

Sec. 20. Minnesota Statutes 2012, section 141.35, is amended to read:

141.35 EXEMPTIONS.

Sections 141.21 to 141.32 shall not apply to the following:

- (1) public postsecondary institutions;
- (2) postsecondary institutions registered under sections 136A.61 to 136A.71;
- (3) schools of nursing accredited by the state Board of Nursing or an equivalent public board of another state or foreign country;
- (4) private schools complying with the requirements of section 120A.22, subdivision 4;

(5) courses taught to students in a valid apprenticeship program taught by or required by a trade union;

(6) schools exclusively engaged in training physically or mentally disabled persons for the state of Minnesota;

(7) schools licensed by boards authorized under Minnesota law to issue licenses except schools required to obtain a private career school license due to the use of "academy," "institute," "college," or "university" in their names;

(8) schools and educational programs, or training programs, contracted for by persons, firms, corporations, government agencies, or associations, for the training of their own employees, for which no fee is charged the employee;

(9) schools engaged exclusively in the teaching of purely avocational, recreational, or remedial subjects as determined by the office except schools required to obtain a private career school license due to the use of "academy," "institute," "college," or "university" in their names unless the school used "academy" or "institute" in its name prior to August 1, 2008;

(10) classes, courses, or programs conducted by a bona fide trade, professional, or fraternal organization, solely for that organization's membership;

(11) programs in the fine arts provided by organizations exempt from taxation under section 290.05 and registered with the attorney general under chapter 309. For the purposes of this clause, "fine arts" means activities resulting in artistic creation or artistic performance of works of the imagination which are engaged in for the primary purpose of creative expression rather than commercial sale or employment. In making this determination the office may seek the advice and recommendation of the Minnesota Board of the Arts;

(12) classes, courses, or programs intended to fulfill the continuing education requirements for licensure or certification in a profession, that have been approved by a legislatively or judicially established board or agency responsible for regulating the practice of the profession, and that are offered exclusively to an individual practicing the profession;

(13) classes, courses, or programs intended to prepare students to sit for undergraduate, graduate, postgraduate, or occupational licensing and occupational entrance examinations;

(14) classes, courses, or programs providing 16 or fewer clock hours of instruction that are not part of the curriculum for an occupation or entry level employment except schools required to obtain a private career school license due to the use of "academy," "institute," "college," or "university" in their names;

(15) classes, courses, or programs providing instruction in personal development, modeling, or acting;

(16) training or instructional programs, in which one instructor teaches an individual student, that are not part of the curriculum for an occupation or are not intended to prepare a person for entry level employment; **and**

(17) schools with no physical presence in Minnesota, as determined by the office, engaged exclusively in offering distance instruction that are located in and regulated by other states or jurisdictions; and

(18) schools providing exclusively training, instructional programs, or courses where tuition, fees, and any other charges for a student to participate do not exceed \$100.

Sec. 21. Minnesota Statutes 2012, section 197.775, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Commissioner" means the commissioner of veterans affairs.

(c) "State college or university" means a unit of the University of Minnesota or Minnesota State Colleges and Universities.

(d) "Veteran" includes the definition provided in section 197.447, and also includes any person serving in active service, as defined in section 190.05, subdivision 5.

Sec. 22. Minnesota Statutes 2012, section 197.775, subdivision 2, is amended to read:

Subd. 2. **Recognition of courses.** (a) Minnesota State Colleges and Universities must recognize courses and award educational credits for courses that were part of a veteran's military training or service if the courses meet the standards of the American Council on Education or equivalent standards for awarding academic credits. In recognizing courses and awarding educational credits, consideration must be given to academic skills developed in all aspects of the training or service course curriculum, and may not be limited solely to the physical fitness or activity components of the course.

(b) The University of Minnesota and private colleges and universities in Minnesota are encouraged to recognize courses and award educational credits for courses that were part of a veteran's military training or service if the courses meet the standards of the American Council on Education or equivalent standards for awarding academic credits. In recognizing courses and awarding educational credits, the University of Minnesota and private colleges and universities in Minnesota are encouraged to consider academic skills developed in all aspects of the training or service course curriculum, and not limit consideration solely to the physical fitness or activity components of the course.

Sec. 23. Minnesota Statutes 2012, section 197.775, is amended by adding a subdivision to read:

Subd. 2a. **Recognition of veteran status.** (a) With the policy in this subdivision, the state recognizes veterans' selfless sacrifices in service to our nation, and their varied and specialized military education and training, as well as the need for their timely and meaningful reintegration into civilian society. The state also recognizes the special value of veterans in furthering the goal of creating a diverse student population in the state's postsecondary institutions.

(b) Minnesota State Colleges and Universities must adopt a policy recognizing, for applicants who are veterans, the applicant's veteran status as a positive factor in determining whether to grant admission to a graduate or professional academic degree program. The Board of Trustees must report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over higher education policy and finance annually by February 15 on the number of veterans who apply for a graduate or professional academic degree program and the number accepted.

(c) The University of Minnesota, and private colleges and universities in Minnesota, are encouraged to adopt a policy recognizing, for applicants who are veterans, the applicant's veteran

status as a positive factor in determining whether to grant admission to an undergraduate, graduate, or professional academic degree program.

Sec. 24. Minnesota Statutes 2012, section 268.19, subdivision 1, is amended to read:

Subdivision 1. **Use of data.** (a) Except as provided by this section, data gathered from any person under the administration of the Minnesota Unemployment Insurance Law are private data on individuals or nonpublic data not on individuals as defined in section 13.02, subdivisions 9 and 12, and may not be disclosed except according to a district court order or section 13.05. A subpoena is not considered a district court order. These data may be disseminated to and used by the following agencies without the consent of the subject of the data:

- (1) state and federal agencies specifically authorized access to the data by state or federal law;
- (2) any agency of any other state or any federal agency charged with the administration of an unemployment insurance program;
- (3) any agency responsible for the maintenance of a system of public employment offices for the purpose of assisting individuals in obtaining employment;
- (4) the public authority responsible for child support in Minnesota or any other state in accordance with section 256.978;
- (5) human rights agencies within Minnesota that have enforcement powers;
- (6) the Department of Revenue to the extent necessary for its duties under Minnesota laws;
- (7) public and private agencies responsible for administering publicly financed assistance programs for the purpose of monitoring the eligibility of the program's recipients;
- (8) the Department of Labor and Industry and the Division of Insurance Fraud Prevention in the Department of Commerce for uses consistent with the administration of their duties under Minnesota law;
- (9) local and state welfare agencies for monitoring the eligibility of the data subject for assistance programs, or for any employment or training program administered by those agencies, whether alone, in combination with another welfare agency, or in conjunction with the department or to monitor and evaluate the statewide Minnesota family investment program by providing data on recipients and former recipients of food stamps or food support, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance under chapter 119B, or medical programs under chapter 256B, 256D, or 256L;
- (10) local and state welfare agencies for the purpose of identifying employment, wages, and other information to assist in the collection of an overpayment debt in an assistance program;
- (11) local, state, and federal law enforcement agencies for the purpose of ascertaining the last known address and employment location of an individual who is the subject of a criminal investigation;
- (12) the United States Immigration and Customs Enforcement has access to data on specific individuals and specific employers provided the specific individual or specific employer is the subject of an investigation by that agency;
- (13) the Department of Health for the purposes of epidemiologic investigations;

(14) the Department of Corrections for the purpose of preconfinement and postconfinement employment tracking of committed offenders for the purpose of case planning; ~~and~~

(15) the state auditor to the extent necessary to conduct audits of job opportunity building zones as required under section 469.3201-; and

(16) the Office of Higher Education for purposes of supporting program improvement, system evaluation, and research initiatives including the Statewide Longitudinal Education Data System.

(b) Data on individuals and employers that are collected, maintained, or used by the department in an investigation under section 268.182 are confidential as to data on individuals and protected nonpublic data not on individuals as defined in section 13.02, subdivisions 3 and 13, and must not be disclosed except under statute or district court order or to a party named in a criminal proceeding, administrative or judicial, for preparation of a defense.

(c) Data gathered by the department in the administration of the Minnesota unemployment insurance program must not be made the subject or the basis for any suit in any civil proceedings, administrative or judicial, unless the action is initiated by the department.

Sec. 25. Minnesota Statutes 2012, section 299A.45, subdivision 4, is amended to read:

Subd. 4. **Renewal.** Each award must be given for one academic year and is renewable for a maximum of eight semesters or the equivalent. A student who withdraws from enrollment for active military service or for a major illness, while under the care of a medical professional, that substantially limits the student's ability to complete the term is entitled to an additional semester or the equivalent of grant eligibility. An award must not be given to a dependent child who is 23 years of age or older on the first day of the academic year.

Sec. 26. HIGHER EDUCATION INSTITUTIONAL PARTICIPATION IN STATE STUDENT AID PROGRAMS; REPORT.

The Minnesota Office of Higher Education must report by February 1, 2014, to the chairs and ranking minority members of the legislative committees and divisions with the primary jurisdiction over higher education finance on the available and appropriate data that should be used as statutory criteria to determine whether a higher education institution should be allowed to participate in state financial aid programs. Among other data, the data could include an institution's completion/graduation rates, student debt to income ratios, and employment rates related to field of study. The office must consult regularly with the higher education finance committees or divisions about the purpose and content of the report.

Sec. 27. UNIVERSITY OF MINNESOTA REPORTS.

Subdivision 1. **Medical school capacity.** The Board of Regents of the University of Minnesota must report, by November 1, 2013, to the legislative committees and divisions with primary jurisdiction over higher education finance and policy the following information with respect to its medical schools:

(1) the number of applicants seeking admission to the school for the academic term commencing in the fall of 2013 and the number admitted;

(2) the number of applicants admitted to the school for each of the fall academic terms commencing between 2000 and 2012;

- (3) the number of school graduates projected for each of the next ten years;
- (4) the number of school graduates projected to remain and practice in Minnesota after graduation for each of the next ten years; and
- (5) plans of the university to increase the capacity of the school.

The report must include the most recent and accepted analysis concerning the need for physicians in Minnesota in the future, including time frames of the next five, ten, 15, and 20 years. The need must be stated in aggregate and in specialty practice areas.

Subd. 2. **STEM programs.** The Board of Regents of the University of Minnesota must report, by November 1, 2013, to the legislative committees and divisions with primary jurisdiction over higher education finance and policy with respect to its undergraduate science, technology, engineering, and mathematics programs on the Twin Cities campus the following information:

- (1) the number of applicants seeking admission to those programs for the academic term commencing in the fall of 2013 and the number admitted;
- (2) the percentage of students that graduate from the programs who remain in Minnesota both historically and projected into the future; and
- (3) plans to expand the capacity of the programs.

The report must include the most recent and accepted analysis of the projected need of employers within the state for graduates of science, technology, engineering, and mathematics programs in the future, including times frames of five, ten, 15, and 20 years.

Subd. 3. **University administrative costs.** (a) The Board of Regents of the University of Minnesota must, within 45 days of its receipt of the report or study, provide to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over higher education finance, a report currently expected to be received by the university in July 2013, concerning what is commonly known as a spans and layers analysis by Sibson Consulting and an administrative services benchmarking and diagnostic study expected to be done in May 2013, by Huron Consulting.

(b) The Board of Regents of the University of Minnesota must provide to the chairs and ranking minority members of the legislative committees with jurisdiction over higher education finance a plan to lower its overall costs based on its work with Huron Consulting concerning administrative services benchmarking and diagnostic study within 90 days of its receipt of the final report from Huron Consulting. The board must periodically update the committees and minority members on the progress of the analysis and any preliminary findings or recommendations.

Sec. 28. **MENTAL HEALTH ISSUES SUMMIT.**

The Board of Trustees of the Minnesota State Colleges and Universities, in cooperation with the commissioner of human services, shall convene a summit of representatives of the Minnesota State Colleges and Universities, the University of Minnesota, private colleges, mental health professionals, special education representatives, children and adult mental health advocates and providers, and community mental health centers. The summit shall develop a comprehensive workforce development plan to:

- (1) increase the number of mental health professionals and practitioners;

(2) ensure appropriate course work and training experience; and

(3) increase the number of culturally diverse mental health professionals and practitioners.

The plan required by this section shall be submitted to the chairs and ranking minority members of the legislative committees responsible for health and human services policy and higher education policy no later than January 15, 2015.

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

Sec. 29. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall change the term "director" as it relates to the director of the Minnesota Office of Higher Education to "commissioner" wherever in Minnesota Statutes or Minnesota Rules the term appears.

Sec. 30. **REPEALER.**

Minnesota Statutes 2012, sections 136A.031, subdivision 2; and 136A.121, subdivision 9b, are repealed.

ARTICLE 3

STATE GRANT

Section 1. Minnesota Statutes 2012, section 136A.101, subdivision 5a, is amended to read:

Subd. 5a. **Assigned family responsibility.** "Assigned family responsibility" means the amount of a family's contribution to a student's cost of attendance, as determined by a federal need analysis. For dependent students, the assigned family responsibility is 96 percent of the parental contribution. For independent students with dependents other than a spouse, the assigned family responsibility is 86 percent of the student contribution. For independent students without dependents other than a spouse, the assigned family responsibility is 68 50 percent of the student contribution.

Sec. 2. Minnesota Statutes 2012, section 136A.121, subdivision 5, is amended to read:

Subd. 5. **Grant stipends.** The grant stipend shall be based on a sharing of responsibility for covering the recognized cost of attendance by the applicant, the applicant's family, and the government. The amount of a financial stipend must not exceed a grant applicant's recognized cost of attendance, as defined in subdivision 6, after deducting the following:

(1) the assigned student responsibility of at least ~~46~~ 50 percent of the cost of attending the institution of the applicant's choosing;

(2) the assigned family responsibility as defined in section 136A.101; and

(3) the amount of a federal Pell grant award for which the grant applicant is eligible.

The minimum financial stipend is \$100 per academic year.

Sec. 3. **STATE GRANT TUITION CAPS; LIVING AND MISCELLANEOUS EXPENSE ALLOWANCE.**

(a) For the purposes of the state grant program under Minnesota Statutes, section 136A.121, for the biennium ending June 30, 2015, the tuition maximum is \$13,000 each fiscal year of the biennium

for students in four-year programs, and \$5,808 in each fiscal year of the biennium for students in two-year programs.

(b) The living and miscellaneous expense allowance for the state grant program under Minnesota Statutes, section 136A.121, for the biennium ending June 30, 2015, is set at \$7,900 for each fiscal year of the biennium.

Sec. 4. STATE GRANT AWARD CALCULATION; MNSCU PART-TIME STUDENTS.

(a) State grant awards under Minnesota Statutes, section 136A.121, for the biennium ending June 30, 2015, made from appropriations for that biennium for part-time students attending a Minnesota state college and university system institution shall be modified as provided by this section. All other provisions of law and rule applying to state grant awards not inconsistent with this section shall apply to awards to those part-time students.

(b) For a student registering for less than full-time, the assigned family responsibility is the amount determined for a full-time student under Minnesota Statutes, section 136A.101, subdivision 5a, prorated by the percent of full-time for which a student is enrolled.

ARTICLE 4

PROSPERITY ACT

Section 1. [135A.043] RESIDENT TUITION.

(a) A student, other than a nonimmigrant alien within the meaning of United States Code, title 8, section 1101, subsection (a), paragraph (15), shall qualify for a resident tuition rate or its equivalent at state universities and colleges if the student meets all of the following requirements:

- (1) high school attendance within the state for three or more years;
- (2) graduation from a state high school or attainment within the state of the equivalent of high school graduation; and
- (3) in the case of a student without lawful immigration status: (i) documentation that the student has complied with selective service registration requirements; and (ii) if a federal process exists for the student to obtain lawful immigration status the student must present the higher education institution with documentation from federal immigration authorities that the student has filed an application to obtain lawful immigration status.

(b) This section is in addition to any other statute, rule, or higher education institution regulation or policy providing eligibility for a resident tuition rate or its equivalent to a student.

(c) The Board of Regents of the University of Minnesota is requested to adopt a policy implementing this section.

EFFECTIVE DATE. This section is effective July 1, 2013, and applies to tuition for school terms commencing on or after July 1, 2013.

Sec. 2. [135A.044] PRIVATE SCHOLARSHIP AID.

A public postsecondary institution may use private sources of funding to provide aid to a student eligible for resident tuition under section 135A.043. This section is in addition to any other authority of an institution to provide financial aid.

EFFECTIVE DATE. This section is effective July 1, 2013, and applies to financial aid for school terms commencing on or after July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 136A.101, subdivision 8, is amended to read:

Subd. 8. **Resident student.** "Resident student" means a student who meets one of the following conditions:

(1) a student who has resided in Minnesota for purposes other than postsecondary education for at least 12 months without being enrolled at a postsecondary educational institution for more than five credits in any term;

(2) a dependent student whose parent or legal guardian resides in Minnesota at the time the student applies;

(3) a student who graduated from a Minnesota high school, if the student was a resident of Minnesota during the student's period of attendance at the Minnesota high school and the student is physically attending a Minnesota postsecondary educational institution;

(4) a student who, after residing in the state for a minimum of one year, earned a high school equivalency certificate in Minnesota;

(5) a member, spouse, or dependent of a member of the armed forces of the United States stationed in Minnesota on active federal military service as defined in section 190.05, subdivision 5c;

(6) a spouse or dependent of a veteran, as defined in section 197.447, if the veteran is a Minnesota resident;

(7) a person or spouse of a person who relocated to Minnesota from an area that is declared a presidential disaster area within the preceding 12 months if the disaster interrupted the person's postsecondary education; ~~or~~

(8) a person defined as a refugee under United States Code, title 8, section 1101(a)(42), who, upon arrival in the United States, moved to Minnesota and has continued to reside in Minnesota; or

(9) a student eligible for resident tuition under section 135A.043.

EFFECTIVE DATE. This section is effective July 1, 2013, and applies to school terms commencing on or after July 1, 2013.

Sec. 4. **REPEALER.**

Minnesota Rules, part 4830.0100, subpart 5, item F, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2013."

Delete the title and insert:

"A bill for an act relating to education; postsecondary; establishing a budget for higher education; appropriating money to the Office of Higher Education, the Board of Trustees of the Minnesota State Colleges and Universities, the Board of Regents of the University of Minnesota, and the Mayo Clinic; appropriating money for tuition relief; providing for the treatment of undocumented immigrants with respect to financial aid and tuition; regulating bonus payments; establishing the Minnesota Discovery, Research, and Innovation Economy funding program;

modifying provisions related to grants, awards, and aid, school registration, and licensure; requiring certain information to be provided in higher education budget proposals; making changes to the state grant program; establishing procedure for cancellation of required surety bond; repealing Higher Education Advisory Council; requiring a higher education mental health summit; creating a tribal college supplemental grant assistance program; recognizing veteran's experience and training for various higher education purposes; providing statewide electronic infrastructure; requiring reports; amending Minnesota Statutes 2012, sections 13.47, subdivision 3; 127A.70, subdivision 2; 135A.031, subdivision 7; 135A.61; 136A.101, subdivisions 3, 5a, 8, 9; 136A.121, subdivision 5, by adding a subdivision; 136A.125, subdivisions 2, 4; 136A.233, subdivision 2; 136A.62, by adding a subdivision; 136A.646; 136A.65, subdivision 8; 136A.653, by adding a subdivision; 136F.40, subdivision 2; 137.027; 141.35; 197.775, subdivisions 1, 2, by adding a subdivision; 268.19, subdivision 1; 299A.45, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 135A; 136A; 136F; 137; repealing Minnesota Statutes 2012, sections 136A.031, subdivision 2; 136A.121, subdivision 9b; Minnesota Rules, part 4830.0100, subpart 5, item F."

We request the adoption of this report and repassage of the bill.

Senate Conferees: Terri E. Bonoff, Greg D. Clausen, Jeremy R. Miller, Sandra L. Pappas, Kent Eken

House Conferees: Gene Pelowski Jr., Ryan Winkler, Paul Rosenthal, Zachary Dorholt, Bud Nornes

CALL OF THE SENATE

Senator Bonoff imposed a call of the Senate for the balance of the proceedings on S.F. No. 1236. The Sergeant at Arms was instructed to bring in the absent members.

Senator Bonoff moved that the foregoing recommendations and Conference Committee Report on S.F. No. 1236 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 1236 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 44 and nays 22, as follows:

Those who voted in the affirmative were:

Bonoff	Eaton	Kent	Pederson, J.	Skoe
Carlson	Eken	Koenen	Reinert	Sparks
Champion	Franzen	Latz	Rest	Stumpf
Clausen	Goodwin	Lourey	Saxhaug	Tomassoni
Cohen	Hawj	Marty	Scalze	Torres Ray
Dahle	Hayden	Metzen	Schmit	Weber
Dahms	Hoffman	Miller	Senjem	Wiger
Dibble	Jensen	Nelson	Sheran	Wiklund
Dziedzic	Johnson	Pappas	Sieben	

Those who voted in the negative were:

Anderson	Brown	Fischbach	Hall	Housley
Benson	Chamberlain	Gazelka	Hann	Ingebrigtsen

Kiffmeyer
Limmer
Newman

Nienow
Ortman
Osmek

Petersen, B.
Pratt
Rosen

Ruud
Thompson
Westrom

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12.5, Senator Cohen moved that the following members be excused for a Conference Committee on H.F. No. 1183 at 1:35 p.m.:

Senators Cohen, Saxhaug, Tomassoni, Sieben and Ingebrigtsen. The motion prevailed.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12.5, Senator Dibble moved that the following members be excused for a Conference Committee on H.F. No. 1444 at 2:30 p.m.:

Senators Dibble, Kent, Jensen, Champion and Carlson. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce the passage by the House of the following Senate File, herewith returned: S.F. No. 561.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 17, 2013

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 681, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 681 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 17, 2013

CONFERENCE COMMITTEE REPORT ON H. F. NO. 681

A bill for an act relating to civil actions; changing the limitation period for civil actions involving sexual abuse; amending Minnesota Statutes 2012, section 541.073.

May 16, 2013

The Honorable Paul Thissen
Speaker of the House of Representatives

The Honorable Sandra L. Pappas
President of the Senate

We, the undersigned conferees for H. F. No. 681 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 681 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2012, section 541.073, is amended to read:

541.073 ACTIONS FOR DAMAGES DUE TO SEXUAL ABUSE; SPECIAL PROVISIONS.

Subdivision 1. **Definition.** As used in this section:

(1) "sexual abuse" means conduct described in sections 609.342 to ~~609.345~~ 609.3451; and

(2) "person" includes a natural person, corporation, limited liability company, partnership, organization, association, or other entity.

Subd. 2. **Limitations period.** (a) An action for damages based on ~~personal injury caused by sexual abuse: (1) must be commenced within six years of the time the plaintiff knew or had reason to know that the injury was caused by the sexual abuse~~ alleged sexual abuse in the case of alleged sexual abuse of an individual 18 years or older; (2) ~~may be commenced at any time in the case of alleged sexual abuse of an individual under the age of 18, except as provided for in subdivision 4; and (3) must be commenced before the plaintiff is 24 years of age in a claim against a natural person alleged to have sexually abused a minor when that natural person was under 14 years of age.~~

(b) The plaintiff need not establish which act in a continuous series of sexual abuse acts by the defendant caused the injury.

(c) The knowledge of a parent or guardian may not be imputed to a minor.

~~(c)~~ (c) This section does not affect the suspension of the statute of limitations during a period of disability under section 541.15.

Subd. 3. **Applicability.** This section applies to an action for damages commenced against a person who ~~caused~~ was a cause of the plaintiff's ~~personal injury damages~~ either by (1) committing sexual abuse against the plaintiff, or (2) ~~negligently permitting sexual abuse against the plaintiff to occur~~ negligence.

Subd. 4. **Vicarious liability or respondeat superior claims.** A claim for vicarious liability or liability under the doctrine of respondeat superior must be commenced within six years of the alleged sexual abuse, provided that if the plaintiff was under the age of 18 at the time of the alleged abuse, the claim must be commenced before the plaintiff is 24 years of age. This subdivision does not limit the availability of these claims under other law.

Subd. 5. **Title.** This section may be cited as the "Child Victims Act."

EFFECTIVE DATE; APPLICABILITY. (a) This section is effective the day following final enactment. Except as provided in paragraph (b), this section applies to actions that were not time-barred before the effective date.

(b) Notwithstanding any other provision of law, in the case of alleged sexual abuse of an individual under the age of 18, if the action would otherwise be time-barred under a previous version of Minnesota Statutes, section 541.073, or other time limit, an action for damages against a person, as defined in Minnesota Statutes, section 541.073, subdivision 1, clause (2), may be commenced no later than three years following the effective date of this section. This paragraph does not apply to a claim for vicarious liability or respondeat superior, but does apply to other claims, including negligence. This paragraph applies to actions pending on or commenced on or after the effective date."

Delete the title and insert:

"A bill for an act relating to civil actions; changing the limitation period for civil actions involving sexual abuse; amending Minnesota Statutes 2012, section 541.073."

We request the adoption of this report and repassage of the bill.

House Conferees: Steve Simon, Ryan Winkler, Jim Abeler

Senate Conferees: Ron Latz, John A. Hoffman, Karin Housley

Senator Latz moved that the foregoing recommendations and Conference Committee Report on H.F. No. 681 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 681 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 57 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Kiffmeyer	Pappas	Sieben
Benson	Franzen	Latz	Pederson, J.	Sparks
Bonoff	Gazelka	Limmer	Petersen, B.	Thompson
Brown	Goodwin	Lourey	Pratt	Tomassoni
Carlson	Hall	Marty	Reinert	Torres Ray
Chamberlain	Hann	Metzen	Rest	Weber
Clausen	Hawj	Miller	Rosen	Westrom
Dahle	Hayden	Nelson	Ruud	Wiger
Dahms	Hoffman	Newman	Saxhaug	Wiklund
Dibble	Housley	Nienow	Scalze	
Eaton	Johnson	Ortman	Schmit	
Eken	Kent	Osmeck	Sheran	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED**SPECIAL ORDERS**

Pursuant to Rule 26, Senator Hayden, designee of the Chair of the Committee on Rules and Administration, designated the following bills a Special Orders Calendar to be heard immediately:

H.F. Nos. 335, 80, 694, 814, 1451, 1243 and 161.

SPECIAL ORDER

H.F. No. 335: A bill for an act relating to courts; prohibiting exclusion from jury service on the basis of marital status or sexual orientation; amending Minnesota Statutes 2012, section 593.32, subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 39 and nays 13, as follows:

Those who voted in the affirmative were:

Bonoff	Fischbach	Kent	Osmek	Scalze
Brown	Franzen	Latz	Pappas	Sieben
Carlson	Goodwin	Lourey	Pederson, J.	Sparks
Clausen	Hann	Marty	Petersen, B.	Stumpf
Dahle	Hawj	Metzen	Pratt	Torres Ray
Dibble	Hoffman	Miller	Reinert	Wiger
Eaton	Housley	Nelson	Rosen	Wiklund
Eken	Johnson	Ortman	Ruud	

Those who voted in the negative were:

Anderson	Dahms	Kiffmeyer	Nienow	Westrom
Benson	Gazelka	Limmer	Thompson	
Chamberlain	Hall	Newman	Weber	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 80: A bill for an act relating to judgments; regulating assigned consumer debt default judgments; proposing coding for new law in Minnesota Statutes, chapter 548.

Senator Latz moved to amend H.F. No. 80, as amended pursuant to Rule 45, adopted by the Senate May 8, 2013, as follows:

(The text of the amended House File is identical to S.F. No. 33.)

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2012, section 491A.02, subdivision 9, is amended to read:

Subd. 9. **Judgment debtor disclosure.** Notwithstanding any contrary provision in rule 518 of the Conciliation Court Rules, unless the parties have otherwise agreed, if a conciliation court judgment or a judgment of district court on removal from conciliation court has been docketed in district court, the judgment creditor's attorney as an officer of the court may or the district court in the county in

which the judgment originated shall, upon request of the judgment creditor, order the judgment debtor to mail to the judgment creditor information as to the nature, amount, identity, and locations of all the debtor's assets, liabilities, and personal earning. The information must be provided on a form prescribed by the Supreme Court, and the information shall be sufficiently detailed to enable the judgment creditor to obtain satisfaction of the judgment by way of execution on nonexempt assets and earnings of the judgment debtor. The order must contain a notice that failure to complete the form and mail it to the judgment creditor within ten days after service of the order may result in a citation for civil contempt of court. Cash bail posted as a result of being cited for civil contempt of court order under this section may be ordered payable to the creditor to satisfy the judgment, either partially or fully, subject to section 588.04, paragraph (b).

EFFECTIVE DATE. This section is effective August 1, 2013.

Sec. 2. [541.053] LIMITATION OF ACTIONS BASED ON CONSUMER DEBT.

Notwithstanding section 541.31, subdivision 1, actions upon an obligation arising out of a consumer debt primarily for personal, family, or household purposes shall be commenced within six years. After its expiration, the statute of limitations is not revived by the collection of a payment on an account, a discharge in a bankruptcy proceeding, or an oral or written reaffirmation of the debt.

EFFECTIVE DATE. This section is effective August 1, 2013.

Sec. 3. [548.101] ASSIGNED CONSUMER DEBT DEFAULT JUDGMENTS.

(a) A party entitled to a judgment by default in a conciliation court or district court action upon an assigned obligation arising out of any consumer debt that is primarily for personal, family, or household purposes and in default at the time of assignment shall apply to the court and submit, in addition to the request, application, or motion for judgment:

(1) a copy of the written contract between the debtor and original creditor or, if no written contract exists, other admissible evidence establishing the terms of the account relationship between the debtor and the original creditor, including the moving party's entitlement to the amounts described in clause (4). If only the balance owed at the time the debt was charged off or first assigned is claimed to be owed, evidence may include a monthly or periodic billing statement;

(2) admissible evidence establishing that the defendant owes the debt;

(3) the last four numbers of the debtor's Social Security number, if known;

(4) admissible evidence establishing that the amount claimed to be owed is accurate, including the balance owed at the time the debt was charged off or first assigned to another party by the original creditor and, if included in the request, application, or motion for judgment, a breakdown of any fees, interest, and charges added to that amount;

(5) admissible evidence establishing a valid and complete chain of assignment of the debt from the original creditor to the party requesting judgment, including documentation or a bill of sale evidencing the assignment with evidence that the particular debt at issue was included in the assignment referenced in the documentation or bill of sale;

(6) in district court cases, proof that a summons and complaint were properly served on the debtor and that the debtor did not serve a timely answer or, in conciliation court cases, proof that

the party seeking the judgment or the party's attorney used reasonable efforts to provide the court administrator with the correct address for the debtor; and

(7) in district court cases, proof that the party requesting the default judgment or the party's attorney mailed a notice of intent to apply for default judgment to the debtor. The notice must be mailed to the debtor at the debtor's last known address at least 14 days before the request, application, or motion for default, and must be substantially in the following form:

Notice of Intent to Apply for Default Judgment

Case Type - Consumer Credit Contract

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF

..... JUDICIAL DISTRICT

NOTICE OF INTENT TO APPLY FOR DEFAULT JUDGMENT

..... Plaintiff,

vs.

..... Defendant.

Court File No.

..... [Plaintiff] has sued you to collect the following consumer debt that you originally owed to [original creditor]:

..... [original creditor]

..... [last four digits of the debtor's account number]

..... [amount of debt]

..... [date of charge off or account closing date]

..... [Plaintiff] served this lawsuit on you on [date]. Under Minnesota law, a lawsuit may be started against you even though it has not yet been filed in court and the court has no record of this lawsuit or this paperwork. You are in default because you did not serve a written Answer on time. [Plaintiff] will ask the Court to enter a judgment against you without any further court proceedings, unless you mail a written Answer or written response contesting the debt within 14 days from the date below. A judgment is a court order that you must pay a certain amount of money.

Dated:

LAW FIRM, P.A.

.....

Attorney Name, ID#

Address

Phone

(b) If admissible, the same item of evidence or document may be provided to satisfy more than one requirement under paragraph (a), clauses (1) to (5). A court may permit the foundation for documents submitted under paragraph (a) to be established by an affidavit.

(c) Except in conciliation court cases or if a hearing is required under court rules, the court may either:

(1) hold a hearing before entry of a default judgment; or

(2) enter an administrative default judgment without a hearing if the court determines that the evidence submitted satisfies the requirements of paragraph (a).

EFFECTIVE DATE. This section is effective September 1, 2013, and applies to requests, applications, and motions for default judgments and conciliation court cases filed on or after that date.

Sec. 4. Minnesota Statutes 2012, section 550.011, is amended to read:

550.011 JUDGMENT DEBTOR DISCLOSURE.

Unless the parties have otherwise agreed, if a judgment has been docketed in district court for at least 30 days, and the judgment is not satisfied, the judgment creditor's attorney as an officer of the court may or the district court in the county in which the judgment originated shall, upon request of the judgment creditor, order the judgment debtor to mail by certified mail to the judgment creditor information as to the nature, amount, identity, and locations of all the debtor's assets, liabilities, and personal earnings. The information must be provided on a form prescribed by the Supreme Court, and the information shall be sufficiently detailed to enable the judgment creditor to obtain satisfaction of the judgment by way of execution on nonexempt assets and earnings of the judgment debtor. The order must contain a notice that failure to complete the form and mail it to the judgment creditor within ten days after service of the order may result in a citation for civil contempt of court. Cash bail posted as a result of being cited for civil contempt of court order under this section may be ordered payable to the creditor to satisfy the judgment, either partially or fully, subject to section 588.04, paragraph (b).

EFFECTIVE DATE. This section is effective August 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 588.04, is amended to read:

588.04 ARREST; ORDER TO SHOW CAUSE.

(a) In cases of constructive contempt, an affidavit of the facts constituting the contempt shall be presented to the court or officer, who may either issue a warrant of arrest to bring the person charged to answer or, without a previous arrest, upon notice, or upon an order to show cause, which may be served by a sheriff or other officer in the same manner as a summons in an action, may commit the person to jail, impose a fine, or both, and make such order thereupon as the case may require.

(b) When the underlying case involves an obligation arising out of a consumer debt primarily for personal, family, or household purposes, and the contempt is a failure to comply with judgment debtor disclosure requirements under section 491A.02, subdivision 9, or 550.011, bail must be set at \$50. For a subsequent contempt for a failure to disclose in the same action, bail must be an amount set by the court after considering aggravating and mitigating factors. Bail posted under this section must be returned to the judgment debtor.

EFFECTIVE DATE. This section is effective August 1, 2013."

Delete the title and insert:

"A bill for an act relating to judgments; regulating assigned consumer debt default judgments; providing a limitation period to bring an action arising out of consumer debt; setting the bail amount for failure to comply with judgment debtor disclosure requirements in consumer debt cases; amending Minnesota Statutes 2012, sections 491A.02, subdivision 9; 550.011; 588.04; proposing coding for new law in Minnesota Statutes, chapters 541; 548."

Senator Latz moved that H.F. No. 80 be laid on the table. The motion prevailed.

SPECIAL ORDER

H.F. No. 694: A bill for an act relating to debt management and debt settlement; clarifying exemption for attorneys at law; modifying regulation of debt settlement services; amending Minnesota Statutes 2012, sections 332A.02, subdivision 8, by adding a subdivision; 332B.02, subdivision 13, by adding a subdivision; 332B.06, subdivisions 1, 4; 332B.09.

Senator Dahle moved that the amendment made to H.F. No. 694 by the Committee on Rules and Administration in the report adopted May 13, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 694 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 52 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Franzen	Latz	Pederson, J.	Stumpf
Benson	Gazelka	Limmer	Petersen, B.	Thompson
Bonoff	Goodwin	Lourey	Pratt	Tomassoni
Brown	Hall	Marty	Reinert	Torres Ray
Chamberlain	Hann	Miller	Rosen	Weber
Clausen	Hawj	Nelson	Ruud	Westrom
Dahle	Hayden	Newman	Scalze	Wiger
Dahms	Hoffman	Nienow	Schmit	Wiklund
Eaton	Housley	Ortman	Sheran	
Eken	Johnson	Osmek	Sieben	
Fischbach	Kiffmeyer	Pappas	Sparks	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 814: A bill for an act relating to environment; requiring report of hazardous substance release to local 911 emergency dispatch center; amending Minnesota Statutes 2012, section 609.671, subdivision 10.

Senator Sieben moved that the amendment made to H.F. No. 814 by the Committee on Rules and Administration in the report adopted May 1, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 814 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 51 and nays 1, as follows:

Those who voted in the affirmative were:

Anderson	Franzen	Kiffmeyer	Osmek	Sieben
Benson	Gazelka	Latz	Pappas	Sparks
Bonoff	Goodwin	Limmer	Pederson, J.	Stumpf
Brown	Hall	Lourey	Petersen, B.	Thompson
Chamberlain	Hann	Marty	Pratt	Weber
Clausen	Hawj	Metzen	Reinert	Wiger
Dahle	Hayden	Miller	Rosen	Wiklund
Dahms	Hoffman	Nelson	Ruud	
Eaton	Housley	Newman	Scalze	
Eken	Johnson	Nienow	Schmit	
Fischbach	Kent	Ortman	Sheran	

Those who voted in the negative were:

Westrom

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 1451: A bill for an act relating to transportation; bridges; providing for disposition of remnant steel of I-35W bridge; proposing coding for new law in Minnesota Statutes, chapter 3.

Senator Latz moved that the amendment made to H.F. No. 1451 by the Committee on Rules and Administration in the report adopted May 8, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 1451 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 49 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Franzen	Kiffmeyer	Ortman	Schmit
Benson	Gazelka	Latz	Osmek	Sheran
Bonoff	Goodwin	Limmer	Pappas	Sieben
Brown	Hall	Lourey	Pederson, J.	Sparks
Chamberlain	Hann	Marty	Petersen, B.	Thompson
Dahle	Hawj	Metzen	Pratt	Weber
Dahms	Hayden	Miller	Reinert	Westrom
Eaton	Hoffman	Nelson	Rosen	Wiger
Eken	Housley	Newman	Ruud	Wiklund
Fischbach	Johnson	Nienow	Scalze	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 1243: A bill for an act relating to commerce; modifying securities registration and franchise registration provisions; amending Minnesota Statutes 2012, sections 80A.41; 80A.54; 80A.58; 80A.61; 80A.66; 80C.08, by adding a subdivision.

Senator Reinert moved to amend H.F. No. 1243, as amended pursuant to Rule 45, adopted by the Senate April 16, 2013, as follows:

(The text of the amended House File is identical to S.F. No. 1376.)

Page 16, lines 20 and 21, reinstate the stricken language

Page 16, line 32, delete everything after "adviser" and insert "to a private fund"

Page 16, line 33, delete everything before "shall"

The motion prevailed. So the amendment was adopted.

H.F. No. 1243 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 50 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Franzen	Kiffmeyer	Ortman	Schmit
Benson	Gazelka	Latz	Osmek	Sheran
Bonoff	Hall	Limmer	Pappas	Sieben
Brown	Hann	Lourey	Pederson, J.	Sparks
Chamberlain	Hawj	Marty	Petersen, B.	Stumpf
Clausen	Hayden	Metzen	Pratt	Thompson
Dahle	Hoffman	Miller	Reinert	Torres Ray
Dahms	Housley	Nelson	Rosen	Weber
Eaton	Ingebrigtsen	Newman	Ruud	Wiger
Fischbach	Johnson	Nienow	Scalze	Wiklund

So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Latz moved that H.F. No. 80 be taken from the table. The motion prevailed.

H.F. No. 80: A bill for an act relating to judgments; regulating assigned consumer debt default judgments; proposing coding for new law in Minnesota Statutes, chapter 548.

The Senate resumed consideration of the pending Latz amendment.

The question was taken on the adoption of the Latz amendment. The motion prevailed. So the amendment was adopted.

H.F. No. 80 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 49 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Franzen	Kiffmeyer	Ortman	Sieben
Benson	Gazelka	Latz	Osmek	Sparks
Brown	Goodwin	Limmer	Pappas	Stumpf
Chamberlain	Hall	Lourey	Pederson, J.	Thompson
Clausen	Hann	Marty	Pratt	Torres Ray
Dahle	Hawj	Metzen	Reinert	Weber
Dahms	Hoffman	Miller	Rosen	Westrom
Eaton	Housley	Nelson	Ruud	Wiger
Eken	Ingebrigtsen	Newman	Scalze	Wiklund
Fischbach	Johnson	Nienow	Sheran	

So the bill, as amended, was passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 161: A bill for an act relating to probate; authorizing inventory and emergency order protecting specified personal property of homicide victim to preserve rights of decedent's heirs and beneficiaries; adding notice of rights and procedures to crime victims' chapter; amending Minnesota Statutes 2012, sections 524.2-803; 524.3-614; 524.3-615; 611A.02, subdivision 2.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 48 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Ingebrigtsen	Newman	Sparks
Benson	Franzen	Johnson	Nienow	Stumpf
Brown	Gazelka	Kiffmeyer	Osmek	Thompson
Chamberlain	Goodwin	Latz	Pederson, J.	Torres Ray
Clausen	Hall	Limmer	Pratt	Weber
Cohen	Hann	Lourey	Reinert	Westrom
Dahle	Hawj	Marty	Rosen	Wiger
Dahms	Hayden	Metzen	Ruud	Wiklund
Eaton	Hoffman	Miller	Scalze	
Eken	Housley	Nelson	Sheran	

So the bill passed and its title was agreed to.

SPECIAL ORDERS

Pursuant to Rule 26, Senator Hayden, designee of the Chair of the Committee on Rules and Administration, designated the following bills a Special Orders Calendar to be heard immediately:

H.F. Nos. 819, 1390, 790, 1389, 1510, 215, 829, 738, 1304 and 527.

SPECIAL ORDER

H.F. No. 819: A bill for an act relating to the Public Facilities Authority; reorganizing certain grant programs; providing for small community wastewater treatment grants; amending Minnesota Statutes 2012, sections 446A.073, subdivisions 1, 3, 4; 446A.075, subdivisions 1a, 2, 5; repealing Minnesota Statutes 2012, sections 446A.051, subdivision 2; 446A.074.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 44 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Housley	Nelson	Scalze
Benson	Franzen	Johnson	Newman	Sheran
Brown	Gazelka	Kiffmeyer	Nienow	Sparks
Chamberlain	Goodwin	Latz	Ortman	Stumpf
Clausen	Hall	Limmer	Pappas	Thompson
Dahle	Hann	Lourey	Pederson, J.	Torres Ray
Dahms	Hawj	Marty	Pratt	Weber
Eaton	Hayden	Metzen	Reinert	Wiger
Eken	Hoffman	Miller	Rosen	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 1390: A bill for an act relating to state government; updating provisions in the Geospatial Information Office; amending Minnesota Statutes 2012, section 16E.30, subdivisions 7, 8, by adding subdivisions; repealing Minnesota Statutes 2012, section 16E.30, subdivisions 4, 5.

Senator Eaton moved that the amendment made to H.F. No. 1390 by the Committee on Rules and Administration in the report adopted May 6, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 1390 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 36 and nays 27, as follows:

Those who voted in the affirmative were:

Bonoff	Eaton	Johnson	Reinert	Stumpf
Carlson	Eken	Kent	Rest	Torres Ray
Champion	Franzen	Latz	Saxhaug	Wiger
Clausen	Goodwin	Lourey	Scalze	Wiklund
Cohen	Hawj	Marty	Schmit	
Dahle	Hayden	Metzen	Sheran	
Dibble	Hoffman	Pappas	Skoe	
Dziedzic	Jensen	Pederson, J.	Sparks	

Those who voted in the negative were:

Anderson	Gazelka	Limmer	Osmek	Thompson
Benson	Hall	Miller	Petersen, B.	Weber
Brown	Hann	Nelson	Pratt	Westrom
Chamberlain	Housley	Newman	Rosen	
Dahms	Ingebrigtsen	Nienow	Ruud	
Fischbach	Kiffmeyer	Ortman	Senjem	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 790: A bill for an act relating to public safety; clarifying when conditional release terms of certain offenders begin; amending Minnesota Statutes 2012, sections 243.166, subdivision 5a; 609.2231, subdivision 3a; 609.3455, subdivisions 6, 7, 8; 617.246, subdivision 7; 617.247, subdivision 9.

Senator Goodwin moved that the amendment made to H.F. No. 790 by the Committee on Rules and Administration in the report adopted April 29, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 790 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 52 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Eken	Johnson	Ortman	Skoe
Benson	Fischbach	Kiffmeyer	Osmek	Sparks
Bonoff	Franzen	Koenen	Pappas	Stumpf
Brown	Gazelka	Latz	Pederson, J.	Thompson
Carlson	Goodwin	Limmer	Petersen, B.	Torres Ray
Chamberlain	Hall	Lourey	Pratt	Weber
Clausen	Hann	Marty	Reinert	Westrom
Cohen	Hawj	Metzen	Rosen	Wiklund
Dahle	Hayden	Miller	Ruud	
Dahms	Hoffman	Newman	Scalze	
Eaton	Housley	Nienow	Senjem	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 1389: A bill for an act relating to state government; changing certain finance and budget provisions; adding the Office of MN.IT Services to certain provisions and changing certain MN.IT provisions; amending Minnesota Statutes 2012, sections 3.30, subdivision 2; 3.3005, subdivision 2, by adding subdivisions; 3.736, subdivision 7; 3.989, subdivision 2; 3D.14; 4.07, subdivision 2; 4A.01, subdivision 3; 4A.02; 15.06, subdivision 1; 15.76, subdivisions 1, 2, 3; 16A.056, subdivision 7; 16A.095; 16A.10, subdivisions 1, 1c; 16A.127, subdivision 4; 16A.96, subdivision 2; 16E.01, subdivision 1; 16E.04, subdivision 2; 16E.18, subdivision 8; 43A.08, subdivision 1a; 299C.65, subdivision 1; 403.36, subdivision 1; 477A.03, subdivision 2b; repealing Minnesota Statutes 2012, sections 15.06, subdivision 1a; 16A.06, subdivision 9; 16A.103, subdivision 4; 16A.106; 43A.31, subdivision 2; 325G.415.

Senator Bonoff moved to amend H.F. No. 1389, the unofficial engrossment, as follows:

Page 18, line 1, after the first comma, insert "the house of representatives,"

The motion prevailed. So the amendment was adopted.

H.F. No. 1389 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 44 and nays 12, as follows:

Those who voted in the affirmative were:

Benson	Eken	Johnson	Pederson, J.	Sheran
Bonoff	Fischbach	Koenen	Petersen, B.	Sparks
Carlson	Franzen	Latz	Pratt	Stumpf
Champion	Goodwin	Marty	Reinert	Torres Ray
Cohen	Hawj	Metzen	Rest	Weber
Dahle	Hayden	Miller	Rosen	Westrom
Dibble	Hoffman	Nelson	Ruud	Wiger
Dziedzic	Housley	Osmek	Saxhaug	Wiklund
Eaton	Ingebrigtsen	Pappas	Scalze	

Those who voted in the negative were:

Anderson	Dahms	Kiffmeyer	Nienow
Brown	Gazelka	Limmer	Ortman
Chamberlain	Hall	Newman	Thompson

So the bill, as amended, was passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 1510: A bill for an act relating to Hennepin County; updating and making technical corrections to county contract provisions; amending Minnesota Statutes 2012, sections 383B.158, subdivisions 1, 2, 5; 383B.1581, subdivisions 2, 3; 383B.1582; 383B.1584; repealing Minnesota Statutes 2012, section 383B.1585.

Senator Eaton moved that the amendment made to H.F. No. 1510 by the Committee on Rules and Administration in the report adopted May 9, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 1510 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 56 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Eaton	Ingebrigtsen	Ortman	Sparks
Benson	Eken	Johnson	Osmek	Stumpf
Bonoff	Fischbach	Kiffmeyer	Pappas	Thompson
Brown	Franzen	Koenen	Pederson, J.	Torres Ray
Carlson	Gazelka	Latz	Petersen, B.	Weber
Chamberlain	Goodwin	Limmer	Pratt	Westrom
Champion	Hall	Marty	Reinert	Wiger
Clausen	Hann	Metzen	Rest	Wiklund
Cohen	Hawj	Miller	Rosen	
Dahle	Hayden	Nelson	Saxhaug	
Dahms	Hoffman	Newman	Scalze	
Dziedzic	Housley	Nienow	Sheran	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 215: A bill for an act relating to health; permitting licensed health care professionals to order use of physical agent modalities, electrical stimulation, and ultrasound devices; amending Minnesota Statutes 2012, section 148.6440, subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 56 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Dziedzic	Housley	Osmek	Sparks
Bakk	Eaton	Johnson	Pappas	Stumpf
Benson	Eken	Kiffmeyer	Pederson, J.	Thompson
Bonoff	Fischbach	Latz	Petersen, B.	Torres Ray
Brown	Franzen	Limmer	Pratt	Weber
Carlson	Gazelka	Marty	Reinert	Westrom
Chamberlain	Goodwin	Metzen	Rest	Wiger
Champion	Hall	Miller	Ruud	Wiklund
Clausen	Hann	Nelson	Saxhaug	
Cohen	Hawj	Newman	Scalze	
Dahle	Hayden	Nienow	Schmit	
Dahms	Hoffman	Ortman	Sheran	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 829: A bill for an act relating to housing; landlord and tenant; imposing civil penalty for certain violations; amending certain provisions relating to tenants holding over; modifying certain time for appeal and notice of hearing; making technical, clarifying, and conforming changes; amending Minnesota Statutes 2012, sections 504B.151, subdivision 1; 504B.285, subdivisions 1a, 1b; 504B.371, subdivision 2; 504B.385, subdivision 5; repealing Minnesota Statutes 2012, section 504B.285, subdivision 1c.

Senator Champion moved that the amendment made to H.F. No. 829 by the Committee on Rules and Administration in the report adopted May 2, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

Senator Osmek moved that H.F. No. 829 be laid on the table. The motion did not prevail.

CALL OF THE SENATE

Senator Franzen imposed a call of the Senate for the balance of the proceedings on H.F. No. 829. The Sergeant at Arms was instructed to bring in the absent members.

H.F. No. 829 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 58 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Eken	Koenen	Pappas	Sheran
Benson	Fischbach	Latz	Pederson, J.	Skoe
Bonoff	Franzen	Limmer	Petersen, B.	Sparks
Brown	Gazelka	Lourey	Pratt	Stumpf
Chamberlain	Hall	Marty	Reinert	Thompson
Champion	Hann	Metzen	Rest	Tomassoni
Clausen	Hawj	Miller	Rosen	Weber
Cohen	Hoffman	Nelson	Ruud	Westrom
Dahle	Housley	Newman	Saxhaug	Wiger
Dahms	Ingebrigtsen	Nienow	Scalze	Wiklund
Dziedzic	Johnson	Ortman	Schmit	
Eaton	Kiffmeyer	Osmek	Senjem	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 738: A bill for an act relating to the Metropolitan Council; making miscellaneous technical corrections to statutes; removing and modifying obsolete language; amending Minnesota Statutes 2012, sections 473.157; 473.517, subdivisions 1, 6, 9; 473.519; 473.523, subdivision 1; 473.541, subdivision 2; 473.543, subdivision 1; 473.545.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 49 and nays 12, as follows:

Those who voted in the affirmative were:

Bonoff	Fischbach	Johnson	Pederson, J.	Skoe
Chamberlain	Franzen	Kent	Petersen, B.	Sparks
Champion	Gazelka	Koenen	Pratt	Stumpf
Clausen	Goodwin	Latz	Reinert	Tomassoni
Cohen	Hawj	Lourey	Rest	Torres Ray
Dahle	Hayden	Marty	Rosen	Weber
Dibble	Hoffman	Metzen	Ruud	Westrom
Dziedzic	Housley	Miller	Saxhaug	Wiger
Eaton	Ingebrigtsen	Nelson	Scalze	Wiklund
Eken	Jensen	Pappas	Schmit	

Those who voted in the negative were:

Anderson	Dahms	Limmer	Osmek
Benson	Hall	Newman	Senjem
Brown	Kiffmeyer	Nienow	Thompson

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 1304: A bill for an act relating to transportation; amending regulations governing school bus use for special events; amending Minnesota Statutes 2012, sections 168.013, subdivision 18; 169.011, by adding a subdivision; 169.441, subdivision 3; 169.443, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 169.

Senator Ruud moved that the amendment made to H.F. No. 1304 by the Committee on Rules and Administration in the report adopted April 25, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 1304 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 62 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Eaton	Johnson	Osmek	Skoe
Benson	Eken	Kent	Pappas	Sparks
Bonoff	Franzen	Kiffmeyer	Pederson, J.	Stumpf
Brown	Gazelka	Latz	Petersen, B.	Thompson
Carlson	Goodwin	Limmer	Pratt	Tomassoni
Chamberlain	Hall	Lourey	Reinert	Torres Ray
Champion	Hann	Marty	Rosen	Weber
Clausen	Hawj	Metzen	Ruud	Westrom
Cohen	Hayden	Miller	Saxhaug	Wiger
Dahle	Hoffman	Nelson	Scalze	Wiklund
Dahms	Housley	Newman	Schmit	
Dibble	Ingebrigtsen	Nienow	Senjem	
Dziedzic	Jensen	Ortman	Sheran	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 527: A bill for an act relating to commerce; regulating money transmitters; clarifying required fraud prevention measures; amending Minnesota Statutes 2012, section 53B.27, subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Eaton	Johnson	Ortman	Sheran
Benson	Eken	Kent	Osmek	Skoe
Bonoff	Franzen	Kiffmeyer	Pappas	Sparks
Brown	Gazelka	Koenen	Pederson, J.	Stumpf
Carlson	Goodwin	Latz	Petersen, B.	Thompson
Chamberlain	Hall	Limmer	Pratt	Tomassoni
Champion	Hann	Lourey	Reinert	Torres Ray
Clausen	Hawj	Marty	Rosen	Weber
Cohen	Hayden	Metzen	Ruud	Westrom
Dahle	Hoffman	Miller	Saxhaug	Wiger
Dahms	Housley	Nelson	Scalze	Wiklund
Dibble	Ingebrigtsen	Newman	Schmit	
Dziedzic	Jensen	Nienow	Senjem	

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Senators Bakk and Hann introduced –

Senate Resolution No. 83: A Senate resolution relating to conduct of Senate business during the interim between Sessions.

Referred to the Committee on Rules and Administration.

RECESS

Senator Hayden moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

CALL OF THE SENATE

Senator Hayden imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Messages From the House and First Reading of House Bills.

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 1236, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 1236: A bill for an act relating to higher education; providing funding for the University of Minnesota, Minnesota State Colleges and Universities, the Minnesota Office of Higher Education, and for other higher education purposes; regulating the state grant program; limiting certain tuition increases; regulating bonus payments; eliminating state regulation of certain online instruction; providing for local bank deposit of certain MnSCU reserves; requiring the development of strategies to assist in the completion of post-secondary programs; requiring an assessment of the feasibility of a state program to refinance student debt; creating a pilot program for intensive mentoring, counseling, and job placement activities for certain students; requiring an evaluation of which performance standards should be used to evaluate institutional eligibility for state student financial aid programs; requiring the University of Minnesota to develop a plan to reduce administrative costs; requiring a higher education mental health summit; creating a tribal college supplemental grant assistance program; recognizing veteran's experience and training for various higher education purposes; providing a pilot program for state grant aid to part-time students at MnSCU institutions; appropriating money; amending Minnesota Statutes 2012, sections 13.47, subdivision 3; 127A.70, subdivision 2; 135A.61; 136A.031, subdivision 2; 136A.101, subdivisions 3, 5a, 9; 136A.121, subdivision 5, by adding a subdivision; 136A.125, subdivisions 2, 4; 136A.233, subdivision 2; 136A.62, by adding a subdivision; 136A.646; 136A.65, subdivisions 4, 8; 136A.653, by adding a subdivision; 136F.40, subdivision 2; 137.027; 141.25, subdivision 7; 141.35; 197.775, subdivisions 1, 2, by adding a subdivision; 268.19, subdivision 1; 299A.45, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 135A; 136A; 136F; 137; repealing Minnesota Statutes 2012, section 136A.121, subdivision 9b.

Senate File No. 1236 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 17, 2013

Madam President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 183, 474 and 1823.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 17, 2013

FIRST READING OF HOUSE BILLS

The following bills were read the first time.

H.F. No. 183: A bill for an act relating to data practices; enhancing certain penalties and procedures related to unauthorized access to data by a public employee; amending Minnesota Statutes 2012, sections 13.05, subdivision 5; 13.055; 13.09; 299C.40, subdivision 4.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 211, now on General Orders.

H.F. No. 474: A bill for an act relating to data practices; classifying data related to automated license plate readers; requiring a log of use; requiring data to be destroyed in certain circumstances; providing criminal penalties; amending Minnesota Statutes 2012, sections 13.05, subdivision 5; 13.055; 13.09; 13.82, by adding a subdivision; 299C.40, subdivision 4.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 385, now on General Orders.

H.F. No. 1823: A bill for an act relating to state government; proposing an amendment to the Minnesota Constitution, article IV, section 9; authorizing a council to establish salaries for legislators; changing the composition of the Compensation Council; amending Minnesota Statutes 2012, section 15A.082, subdivisions 1, 2, 3.

Senator Hayden moved that H.F. No. 1823 be laid on the table. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 489 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 489

A bill for an act relating to retirement; Minnesota State Retirement System, Public Employees Retirement Association, and former local police and paid firefighter relief associations; authorizing investments in swaps; clarifying language; removing obsolete language; revising outdated requirements; revising contribution rate revision procedures; revising disability standards and disability benefit administration procedures; merging the elected state officers retirement plan into the legislators retirement plan; revising pension commission standards provision; revising pension plan financial report contents provision; clarifying coverage of student employees and extending duration of excluded work-study positions; revising military service credit purchase provision for consistency with federal code; clarifying average salary for benefit purposes; clarifying MERF division benefit eligibility; adding Lake County Sunrise Home to privatization chapter; removing legislative approval requirements for privatizations; modifying legislative notification requirements for privatizations; clarifying privatized public hospital pension benefit eligibility; making various administrative changes; eliminating the PERA Social Security leveling optional annuity; revising and repealing various statutes to reflect the recent mergers of local police and salaried firefighter relief associations and consolidation accounts with the public employees police and fire retirement plan; streamlining amortization state aid programs; extending the deadline for participation in the voluntary statewide lump-sum volunteer firefighter retirement plan; requiring municipal approval for deferred service pension interest rate changes by volunteer firefighter relief association boards of trustees; authorizing a resumption of the payment of a death benefit to estates of certain White Bear Lake volunteer firefighter relief association retirees; including Minnesota Association of Professional Employees in MSRS-General plan coverage; authorizing the termination of nonspousal survival designations in optional annuity form elections in certain

instances; authorizing certain service credit purchases; providing instructions to the revisor of statutes; amending Minnesota Statutes 2012, sections 3.85, subdivision 10; 3A.011; 3A.03, subdivision 3; 3A.07; 3A.115; 3A.13; 3A.15; 6.495, subdivisions 1, 3; 6.67; 11A.24, subdivision 1; 13D.01, subdivision 1; 69.011, subdivisions 1, 2, 3, 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, 11; 69.031, subdivisions 1, 3, 5; 69.041; 69.051, subdivisions 1, 1a, 1b, 2, 3, 4; 69.33; 69.77, subdivisions 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 69.771, subdivision 1; 69.774, subdivision 1; 69.80; 275.70, subdivision 5; 297I.10, subdivision 1; 345.381; 352.01, subdivisions 2a, 17b; 352.029, subdivisions 1, 2a, 2b, 3, 5; 352.03, subdivisions 4, 8; 352.045, by adding subdivisions; 352.113, subdivisions 4, 6, 8, by adding subdivisions; 352.115, subdivision 3; 352.22, subdivision 3; 352.87, subdivision 3; 352.93, subdivision 2; 352.95, subdivision 1; 352.955, subdivisions 1, 3; 352B.011, subdivision 13; 352B.08, subdivision 2; 352B.10, subdivision 1, by adding a subdivision; 352D.04, subdivision 2; 353.01, subdivisions 2a, 2b, 6, 10, 16, 17a, 29; 353.03, subdivision 3; 353.27, subdivision 7; 353.29, subdivision 3; 353.34, subdivisions 1, 2; 353.50, subdivisions 3, 6; 353.64, subdivision 1a; 353.651, subdivision 3; 353.656, subdivisions 1, 1a, 3a; 353.657, subdivisions 2, 2a, 3; 353.659; 353.665, subdivisions 1, 5, 8; 353.71, subdivision 1; 353E.04, subdivision 3; 353E.06, subdivision 1; 353F.02, subdivisions 3, 4, 6, by adding a subdivision; 353F.025, subdivisions 1, 2; 353F.03; 353F.04; 353F.05; 353F.051, subdivision 1; 353F.052; 353F.06; 353F.07; 353F.08; 353G.05, subdivision 2; 354.07, subdivision 1; 354.44, subdivision 6; 354A.021, subdivision 2; 354A.31, subdivisions 4, 4a; 356.20, subdivisions 2, 4; 356.214, subdivision 1; 356.215, subdivisions 1, 8, 18; 356.216; 356.219, subdivisions 1, 2, 8; 356.30, subdivisions 1, 3; 356.315, subdivision 9; 356.401, subdivision 3; 356.406, subdivision 1; 356.415, subdivisions 1, 1a, 1b, 2; 356.48, subdivision 1; 356.635, subdivision 1; 356A.01, subdivision 19; 356A.06, subdivision 4; 356A.07, subdivision 2; 423A.02, subdivisions 1, 1b, 2, 3, 3a, 4, 5; 424A.001, subdivision 4, by adding a subdivision; 424A.01, subdivision 6; 424A.015, subdivisions 1, 4; 424A.016, subdivision 6; 424A.02, subdivisions 7, 9; 424A.10, subdivisions 1, 2; 475.52, subdivision 6; 490.121, subdivision 22; 490.124, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 3A; 6; 353F; 356; repealing Minnesota Statutes 2012, sections 3A.02, subdivision 3; 69.021, subdivision 6; 69.77, subdivision 3; 352.955, subdivision 2; 352C.001; 352C.091, subdivision 1; 352C.10; 353.29, subdivision 6; 353.64, subdivision 3; 353.665, subdivisions 2, 3, 4, 6, 7, 9, 10; 353.667; 353.668; 353.669; 353.6691; 353A.01; 353A.02; 353A.03; 353A.04; 353A.05; 353A.06; 353A.07; 353A.08; 353A.081; 353A.083; 353A.09; 353A.10; 353B.01; 353B.02; 353B.03; 353B.04; 353B.05; 353B.06; 353B.07; 353B.08; 353B.09; 353B.10; 353B.11; 353B.12; 353B.13; 353B.14; 353F.02, subdivisions 4, 5; 353F.025, subdivision 3; 356.315, subdivisions 1, 1a, 2, 2a, 2b, 3, 4, 5, 5a, 6, 7, 8; 423A.01; 423A.02, subdivision 1a; 423A.04; 423A.05; 423A.07; 423A.10; 423A.11; 423A.12; 423A.13; 423A.14; 423A.15; 423A.16; 423A.17; 423A.171; 423A.18; 423A.19; 423A.20; 423A.21; 423A.22; 424A.10, subdivision 5.

May 17, 2013

The Honorable Sandra L. Pappas
President of the Senate

The Honorable Paul Thissen
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 489 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 489 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

STATE BOARD OF INVESTMENT PROVISIONS

Section 1. Minnesota Statutes 2012, section 11A.24, subdivision 1, is amended to read:

Subdivision 1. **Securities generally.** (a) Pursuant to an investment policy adopted by the state board, the state board is authorized to purchase, sell, lend, and exchange the securities specified in this section, for funds or accounts specifically made subject to this section; This authority including includes puts and call options, and future contracts, and swap contracts marked to market, if these options and contracts are traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned directly or through shares in exchange-traded or mutual funds, or as units in commingled trusts, subject to any limitations as specified in this section.

(b) Any agreement to lend securities must be concurrently collateralized with cash or securities with a market value of not less than 100 percent of the market value of the loaned securities at the time of the agreement. Any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. Only securities authorized by this section, excluding those under subdivision 6, paragraph (a), clauses (1) to (3), may be accepted as collateral or offsetting securities.

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

ARTICLE 2

MSRS ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2012, section 3.85, subdivision 10, is amended to read:

Subd. 10. **Standards for pension valuations and cost estimates.** The commission shall adopt standards prescribing specific detailed methods to calculate, evaluate, and display current and proposed law liabilities, costs, and actuarial equivalents of all public employee pension plans in Minnesota. These standards shall be consistent with chapter 356 and be updated annually. At a minimum, the standards must not shall contain a valuation requirement requirements that is inconsistent comply with generally accepted accounting principles applicable to government pension plans. The standards may include additional financial, funding, or valuation requirements that are not required under generally accepted accounting principles applicable to government pension plans.

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

Sec. 2. Minnesota Statutes 2012, section 3A.011, is amended to read:

3A.011 ADMINISTRATION OF PLAN PLANS.

The executive director and the board of directors of the Minnesota State Retirement System shall administer the legislators retirement plan plans specified in accordance this chapter consistent with this chapter and chapter chapters 356 and 356A.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 3A.03, subdivision 3, is amended to read:

Subd. 3. **Legislators retirement fund.** (a) The legislators retirement fund, a special retirement fund, is created within the state treasury ~~and must be credited with assets equal to the participation of the legislators retirement plan in the Minnesota postretirement investment fund as of June 30, 2009, and any investment proceeds on those assets.~~ The legislators retirement fund must be credited with any investment proceeds on the assets of the retirement fund.

(b) The payment of annuities under section 3A.115, paragraph (b), is appropriated from the legislators retirement fund.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 3A.07, is amended to read:

3A.07 APPLICATION.

(a) Except as provided in paragraph (b) and section 3A.17, this chapter applies to members of the legislature in service after July 1, 1965, who otherwise meet the requirements of this chapter.

(b) Members of the legislature who were elected for the first time after June 30, 1997, or members of the legislature who were elected before July 1, 1997, and who, after July 1, 1998, elect not to be members of the plan established by this chapter are covered by the unclassified employees retirement program governed by chapter 352D.

(c) The post-July 1, 1998, coverage election under paragraph (b) is irrevocable and must be made on a form prescribed by the director. The second chance referendum election under Laws 2002, chapter 392, article 15, also is irrevocable.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 3A.115, is amended to read:

3A.115 RETIREMENT ALLOWANCE APPROPRIATION; POSTRETIREMENT ADJUSTMENT.

(a) The amount necessary to fund the retirement allowance granted under this chapter to a former legislator retiring after June 30, 2003, or to that legislator's survivor, and the retirement allowance granted under section 3A.17 to a former constitutional officer or the survivor of that constitutional officer is appropriated from the general fund to the director to pay pension obligations due to the retiree.

(b) The amount necessary to fund the retirement allowance granted under this chapter to a former legislator retiring before July 1, 2003, must be paid from the legislators retirement fund created under section 3A.03, subdivision 3, until the assets of the fund are exhausted and at that time, the amount necessary to fund the retirement allowances under this paragraph is appropriated from the general fund to the director to pay pension obligations to the retiree and survivor.

(c) Retirement allowances payable to retired legislators and their survivors under this chapter must be adjusted as provided in sections 3A.02, subdivision 6, and 356.415.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 3A.13, is amended to read:

3A.13 EXEMPTION FROM PROCESS AND TAXATION; HEALTH PREMIUM DEDUCTION.

(a) The provisions of section 356.401 apply to the legislators retirement plan plans specified in this chapter.

(b) The executive director of the Minnesota State Retirement System must, at the request of a retired legislator or constitutional officer who is enrolled in a health insurance plan covering state employees, deduct the person's health insurance premiums from the person's annuity and transfer the amount of the premium to a health insurance carrier covering state employees.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 3A.15, is amended to read:

3A.15 ~~COORDINATED PROGRAM~~ PROGRAMS OF THE LEGISLATORS RETIREMENT PLAN.

The coordinated program of the legislators retirement plan is created. The provisions of sections 3A.01 to 3A.13 apply to the coordinated program and basic programs of the legislators retirement plan.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 8. **[3A.17] CONSTITUTIONAL OFFICERS.**

Subdivision 1. **Application.** (a) This section specifies the retirement plan applicable to a former constitutional officer who was first elected to a constitutional office after July 1, 1967, and before July 1, 1997. The plan includes the applicable portions of chapters 352C and 356 in effect on the date on which the person terminated active service as a constitutional officer.

(b) Nothing in this section, this act, or Laws 2006, chapter 271, article 10, section 33, subdivision 2, is intended to increase or reduce the benefits of former constitutional officers or their survivors or to adversely modify their eligibility for benefits in effect as of June 30, 2012.

Subd. 2. **Benefit adjustments.** Retirement allowances payable to retired constitutional officers and surviving spouse benefits payable must be adjusted under section 356.415.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 9. Minnesota Statutes 2012, section 352.01, subdivision 17b, is amended to read:

Subd. 17b. **Duty disability, physical or psychological.** "Duty disability, physical or psychological," for a correctional employee, means an occupational disability that is the direct result of an injury incurred during, or a disease arising out of, the performance of normal duties or the performance of less frequent duties either of which are present inherent dangers specific to the correctional employee.

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

Sec. 10. Minnesota Statutes 2012, section 352.03, subdivision 8, is amended to read:

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

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

Sec. 11. Minnesota Statutes 2012, section 352.045, is amended by adding a subdivision to read:

Subd. 3a. **Contribution rate revision; general state employees retirement plan.** (a) Notwithstanding the contribution rates stated in plan law, the employee and employer contribution rates for the general state employees retirement plan must be adjusted:

(1) if the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution sufficiency greater than one percent of covered payroll and that the sufficiency has existed for at least two consecutive years, the employee and employer contribution rates must be decreased as determined under paragraph (b) to a level such that the sufficiency is no greater than one percent of covered payroll based on the most recent actuarial valuation; or

(2) if the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution deficiency equal to or greater than 0.5 percent of covered payroll and that the deficiency has existed for at least two consecutive years, the employee and employer contribution rates must be increased as determined under paragraph (c) to a level such that no deficiency exists based on the most recent actuarial valuation.

(b) If the actuarially required contribution of the plan is less than the total support provided by the combined employee and employer contribution rates by more than one percent of covered payroll, the plan employee and employer contribution rates must be decreased incrementally over one or more years by no more than 0.25 percent of pay each for employee and employer contribution rates to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this paragraph has been fully implemented.

(c) If the actuarially required contribution exceeds the total support provided by the employee and employer contribution rates, the employee and employer contribution rates must be increased equally to eliminate that contribution deficiency. If the contribution deficiency is:

(1) less than two percent, the incremental increase may be up to 0.25 percent each for the employee and employer contribution rates;

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

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

(d) Any recommended adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following receipt of the most recent annual actuarial valuation prepared under section 356.215. The report must include draft legislation to revise the employee and employer contributions stated in plan law. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment

becomes effective on the first day of the first full payroll period in the fiscal year following receipt of the most recent actuarial valuation that gave rise to the adjustment.

(e) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions.

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

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

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

Sec. 12. Minnesota Statutes 2012, section 352.045, is amended by adding a subdivision to read:

Subd. 3b. Contribution rate revision; correctional state employees retirement plan and State Patrol retirement plan. (a) Subdivision 3a applies to the correctional state employees retirement plan under this chapter and to the State Patrol retirement plan established under chapter 352B, except as stated in this subdivision.

(b) Any limitations on the amount of contribution rate changes stated in subdivision 3a apply only to the amount of the employee contribution revision. The employer contribution for the correctional state employees retirement plan or the State Patrol retirement plan, whichever is applicable, must be adjusted so that the employer contribution is equal to 60 percent of the sum of employee plus employer contributions.

(c) For the State Patrol retirement plan, a contribution sufficiency of up to two percent of covered payroll, rather than one percent, may be held in reserves without taking action to reduce employee and employer contributions.

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

Sec. 13. Minnesota Statutes 2012, section 352.113, subdivision 4, is amended to read:

Subd. 4. Medical or psychological examinations; authorization for payment of benefit. (a) Any physician, psychologist, chiropractor, or physician assistant providing any service specified in this section must be licensed.

(b) An applicant shall provide medical, chiropractic, or psychological a detailed report signed by a physician, and at least one additional report signed by a physician, chiropractor, psychologist, or physician assistant with evidence to support an application for total and permanent disability.

(b) The director shall have the employee examined by at least one additional licensed chiropractor, physician, or psychologist designated by the medical adviser. The chiropractors, physicians, or psychologists shall make written reports to the director concerning the employee's disability including must include an expert opinions as to opinion regarding whether the employee is permanently and totally disabled within the meaning of section 352.01, subdivision 17, and that the disability arose before the employee was placed on any paid or unpaid leave of absence or terminated public service.

(c) If there is medical evidence that supports the expectation that at some point the person applying for the disability benefit will no longer be disabled, the decision granting the disability benefit may provide for a termination date upon which the total and permanent disability can be expected to no longer exist. When a termination date is part of the decision granting benefits, prior to the benefit termination the executive director shall review any evidence provided by the disabled employee to show that the disabling condition for which benefits were initially granted continues. If the benefits cease, the disabled employee may follow the appeal procedures described in section 356.96 or may reapply for disability benefits using the process described in this subdivision.

(d) Any claim to disability must be supported by a report from the employer indicating that there is no available work that the employee can perform with the disabling condition and that all reasonable accommodations have been considered. Upon request of the executive director, an employer shall provide evidence of the steps the employer has taken to attempt to provide reasonable accommodations and continued employment to the claimant.

(e) (e) The director shall also obtain written certification from the employer stating whether the employment has ceased or whether the employee is on sick leave of absence because of a disability that will prevent further service to the employer and as a consequence that the employee is not entitled to compensation from the employer.

(d) (f) The medical adviser shall consider the reports of the physicians, physician assistants, psychologists, and chiropractors and any other evidence supplied by the employee or other interested parties. If the medical adviser finds the employee totally and permanently disabled, the adviser shall make appropriate recommendation to the director in writing together with the date from which the employee has been totally disabled. The director shall then determine if the disability occurred within 18 months of filing the application, while still in the employment of the state, and the propriety of authorizing payment of a disability benefit as provided in this section.

(e) (g) A terminated employee may apply for a disability benefit within 18 months of termination as long as the disability occurred while in the employment of the state. The fact that an employee is placed on leave of absence without compensation because of disability does not bar that employee from receiving a disability benefit.

(f) (h) Unless the payment of a disability benefit has terminated because the employee is no longer totally disabled, or because the employee has reached normal retirement age as provided in this section, the disability benefit must cease with the last payment received by the disabled employee or which had accrued during the lifetime of the employee unless there is a spouse

surviving. In that event, the surviving spouse is entitled to the disability benefit for the calendar month in which the disabled employee died.

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

Sec. 14. Minnesota Statutes 2012, section 352.113, is amended by adding a subdivision to read:

Subd. 4a. Independent medical examination or vocational rehabilitation counseling. Any individual applying for or receiving disability benefits shall submit to an independent medical examination or an assessment by a certified rehabilitation counselor if requested by the executive director or designee. The examination must be paid for by the system.

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

Sec. 15. Minnesota Statutes 2012, section 352.113, subdivision 6, is amended to read:

Subd. 6. Regular medical or psychological examinations. At least once each year during the first five years following the allowance of a disability benefit to any employee, and at least once in every three-year period thereafter, the director may require any disabled employee to ~~undergo a~~ provide medical, chiropractic, or psychological examination evidence to support the continuation of the total and permanent disability. ~~The examination must be made at the place of residence of the employee, or at any place mutually agreed upon,~~ evidence must be in a form and manner prescribed by the executive director for review by an expert or experts designated by the medical adviser and engaged by the director. ~~If any examination indicates the medical information provided to the medical adviser indicates that the employee is no longer permanently and totally disabled, or is engaged in or can engage in a gainful occupation, payments of the disability benefit by the fund must be discontinued. The payments must be discontinued as soon as the employee is reinstated to the payroll following a sick leave of absence, but in no case may payment be made for more than 60 days after the medical adviser finds that the employee is no longer permanently and totally disabled.~~

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

Sec. 16. Minnesota Statutes 2012, section 352.113, subdivision 8, is amended to read:

Subd. 8. Refusal of examination. ~~If a disabled employee person applying for a disability benefit refuses to submit to an expert a medical or psychological examination, the disability application shall be rejected. If a disability benefit recipient refuses to submit to a medical or psychological examination as required, payments by the fund must be discontinued and the director shall revoke all rights of the employee in any disability benefit.~~

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

Sec. 17. Minnesota Statutes 2012, section 352.113, is amended by adding a subdivision to read:

Subd. 14. Disabling earnings reports. Disability benefit recipients must report all earnings from reemployment and income from workers' compensation to the system annually by May 15 in a format prescribed by the executive director. If the form is not submitted by June 15, benefits must be suspended effective July 1. If the form deemed acceptable by the executive director is received after the June 15 deadline, benefits shall be reinstated retroactive to July 1.

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

Sec. 18. Minnesota Statutes 2012, section 352.22, subdivision 3, is amended to read:

Subd. 3. **Deferred annuity.** (a) An employee who has at least three years of allowable service if employed before July 1, 2010, or who has at least five years of allowable service if employed after June 30, 2010, when termination occurs may elect to leave the accumulated contributions in the fund and thereby be entitled to a deferred retirement annuity. The annuity must be computed under the law in effect when state service terminated, on the basis of the allowable service credited to the person before the termination of service.

(b) An employee on layoff or on leave of absence without pay, except a leave of absence for health reasons, and who does not return to state service must have an annuity, deferred annuity, or other benefit to which the employee may become entitled computed under the law in effect on the employee's last working day.

(c) No application for a deferred annuity may be made more than 60 days before the time the former employee reaches the required age for entitlement to the payment of the annuity. The deferred annuity begins to accrue no earlier than 60 days before the date the application is filed in the office of the system, but not (1) before the date on which the employee reaches the required age for entitlement to the annuity nor (2) before the day following the termination of state service in a position which is not covered by the retirement system.

(d) Application for the accumulated contributions left on deposit with the fund may be made at any time following the date of the termination of service.

(e) Deferred annuities must be augmented as provided in section 352.72, subdivision 2.

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

Sec. 19. Minnesota Statutes 2012, section 352.955, subdivision 1, is amended to read:

Subdivision 1. **Election to transfer prior MSRS-general service credit.** (a) An eligible employee described in paragraph (b) may elect to transfer service credit in the general state employees retirement plan of the Minnesota State Retirement System to the correctional state employees retirement plan for eligible prior correctional employment.

(b) An eligible employee is a person who is covered by ~~Laws 2007, chapter 134, article 3, section 6, or who became eligible for retirement coverage by the correctional state employees retirement plan of the Minnesota State Retirement System under Laws 2006, chapter 271, article 2, Laws 2007, chapter 134, article 3, or legislation implementing the recommendations under section 352.91, subdivision 4a.~~

(c) Eligible prior correctional employment is employment covered correctional service defined in Laws 2007, chapter 134, article 3, section 6, or is employment by the Department of Corrections or by the Department of Human Services that preceded the effective date of the retirement coverage transfer under Laws 2006, chapter 271, article 2, Laws 2007, chapter 134, article 3, or legislation implementing the recommendations under section 352.91, subdivision 4a by the general state employees retirement plan of the Minnesota State Retirement System, is continuous service, and is certified by the commissioner of corrections and the commissioner of human services, whichever applies, and by the commissioner of management and budget to the executive director of the Minnesota State Retirement System as service that would qualify for correctional state employees retirement plan coverage under section 352.91, if the service was had been rendered after the date of coverage transfer.

(d) The election to transfer past service credit under this section must be made in writing by the applicable person on a form prescribed by the executive director of the Minnesota State Retirement System and must be filed with the executive director of the Minnesota State Retirement System on or before ~~(1) January 1, 2008, or the one year anniversary of the coverage transfer, whichever is later,~~ or (2) the date of the eligible employee's termination of state employment, whichever is earlier.

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

Sec. 20. Minnesota Statutes 2012, section 352.955, subdivision 3, is amended to read:

Subd. 3. **Payment of additional equivalent contributions; ~~post-June 30, 2007, coverage transfers.~~** (a) An eligible employee who is transferred to plan coverage ~~after June 30, 2007,~~ and who elects to transfer past service credit under this section must pay an additional member contribution for that prior service period. The additional member contribution is the amount computed under paragraph (b), plus the greater of the amount computed under paragraph (c), or 40 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(b) The executive director shall compute, for the most recent 12 months of service credit eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a monthly rate of 0.71 percent.

(c) The executive director shall compute, for any service credit being transferred on behalf of the eligible employee and not included under paragraph (b), the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a monthly rate of 0.71 percent.

(d) The executive director shall compute an amount using the process specified in paragraph (b), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(e) The executive director shall compute an amount using the process specified in paragraph (c), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(f) The additional equivalent member contribution under this subdivision must be paid in a lump sum. Payment must accompany the election to transfer the prior service credit. No transfer election or additional equivalent member contribution payment may be made by a person or accepted by the executive director after the one year anniversary date of the effective date of the retirement coverage transfer, or the date on which the eligible employee terminates state employment, whichever is earlier.

(g) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under paragraph (a), the applicable department shall pay an additional equivalent employer contribution amount. The additional employer

contribution is the amount computed under paragraph (d), plus the greater of the amount computed under paragraph (e), or 60 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(h) The unfunded actuarial accrued liability attributable to the past service credit transfer is the present value of the benefit obtained by the transfer of the service credit to the correctional state employees retirement plan reduced by the amount of the asset transfer under subdivision 4, by the amount of the member contribution equivalent payment computed under paragraph (b), and by the amount of the employer contribution equivalent payment computed under paragraph (d).

(i) The additional equivalent employer contribution under this subdivision must be paid in a lump sum and must be paid within 30 days of the date on which the executive director of the Minnesota State Retirement System certifies to the applicable department that the employee paid the additional equivalent member contribution.

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

Sec. 21. Minnesota Statutes 2012, section 352B.011, subdivision 13, is amended to read:

Subd. 13. **Surviving spouse.** "Surviving spouse" means a member's or former member's legally married spouse ~~who resided with the member or former member at the time of death and was married to the member or former member, for a period of at least one year, during or before the time of membership.~~

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

Sec. 22. Minnesota Statutes 2012, section 352B.10, is amended by adding a subdivision to read:

Subd. 7. **Disabilitant earnings reports.** Disability benefit recipients must report all earnings from reemployment and income from workers' compensation to the system annually by May 15 in a format prescribed by the executive director. If the form is not submitted by June 15, benefits must be suspended effective July 1. If the form deemed acceptable by the executive director is received after the June 15 deadline, benefits shall be reinstated retroactive to July 1.

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

Sec. 23. Minnesota Statutes 2012, section 352D.04, subdivision 2, is amended to read:

Subd. 2. **Contribution rates.** (a) The money used to purchase shares under this section is the employee and employer contributions provided in this subdivision.

(b) The employee contribution is an amount equal to the percent of salary specified in section 352.04, subdivision 2, or 352.045, subdivision 3 3a.

(c) The employer contribution is an amount equal to six percent of salary.

(d) For members of the legislature, the contributions under this subdivision also must be made on per diem payments received during a regular or special legislative session, but may not be made on per diem payments received outside of a regular or special legislative session, on the additional compensation attributable to a leadership position under section 3.099, subdivision 3, living expense payments under section 3.101, or special session living expense payments under section 3.103.

(e) For a judge who is a member of the unclassified plan under section 352D.02, subdivision 1, paragraph (c), clause (16), the employee contribution rate is eight percent of salary, and there is no employer contribution.

(f) These contributions must be made in the manner provided in section 352.04, subdivisions 4, 5, and 6.

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

Sec. 24. Minnesota Statutes 2012, section 356.20, subdivision 4, is amended to read:

Subd. 4. **Contents of financial report.** (a) The financial report required by this section must contain financial statements and disclosures that indicate the financial operations and position of the retirement plan and fund. The report must conform with generally accepted governmental accounting principles, applied on a consistent basis. The report must be audited.

(b) The report must include, ~~as part of its exhibits or its footnotes, an actuarial disclosure item based on a statement that the~~ actuarial valuation calculations prepared by the actuary retained under section 356.214 or by the actuary retained by the retirement fund or plan, whichever applies, ~~according to~~ comply with applicable actuarial requirements enumerated in section 356.215, and specified in the most recent standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement. The actuarial value of assets, the actuarial accrued liabilities, ~~including accrued reserves,~~ and the unfunded actuarial accrued liability of the fund or plan must be disclosed. The ~~disclosure item report~~ report must contain a ~~declaration~~ certification by the actuary retained under section 356.214 or the actuary retained by the fund or plan, whichever applies, specifying that ~~the required reserves for any retirement, disability, or survivor normal cost and the actuarial accrued liabilities for all benefits provided under a benefit formula~~ are computed in accordance with the entry age actuarial cost method and in accordance with the most recent applicable standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

(c) The report must contain an itemized exhibit describing the administrative expenses of the plan, including, but not limited to, the following items, classified on a consistent basis from year to year, and with any further meaningful detail:

- (1) personnel expenses;
- (2) communication-related expenses;
- (3) office building and maintenance expenses;
- (4) professional services fees; and
- (5) other expenses.

(d) The report must contain an itemized exhibit describing the investment expenses of the plan, including, but not limited to, the following items, classified on a consistent basis from year to year, and with any further meaningful detail:

- (1) internal investment-related expenses; and
- (2) external investment-related expenses.

(e) Any additional statements or exhibits or more detailed or subdivided itemization of a disclosure item that will enable the management of the plan to portray a true interpretation of the plan's financial condition must be included in the additional statements or exhibits.

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

Sec. 25. Minnesota Statutes 2012, section 356.214, subdivision 1, is amended to read:

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

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

- (1) the teachers retirement plan, Teachers Retirement Association;
- (2) the general state employees retirement plan, Minnesota State Retirement System;
- (3) the correctional employees retirement plan, Minnesota State Retirement System;
- (4) the State Patrol retirement plan, Minnesota State Retirement System;
- (5) the judges retirement plan, Minnesota State Retirement System;
- (6) the general employees retirement plan, Public Employees Retirement Association, including the MERF division;
- (7) the public employees police and fire plan, Public Employees Retirement Association;
- (8) the Duluth teachers retirement plan, Duluth Teachers Retirement Fund Association;
- (9) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund Association;
- (10) the legislators retirement plan, Minnesota State Retirement System; and
- ~~(11) the elective state officers retirement plan, Minnesota State Retirement System; and~~
- ~~(12)~~ (11) the local government correctional service retirement plan, Public Employees Retirement Association.

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

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

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

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

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

(e) (f) If the actuarial gain and loss analysis in the actuarial valuation calculations indicates a persistent pattern of sizable gains or losses, the governing or managing board or administrative official shall direct the actuary to prepare a special experience study for a plan listed in paragraph (b), clause (3), (4), (5), (7), (8), (9), (10), (11), or (12), in the manner provided for in the standards for actuarial work adopted by the commission.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 26. Minnesota Statutes 2012, section 356.215, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to 356.23, each of the terms in the following paragraphs has the meaning given.

(b) "Actuarial valuation" means a set of calculations prepared by an actuary retained under section 356.214 if so required under section 3.85, or otherwise, by an approved actuary, to determine the normal cost and the accrued actuarial liabilities of a benefit plan, according to the entry age actuarial cost method and based upon stated assumptions including, but not limited to rates of interest, mortality, salary increase, disability, withdrawal, and retirement and to determine the payment necessary to amortize over a stated period any unfunded accrued actuarial liability disclosed as a result of the actuarial valuation of the benefit plan.

(c) "Approved actuary" means a person who is regularly engaged in the business of providing actuarial services and who is a fellow in the Society of Actuaries.

(d) "Entry age actuarial cost method" means an actuarial cost method under which the actuarial present value of the projected benefits of each individual currently covered by the benefit plan and included in the actuarial valuation is allocated on a level basis over the service of the individual, if the benefit plan is governed by section 69.773, or over the earnings of the individual, if the benefit plan is governed by any other law, between the entry age and the assumed exit age, with the portion of the actuarial present value which is allocated to the valuation year to be the normal cost and the portion of the actuarial present value not provided for at the valuation date by the actuarial present

value of future normal costs to be the actuarial accrued liability, with aggregation in the calculation process to be the sum of the calculated result for each covered individual and with recognition given to any different benefit formulas which may apply to various periods of service.

(e) "Experience study" means a report providing experience data and an actuarial analysis of the adequacy of the actuarial assumptions on which actuarial valuations are based.

(f) "Actuarial value of assets" means:

(1) For the July 1, 2012, actuarial valuation, the market value of all assets as of June 30, 2012, reduced by:

(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008;

(ii) 40 percent of the difference between the actual net change in the market value of total assets between June 30, 2010, and June 30, 2009, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2009;

(iii) 60 percent of the difference between the actual net change in the market value of total assets between June 30, 2011, and June 30, 2010, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2010;

(iv) 80 percent of the difference between the actual net change in the market value of total assets between June 30, 2012, and June 30, 2011, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2011; and

(v) if applicable, 20 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.

(2) For the July 1, 2013, and following actuarial valuations, the market value of all assets as of the preceding June 30, reduced by:

(i) (1) 20 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred three years earlier and the June 30 that occurred four years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred four years earlier;

(ii) (2) 40 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred two years earlier and the June 30 that occurred three years earlier and the computed increase in the market value of total assets over that fiscal year period if

the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred three years earlier;

(iii) (3) 60 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred one year earlier and the June 30 that occurred two years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred two years earlier; and

(iv) (4) 80 percent of the difference between the actual net change in the market value of total assets between the most recent June 30 and the June 30 that occurred one year earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred one year earlier.

(g) "Unfunded actuarial accrued liability" means the total current and expected future benefit obligations, reduced by the sum of the actuarial value of assets and the present value of future normal costs.

(h) "Pension benefit obligation" means the actuarial present value of credited projected benefits, determined as the actuarial present value of benefits estimated to be payable in the future as a result of employee service attributing an equal benefit amount, including the effect of projected salary increases and any step rate benefit accrual rate differences, to each year of credited and expected future employee service.

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

Sec. 27. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the applicable following preretirement interest assumption and the applicable following postretirement interest assumption:

(1) select and ultimate interest rate assumption

plan	ultimate preretirement interest rate assumption	ultimate postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
<u>legislators retirement plan, and for the constitutional officers calculation of total plan liabilities</u>	0.0	=2.0 until June 30, 2040, and -2.5 after June 30, 2040 0.0
elective state officers retirement plan	0.0	=2.0 until June 30, 2040, and -2.5 after June 30, 2040

judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5

Except for the legislators retirement plan and the ~~elective state~~ constitutional officers retirement plan calculation of total plan liabilities, the select preretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 8.0 percent. Except for the legislators retirement plan and the ~~elective state~~ constitutional officers retirement plan calculation of total plan liabilities, the select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 5.5 percent, except for the Duluth teachers retirement plan and the St. Paul teachers retirement plan, each with a select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, of 8.0 percent.

(2) single rate preretirement and postretirement interest rate assumption

plan	interest rate assumption
Bloomington Fire Department Relief Association	6.0
local monthly benefit volunteer firefighters relief associations	5.0

(b) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
judges retirement plan	3.0
Bloomington Fire Department Relief Association	4.0

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
local government correctional service retirement plan	assumption C
Duluth teachers retirement plan	assumption A

St. Paul teachers retirement plan

assumption B

For plans other than the Duluth teachers retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for all retirement plans covered by this clause. The designated percentage rate is 0.3 percent for the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

age	A	B	C
16	8.00%	6.90%	9.00%
17	8.00	6.90	9.00
18	8.00	6.90	9.00
19	8.00	6.90	9.00
20	6.90	6.90	9.00
21	6.90	6.90	8.75
22	6.90	6.90	8.50
23	6.85	6.85	8.25
24	6.80	6.80	8.00
25	6.75	6.75	7.75
26	6.70	6.70	7.50
27	6.65	6.65	7.25
28	6.60	6.60	7.00
29	6.55	6.55	6.75
30	6.50	6.50	6.75
31	6.45	6.45	6.50
32	6.40	6.40	6.50
33	6.35	6.35	6.50
34	6.30	6.30	6.25
35	6.25	6.25	6.25
36	6.20	6.20	6.00
37	6.15	6.15	6.00
38	6.10	6.10	6.00

59TH DAY]

FRIDAY, MAY 17, 2013

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39	6.05	6.05	5.75
40	6.00	6.00	5.75
41	5.90	5.95	5.75
42	5.80	5.90	5.50
43	5.70	5.85	5.25
44	5.60	5.80	5.25
45	5.50	5.75	5.00
46	5.40	5.70	5.00
47	5.30	5.65	5.00
48	5.20	5.60	5.00
49	5.10	5.55	5.00
50	5.00	5.50	5.00
51	4.90	5.45	5.00
52	4.80	5.40	5.00
53	4.70	5.35	5.00
54	4.60	5.30	5.00
55	4.50	5.25	4.75
56	4.40	5.20	4.75
57	4.30	5.15	4.50
58	4.20	5.10	4.25
59	4.10	5.05	4.25
60	4.00	5.00	4.25
61	3.90	5.00	4.25
62	3.80	5.00	4.25
63	3.70	5.00	4.25
64	3.60	5.00	4.25
65	3.50	5.00	4.00
66	3.50	5.00	4.00
67	3.50	5.00	4.00
68	3.50	5.00	4.00
69	3.50	5.00	4.00
70	3.50	5.00	4.00

(3) service-related ultimate future salary increase assumption

general state employees retirement plan of the Minnesota State Retirement System	assumption A
general employees retirement plan of the Public Employees Retirement Association	assumption B
Teachers Retirement Association	assumption C
public employees police and fire retirement plan	assumption D
State Patrol retirement plan	assumption E
correctional state employees retirement plan of the Minnesota State Retirement System	assumption F

service length	A	B	C	D	E	F
1	10.50%	12.03%	12.00%	13.00%	8.00%	6.00%
2	8.10	8.90	9.00	11.00	7.50	5.85
3	6.90	7.46	8.00	9.00	7.00	5.70
4	6.20	6.58	7.50	8.00	6.75	5.55
5	5.70	5.97	7.25	6.50	6.50	5.40
6	5.30	5.52	7.00	6.10	6.25	5.25
7	5.00	5.16	6.85	5.80	6.00	5.10
8	4.70	4.87	6.70	5.60	5.85	4.95
9	4.50	4.63	6.55	5.40	5.70	4.80
10	4.40	4.42	6.40	5.30	5.55	4.65
11	4.20	4.24	6.25	5.20	5.40	4.55
12	4.10	4.08	6.00	5.10	5.25	4.45
13	4.00	3.94	5.75	5.00	5.10	4.35
14	3.80	3.82	5.50	4.90	4.95	4.25
15	3.70	3.70	5.25	4.80	4.80	4.15
16	3.60	3.60	5.00	4.80	4.65	4.05
17	3.50	3.51	4.75	4.80	4.50	3.95
18	3.50	3.50	4.50	4.80	4.35	3.85
19	3.50	3.50	4.25	4.80	4.20	3.75
20	3.50	3.50	4.00	4.80	4.05	3.75
21	3.50	3.50	3.90	4.70	4.00	3.75
22	3.50	3.50	3.80	4.60	4.00	3.75
23	3.50	3.50	3.70	4.50	4.00	3.75

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FRIDAY, MAY 17, 2013

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24	3.50	3.50	3.60	4.50	4.00	3.75
25	3.50	3.50	3.50	4.50	4.00	3.75
26	3.50	3.50	3.50	4.50	4.00	3.75
27	3.50	3.50	3.50	4.50	4.00	3.75
28	3.50	3.50	3.50	4.50	4.00	3.75
29	3.50	3.50	3.50	4.50	4.00	3.75
30 or more	3.50	3.50	3.50	4.50	4.00	3.75

(c) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan of the Minnesota State Retirement System	3.75%
correctional state employees retirement plan	3.75
State Patrol retirement plan	3.75
judges retirement plan	3.00
general employees retirement plan of the Public Employees Retirement Association	3.75
public employees police and fire retirement plan	3.75
local government correctional service retirement plan	3.75
teachers retirement plan	3.75
Duluth teachers retirement plan	4.50
St. Paul teachers retirement plan	5.00

(d) The assumptions set forth in paragraphs (b) and (c) continue to apply, unless a different salary assumption or a different payroll increase assumption:

(1) has been proposed by the governing board of the applicable retirement plan;

(2) is accompanied by the concurring recommendation of the actuary retained under section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most recent actuarial valuation report if section 356.214 does not apply; and

(3) has been approved or deemed approved under subdivision 18.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 28. Minnesota Statutes 2012, section 356.30, subdivision 3, is amended to read:

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

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

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

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

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

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

~~(6) the elective state officers retirement plan, established under chapter 352C;~~

~~(7)~~ (6) the general employees retirement plan of the Public Employees Retirement Association, established under chapter 353, including the MERF division of the Public Employees Retirement Association;

~~(8)~~ (7) the public employees police and fire retirement plan of the Public Employees Retirement Association, established under chapter 353;

~~(9)~~ (8) the local government correctional service retirement plan of the Public Employees Retirement Association, established under chapter 353E;

~~(10)~~ (9) the Teachers Retirement Association, established under chapter 354;

~~(11)~~ (10) the St. Paul Teachers Retirement Fund Association, established under chapter 354A;

~~(12)~~ (11) the Duluth Teachers Retirement Fund Association, established under chapter 354A; and

~~(13)~~ (12) the judges retirement fund, established by chapter 490.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 29. Minnesota Statutes 2012, section 356.401, subdivision 3, is amended to read:

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

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

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

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

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

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

~~(6)~~ (5) the unclassified state employees retirement program, established by chapter 352D;

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

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

(9) (8) the public employees defined contribution plan, established by chapter 353D;

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

(11) (10) the voluntary statewide lump-sum volunteer firefighter retirement plan, established by chapter 353G;

(12) (11) the Teachers Retirement Association, established by chapter 354;

(13) (12) the Duluth Teachers Retirement Fund Association, established by chapter 354A;

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

(15) (14) the individual retirement account plan, established by chapter 354B;

(16) (15) the higher education supplemental retirement plan, established by chapter 354C; and

(17) (16) the judges retirement fund, established by chapter 490.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 30. Minnesota Statutes 2012, section 356.415, subdivision 1a, is amended to read:

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

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

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

(b) The increases provided by this subdivision commence on January 1, 2011. Increases under this subdivision for the general state employees retirement plan, the correctional state employees retirement plan, or the judges retirement plan terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and

Retirement indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date. Increases under this subdivision for the legislators retirement plan or the elected state officers retirement plan terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

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

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 31. Minnesota Statutes 2012, section 356.415, subdivision 2, is amended to read:

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

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

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

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

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

~~(5) the elective state officers retirement plan established under chapter 352C;~~

~~(6)~~ (5) the general employees retirement plan of the Public Employees Retirement Association established under chapter 353, including the MERF division of the Public Employees Retirement Association;

~~(7)~~ (6) the public employees police and fire retirement plan of the Public Employees Retirement Association established under chapter 353;

~~(8)~~ (7) the local government correctional employees retirement plan of the Public Employees Retirement Association established under chapter 353E;

~~(9)~~ (8) the teachers retirement plan established under chapter 354; and

~~(10)~~ (9) the judges retirement plan established under chapter 490.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 32. **APPLICATION AND INTENT.**

Sections 2 to 8 and 25 to 31 merge the remaining provisions of the elective state officers retirement plan into the legislators retirement plan chapter to achieve administrative savings, including reduced cost for actuarial calculations. Nothing in those sections should be interpreted as

modifying benefits or benefit eligibility compared to law in effect immediately before the effective date of this section.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 33. **REPEALER.**

(a) Minnesota Statutes 2012, sections 3A.02, subdivision 3; 352C.001; 352C.091, subdivision 1; and 352C.10, are repealed.

(b) Minnesota Statutes 2012, sections 352.045, subdivisions 3 and 4; and 352.955, subdivision 2, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective July 1, 2013. Paragraph (b) is effective the day following final enactment.

ARTICLE 3

PERA ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2012, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible to participate as members of the association with retirement coverage by the general employees retirement plan, the local government correctional employees retirement plan under chapter 353E, or the public employees police and fire retirement plan:

- (1) persons whose salary from one governmental subdivision never exceeds \$425 in a month;
- (2) public officers who are elected to a governing body, city mayors, or persons who are appointed to fill a vacancy in an elective office of a governing body, whose term of office commences on or after July 1, 2002, for the service to be rendered in that elective position;
- (3) election officers or election judges;
- (4) patient and inmate personnel who perform services for a governmental subdivision;
- (5) except as otherwise specified in subdivision 12a, employees who are hired for a temporary position as defined under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days in the same governmental subdivision;
- (6) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster;
- (7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota State Retirement System, the Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, or any police or firefighters relief association governed by section 69.77 that has not consolidated with the Public Employees Retirement Association, or any local police or firefighters consolidation account who have not elected the type of benefit coverage provided by the public employees police and fire fund under sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4, 5, or 6, who have not elected public employees police and fire plan benefit coverage. This clause must not be construed to prevent a person from being a member of and contributing to the

Public Employees Retirement Association and also belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

(8) persons who are members of a religious order and are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended through January 1, 1987, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(9) employees of a governmental subdivision who have not reached the age of 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time basis at an accredited school, college, or university in an undergraduate, graduate, or professional-technical program, or a public or charter high school;

(10) resident physicians, medical interns, and pharmacist residents and pharmacist interns who are serving in a degree or residency program in public hospitals or clinics;

(11) students who are serving for up to five years in an internship or residency program sponsored by a governmental subdivision, including an accredited educational institution;

(12) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(13) except for employees of Hennepin County or Hennepin Healthcare System, Inc., foreign citizens who are employed by a governmental subdivision under a work permit, or an H-1b visa initially issued or extended for a combined period less than three years of employment. Upon extension of the employment beyond the three-year period, the foreign citizens must be reported for membership beginning the first of the month thereafter provided the monthly earnings threshold as provided under subdivision 2a is met;

(14) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988, to October 1, 1988;

(15) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the Public Employees Retirement Association and participants in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel;

(16) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties, but a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the Public Employees Retirement Association and a participant in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment activities other than those as a volunteer firefighter;

(17) pipefitters and associated trades personnel employed by Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters local 455 pension plan who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section 12;

(18) electrical workers, plumbers, carpenters, and associated trades personnel who are employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who have retirement coverage under a collective bargaining agreement by the Electrical Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the pension plan applicable to Carpenters Local 87 who were either first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000, chapter 461, article 7, section 5;

(19) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters, allied tradesworkers, and plasterers who are employed by the city of St. Paul or Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan, the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(20) plumbers who are employed by the Metropolitan Airports Commission, with coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(21) employees who are hired after June 30, 2002, to fill seasonal positions under subdivision 12b which are limited in duration by the employer to 185 consecutive calendar days or less in each year of employment with the governmental subdivision;

(22) persons who are provided supported employment or work-study positions by a governmental subdivision and who participate in an employment or industries program maintained for the benefit of these persons where the governmental subdivision limits the position's duration up to three five years or less, including persons participating in a federal or state subsidized on-the-job training, work experience, senior citizen, youth, or unemployment relief program where the training or work experience is not provided as a part of, or for, future permanent public employment;

(23) independent contractors and the employees of independent contractors;

(24) reemployed annuitants of the association during the course of that reemployment; and

(25) persons appointed to serve on a board or commission of a governmental subdivision or an instrumentality thereof.

(b) Any person performing the duties of a public officer in a position defined in subdivision 2a, paragraph (a), clause (3), is not an independent contractor and is not an employee of an independent contractor.

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

Sec. 2. Minnesota Statutes 2012, section 353.01, subdivision 16, is amended to read:

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

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

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

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

(4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;

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

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

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States

Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary, ~~excluding overtime pay~~, during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate, ~~excluding overtime pay~~, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

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

(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association under chapter 353A or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "allowable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the

consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

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

(e) MS 2002 [Expired]

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

Sec. 3. Minnesota Statutes 2012, section 353.01, subdivision 17a, is amended to read:

Subd. 17a. **Average salary.** (a) "Average salary," for purposes of calculating a retirement annuity under section 353.29, subdivision 3 unless otherwise specified, means an amount equivalent to the average of the highest salary of the member, police officer, or firefighter, whichever applies, upon which employee contributions were paid for any five successive years of allowable service, based on dates of salary periods as listed on salary deduction reports. Average salary must be based upon all allowable service if this service is less than five years.

(b) "Average salary" may not include any reduced salary paid during a period in which the employee is entitled to benefit payments from workers' compensation for temporary disability, unless the average salary is higher, including this period.

(c) "Average salary," for purposes of calculating benefits for a surviving spouse or dependent children under section 353.657, subdivision 2 or 3, means the average of the full-time monthly base salary rate in effect during the last six months of allowable service. If the employment during the last six months of allowable service was part-time, the average salary must be prorated based on the actual number of hours worked.

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

Sec. 4. Minnesota Statutes 2012, section 353.01, subdivision 29, is amended to read:

Subd. 29. **Designated beneficiary.** "Designated beneficiary" means the person or organization, trust, or estate designated by a member, former member, ~~disabilitant, or retired member in writing, signed and filed with the association before the death of the member, former member, disabilitant, or retired member,~~ or a person legally authorized to act on behalf of the member or former member to receive a refund of the balance of the member's or former member's accumulated deductions after death. A beneficiary designation is valid if it is made in the form prescribed by the executive director and is received by the association on or before the date of death of the member or former member. If a beneficiary designation is deemed to be invalid for any reason, any remaining balance of the member's or former member's accumulated deductions are subject to the provisions of section 353.32, subdivisions 4 and 5.

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

Sec. 5. Minnesota Statutes 2012, section 353.27, subdivision 7, is amended to read:

Subd. 7. Adjustment for erroneous receipts or disbursements. (a) Except as provided in paragraph (b), erroneous employee deductions and erroneous employer contributions and additional employer contributions to the general employees retirement plan of the Public Employees Retirement Association or to the public employees police and fire retirement plan for a person who otherwise does not qualify for membership under this chapter, are considered:

(1) valid if the initial erroneous deduction began before January 1, 1990. Upon determination of the error by the association, the person may continue membership in the association while employed in the same position for which erroneous deductions were taken, or file a written election to terminate membership and apply for a refund upon termination of public service or defer an annuity under section 353.34; or

(2) invalid, if the initial erroneous employee deduction began on or after January 1, 1990. Upon determination of the error, the association shall refund all erroneous employee deductions and all erroneous employer contributions as specified in paragraph (e). No person may claim a right to continued or past membership in the association based on erroneous deductions which began on or after January 1, 1990.

(b) Erroneous deductions taken from the salary of a person who did not qualify for membership in the general employees retirement plan of the Public Employees Retirement Association or in the public employees police and fire retirement plan by virtue of concurrent employment before July 1, 1978, which required contributions to another retirement fund or relief association established for the benefit of officers and employees of a governmental subdivision, are invalid. Upon discovery of the error, allowable service credit for all invalid service if forfeited and, upon termination of public service, the association shall refund all erroneous employee deductions to the person, with interest as determined under section 353.34, subdivision 2, and all erroneous employer contributions without interest to the employer. This paragraph has both retroactive and prospective application.

(c) Adjustments to correct employer contributions and employee deductions taken in error from amounts which are not salary under section 353.01, subdivision 10, must be made as specified in paragraph (e). The period of adjustment must be limited to the fiscal year in which the error is discovered by the association and the immediate two preceding fiscal years.

(d) If there is evidence of fraud or other misconduct on the part of the employee or the employer, the board of trustees may authorize adjustments to the account of a member or former member to correct erroneous employee deductions and employer contributions on invalid salary and the recovery of any overpayments for a period longer than provided for under paragraph (c).

(e) Upon discovery of the receipt of erroneous employee deductions and employer contributions under paragraph (a), clause (2), or paragraph (c), the association must require the employer to discontinue the erroneous employee deductions and erroneous employer contributions reported on behalf of a member. Upon discontinuation, the association must:

(1) for a member, provide a refund in the amount of the invalid employee deductions with interest on the invalid employee deductions at the rate specified under section 353.34, subdivision 2, from the received date of each invalid salary transaction through the date the credit or refund is made;

(2) for a former member who:

(i) is not receiving a retirement annuity or benefit, return the erroneous employee deductions to the former member through a refund with interest at the rate specified under section 353.34, subdivision 2, from the received date of each invalid salary transaction through the date the credit or refund is made; or

(ii) is receiving a retirement annuity or disability benefit, or a person who is receiving an optional annuity or survivor benefit, for whom it has been determined an overpayment must be recovered, adjust the payment amount and recover the overpayments as provided under this section; and

(3) return the invalid employer contributions reported on behalf of a member or former member to the employer by providing a credit against future contributions payable by the employer.

(f) In the event that a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or check returned to the funds of the department making the payment, a refund of the sum deducted, or any portion of it that is required to adjust the deductions, must be made to the department or institution.

(g) If the accrual date of any association discovers that a retirement annuity, survivor benefit, or disability benefit is within the limitation period specified in paragraph (c), and an overpayment has resulted has been incorrectly calculated by using invalid service or salary, or due to any erroneous calculation procedure, the association must recalculate the annuity or benefit payable and recover any begin payment of the corrected annuity or benefit effective the first of the month following discovery of the error. Any overpayment resulting from the incorrect calculation must be recovered as provided under subdivision 7b, if the accrual date, or any adjustment in the amount of the annuity or benefit calculated after the accrual date, except adjustments required under section 353.656, subdivision 4, falls within the current fiscal year and the two immediate previous fiscal years.

(h) Notwithstanding the provisions of this subdivision, the association may apply the Revenue Procedures defined in the federal Internal Revenue Service Employee Plans Compliance Resolution System and not issue a refund of erroneous employee deductions and employer contributions or not recover a small overpayment of benefits if the cost to correct the error would exceed the amount of the member refund or overpayment.

(i) Any fees or penalties assessed by the federal Internal Revenue Service for any failure by an employer to follow the statutory requirements for reporting eligible members and salary must be paid by the employer.

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

Sec. 6. Minnesota Statutes 2012, section 353.34, subdivision 1, is amended to read:

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

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

(c) An individual who terminates public service covered by the Public Employees Retirement Association general employees retirement plan, the MERF division, the Public Employees Retirement Association police and fire retirement plan, or the public employees local government correctional service retirement plan, and who is employed by a different employer and who becomes an active member covered by one of the other two plans, may receive a refund of employee contributions plus annual compound interest from the plan from which the member terminated service at the applicable rate specified in subdivision 2.

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

Sec. 7. Minnesota Statutes 2012, section 353.34, subdivision 2, is amended to read:

Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person who ceases to be a public employee is entitled to receive a refund in an amount equal to accumulated deductions with annual compound interest to the first day of the month in which the refund is processed.

(b) For a person who ceases to be a public employee before July 1, 2011, the refund interest is at the rate of six percent to June 30, 2011, and at the rate of four percent after June 30, 2011. For a person who ceases to be a public employee after July 1, 2011, the refund interest is at the rate of four percent.

(c) If a person repays a refund and subsequently applies for another refund, the repayment amount, including interest, is added to the fiscal year balance in which the repayment was made.

(d) If the refund payable to a member is based on employee deductions that are determined to be invalid under section 353.27, subdivision 7, the interest payable on the invalid employee deductions is four percent.

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

Sec. 8. Minnesota Statutes 2012, section 353.50, subdivision 3, is amended to read:

Subd. 3. **Service credit and benefit liability transfer.** (a) All allowable service credit and salary credit of the members of the Minneapolis Employees Retirement Fund as specified in the records of the Minneapolis Employees Retirement Fund through June 30, 2010, are transferred to the MERF division of the Public Employees Retirement Association and are credited by the MERF division. ~~Annuities or benefits of persons who are active members of the former Minneapolis Employees Retirement Fund on June 30, 2010, must be calculated under Minnesota Statutes 2008, sections 422A.11; 422A.12; 422A.13; 422A.14; 422A.15; 422A.151; 422A.155; 422A.156; 422A.16; 422A.17; 422A.18; 422A.19; 422A.20; and 422A.23, but are only eligible for automatic postretirement adjustments after December 31, 2010, under section 356.415.~~

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

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

Sec. 9. Minnesota Statutes 2012, section 353.50, subdivision 6, is amended to read:

Subd. 6. **Benefits.** (a) **Retired, disabled, deferred, and inactive member benefits.** The annuities and benefits of, or attributable to, retired, disabled, deferred, or inactive Minneapolis

Employees Retirement Fund members with that status as of June 30, 2010, ~~with the exception of post-December 31, 2010, postretirement adjustments, which are governed by paragraph (b); as calculated under Minnesota Statutes 2008, sections 422A.11; 422A.12; 422A.13; 422A.14; 422A.15; 422A.151; 422A.155; 422A.156; 422A.16; 422A.17; 422A.18; 422A.19; 422A.20; and 422A.23, continue in force after the administrative consolidation under Laws 2010, chapter 359, article 11.~~

(b) Benefits; benefit eligibility for June 30, 2010, active members. Persons who were active members of the former Minneapolis Employees Retirement Fund on June 30, 2010, upon satisfying eligibility requirements stated in the applicable sections of Minnesota Statutes 2008 specified in paragraph (a), are entitled to annuities or benefits specified in those sections. Eligibility for a formula retirement annuity includes the requirement in Minnesota Statutes 2008, sections 422A.13 and 422A.16, that the terminating member has attained retirement age, which is age 60 if the person has at least ten years of service credit, or any age if the person has 30 or more years of service credit.

~~(b) (c) Postretirement adjustments.~~ After December 31, 2010, annuities and benefits from the MERF division are eligible for annual automatic postretirement adjustments solely under section 356.415.

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

Sec. 10. Minnesota Statutes 2012, section 353.657, subdivision 2, is amended to read:

Subd. 2. **Benefit amount.** (a) The spouse of a deceased member is entitled to receive a monthly benefit for life equal to the following percentage of the member's average full-time monthly salary rate, as defined in section 353.01, subdivision 17a, paragraph (c), as a member of the police and fire plan in effect over the last six months of allowable service preceding the month in which death occurred:

- (1) if the death was a line of duty death, 60 percent of the ~~stated~~ average salary is payable; and
- (2) if the death was not a line of duty death or if death occurred while receiving disability benefits that accrued before July 1, 2007, 50 percent of the ~~stated~~ average salary is payable.

~~(b) If the member was a part-time employee in the position for which the employee qualified for participation in the police and fire plan, the monthly survivor benefit is based on the salary rate in effect for that member's part-time service during the last six months of allowable service. If the member's status changed from full time to part time for due to health reasons during the last year 12 months of employment, notwithstanding the definition of average salary in section 353.01, subdivision 17a, paragraph (c), the average salary used to compute the monthly survivor benefit is must be based on the full-time salary rate of the position held as a member of the police and fire plan in effect over the last six months of allowable service preceding the month in which the death occurred.~~

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

Sec. 11. Minnesota Statutes 2012, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member who has attained the age of at least 50 years and either who is vested under section 353.01, subdivision 47, or who has credit for at least 30 years of allowable service, regardless of age attained, dies before

the annuity or disability benefit becomes payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive a death while eligible survivor benefit.

(b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the death while eligible survivor benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a death while eligible survivor benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The benefit may be elected instead of a refund with interest under section 353.32, subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity which the member could have qualified for on the date of death, computed as provided in sections 353.651, ~~subdivisions 2 and~~ subdivision 3, and 353.30, subdivision 3.

(d) The surviving spouse may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision.

(e) No payment accrues beyond the end of the month in which entitlement to such annuity has terminated. An amount equal to the excess, if any, of the accumulated contributions which were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of such deceased member.

(f) Any member may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to the designated beneficiary, as otherwise provided by this chapter.

(g) For a member who is employed as a full-time firefighter by the Department of Military Affairs of the state of Minnesota, allowable service as a full-time state Military Affairs Department firefighter credited by the Minnesota State Retirement System may be used in meeting the minimum allowable service requirement of this subdivision.

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

Sec. 12. Minnesota Statutes 2012, section 353.657, subdivision 3, is amended to read:

Subd. 3. **Dependent children.** (a) A dependent child, as defined in section 353.01, subdivision 15, is entitled to receive a monthly benefit equal to ten percent of the member's average ~~full-time monthly salary rate~~, as defined in section 353.01, subdivision 17a, paragraph (c), as a member of the police and fire plan ~~in effect over the last six months of allowable service preceding the month in which death occurred~~.

(b) If the member's status changed from full-time to part-time due to health reasons during the last 12 months of employment, notwithstanding the definition of average salary in section 353.01, subdivision 17a, paragraph (c), the average salary used to compute the monthly dependent child benefit must be based on the full-time salary rate of the position held as a member of the police and

fire plan in effect over the last six months of allowable service preceding the month in which the death occurred.

(c) Payments for the benefit of a dependent child must be made to the surviving parent, or to the legal guardian of the child or to any adult person with whom the child may at the time be living, provided only that the parent or other person to whom any amount is to be paid advises the board in writing that the amount will be held or used in trust for the benefit of the child.

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

Sec. 13. Minnesota Statutes 2012, section 353F.02, subdivision 3, is amended to read:

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

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

Sec. 14. Minnesota Statutes 2012, section 353F.02, subdivision 4, is amended to read:

Subd. 4. **Medical facility.** "Medical facility" means:

- (1) Bridges Medical Services;
- (2) Cedarview Care Center in Steele County;
- (3) the City of Cannon Falls Hospital;
- (4) the Chris Jenson Health and Rehabilitation Center in St. Louis County;
- (5) Cornerstone Nursing and Rehabilitation Center in Clearwater County ~~Memorial Hospital doing business as Clearwater Health Services in Bagley~~;
- (6) the Dassel Lakeside Community Home;
- (7) the Douglas County Hospital, with respect to the Mental Health Unit;
- (8) the Fair Oaks Lodge, Wadena;
- (9) the Glencoe Area Health Center;
- (10) Hutchinson Area Health Care;
- (11) Lake County Sunrise Home;
- (~~11~~) (12) the Lakefield Nursing Home;
- (~~12~~) (13) the Lakeview Nursing Home in Gaylord;
- (~~13~~) (14) the Luverne Public Hospital;
- (~~14~~) (15) the Oakland Park Nursing Home;
- (~~15~~) (16) the RenVilla Nursing Home;
- (~~16~~) (17) the Rice Memorial Hospital in Willmar, with respect to the Department of Radiology and the Department of Radiation/Oncology;

- (17) (18) the St. Peter Community Health Care Center;
- (18) (19) the Traverse Care Center in Traverse County;
- (19) (20) the Waconia-Ridgeview Medical Center;
- (20) (21) the Weiner Memorial Medical Center, Inc.;
- (21) (22) the Wheaton Community Hospital; and
- (22) (23) the Worthington Regional Hospital.

EFFECTIVE DATE. This section is effective the day following final enactment if Minnesota Statutes, section 353F.02, subdivision 4, is not repealed in the 2013 legislative session.

Sec. 15. Minnesota Statutes 2012, section 353F.02, is amended by adding a subdivision to read:

Subd. 4a. **Privatized former public employer.** "Privatized former public employer" means a medical facility or other employing unit formerly included in the definition of governmental subdivision under section 353.01, subdivision 6, that is privatized and whose employees are certified for participation under this chapter.

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

Sec. 16. Minnesota Statutes 2012, section 353F.02, subdivision 6, is amended to read:

Subd. 6. ~~Terminated medical facility or other Privatized former public employing unit employee.~~ "Terminated medical facility or other (a) "Privatized former public employing unit employee" means a person who:

(1) was employed by the privatized former public employer on the day before the effective date by the medical facility or other public employing unit of privatization; or

(2) terminated employment with the ~~medical facility or other privatized former public employing unit employer~~ on the day before the effective date; and

(3) was a participant in the general employees retirement plan of the Public Employees Retirement Association at the time of termination of employment with the ~~medical facility or other privatized former public employing unit employer.~~

(b) Privatized former public employee does not mean a person who, on the day before the effective date of privatization, was simultaneously employed with the privatized former public employer and by a governmental subdivision under section 353.01, subdivision 6, and who, after the effective date of privatization, continues to accrue service credit under section 353.01, subdivision 16, through simultaneous employment with a governmental subdivision.

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

Sec. 17. Minnesota Statutes 2012, section 353F.025, subdivision 1, is amended to read:

Subdivision 1. **Eligibility determination.** (a) The chief clerical officer of a governmental subdivision may submit a resolution from the governing body to the executive director of the Public Employees Retirement Association which supports providing coverage under this chapter for employees of that governmental subdivision who are privatized, and which states that the governing body will pay for actuarial calculations, as further specified in paragraph (c).

(b) The governing body must also provide a copy of any applicable purchase or lease agreement and any other information requested by the executive director to allow the executive director to verify that under the proposed employer change, the new employer does not qualify as a governmental subdivision under section 353.01, subdivision 6, making the employees ineligible for continued coverage as active members of the general employees retirement plan of the Public Employees Retirement Association.

(c) Following receipt of a resolution and a determination by the executive director that the new employer is not a governmental subdivision, the executive director shall direct the consulting actuary retained under section 356.214 to determine whether the general employees retirement plan of the Public Employees Retirement Association, if coverage under this chapter is provided, is expected to receive a net gain or a net loss if privatization occurs. A net gain is expected if the actuarial liability of the special benefit coverage provided under this chapter, if extended to the applicable employees under the privatization, is less than the actuarial gain otherwise to accrue to the plan. A net loss is expected if the actuarial accrued liability of the special benefit coverage provided under this chapter, if extended to the applicable employees under the privatization, is more than the actuarial gain otherwise to accrue to the plan. The date of the actuarial calculations used to make this determination must be within one year of the effective date, ~~as defined in section 353F.02, subdivision 3 of privatization.~~

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

Sec. 18. Minnesota Statutes 2012, section 353F.025, subdivision 2, is amended to read:

Subd. 2. **Recommendation to legislature Reporting privatizations.** (a) If the actuarial calculations under subdivision 1, paragraph (c), indicate ~~that privatization can be approved because a net gain to the general employees retirement plan of the Public Employees Retirement Association is expected due to the privatization,~~ or if paragraph ~~(c)~~ (b) applies, the executive director shall, following acceptance of the actuarial calculations by the board of trustees, forward a recommendation notice and supporting documentation, including a copy of the actuary's report and findings, to the chair of the Legislative Commission on Pensions and Retirement, ~~the chair of the Governmental Operations, Reform, Technology and Elections Committee of the house of representatives, the chair of the State and Local Government Operations and Oversight Committee of the senate,~~ and the executive director of the Legislative Commission on Pensions and Retirement and the chairs and the ranking minority members of the committees with jurisdiction over governmental operations in the house of representatives and senate. ~~The recommendation must be in the form of an addition to the definition of "medical facility" under section 353F.02, subdivision 4, or to "other public employing unit" under section 353F.02, subdivision 5, whichever is applicable. The recommendation must be forwarded to the legislature before January 15 for the recommendation to be considered in that year's legislative session. The recommendation may be included as part of public pension administrative legislation under section 356B.05.~~

~~(b) If a medical facility or other public employing unit listed under section 353F.02, subdivision 4 or 5, fails to privatize within one year of the final enactment date of the legislation adding the entity to the applicable definition, its inclusion under this chapter is voided, and the executive director shall include in the subsequent proposed legislation under paragraph (a) a recommendation that the applicable entity be stricken from the definition.~~

~~(c)~~ (b) If the calculations under subdivision 1, paragraph (c), indicate a net loss, the executive director shall forward a recommendation recommend to the board of trustees that the privatization

be included as an addition under paragraph (a) approved if the chief clerical officer of the applicable governmental subdivision submits a resolution from the governing body specifying that a lump sum payment will be made to the ~~executive director~~ Public Employees Retirement Association equal to the net loss, plus interest. The interest must be computed using the applicable ultimate preretirement interest rate assumption under section 356.215, subdivision 8, expressed as a monthly rate, from the date of the actuarial valuation from which the actuarial accrued liability data was used to determine the net loss in the actuarial study under subdivision 1, to the date of payment, with annual compounding. Payment must be made on or after the effective date defined under section 353F.02 of privatization.

(c) The Public Employees Retirement Association must maintain a list that includes the names of all privatized former public employers in the association's comprehensive annual financial report and on the association's Web site. Annually by March 1, the association must submit to the executive director of the Legislative Commission on Pensions and Retirement the names of any privatized former public employers approved since the publication of the previous fiscal year's comprehensive annual financial report.

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

Sec. 19. Minnesota Statutes 2012, section 353F.03, is amended to read:

353F.03 VESTING RULE FOR CERTAIN EMPLOYEES.

Notwithstanding any provision of chapter 353 to the contrary, a ~~terminated medical facility or other privatized former public employing unit~~ employee is eligible to receive a retirement annuity under section 353.29 of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, without regard to the requirement specified in section 353.01, subdivision 47.

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

Sec. 20. Minnesota Statutes 2012, section 353F.04, is amended to read:

353F.04 AUGMENTATION INTEREST RATES FOR ~~TERMINATED MEDICAL OR OTHER PRIVATIZED FORMER PUBLIC EMPLOYING UNIT FACILITY~~ EMPLOYEES.

Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of a ~~terminated medical facility or other privatized former public employing unit~~ employee is subject to augmentation under section 353.71, subdivision 2, of the edition of Minnesota Statutes published in the year in which the privatization occurred, except that the rate of augmentation is as specified in this subdivision.

(b) This paragraph applies if the ~~legislation adding the medical facility or other employing unit to section 353F.02, subdivision 4 or 5, as applicable, effective date of privatization was enacted before July 26, 2005, and became effective before January 1, 2008, for the Hutchinson Area Health Care on or before January 1, 2007, for all other medical facilities and all other employing units and also applies to Hutchinson Area Health Care with a privatization effective date of January 1, 2008.~~ For a ~~terminated medical facility or other privatized former public employing unit~~ employee, the augmentation rate is 5.5 percent compounded annually until January 1 following the year in which the person attains age 55. From that date to the effective date of retirement, the augmentation rate is 7.5 percent compounded annually.

(c) If paragraph (b) is not applicable, and if the effective date of the privatization is before January 1, 2011, the augmentation rate is four percent compounded annually until January 1, following the year in which the person attains age 55. From that date to the effective date of retirement, the augmentation rate is six percent compounded annually.

(d) If the effective date of the privatization is after December 31, 2010, the applicable augmentation rate depends on the result of computations specified in section 353F.025, subdivision 1. If those computations indicate no loss or a net gain to the fund of the general employees retirement plan of the Public Employees Retirement Association, the augmentation rate is 2.0 percent compounded annually until the effective date of retirement. If the computations under that subdivision indicate a net loss to the fund if a 2.0 percent augmentation rate is used, but a net gain or no loss if a 1.0 percent rate is used, then the augmentation rate is 1.0 percent compounded annually until the effective date of retirement.

(e) ~~The term "effective date of the privatization" as used in this subdivision means the "effective date" as defined in section 353F.02, subdivision 3.~~

Subd. 2. **Exceptions.** The increased augmentation rates specified in subdivision 1 do not apply ~~if the terminated medical facility or other~~ to a privatized former public employing unit employee:

(1) beginning the first of the month in which the privatized former public employee becomes covered again by a retirement plan enumerated in section 356.30, subdivision 3, if the employee continues to be covered and accrues at least six months of credited service; or

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

~~(2) (3) if the person begins receipt of a retirement annuity while employed by the employer which assumed operations of or purchased the medical facility or other privatized former public employing unit or purchased the medical facility or other public employing unit employer.~~

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

Sec. 21. Minnesota Statutes 2012, section 353F.05, is amended to read:

353F.05 AUTHORIZATION FOR ADDITIONAL ALLOWABLE SERVICE FOR EARLY RETIREMENT PURPOSES.

(a) For the purpose of determining eligibility for early retirement benefits provided under section 353.30, subdivision 1a, of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, and notwithstanding any provision of chapter 353, to the contrary, the years of allowable service for a ~~terminated medical facility or other privatized former public employing unit~~ employee who transfers employment on the effective date of privatization and does not apply for a refund of contributions under section 353.34, subdivision 1, of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, or any similar provision, includes service with the successor employer to the ~~medical facility or other privatized former public employing unit employer~~ following the effective date. The successor employer shall provide any reports that the executive director of the Public Employees Retirement Association may reasonably request to permit calculation of benefits.

(b) To be eligible for early retirement benefits under this section, the individual must separate from service with the successor to the privatized former public employer ~~to the medical facility~~. The

~~terminated eligible individual privatized former public employee~~, or an individual authorized to act on behalf of that ~~individual employee~~, may apply for an annuity following application procedures under section 353.29, subdivision 4.

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

Sec. 22. Minnesota Statutes 2012, section 353F.051, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** A ~~terminated medical facility or other privatized former public employing unit~~ employee who is totally and permanently disabled under Minnesota Statutes 1998, section 353.01, subdivision 19, and who had a medically documented preexisting condition of the disability before the termination of coverage, may apply for a disability benefit.

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

Sec. 23. Minnesota Statutes 2012, section 353F.052, is amended to read:

353F.052 APPLICATION OF SURVIVING SPOUSE, DEPENDENT CHILD PROVISION.

Notwithstanding any provisions of law to the contrary, subdivisions within section 353.32 of the edition of Minnesota Statutes published in the year before the year in which a privatization occurred, applicable to the surviving spouse or dependent children of a former member as defined in section 353.01, subdivision 7a, apply to the survivors of a ~~terminated medical facility or other privatized former public employing unit~~ employee.

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

Sec. 24. **[353F.057] TERMINATION FROM SERVICE REQUIREMENT.**

Upon termination of service from the privatized former public employer or any successor entity after the effective date of privatization, a privatized former public employee must separate from any employment relationship with the privatized former public employer or any successor entity for at least 30 days to qualify to receive a retirement annuity under this chapter.

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

Sec. 25. Minnesota Statutes 2012, section 353F.06, is amended to read:

353F.06 APPLICATION OF REEMPLOYED ANNUITANT EARNINGS LIMITATIONS.

If a privatized former public employee satisfies the separation from service requirement in section 353F.057 and thereafter resumes employment with the privatized former public employer or any successor entity or a governmental subdivision under section 353.01, subdivision 6, the reemployed annuitant earnings limitations of section 353.37 apply to any service by a terminated medical facility or other public employing unit employee as an employee of the successor employer to the medical facility.

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

Sec. 26. Minnesota Statutes 2012, section 353F.07, is amended to read:

353F.07 EFFECT ON REFUND.

Notwithstanding any provision of chapter 353 to the contrary, ~~terminated medical facility or other privatized former public employing unit~~ employees may receive a refund of employee accumulated contributions plus interest as provided in section 353.34, subdivision 2, at any time after the transfer of employment to the successor employer of the ~~terminated medical facility or other privatized former public employing unit~~ employer. If a ~~terminated medical facility or other privatized former public employing unit~~ employee has received a refund from a pension plan listed in section 356.30, subdivision 3, the person may not repay that refund unless the person again becomes a member of one of those listed plans and complies with section 356.30, subdivision 2.

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

Sec. 27. Minnesota Statutes 2012, section 353F.08, is amended to read:

353F.08 COUNSELING SERVICES.

The ~~medical facility or other privatized former public employing unit~~ employer and the executive director of the Public Employees Retirement Association shall provide ~~terminated medical facility or other privatized former public employing unit~~ employees with counseling on their benefits available under the general employees retirement plan of the Public Employees Retirement Association during ~~the 90 days following a period mutually agreed upon before or after the effective date of privatization.~~

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

Sec. 28. Minnesota Statutes 2012, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as otherwise provided in subdivision 1a, 1b, 1c, 1d, or 1e, retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months prior to the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective on January 1 following the calendar year in which the person has been retired for less than 12 months.

(b) The increases provided by this subdivision commence on January 1, 2010.

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

(d) ~~The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in section 353.29, subdivision 6, must be treated as the sum of a period certain retirement annuity and a life retirement~~

~~annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.~~

EFFECTIVE DATE. This section is effective January 1, 2014.

Sec. 29. Minnesota Statutes 2012, section 356.415, subdivision 1b, is amended to read:

Subd. 1b. **Annual postretirement adjustments; PERA; general employees retirement plan and local government correctional retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the general employees retirement plan of the Public Employees Retirement Association and the local government correctional service retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) for January 1, 2011, and each successive January 1 until funding stability is restored for the applicable retirement plan, a postretirement increase of one percent must be applied each year, effective on January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30;

(2) for January 1, 2011, and each successive January 1 until funding stability is restored for the applicable retirement plan, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of one percent for each month the person has been receiving an annuity or benefit must be applied;

(3) for each January 1 following the restoration of funding stability for the applicable retirement plan, a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30; and

(4) for each January 1 following restoration of funding stability for the applicable retirement plan, for each annuity or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied.

(b) Funding stability is restored when the market value of assets of the applicable retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the most recent prior actuarial valuation prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Public Employees Retirement Association under section 356.214.

(c) If, after applying the increase as provided for in paragraph (a), clauses (3) and (4), the market value of the applicable retirement plan is determined in the next subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent of the actuarial accrued liability of any of the applicable Public Employees Retirement Association plans, the increase provided in paragraph (a), clauses (1) and (2), are to be applied as of the next successive January until funding stability is again restored.

(d) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

~~(e) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment, as provided in section 353.29, subdivision 6, must be treated as the sum of a period-certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period-certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period-certain retirement annuity must terminate when the period-certain retirement annuity terminates.~~

EFFECTIVE DATE. This section is effective January 1, 2014.

Sec. 30. Minnesota Statutes 2012, section 356.635, subdivision 1, is amended to read:

Subdivision 1. **Retirement benefit commencement.** (a) The retirement benefit of a member who has terminated employment must begin no later than the later of April 1 of the calendar year following the calendar year that the member attains the federal minimum distribution age under section 401(a)(9) of the Internal Revenue Code or April 1 of the calendar year following the calendar year in which the member terminated employment.

(b) The consent requirements of section 411(a)(11) of the Internal Revenue Code do not apply to the extent that a distribution is required to satisfy the requirements of section 401(a)(9) of the Internal Revenue Code.

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

Sec. 31. **REPEALER.**

(a) Minnesota Statutes 2012, sections 353F.02, subdivisions 4 and 5; and 353F.025, subdivision 3, are repealed.

(b) Minnesota Statutes 2012, section 353.29, subdivision 6, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective January 1, 2014.

ARTICLE 4

BENEFIT ACCRUAL RATE SPECIFICATION

Section 1. Minnesota Statutes 2012, section 352.115, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** (a) This paragraph, in conjunction with section 352.116, subdivision 1, applies to a person who became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 352.116, subdivision 1a, produces a higher annuity amount, in which case paragraph (b) ~~will apply~~ applies. The employee's average salary, as defined in section 352.01, subdivision 14a, multiplied by the 1.2 percent specified in section 356.315, subdivision 1, per year of allowable service for the first ten years and the 1.7 percent specified in section 356.315, subdivision 2, for each later year of allowable service and pro rata for completed months less than a full year ~~shall determine~~ determines the amount of the retirement annuity to which the employee is entitled.

(b) This paragraph applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with section 352.116, subdivision 1a, is higher than it is when calculated under paragraph (a), in conjunction with section 352.116, subdivision 1. The employee's average salary, as defined in section 352.01, subdivision 14a, multiplied by ~~the 1.7 percent specified in section 356.315, subdivision 2;~~ for each year of allowable service and pro rata for months less than a full year ~~shall determine~~ determines the amount of the retirement annuity to which the employee is entitled.

Sec. 2. Minnesota Statutes 2012, section 352.87, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** A person specified in subdivision 1 is entitled to receive a retirement annuity applicable for allowable service credit under this section calculated by multiplying the employee's average salary, as defined in section 352.01, subdivision 14a, by ~~the 2.0 percent specified in section 356.315, subdivision 2a;~~ for each year or portions of a year of allowable service credit. No reduction for retirement before the normal retirement age, as specified in section 352.01, subdivision 25, applies to service to which this section applies.

Sec. 3. Minnesota Statutes 2012, section 352.93, subdivision 2, is amended to read:

Subd. 2. **Calculating monthly annuity.** The monthly annuity under this section must be determined by multiplying the average monthly salary by the number of years, or completed months, of covered correctional service by ~~the 2.4 percent specified in section 356.315, subdivision 5 if employed as a correctional state employee before July 1, 2010, or 2.2 percent if employed as a~~ correctional state employee after June 30, 2010.

Sec. 4. Minnesota Statutes 2012, section 352.95, subdivision 1, is amended to read:

Subdivision 1. **Duty disability; computation of benefit.** A covered correctional employee who is determined to have a duty disability, physical or psychological, as defined under section 352.01, subdivision 17b, is entitled to a duty disability benefit. The duty disability benefit must be based on covered correctional service only. The duty disability benefit amount is 50 percent of the average salary defined in section 352.93, plus an additional 2.4 percent ~~equal to that specified in section 356.315, subdivision 5, if employed as a correctional state employee before July 1, 2010, or 2.2 percent if employed as a correctional state employee after June 30, 2010,~~ for each year of covered correctional service in excess of 20 years, ten months, prorated for completed months.

Sec. 5. Minnesota Statutes 2012, section 352B.08, subdivision 2, is amended to read:

Subd. 2. **Normal retirement annuity.** The annuity must be paid in monthly installments. The annuity ~~shall be~~ is equal to the amount determined by multiplying the average monthly salary of the member by ~~the 3.0 percent specified in section 356.315, subdivision 6;~~ for each year and pro rata for completed months of service.

Sec. 6. Minnesota Statutes 2012, section 352B.10, subdivision 1, is amended to read:

Subdivision 1. **Duty disability.** A member who is determined to qualify for duty disability as defined in section 352B.011, subdivision 7, is entitled to receive a duty disability benefit while disabled. The benefits must be paid monthly. The duty disability benefit is an amount equal to the member's average monthly salary multiplied by 60 percent, plus an additional 3.0 percent equal to

that specified in section 356.315, subdivision 6, for each year and pro rata for completed months of service in excess of 20 years, if any.

Sec. 7. Minnesota Statutes 2012, section 353.29, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** (a) This paragraph, in conjunction with section 353.30, subdivisions 1a, 1b, and 1c, applies to any member who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 353.30, subdivision 5, produces a higher annuity amount, in which case paragraph (b) ~~will apply~~ applies. The average salary as defined in section 353.01, subdivision 17a, multiplied by the 2.2 percent specified in ~~section 356.315, subdivision 3~~, for each year of allowable service for the first ten years and thereafter by the 2.7 percent specified in ~~section 356.315, subdivision 4~~, per year of allowable service and completed months less than a full year for a basic member, and the 1.2 percent specified in ~~section 356.315, subdivision 1~~, for each year of allowable service for the first ten years and thereafter by the 1.7 percent specified in ~~section 356.315, subdivision 2~~, per year of allowable service and completed months less than a full year for a coordinated member ~~shall determine~~ determines the amount of the normal retirement annuity.

(b) This paragraph applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member whose annuity amount, when calculated under this paragraph and in conjunction with section 353.30, subdivision 5, is higher than it is when calculated under paragraph (a), in conjunction with section 353.30, subdivisions 1a, 1b, and 1c. The average salary, as defined in section 353.01, subdivision 17a, multiplied by the 2.7 percent specified in ~~section 356.315, subdivision 4~~, for each year of allowable service and completed months less than a full year for a basic member and the 1.7 percent specified in ~~section 356.315, subdivision 2~~, per year of allowable service and completed months less than a full year for a coordinated member, ~~shall determine~~ determines the amount of the normal retirement annuity.

Sec. 8. Minnesota Statutes 2012, section 353.651, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** The average salary as defined in section 353.01, subdivision 17a, multiplied by the 3.0 percent specified in ~~section 356.315, subdivision 6~~, per year of allowable service determines the amount of the normal retirement annuity. If the member has earned allowable service for performing services other than those of a police officer or firefighter, the annuity representing that service must be computed under sections 353.29 and 353.30.

Sec. 9. Minnesota Statutes 2012, section 353.656, subdivision 1, is amended to read:

Subdivision 1. **Duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, or a police officer covered by section 353.6512, who is determined to qualify for duty disability as defined in section 353.01, subdivision 41, ~~shall be entitled to~~ receive disability benefits during the period of such disability in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional ~~percentage specified under section 356.315, subdivision 6~~, 3.0 percent of that average salary for each year of service in excess of 20 years.

(b) To be eligible for a benefit under paragraph (a), the member must have:

(1) not met the requirements for a retirement annuity under section 353.651, subdivision 1; or

(2) met the requirements under that subdivision, but does not have at least 20 years of allowable service credit.

(c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a period of 60 months from the disability benefit accrual date and at the end of that period is subject to provisions of subdivision 5a.

(d) If the disability under this subdivision occurs before the member has at least five years of allowable service credit in the police and fire plan, the disability benefit must be computed on the average salary from which deductions were made for contribution to the police and fire fund.

Sec. 10. Minnesota Statutes 2012, section 353.656, subdivision 1a, is amended to read:

Subd. 1a. **Total and permanent duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, or a police officer covered by section 353.6512, whose disabling condition is determined to be a duty disability that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, disability benefits in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional 3.0 percent ~~specified in section 356.315, subdivision 6,~~ of that average salary for each year of service in excess of 20 years.

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

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

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

Sec. 11. Minnesota Statutes 2012, section 353.656, subdivision 3a, is amended to read:

Subd. 3a. **Total and permanent regular disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, or a police officer covered by section 353.6512, whose disabling condition is determined to be a regular disability

under section 353.01, subdivision 46, that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, a disability benefit in an amount equal to 45 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional 3.0 percent specified in section 356.315, subdivision 6; of that average salary for each year of service in excess of 15 years.

(b) A disability benefit payable under paragraph (a) is subject to eligibility review under section 353.33, subdivision 6, but the review may be waived if the executive director receives a written statement from the association's medical advisor that no improvement can be expected in the member's disabling condition that was the basis for payment of the benefit under paragraph (a). A member receiving a disability benefit under this subdivision who is found to no longer be permanently and totally disabled as defined under section 353.01, subdivision 19, but continues to meet the definition for receipt of a regular disability under section 353.01, subdivision 46, is subject to subdivision 3 upon written notice from the association's medical advisor that the person is no longer considered permanently and totally disabled.

(c) A member approved for disability benefits under this subdivision may elect to receive a normal disability benefit or an actuarial equivalent optional annuity. If the election of an actuarial equivalent optional annuity is not made at the time the total and permanent disability benefit accrues, an election must be made within 90 days before the member attains normal retirement age as defined in section 353.01, subdivision 37, paragraph (b), or having collected disability benefits for 60 months, whichever is later. No surviving spouse benefits are payable if the member dies during the period in which a normal total and permanent disability benefit is being paid. If a member receiving disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

Sec. 12. Minnesota Statutes 2012, section 353E.04, subdivision 3, is amended to read:

Subd. 3. **Annuity amount.** (a) The average salary as defined in subdivision 2, multiplied by the 1.9 percent specified in section 356.315, subdivision 5a; for each year of allowable service, determines the amount of the normal retirement annuity.

(b) If a person has earned allowable service in the general employees retirement plan of the Public Employees Retirement Association or the public employees police and fire fund prior to retirement plan before participation under this chapter, the retirement annuity representing such service must be computed in accordance with the formula specified in sections 353.29 and 353.30 or 353.651, whichever applies.

Sec. 13. Minnesota Statutes 2012, section 353E.06, subdivision 1, is amended to read:

Subdivision 1. **Duty disability qualification requirements.** A local government correctional employee who is determined to qualify for a duty disability as defined in section 353E.001, subdivision 1, is entitled to a disability benefit. The disability benefit must be based on covered service under this chapter only and is an amount equal to 47.5 percent of the average salary defined in section 353E.04, subdivision 2, plus an additional 1.9 percent equal to that specified in section 356.315, subdivision 5a; for each year of covered service under this chapter in excess of 25 years.

Sec. 14. Minnesota Statutes 2012, section 354.44, subdivision 6, is amended to read:

Subd. 6. **Computation of formula program retirement annuity.** (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in

paragraph (b) or (d) on the basis of each member's average salary under section 354.05, subdivision 13a, for the period of the member's formula service credit.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled for service rendered before July 1, 2006:

	Coordinated Member	Basic Member
Each year of service during first ten	the <u>1.2</u> percent specified in section 356.315 , subdivision 1 , per year	the <u>2.2</u> percent specified in section 356.315 , subdivision 3 , per year
Each year of service thereafter	the <u>1.7</u> percent specified in section 356.315 , subdivision 2 , per year	the <u>2.7</u> percent specified in section 356.315 , subdivision 4 , per year

For service rendered on or after July 1, 2006, the average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of service credit, determines the amount the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	the <u>1.4</u> percent specified in section 356.315 , subdivision 1a , per year	the <u>2.2</u> percent specified in section 356.315 , subdivision 3 , per year
Each year of service after ten years of service	the <u>1.9</u> percent specified in section 356.315 , subdivision 2b , per year	the <u>2.7</u> percent specified in section 356.315 , subdivision 4 , per year

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). For a basic member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by ~~the 2.7 percent specified by section 356.315, subdivision 4,~~ for each year of service for a basic member ~~shall determine~~ determines the amount of the retirement annuity to which the basic member is entitled. The annuity of a basic member who was a member of the former Minneapolis Teachers Retirement Fund Association as of June 30, 2006, must be determined according to the annuity formula under the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association in effect as of that date. For a coordinated member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of service rendered before July 1, 2006, and by ~~the 1.9 percent specified in section 356.315, subdivision 2b,~~ for each year of service rendered on or after July 1, 2006, determines the amount of the retirement annuity to which the coordinated member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee after June 30, 2006.

(f) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

Sec. 15. Minnesota Statutes 2012, section 354A.31, subdivision 4, is amended to read:

Subd. 4. Computation of normal coordinated retirement annuity; St. Paul fund. (a) This subdivision applies to the coordinated program of the St. Paul Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) will apply. The retirement annuity formula percentage for purposes of this paragraph is ~~the 1.2 percent specified in section 356.315, subdivision 1,~~ per year for each

year of coordinated service for the first ten years and ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of coordinated service thereafter.

(d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of coordinated service.

Sec. 16. Minnesota Statutes 2012, section 354A.31, subdivision 4a, is amended to read:

Subd. 4a. **Computation of normal coordinated retirement annuity; Duluth fund.** (a) This subdivision applies to the new law coordinated program of the Duluth Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is ~~the 1.2 percent specified in section 356.315, subdivision 1,~~ per year for each year of coordinated service for the first ten years and ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each subsequent year of coordinated service.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of coordinated service.

Sec. 17. Minnesota Statutes 2012, section 356.30, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any provisions of the laws governing the retirement plans enumerated in subdivision 3, a person who has met the qualifications of paragraph (b) may elect to receive a retirement annuity from each enumerated retirement plan in which the person has at least one-half year of allowable service, based on the allowable service in each plan, subject to the provisions of paragraph (c).

(b) A person may receive, upon retirement, a retirement annuity from each enumerated retirement plan in which the person has at least one-half year of allowable service, and augmentation of a deferred annuity calculated at the appropriate rate under the laws governing each public pension plan or fund named in subdivision 3, based on the date of the person's initial entry into public employment from the date the person terminated all public service if:

(1) the person has allowable service in any two or more of the enumerated plans;

(2) the person has sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement; and

(3) the person has not begun to receive an annuity from any enumerated plan or the person has made application for benefits from each applicable plan and the effective dates of the retirement annuity with each plan under which the person chooses to receive an annuity are within a one-year period.

(c) The retirement annuity from each plan must be based upon the allowable service, accrual rates, and average salary in the applicable plan except as further specified or modified in the following clauses:

(1) the laws governing annuities must be the law in effect on the date of termination from the last period of public service under a covered retirement plan with which the person earned a minimum of one-half year of allowable service credit during that employment;

(2) the "average salary" on which the annuity from each covered plan in which the employee has credit in a formula plan must be based on the employee's highest five successive years of covered salary during the entire service in covered plans;

(3) the accrual rates to be used by each plan must be those percentages prescribed by each plan's formula as continued for the respective years of allowable service from one plan to the next, recognizing all previous allowable service with the other covered plans;

(4) the allowable service in all the plans must be combined in determining eligibility for and the application of each plan's provisions in respect to reduction in the annuity amount for retirement prior to normal retirement age; and

(5) the annuity amount payable for any allowable service under a nonformula plan of a covered plan must not be affected, but such service and covered salary must be used in the above calculation.

(d) This section does not apply to any person whose final termination from the last public service under a covered plan was before May 1, 1975.

(e) For the purpose of computing annuities under this section, the accrual rates used by any covered plan, except the public employees police and fire plan, the judges retirement fund, and the State Patrol retirement plan, must not exceed ~~the 2.7 percent specified in section 356.315, subdivision 4,~~ per year of service for any year of service or fraction thereof. The formula percentage used by the judges retirement fund must not exceed ~~the percentage rate specified in section 356.315, subdivision 8,~~ 3.2 percent per year of service for any year of service or fraction thereof. The accrual rate used by the public employees police and fire plan and the State Patrol retirement plan must not exceed ~~the percentage rate specified in section 356.315, subdivision 6,~~ 3.0 percent per year of service for any year of service or fraction thereof. The accrual rate or rates used by the legislators retirement plan must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c).

(f) Any period of time for which a person has credit in more than one of the covered plans must be used only once for the purpose of determining total allowable service.

(g) If the period of duplicated service credit is more than one-half year, or the person has credit for more than one-half year, with each of the plans, each plan must apply its formula to a prorated service

credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all plans for the period.

(h) If the period of duplicated service credit is less than one-half year, or when added to other service credit with that plan is less than one-half year, the service credit must be ignored and a refund of contributions made to the person in accord with that plan's refund provisions.

Sec. 18. Minnesota Statutes 2012, section 356.315, subdivision 9, is amended to read:

Subd. 9. **Future benefit accrual rate increases.** After January 2, 1998, benefit accrual rate increases under ~~this section 352.115, subdivision 3; 352.87, subdivision 3; 352.93, subdivision 3; 352.95, subdivision 1; 352B.08, subdivision 2; 352B.10, subdivision 1; 353.29, subdivision 3; 353.651, subdivision 3; 353.656, subdivision 1, 1a, or 3a; 353E.04, subdivision 3; 353E.06, subdivision 1; 354.44, subdivision 6; 354A.31, subdivision 4 or 4a; 356.30, subdivision 1; 490.121, subdivision 22; or 490.124, subdivision 1, must apply only to allowable service or formula service rendered after the effective date of the benefit accrual rate increase.~~

Sec. 19. Minnesota Statutes 2012, section 490.121, subdivision 22, is amended to read:

Subd. 22. **Service credit limit.** "Service credit limit" means the greater of: (1) 24 years of allowable service under this chapter; or (2) for judges with allowable service rendered before July 1, 1980, the number of years of allowable service under chapter 490, which, when multiplied by the percentage ~~listed in section 356.315, subdivision 7 2.7 or 8 3.2~~, whichever is applicable to each year of service, equals 76.8.

Sec. 20. Minnesota Statutes 2012, section 490.124, subdivision 1, is amended to read:

Subdivision 1. **Basic retirement annuity.** (a) Except as qualified hereinafter from and after the mandatory retirement date, the normal retirement date, the early retirement date, or one year from the disability retirement date, as the case may be, a retiring judge is eligible to receive a retirement annuity from the judges' retirement fund.

(b) The retirement annuity is an amount equal to: (1) ~~the 2.7 percent specified in section 356.315, subdivision 7~~, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered before July 1, 1980; plus (2) ~~the 3.2 percent specified in section 356.315, subdivision 8~~, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered after June 30, 1980.

(c) Service that exceeds the service credit limit in section 490.121, subdivision 22, must be excluded in calculating the retirement annuity, but the compensation earned by the judge during this period of judicial service must be used in determining a judge's final average compensation and calculating the retirement annuity.

Sec. 21. **REPEALER.**

Minnesota Statutes 2012, section 356.315, subdivisions 1, 1a, 2, 2a, 2b, 3, 4, 5, 5a, 6, 7, and 8, are repealed.

Sec. 22. **EFFECTIVE DATE.**

Sections 1 to 21 are effective the day following final enactment.

ARTICLE 5

REVISIONS AND REPEALS OF FORMER LOCAL POLICE AND PAID FIREFIGHTER RELIEF ASSOCIATION LAWS

Section 1. Minnesota Statutes 2012, section 6.495, subdivision 1, is amended to read:

Subdivision 1. **Audit and examinations.** All powers and duties conferred and imposed upon the state auditor with respect to state, county, and first-class city officers, institutions, and property are hereby extended to the various fire ~~and police~~ relief associations in the state. The state auditor shall annually audit the special and general funds of the relief association or, at the request of the board of trustees or the municipality, the state auditor may contract for an annual audit by a certified public accountant. The state auditor may determine that an annual audit is not necessary, in which case the state auditor shall develop a plan for examination of unaudited relief associations, and shall prescribe suitable systems of accounts and budgeting, and forms, books, and instructions concerning the same.

Copies of the written report of the state auditor on the financial condition and accounts of the relief association ~~shall~~ must be filed with the board of trustees of the relief association and the governing body of the municipality associated with the relief association. If the report discloses malfeasance, misfeasance, or nonfeasance with regard to relief association funds, copies thereof ~~shall~~ must be filed with the city attorney or county attorney in the city or county in which the relief association is located, and these officials of the law shall institute proceedings, civil or criminal, as the law and public interest require.

Sec. 2. Minnesota Statutes 2012, section 6.495, subdivision 3, is amended to read:

Subd. 3. **Report to commissioner of revenue.** The state auditor shall file with the commissioner of revenue a financial compliance report certifying for each relief association:

- (1) the completion of the annual financial report required ~~pursuant to~~ under section 69.051 and the auditing or certification of those financial reports ~~pursuant to~~ under subdivision 1; and
- (2) the receipt of any actuarial valuations required ~~pursuant to~~ under section ~~69.77 or 69.773 or~~ sections 31 to 42.

Sec. 3. Minnesota Statutes 2012, section 6.67, is amended to read:

6.67 PUBLIC ACCOUNTANTS; REPORT OF POSSIBLE MISCONDUCT.

Whenever a public accountant in the course of auditing the books and affairs of a political subdivision or a local public pension plan governed by ~~section 69.77,~~ sections 69.771 to 69.775, or chapter 354A or 424A, or sections 31 to 42, discovers evidence pointing to nonfeasance, misfeasance, or malfeasance, on the part of an officer or employee in the conduct of duties and affairs, the public accountant shall promptly make a report of such discovery to the state auditor and the county attorney of the county in which the governmental unit is situated and the public accountant shall also furnish a copy of the report of audit upon completion to said officers. The county attorney shall act on such report in the same manner as required by law for reports made to the county attorney by the state auditor.

Sec. 4. Minnesota Statutes 2012, section 13D.01, subdivision 1, is amended to read:

Subdivision 1. **In executive branch, local government.** All meetings, including executive sessions, must be open to the public

- (a) of a state
 - (1) agency,
 - (2) board,
 - (3) commission, or
 - (4) department,

when required or permitted by law to transact public business in a meeting;

- (b) of the governing body of a
 - (1) school district however organized,
 - (2) unorganized territory,
 - (3) county,
 - (4) statutory or home rule charter city,
 - (5) town, or
 - (6) other public body;
- (c) of any
 - (1) committee,
 - (2) subcommittee,
 - (3) board,
 - (4) department, or
 - (5) commission,

of a public body; and

- (d) of the governing body or a committee of:

- (1) a statewide public pension plan defined in section 356A.01, subdivision 24; or
- (2) a local public pension plan governed by ~~section 69.77~~, sections 69.771 to 69.775, or chapter 354A, or sections 31 to 42.

Sec. 5. Minnesota Statutes 2012, section 69.011, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

- (a) "Commissioner" means the commissioner of revenue.
- (b) "Municipality" means:

- (1) a home rule charter or statutory city;
 - (2) an organized town;
 - (3) a park district subject to chapter 398;
 - (4) the University of Minnesota;
 - (5) for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation;
 - (6) for purposes of the police state aid program only, an American Indian tribal government with a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93;
 - (7) for purposes of the police state aid program only, the Metropolitan Airports Commission; and
 - (8) for purposes of the police state aid program only, the Department of Natural Resources and the Department of Public Safety with respect to peace officers covered under chapter 352B.
- (c) "Minnesota Firetown Premium Report" means a form prescribed by the commissioner containing space for reporting by insurers of fire, lightning, sprinkler leakage and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends.
- (d) "Firetown" means the area serviced by any municipality having a qualified fire department or a qualified incorporated fire department having a subsidiary volunteer firefighters' relief association.
- (e) "Market value" means latest available market value of all property in a taxing jurisdiction, whether the property is subject to taxation, or exempt from ad valorem taxation obtained from information which appears on abstracts filed with the commissioner of revenue or equalized by the State Board of Equalization.
- (f) "Minnesota Aid to Police Premium Report" means a form prescribed by the commissioner for reporting by each fire and casualty insurer of all premiums received upon direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for insuring against the perils contained in auto insurance coverages as reported in the Minnesota business schedule of the annual financial statement which each insurer is required to file with the commissioner in accordance with the governing laws or rules less return premiums and dividends.
- (g) "Peace officer" means any person:
- (1) whose primary source of income derived from wages is from direct employment by a municipality or county as a law enforcement officer on a full-time basis of not less than 30 hours per week;
 - (2) who has been employed for a minimum of six months prior to December 31 preceding the date of the current year's certification under subdivision 2, clause (b);
 - (3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of the State Patrol retirement plan or the public employees police and fire fund.

(h) "Full-time equivalent number of peace officers providing contract service" means the integral or fractional number of peace officers which would be necessary to provide the contract service if all peace officers providing service were employed on a full-time basis as defined by the employing unit and the municipality receiving the contract service.

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (3) and (4).

(j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

(1) for the police state aid program ~~and police relief association financial reports~~:

(i) the person who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body;

(ii) in a park district, the secretary of the board of park district commissioners;

(iii) in the case of the University of Minnesota, the official designated by the Board of Regents;

(iv) for the Metropolitan Airports Commission, the person designated by the commission;

(v) for the Department of Natural Resources or the Department of Public Safety, the respective commissioner;

(vi) for a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American Indian tribal government; and

(2) for the fire state aid program and fire relief association financial reports, the person who was elected or appointed to the specified position, or, for governmental entities other than counties, if the governing body of the governmental entity designates the position to perform the function, the chief financial official of the governmental entity or the chief administrative official of the governmental entity.

(k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the retirement plan established by chapter 353G.

Sec. 6. Minnesota Statutes 2012, section 69.011, subdivision 2, is amended to read:

Subd. 2. **Qualification for fire or police state aid.** (a) Unless retirement coverage is provided by the voluntary statewide lump-sum volunteer firefighter retirement plan, in order to qualify to receive fire state aid, on or before March 15 annually, in conjunction with the financial report required pursuant to section 69.051, the clerk of each municipality having a duly organized fire department as provided in subdivision 4, or the secretary of each independent nonprofit firefighting corporation having a subsidiary incorporated firefighters' relief association, whichever is applicable, and the fire chief, shall jointly certify the existence of the municipal fire department or of the independent nonprofit firefighting corporation, whichever is applicable, which meets the minimum qualification

requirements set forth in this subdivision, and the fire personnel and equipment of the municipal fire department or the independent nonprofit firefighting corporation as of the preceding December 31.

(b) Where retirement coverage is provided by the voluntary statewide lump-sum volunteer firefighter retirement plan, in order to qualify to receive fire state aid, on or before March 15, annually, the executive director of the Public Employees Retirement Association shall certify the existence of that coverage for each municipality and the municipal clerk or independent nonprofit firefighting corporation secretary, whichever applies, and the applicable fire chief shall certify the fire personnel and fire department equipment as of the preceding December 31.

~~(c) Certification must be made to the commissioner on a form prescribed by the commissioner and shall include any other facts the commissioner may require. The certification must be made to the commissioner in duplicate. Each copy of the certificate must be duly executed and is deemed to be an original. The commissioner shall forward one copy to the auditor of the county wherein the fire department is located and shall retain one copy.~~

~~(d) On or before March 15 annually the clerk of each municipality having a duly organized police department and having a duly incorporated relief association shall certify that fact to the county auditor of the county where the police department is located and to the commissioner on a form prescribed by the commissioner together with the other facts the commissioner or auditor may require.~~

~~(e) (c) Except as provided in subdivision 2b, on or before March 15 annually, in order to qualify to receive police state aid, the clerk of each municipality and the auditor of each county employing one or more peace officers as defined in subdivision 1, clause (g), shall certify the number of such peace officers to the commissioner on forms prescribed by the commissioner. Credit for officers employed less than a full year must be apportioned. Each full month of employment of a qualifying officer during the calendar year entitles the employing municipality or county to credit for 1/12 of the payment for employment of a peace officer for the entire year. For purposes of sections 69.011 to 69.051, employment of a peace officer commences when the peace officer is entered on the payroll of the respective municipal police department or county sheriff's department. No peace officer may be included in the certification of the number of peace officers by more than one municipality or county employing unit for the same month.~~

~~(d) A certification made under this subdivision must be filed with the commissioner, must be made on a form prescribed by the commissioner, and must include any other facts that the commissioner requires.~~

Sec. 7. Minnesota Statutes 2012, section 69.011, subdivision 3, is amended to read:

Subd. 3. Failure to file certificate deemed waiver. (a) If a certification required by this section is not filed with the commissioner by the due date prescribed by this section, the commissioner shall notify the county, the municipality, or the nonprofit firefighting corporation that a portion or all of its current year aid will be forfeited if the certification is not received within ten days.

(b) The amount of aid forfeited is equal to the amount of state police aid or state fire aid determined for the county, the municipality, or the nonprofit firefighting corporation for the current year, multiplied by five percent for each week or fraction of a week that this certification is late. The penalty ~~will~~ must be computed beginning ten days after the postmark date of the commissioner's notification as required under this subdivision. All forfeited aid amounts revert to the general fund

in the state treasury. Failure to receive the certificate form ~~cannot~~ may not be used as a defense for ~~not filing a failure to file.~~

Sec. 8. Minnesota Statutes 2012, section 69.011, subdivision 4, is amended to read:

Subd. 4. **Qualification for fire state aid.** ~~Any (a) A~~ A municipality in this state qualifies to receive fire state aid if it meets the general requirements of paragraph (b) and if it meets the specific requirements of paragraph (c).

(b) Minimum qualifications for fire state aid include the following:

(1) having for more than one year an organized fire department and officially established by the governing body of the municipality or an independent nonprofit firefighting corporation created under the nonprofit corporation act of this state and operating exclusively for firefighting purposes and providing retirement and relief benefits to its members; and

(2) having a separate subsidiary incorporated firefighter's relief and pension association providing retirement and relief benefits, or participating in the voluntary statewide lump-sum volunteer firefighter retirement plan, may qualify to receive state aid if it meets the following or, if a paid fire department, having retirement coverage by the public employees police and fire retirement plan.

(c) Minimum requirements for fire state aid also include the following or their equivalent as determined by the state fire marshal by July 1, 1972:

(a) (1) having ten paid or volunteer firefighters including a fire chief and assistant fire chief; and;

(b) (2) having regular scheduled meetings and frequent drills including instructions in firefighting tactics and in the use, care, and operation of all fire apparatus and equipment; and;

(c) (3) having a motorized fire truck equipped with a motorized pump, 250 gallon or larger water tank, 300 feet of one inch or larger fire hose in two lines with combination spray and straight stream nozzles, five-gallon hand pumps-tank extinguisher or equivalent, dry chemical extinguisher or equivalent, ladders, extension ladders, pike poles, crow bars, axes, lanterns, fire coats, helmets, and boots; and;

(d) (4) having apparatus suitably housed in a building of good construction with facilities for care of hose and equipment; and;

(e) (5) having a reliable and adequate method of receiving fire alarms by telephone or with electric siren and suitable means of sounding an alarm; and;

(f) (6) if response is to be provided outside the corporate limits of the municipality wherein the fire department is located, the municipality has having another piece of motorized apparatus to make the response; and

(g) (7) meeting other requirements that the commissioner establishes by rule.

Sec. 9. Minnesota Statutes 2012, section 69.021, subdivision 1, is amended to read:

Subdivision 1. **Minnesota Firetown Premium Report and Minnesota Aid to Police Premium Report.** The commissioner shall, at the time of mailing tax forms, send blank copies of the Minnesota Firetown Premium Report and when applicable the Minnesota Aid to Police Premium Report to each insurer, including township and farmers mutual insurance companies

licensed to write insurance as described in section 69.011, subdivision 1, clauses (c) and (f) in this state. These reports ~~shall~~ must contain space for the insurers name, address, gross premiums less return premiums, dividends, net premiums, certification and other facts that the commissioner may require.

Sec. 10. Minnesota Statutes 2012, section 69.021, subdivision 2, is amended to read:

Subd. 2. **Report of premiums.** (a) Each insurer, including township and farmers mutual insurers where applicable, shall return to the commissioner the reports described in subdivision 1 certified by its secretary and president or chief financial officer.

(b) The Minnesota Firetown Premium Report ~~shall~~ must contain a true and accurate statement of the total premium for all gross direct fire, lightning, sprinkler leakage, and extended coverage insurance of all domestic mutual insurers and the total premiums for all gross direct fire, lightning, sprinkler leakage and extended coverage insurance of all other insurers, less return premiums and dividends received by them on that business written or done during the preceding calendar year upon property located within the state or brought into the state for temporary use. The fire and extended coverage portion of multiperil and multiple peril package premiums and all other combination premiums ~~shall~~ must be determined by applying percentages determined by the commissioner or by rating bureaus recognized by the commissioner.

(c) The Minnesota Aid to Police Premium Report ~~shall~~ must contain a true and accurate statement of the total premiums, less return premiums and dividends, on all direct business received by such insurer in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for perils described in section 69.011, subdivision 1, clause (f).

Sec. 11. Minnesota Statutes 2012, section 69.021, subdivision 3, is amended to read:

Subd. 3. **Penalty for fraudulent, incorrect, incomplete returns and late filing of report.** (a) When it appears to the commissioner that any insurer has made an incomplete or inaccurate report, the commissioner shall return the report and demand that a complete and accurate report be filed. If the insurer fails to file a report on or before March 1, annually, the insurer ~~shall be~~ is liable and shall pay \$25 for each seven days ~~delinquent~~, or fraction thereof, that the report is delinquent, but not to exceed \$200. If the insurer fails to file a corrected report within 30 days after demand, the insurer is liable for the penalties provided in ~~this subdivision~~ paragraph (b) or (c) for knowingly filing an inaccurate or false report.

(b) Any insurer ~~who~~ which knowingly makes and files an inaccurate or false report ~~shall be~~ is liable to a fine in an amount of not less than \$25 nor more than \$1,000, as determined by the commissioner, and additionally the commissioner of commerce may revoke the insurer's certificate of authority.

(c) Any person whose duty it is to make the report who fails or refuses to make it within 30 days after notification by the commissioner shall be fined an amount of not more than \$1,000.

(d) Failure of the insurer to receive a reporting form ~~shall~~ does not excuse the insurer from filing the report.

Sec. 12. Minnesota Statutes 2012, section 69.021, subdivision 4, is amended to read:

Subd. 4. **Determination of qualified state aid recipients; certification to commissioner of management and budget.** (a) The commissioner shall determine which municipalities and

independent nonprofit firefighting corporations are qualified to receive fire state aid directly or are qualified to receive the benefit of fire state aid paid to the voluntary statewide lump-sum volunteer firefighter retirement plan and which municipalities and counties are qualified to receive police state aid.

(b) The commissioner shall determine qualification for state aid upon receipt of:

(1) the fire department personnel and equipment certification or the police department and qualified peace officers certificate, whichever applies, required under section 69.011;

(2) the financial compliance report required under section 6.495, subdivision 3, if applicable; and

(3) any other relevant information which comes to the attention of the commissioner.

(c) Upon completion of the determination, on or before October 1, the commissioner shall calculate the amount of:

(1) the police state aid which each county or municipality is to receive under subdivisions 5, 6, 7a, and 10; and

(2) the fire state aid which each municipality or nonprofit firefighting corporation is to receive under subdivisions 5 and 7.

(d) The commissioner shall certify to the commissioner of management and budget the name of each county or municipality, and the amount of state aid which each county or municipality is to receive, in the case of police state aid. The commissioner shall certify to the commissioner of management and budget the name of each municipality or independent nonprofit firefighting corporation and the amount of state aid which each municipality or independent nonprofit firefighting corporation is to receive directly or the amount of state aid which the voluntary statewide lump-sum volunteer firefighter retirement plan is qualified to receive on behalf of the municipality or corporation, in the case of fire state aid.

Sec. 13. Minnesota Statutes 2012, section 69.021, subdivision 5, is amended to read:

Subd. 5. **Calculation of state aid.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report, ~~reduced by the amount required to pay the costs and expenses of the state auditor for audits or exams of police relief associations.~~ The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report ~~after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations.~~

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(d) In addition to the amount for apportionment of police state aid under paragraph (b), each year \$100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

Sec. 14. Minnesota Statutes 2012, section 69.021, subdivision 7, is amended to read:

Subd. 7. **Apportionment of fire state aid to municipalities and relief associations.** (a) The commissioner shall apportion the fire state aid relative to the premiums reported on the Minnesota Firetown Premium Reports filed under this chapter to each municipality and/or firefighters relief association qualified under section 69.011, subdivision 4.

(b) The commissioner shall calculate an initial fire state aid allocation amount for each municipality or fire department under paragraph (c) and, ~~if applicable,~~ a minimum fire state aid allocation amount for each municipality or fire department under paragraph (d). The municipality or fire department must ~~receive~~ be apportioned the larger fire state aid amount.

(c) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 5, ~~without the inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, allocated one-half in proportion to the population as shown in the last official statewide federal census for each fire town and one-half in proportion to the market value of each fire town, including (1) the market value of tax-exempt property and (2) the market value of natural resources lands receiving in lieu payments under sections 477A.11 to 477A.14, but excluding the market value of minerals.~~ In the case of incorporated or municipal fire departments furnishing fire protection to other cities, towns, or townships as evidenced by valid fire service contracts filed with the commissioner, the distribution must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments must be made to subsequent apportionments. In the case of municipalities or independent fire departments qualifying for the aid, the commissioner shall calculate the state aid for the municipality or relief association on the basis of the population and the market value of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with the commissioner. If one or more fire departments are furnishing contracted fire service to a city, town, or township, only the population and market value of the area served by each fire department may be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the percent of the market value of each shared service area. The agreement must be in writing and must be filed with the commissioner.

(d) The minimum fire state aid allocation amount is the amount in addition to the initial fire state aid allocation amount that is derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, and allocated to municipalities with volunteer firefighters relief associations or covered by the voluntary statewide lump-sum volunteer firefighter retirement plan based on the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for the calendar year 1993 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or fire departments with volunteer firefighters relief associations receive in total at least a minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of 30 firefighters. If a relief association is established after calendar year 1993 and before calendar year 2000, the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, shall be used in this determination. If a relief association is established after calendar year 1999, the number of active volunteer firefighters who are members of the relief association as reported in the first annual financial reporting submitted to the Office of the State Auditor, but not to exceed 20 active volunteer firefighters, must be used in this determination. If a relief association is terminated as a result of providing retirement coverage for volunteer firefighters by the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, the number of active volunteer firefighters of the municipality covered by the statewide plan as certified by the executive director of the Public Employees Retirement Association to the commissioner and the state auditor, but not to exceed 30 active firefighters, must be used in this determination.

(e) Unless the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall, within 30 days of receipt of the fire state aid, transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment. If the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the executive director of the Public Employees Retirement Association and deposited in the voluntary statewide lump-sum volunteer firefighter retirement fund.

(f) The commissioner may make rules to permit the administration of the provisions of this section.

(g) Any adjustments needed to correct prior misallocations must be made to subsequent fire state aid apportionments.

Sec. 15. Minnesota Statutes 2012, section 69.021, subdivision 7a, is amended to read:

Subd. 7a. **Apportionment of police state aid.** (a) Subject to the reduction provided for under subdivision 10, the commissioner shall apportion the police state aid to each municipality ~~and~~ to the each county, and to the Departments of Natural Resources and Public Safety in the following manner:

(1) for all municipalities maintaining police departments, counties, the Department of Natural Resources, and the Department of Public Safety, the police state aid must be distributed in proportion to the relationship that the total number of peace officers, as determined under section 69.011, subdivision 1, ~~clause paragraph (g), and subdivision 2, clause paragraph (b),~~ employed

by that employing unit for 12 calendar months and the proportional or fractional number who were employed less than 12 months bears to the total number of peace officers employed by all municipalities ~~and~~ counties, the Departments of Natural Resources and Public Safety, subject to any reduction under subdivision 10;

(2) for each municipality which contracts with the county for police service, a proportionate amount of the state aid distributed to the county based on the full-time equivalent number of peace officers providing contract service to that municipality must be credited against the municipality's contract obligation; and

(3) for each municipality which contracts with another municipality for police service, a proportionate amount of the state aid distributed to the municipality providing contract service based on the full-time equivalent number of peace officers providing contract service to that municipality on a full-time equivalent basis must be credited against the contract obligation of the municipality receiving contract service.

(b) Any necessary additional adjustments must be made to subsequent police state aid apportionments.

Sec. 16. Minnesota Statutes 2012, section 69.021, subdivision 8, is amended to read:

Subd. 8. **Population and market value.** (a) In computations relating to fire state aid requiring the use of population figures, only official statewide federal census figures ~~are to~~ may be used. Increases or decreases in population disclosed by reason of any special census must not be taken into consideration.

(b) In calculations relating to fire state aid requiring the use of market value property figures, only the latest available market value property figures may be used.

Sec. 17. Minnesota Statutes 2012, section 69.021, subdivision 9, is amended to read:

Subd. 9. **Appeal.** (a) In the event that a municipality, a county, a fire relief association, ~~a police relief association~~, the Department of Natural Resources, the Department of Public Safety, or the voluntary statewide lump-sum volunteer firefighter retirement plan, feels itself to be aggrieved, it may request the commissioner to review and adjust the apportionment of funds within the county in the case of police state aid, or within the state in the case of fire state aid.

(b) The decision of the commissioner is subject to appeal, review, and adjustment by the district court in the county in which the applicable municipality; or fire department; or police department is located or by the Ramsey County District Court with respect to the Department of Natural Resources, the Department of Public Safety, or the voluntary statewide lump-sum volunteer firefighter retirement plan.

Sec. 18. Minnesota Statutes 2012, section 69.021, subdivision 10, is amended to read:

Subd. 10. **Reduction in police state aid apportionment.** (a) The commissioner of revenue shall reduce the apportionment of police state aid under subdivisions 5, paragraph (b), 6, and 7a, for eligible employer units by the amount of any excess police state aid.

(b) "Excess police state aid" is:

(1) for counties and for municipalities in which police retirement coverage is provided wholly by the public employees police and fire fund and all police officers are members of the plan governed

by sections 353.63 to 353.657, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the Public Employees Retirement Association;

~~(2) for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police consolidation account governed by chapter 353A, and established before March 2, 1999, for which the municipality declined merger under section 353.665, subdivision 1, or established after March 1, 1999, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), plus the amount of the employer's total prior calendar year obligation under section 353A.09, subdivision 5, paragraphs (a) and (b), as certified by the executive director of the Public Employees Retirement Association;~~

~~(3) for municipalities in which police retirement coverage is provided by the public employees police and fire plan governed by sections 353.63 to 353.657, in which police retirement coverage was provided by a police consolidation account under chapter 353A before July 1, 1999, and for which the municipality has an additional municipal contribution under section 353.665, subdivision 8, paragraph (b), the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), plus the amount of any additional municipal contribution under section 353.665, subdivision 8, paragraph (b), until the year 2010, as certified by the executive director of the Public Employees Retirement Association;~~

~~(4) (2) for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police relief association governed by sections 69.77 and 423A.01 the cities of Fairmont and Minneapolis, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association, plus the amount of the financial requirements of the relief association certified to the applicable municipality during the prior calendar year under section 69.77, subdivisions 4 and 5, reduced by the amount of member contributions deducted from the covered salary of the relief association during the prior calendar year under section 69.77, subdivision 3, as certified by the chief administrative officer of the applicable municipality any additional municipal contribution under section 353.668, subdivision 6, or 353.669, subdivision 6;~~

~~(5) (3) for the Metropolitan Airports Commission, the amount in excess of the commission's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the Public Employees Retirement Association; and~~

~~(6) (4) for the Department of Natural Resources and for the Department of Public Safety, the amount in excess of the employer's total prior calendar year obligation under section 352B.02, subdivision 1c, for plan members who are peace officers under section 69.011, subdivision 1, clause (g), as certified by the executive director of the Minnesota State Retirement System.~~

(c) The employer's total prior calendar year obligation with respect to the public employees police and fire plan under paragraph (b), clause (1), is the total prior calendar year obligation under section 353.65, subdivision 3, for police officers as defined in section 353.64, subdivision 2, and the actual total prior calendar year obligation under section 353.65, subdivision 3, for firefighters, as defined in section 353.64, subdivision 3, but not to exceed for those firefighters the applicable following amounts employer calendar year amount:

Municipality	Maximum Amount
Albert Lea	\$54,157.01
Anoka	10,399.31
Apple Valley	5,442.44
Austin	49,864.73
Bemidji	27,671.38
Brooklyn Center	6,605.92
Brooklyn Park	24,002.26
Burnsville	15,956.00
Cloquet	4,260.49
Coon Rapids	39,920.00
Cottage Grove	8,588.48
Crystal	5,855.00
East Grand Forks	51,009.88
Edina	32,251.00
Elk River	5,216.55
Ely	13,584.16
Eveleth	16,288.27
Fergus Falls	6,742.00
Fridley	33,420.64
Golden Valley	11,744.61
Hastings	16,561.00
Hopkins	4,324.23
International Falls	14,400.69
Lakeville	782.35
Lino Lakes	5,324.00
Little Falls	7,889.41
Maple Grove	6,707.54
Maplewood	8,476.69
Minnetonka	10,403.00
Montevideo	1,307.66
Moorhead	68,069.26
New Hope	6,739.72

North St. Paul	4,241.14
Northfield	770.63
Owatonna	37,292.67
Plymouth	6,754.71
Red Wing	3,504.01
Richfield	53,757.96
Rosemount	1,712.55
Roseville	9,854.51
St. Anthony	33,055.00
St. Louis Park	53,643.11
Thief River Falls	28,365.04
Virginia	31,164.46
Waseca	11,135.17
West St. Paul	15,707.20
White Bear Lake	6,521.04
Woodbury	3,613.00
any other municipality	0.00

(d) The total amount of excess police state aid must be deposited in the excess police state-aid account in the general fund, administered and distributed as provided in subdivision 11.

Sec. 19. Minnesota Statutes 2012, section 69.021, subdivision 11, is amended to read:

Subd. 11. **Excess police state-aid holding account.** (a) The excess police state-aid holding account is established in the general fund. The excess police state-aid holding account must be administered by the commissioner.

(b) Excess police state aid determined according to subdivision 10, must be deposited annually in the excess police state-aid holding account.

(c) From the balance in the excess police state-aid holding account, \$900,000 must be canceled annually to the general fund.

~~(d) If a police officer stress reduction program is created by law and money is appropriated for that program, an amount equal to that appropriation must be transferred to the administrator of that program from the balance in the excess police state-aid holding account.~~

~~(e)~~ (d) On October 1 of each year, one-half of the balance of the excess police state-aid holding account remaining after the ~~deductions~~ deduction under ~~paragraphs~~ paragraph (c) and ~~(d)~~ is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

(f) ~~(e)~~ Annually, the remaining balance in the excess police state-aid holding account, after the deductions under paragraphs (c); and (d), ~~and (e)~~, cancels to the general fund.

Sec. 20. Minnesota Statutes 2012, section 69.031, subdivision 1, is amended to read:

Subdivision 1. **Commissioner's warrant.** (a) The commissioner of management and budget shall issue to the Public Employees Retirement Association on behalf of a municipality or independent nonprofit firefighting corporation that is a member of the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, to the Department of Natural Resources, the Department of Public Safety, or to the county, municipality, or independent nonprofit firefighting corporation certified to the commissioner of management and budget by the commissioner a warrant for an amount equal to the amount of fire state aid or police state aid, whichever applies, certified for the applicable state aid recipient by the commissioner under section 69.021.

(b) Fire state aid and police state aid is payable on October 1 annually. The amount of state aid due and not paid by October 1 accrues interest payable to the state aid recipient at the rate of one percent for each month or part of a month that the amount remains unpaid after October 1.

Sec. 21. Minnesota Statutes 2012, section 69.031, subdivision 3, is amended to read:

Subd. 3. **Appropriations.** There is hereby appropriated annually from the state general fund to the commissioner of revenue an amount amounts sufficient to make the police state aid payments and the fire state aid payments specified in this section and section 69.021.

Sec. 22. Minnesota Statutes 2012, section 69.031, subdivision 5, is amended to read:

Subd. 5. **Deposit of state aid.** (a) If the municipality or the independent nonprofit firefighting corporation is covered by the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, the executive director shall credit the fire state aid against future municipal contribution requirements under section 353G.08 and shall notify the municipality or independent nonprofit firefighting corporation of the fire state aid so credited at least annually. If the municipality or the independent nonprofit firefighting corporation is not covered by the voluntary statewide lump-sum volunteer firefighter retirement plan, the municipal treasurer shall, within 30 days after receipt, transmit the fire state aid to the treasurer of the duly incorporated firefighters' relief association if there is one organized and the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the fire state aid to the relief association until the complete financial report is filed. If the municipality or independent nonprofit firefighting corporation is not covered by the voluntary statewide lump-sum volunteer firefighter retirement plan, if there is no relief association organized, or if the association has dissolved or has been removed as trustees of state aid, then the treasurer of the municipality shall deposit the money in the municipal treasury and the money may be disbursed only for the purposes and in the manner set forth in section 424A.08 or for the payment of the employer contribution requirement with respect to firefighters covered by the public employees police and fire retirement plan under section 353.65, subdivision 3.

~~(b) The municipal treasurer, upon receipt of the police state aid, shall disburse the police state aid in the following manner:~~

~~(1) For a municipality in which a local police relief association exists and all peace officers are members of the association, the total state aid must be transmitted to the treasurer of the relief association within 30 days of the date of receipt, and the treasurer of the relief association shall immediately deposit the total state aid in the special fund of the relief association;~~

(2) (b) For a municipality in which police retirement coverage is provided by the public employees police and fire fund and all peace officers are members of the fund, including municipalities covered by section 353.665, the total state aid must be applied toward the municipality's employer contribution to the public employees police and fire fund under sections 353.65, subdivision 3, and ~~353.665~~ 353.668, subdivision 8 6, ~~paragraph (b)~~ or 353.669, subdivision 6, if applicable; ~~or.~~

(3) For a municipality other than a city of the first class with a population of more than 300,000 in which both a police relief association exists and police retirement coverage is provided in part by the public employees police and fire fund, the municipality may elect at its option to transmit the total state aid to the treasurer of the relief association as provided in clause (1), to use the total state aid to apply toward the municipality's employer contribution to the public employees police and fire fund subject to all the provisions set forth in clause (2), or to allot the total state aid proportionately to be transmitted to the police relief association as provided in this subdivision and to apply toward the municipality's employer contribution to the public employees police and fire fund subject to the provisions of clause (2) on the basis of the respective number of active full-time peace officers, as defined in section 69.011, subdivision 1, clause (g).

For a city of the first class with a population of more than 300,000, in addition, the city may elect to allot the appropriate portion of the total police state aid to apply toward the employer contribution of the city to the public employees police and fire fund based on the covered salary of police officers covered by the fund each payroll period and to transmit the balance to the police relief association; ~~or~~

(4) For a municipality in which police retirement coverage is provided in part by the public employees police and fire fund and in part by a local police consolidation account governed by chapter 353A and established before March 2, 1999, for which the municipality declined merger under section 353.665, subdivision 1, or established after March 1, 1999, the total police state aid must be applied towards the municipality's total employer contribution to the public employees police and fire fund and to the local police consolidation account under sections 353.65, subdivision 3, and 353A.09, subdivision 5.

(c) The county treasurer, upon receipt of the police state aid for the county, shall apply the total state aid toward the county's employer contribution to the public employees police and fire fund under section 353.65, subdivision 3.

(d) The designated Metropolitan Airports Commission official, upon receipt of the police state aid for the Metropolitan Airports Commission, shall apply the total police state aid toward the commission's employer contribution for police officers to the public employees police and fire plan under section 353.65, subdivision 3.

(e) The police state aid apportioned to the Departments of Public Safety and Natural Resources under section 69.021, subdivision 7a, is appropriated to the commissioner of management and budget for transfer to the funds and accounts from which the salaries of peace officers certified under section 69.011, subdivision 2b, are paid. The commissioner of revenue shall certify to the commissioners of public safety, natural resources, and management and budget the amounts to be transferred from the appropriation for police state aid. The commissioners of public safety and natural resources shall certify to the commissioner of management and budget the amounts to be credited to each of the funds and accounts from which the peace officers employed by their respective departments are paid. Each commissioner shall allocate the police state aid first

for employer contributions for employees funded from the general fund and then for employer contributions for employees funded from other funds. For peace officers whose salaries are paid from the general fund, the amounts transferred from the appropriation for police state aid must be canceled to the general fund.

Sec. 23. Minnesota Statutes 2012, section 69.041, is amended to read:

69.041 SHORTFALL FROM GENERAL FUND.

(a) If the annual funding requirements of fire or police relief associations or consolidation accounts under sections ~~69.77~~; 69.771 to 69.775, ~~or 353A.09~~, or sections 31 to 42, exceed all applicable revenue sources of a given year, including the insurance premium taxes funding the applicable fire or police state aid as set under section 2971.05, subdivisions 2, 3, and 4, the shortfall in the annual funding requirements must be paid from the general fund to the extent appropriated by the legislature.

(b) Nothing in this section may be deemed to relieve any municipality from its obligation to a relief association or consolidation account under law.

Sec. 24. Minnesota Statutes 2012, section 69.051, subdivision 1, is amended to read:

Subdivision 1. **Financial report and audit.** (a) The board of ~~each salaried firefighters the Bloomington Fire Department Relief Association, police relief association,~~ and each volunteer firefighters relief association as defined in section 424A.001, subdivision 4, with assets of at least \$200,000 or liabilities of at least \$200,000 in the prior year or in any previous year, according to the applicable actuarial valuation or according to the financial report if no valuation is required, shall prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year, file the financial report, and submit financial statements.

(b) The financial report must contain financial statements and disclosures which present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing and funding provisions of this chapter and any other applicable laws. The financial report must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is a firefighters relief association which is directly associated with a municipal fire department ~~or is a police relief association~~; or

(2) by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the volunteer firefighter relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(c) The financial report must be retained in its office for public inspection and must be filed with the governing body of the government subdivision in which the associated fire department is located after the close of the fiscal year. One copy of the financial report must be furnished to the state auditor after the close of the fiscal year.

(d) Audited financial statements must be attested to by a certified public accountant or by the state auditor and must be filed with the state auditor within 180 days after the close of the fiscal year. The state auditor may accept this report in lieu of the report required in paragraph (c).

Sec. 25. Minnesota Statutes 2012, section 69.051, subdivision 1a, is amended to read:

Subd. 1a. **Financial statement.** (a) The board of each volunteer firefighters relief association, as defined in section 424A.001, subdivision 4, that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show:

- (1) the sources and amounts of all money received;
- (2) all disbursements, accounts payable and accounts receivable;
- (3) the amount of money remaining in the treasury;
- (4) total assets, including a listing of all investments;
- (5) the accrued liabilities; and
- (6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement required under paragraph (a) must be certified by an independent public accountant or auditor or by the auditor or accountant who regularly examines or audits the financial transactions of the municipality. In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment upon any exceptions to the report. The independent accountant or auditor must have at least five years of public accounting, auditing, or similar experience, and must not be an active, inactive, or retired member of the relief association or the fire or police department.

(c) The detailed statement required under paragraph (a) must be countersigned by:

- (1) the municipal clerk or clerk-treasurer of the municipality; or
- (2) where applicable, by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or
- (3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters' relief association board must file the detailed statement required under paragraph (a) in the relief association office for public inspection and present it to the city council governing body of the municipality within 45 days after the close of the fiscal year, and must submit a copy of the detailed statement to the state auditor within 90 days of the close of the fiscal year.

Sec. 26. Minnesota Statutes 2012, section 69.051, subdivision 1b, is amended to read:

Subd. 1b. **Qualification.** The state auditor may, upon a demonstration by a relief association of hardship or an inability to conform, extend the deadline for reports under subdivisions 1 or 1a, but not beyond November 30th following the due date. If the reports are not received by November 30th, the municipality or relief association ~~will forfeit~~ forfeits its current year state aid, and, until the state auditor receives the required information, the relief association or municipality ~~will be~~ is ineligible to receive any future state aid. A municipality or ~~police or firefighters'~~ relief association ~~shall~~ does not qualify initially to receive, or be entitled subsequently to retain, state aid ~~pursuant to~~ under this chapter if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

Sec. 27. Minnesota Statutes 2012, section 69.051, subdivision 2, is amended to read:

Subd. 2. **Treasurers bond.** ~~No~~ (a) ~~The treasurer of a the Bloomington Fire Department Relief Association governed by section 69.77 shall~~ may not enter upon duties without having given the association a bond in a reasonable amount acceptable to the municipality for the faithful discharge of duties according to law.

(b) ~~No~~ treasurer of a relief association governed by sections 69.771 to 69.776 ~~shall~~ may enter upon the duties of the office until the treasurer has given the association a good and sufficient bond in an amount equal to at least ten percent of the assets of the relief association; however, the amount of the bond need not exceed \$500,000.

Sec. 28. Minnesota Statutes 2012, section 69.051, subdivision 3, is amended to read:

Subd. 3. **Report by certain municipalities.** (a) The chief administrative officer of each municipality which has an organized fire department but which does not have a firefighters' relief association governed by section 69.77 or sections 69.771 to 69.775 and which is not exempted under paragraph (b) shall annually prepare a detailed financial report of the receipts and disbursements by the municipality for fire protection service during the preceding calendar year; on a form prescribed by the state auditor. The financial report must contain any information which the state auditor deems necessary to disclose the sources of receipts and the purpose of disbursements for fire protection service. The financial report must be signed by the municipal clerk or clerk-treasurer of the municipality. The financial report must be filed by the municipal clerk or clerk-treasurer with the state auditor on or before July 1 annually. The municipality shall ~~does not~~ qualify initially to receive, or be and is not entitled subsequently to retain, state aid under this chapter if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

(b) Each municipality that has an organized fire department and provides retirement coverage to its firefighters through the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G qualifies to have fire state aid transmitted to and retained in the statewide lump-sum volunteer firefighter retirement fund without filing a detailed financial report if the executive director of the Public Employees Retirement Association certifies compliance by the municipality with the requirements of sections 353G.04 and 353G.08, paragraph (e), and certifies conformity by the applicable fire chief with the requirements of section 353G.07.

Sec. 29. Minnesota Statutes 2012, section 69.051, subdivision 4, is amended to read:

Subd. 4. **Notification by commissioner and state auditor.** (a) The state auditor, in performing an audit or examination, shall notify the Legislative Commission on Pensions and Retirement if the audit or examination reveals malfeasance, misfeasance, or nonfeasance in office by relief association officials or municipal officials.

(b) The commissioner shall notify the Legislative Commission on Pensions and Retirement if the state auditor has not filed the required financial compliance reports by July 1.

Sec. 30. Minnesota Statutes 2012, section 69.33, is amended to read:

69.33 REPORT; AMOUNT OF PREMIUMS RECEIVED BY INSURANCE COMPANIES.

For purposes of the first class city fire insurance premium tax surcharge aid program under section 297I.10, the commissioner shall enclose in the annual statement blank that is sent to all fire insurance companies doing business in this state a blank form containing the names of all cities of the first class and require these companies, at the time of making their annual statements to the commissioner, to state on these blanks the amount of premiums received by them upon properties insured within the corporate limits of the cities named thereon during the year ending December 31st last past. Thereafter, before July first each year, the commissioner shall certify to the commissioner of management and budget the information thus obtained, together with the amount of the tax for the benefit of the pension plans covering firefighters in cities of the first class paid in such year by these companies upon these insurance premiums.

Sec. 31. Minnesota Statutes 2012, section 69.77, subdivision 1, is amended to read:

Subdivision 1. **Conditioned employer support for a the Bloomington Fire Department Relief Association.** (a) Notwithstanding any law to the contrary, only if the municipality city of Bloomington and the Bloomington Fire Department Relief Association comply with the provisions of this section, a municipality the city of Bloomington may contribute public funds, including any applicable police or fire state aid, or levy property taxes for the support of a police or firefighters' the Bloomington Fire Department Relief Association, enumerated in subdivision 1a, however organized, which provides retirement coverage or pays a service pension to a retired police officer or firefighter or a retirement benefit to a surviving dependent of either an active or retired police officer or firefighter, and for the operation and maintenance of the relief association.

(b) The commissioner shall not include in the apportionment of police or fire state aid to the county auditor under section 69.021, subdivision 6, any municipality in which there exists a local police or salaried firefighters' relief association as enumerated in subdivision 1a which the city of Bloomington if the Bloomington Fire Department Relief Association does not comply with the provisions of this section or the provisions of any applicable special law relating to the funding or financing of the association and that municipality the city of Bloomington may not qualify initially to receive, or be entitled subsequently to retain, fire state aid under sections 69.011 to 69.051 until the reason for the disqualification is remedied, whereupon the municipality city of Bloomington, if otherwise qualified, is entitled to again receive fire state aid for the year occurring immediately subsequent to the year in which the disqualification is remedied.

(c) The state auditor and the commissioner shall determine if a municipality with a local police or salaried firefighters' relief association fails the city of Bloomington and the Bloomington Fire Department Relief Association fail to comply with the provisions of this section or the funding or financing provisions of any applicable special law.

Sec. 32. Minnesota Statutes 2012, section 69.77, subdivision 2, is amended to read:

Subd. 2. **Inapplicable penalty.** The penalty provided for in subdivision 1 does not apply to a the Bloomington Fire Department Relief Association ~~enumerated in subdivision 1a~~ if the requirements of subdivisions 3 to 10 are met.

Sec. 33. Minnesota Statutes 2012, section 69.77, subdivision 4, is amended to read:

Subd. 4. **Relief association financial requirements; minimum municipal obligation.** (a) The officers of the Bloomington Fire Department Relief Association shall determine the financial requirements of the relief association and the minimum obligation of the municipality city of Bloomington for the following calendar year in accordance with the requirements of this subdivision. The financial requirements of the relief association and the minimum obligation of the municipality city of Bloomington must be determined on or before the submission date established by the municipality city of Bloomington under subdivision 5.

(b) The financial requirements of the relief association for the following calendar year must be based on the most recent actuarial valuation or survey of the special fund of the association if more than one fund is maintained by the association, or of the association, if only one fund is maintained, prepared in accordance with sections 356.215, subdivisions 4 to 15, and 356.216, as required under subdivision 10. If an actuarial estimate is prepared by the actuary of the relief association as part of obtaining a modification of the benefit plan of the relief association and the modification is implemented, the actuarial estimate must be used in calculating the subsequent financial requirements of the relief association.

(c) If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the total of the amounts calculated under clauses (1), (2), and (3), constitute the financial requirements of the relief association for the following year. If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the amount calculated under clauses (1) and (2) constitute the financial requirements of the relief association for the following year. The financial requirement elements are:

(1) the normal level cost requirement for the following year, expressed as a dollar amount, which must be determined by applying the normal level cost of the relief association as reported in the actuarial valuation or survey and expressed as a percentage of covered payroll to the estimated covered payroll of the active membership of the relief association, including any projected change in the active membership, for the following year;

(2) ~~for the Bloomington Fire Department Relief Association,~~ to the dollar amount of normal cost determined under clause (1) must be added an amount equal to the dollar amount of the administrative expenses of the special fund of the association if more than one fund is maintained by the association, or of the association if only one fund is maintained, for the most recent year, multiplied by the factor of 1.035. The administrative expenses are those authorized under section 69.80; and

(3) to the dollar amount of normal cost and expenses determined under clauses (1) and (2) must be added an amount equal to the level annual dollar amount which is sufficient to amortize the unfunded actuarial accrued liability as determined from the actuarial valuation or survey of the fund, using an interest assumption set at the applicable rate specified in section 356.215, subdivision 8, by that fund's amortization date as specified in paragraph (d).

(d) ~~The Bloomington Fire Department Relief Association special fund amortization date is determined under section 356.216, clause (2). The amortization date specified in this paragraph supersedes any amortization date specified in any applicable special law.~~

(d) If the actuarial value of the assets of the special fund of the relief association exceed the actuarial accrued liability as reported in the most recent actuarial valuation of the special fund of the relief association, the financial requirements of the relief association are the amounts calculated under paragraph (c), clauses (1) and (2), reduced by one-tenth of the amount by which the actuarial value of the assets of the special fund of the relief association exceeds the actuarial accrued liability of the special fund of the relief association.

(e) The minimum obligation of the municipality is an amount equal to the financial requirements of the relief association reduced by the estimated amount of member contributions from covered salary anticipated for the following calendar year and the estimated ~~amounts~~ amount anticipated for the following calendar year from the ~~applicable fire state aid program established under sections 69.011 to 69.051 receivable by the relief association after any allocation made under section 69.031, subdivision 5, paragraph (b), clause (2), or 423A.01, subdivision 2, paragraph (a), clause (6), from the local police and salaried firefighters' relief association amortization aid program established under section 423A.02, subdivision 1, from the supplementary amortization state-aid program established under section 423A.02, subdivision 1a, and from the additional amortization state aid under section 423A.02, subdivision 1b.~~

Sec. 34. Minnesota Statutes 2012, section 69.77, subdivision 5, is amended to read:

Subd. 5. **Determination submission.** The officers of the relief association shall submit the determination of the financial requirements of the relief association and of the minimum obligation of the municipality to the ~~governing body~~ Bloomington City Council on or before the date established by the ~~municipality~~ city of Bloomington, which may not be earlier than August 1 and may not be later than September 1 of each year. The ~~governing body of the municipality~~ Bloomington City Council must ascertain whether or not the determinations were prepared in accordance with law.

Sec. 35. Minnesota Statutes 2012, section 69.77, subdivision 6, is amended to read:

Subd. 6. **Municipal payment.** (a) The ~~municipality~~ city of Bloomington shall provide for and shall pay, each year, at least the amount of the minimum obligation of the ~~municipality~~ city of Bloomington to the Bloomington Fire Department Relief Association.

(b) If there is any deficiency in the municipal payment to meet the minimum obligation of the ~~municipality~~ city of Bloomington as of the end of any calendar year, the amount of the deficiency must be added to the minimum obligation of the ~~municipality~~ city of Bloomington for the following year calculated under subdivision 4 and must include interest at the compound rate of six percent per annum from the date that the ~~municipality~~ city of Bloomington was required to make payment under this subdivision until the date that the ~~municipality~~ city of Bloomington actually makes the required payment.

Sec. 36. Minnesota Statutes 2012, section 69.77, subdivision 7, is amended to read:

Subd. 7. **Budget inclusion.** (a) The ~~municipality~~ city of Bloomington shall provide in the annual municipal budget for at least the minimum obligation of the municipality calculated under subdivision 4.

(b) The municipality city of Bloomington may levy taxes for the payment of the minimum obligation of the municipality city of Bloomington without any limitation as to rate or amount and irrespective of limitations imposed by other provisions of law upon the rate or amount of taxation when the balance of the special fund or any fund of the relief association has attained a specified minimum asset level. In addition, any taxes levied under this section may not cause the amount or rate of other taxes levied in that year or to be levied in a subsequent year by the municipality city of Bloomington which are subject to a limitation as to rate or amount to be reduced.

(c) If the municipality city of Bloomington does not include the full amount of the minimum obligation of the municipality city of Bloomington in the levy that the municipality city of Bloomington certified to the Hennepin County auditor in any year, the officers of the relief association shall certify the amount of any deficiency to the Hennepin County auditor. Upon verifying the existence of any deficiency in the levy certified by the municipality city of Bloomington, the Hennepin County auditor shall spread a levy over the taxable property of the municipality city of Bloomington in the amount of the deficiency certified to by the officers of the relief association.

Sec. 37. Minnesota Statutes 2012, section 69.77, subdivision 8, is amended to read:

Subd. 8. **Accelerated amortization.** Any sums of money paid by the municipality city of Bloomington to the relief association in excess of the minimum obligation of the municipality city of Bloomington in any year must be used to amortize any unfunded actuarial accrued liabilities of the Bloomington Fire Department Relief Association.

Sec. 38. Minnesota Statutes 2012, section 69.77, subdivision 9, is amended to read:

Subd. 9. **Local paid fire relief association investment authority.** (a) The special fund funds of the association must be invested in securities that are authorized investments under section 356A.06, subdivision 6 or 7, whichever applies.

(b) The governing board of the Bloomington Fire Department Relief Association may select and appoint a qualified private firm to measure management performance and return on investment, and the firm must use the formula or formulas developed by the State Board of Investment under section 11A.04, clause (11). The governing board of the Bloomington Fire Department Relief Association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.

~~(c) The governing board of the association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.~~

Sec. 39. Minnesota Statutes 2012, section 69.77, subdivision 10, is amended to read:

Subd. 10. **Actuarial valuation required.** The governing board of the Bloomington Fire Department Relief Association shall obtain an actuarial valuation showing the condition of the special fund of the relief association under sections 356.215 and 356.216 and any the applicable standards for actuarial work established by the Legislative Commission on Pensions and Retirement. The actuarial valuation must be made as of December 31 of every year. A copy of the actuarial valuation must be filed with the Director of the Legislative Reference Library, the governing body of the municipality in which the association is organized Bloomington City

Council, the executive director of the Legislative Commission on Pensions and Retirement, and the state auditor, not later than July 1 of the following year.

Sec. 40. Minnesota Statutes 2012, section 69.77, subdivision 11, is amended to read:

Subd. 11. **Municipal approval of benefit changes required.** Any amendment to the bylaws or articles of incorporation of ~~a the Bloomington Fire Department Relief Association~~ which increases or otherwise affects the retirement coverage provided by or the service pensions or retirement benefits payable from ~~any police or firefighters'~~ the relief association enumerated in subdivision 1a is not effective until it is ratified by the ~~municipality in which the relief association is located~~ city of Bloomington. The officers of the relief association shall not seek municipal ratification before obtaining either an updated actuarial valuation including the proposed amendment or an estimate of the expected actuarial impact of the proposed amendment prepared by the actuary of the relief association and submitting that actuarial valuation or estimate to the Bloomington city clerk of the municipality.

Sec. 41. Minnesota Statutes 2012, section 69.77, subdivision 12, is amended to read:

Subd. 12. **Application of other laws to contribution rate.** In the absence of any specific provision to the contrary, no general or special law previously enacted may be construed as reducing the levy amount ~~or rate of contribution to a police or firefighters~~ the Bloomington Fire Department Relief Association to which subdivision 1a applies, by ~~a municipality or member of the association~~ the city of Bloomington, which is required as a condition for the use of public funds or the levy of taxes for the support of the association. ~~Each~~ The Bloomington Fire Department Relief Association, the ~~municipality in which it is organized~~ city of Bloomington, and the officers of each, are authorized to do all things required by this section as a condition for the use of public funds or the levy of taxes for the support of the association.

Sec. 42. Minnesota Statutes 2012, section 69.77, subdivision 13, is amended to read:

Subd. 13. **Citation.** This section may be cited as the "~~Police and Firefighters'~~ Bloomington Fire Department Relief Associations Association Guidelines Act of 1969."

Sec. 43. Minnesota Statutes 2012, section 69.771, subdivision 1, is amended to read:

Subdivision 1. **Covered relief associations.** The applicable provisions of sections 69.771 to 69.776 apply to any firefighters' relief association other than ~~a the Bloomington Fire Department Relief Association enumerated in section 69.77, subdivision 1a~~, which is organized under any laws of this state, which is composed of volunteer firefighters or is composed partially of volunteer firefighters and partially of salaried firefighters with retirement coverage provided by the public employees police and fire fund and which, in either case, operates subject to the service pension minimum requirements for entitlement and maximums contained in section 424A.02, or subject to a special law modifying those requirements or maximums.

Sec. 44. Minnesota Statutes 2012, section 69.80, is amended to read:

69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.

(a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a ~~police, salaried firefighters', or volunteer~~

firefighters' relief association organized under any law of this state or the Bloomington Fire Department Relief Association:

(1) office expense, including, but not limited to, rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) salaries of the officers of the association, or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section 69.77, 69.772; or 69.773, or sections 31 to 42, and the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit, actuarial, medical, legal, and investment and performance evaluation expenses;

(5) filing and application fees payable by the relief association to federal or other governmental entities;

(6) reimbursement to the officers and members of the board of trustees, or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(7) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) Any other expenses of the relief association must be paid from the general fund of the association, if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this section. If a relief association has a special fund and a general fund, and any expense of the relief association that is directly related to the purposes for which both funds were established, the payment of that expense must be apportioned between the two funds on the basis of the benefits derived by each fund.

Sec. 45. Minnesota Statutes 2012, section 275.70, subdivision 5, is amended to read:

Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources, provided that nothing in this subdivision limits the special levy authorized under section 475.755;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota State Armory Building Commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the Emergency Services Division of the state Department of Public Safety, as allowed by the commissioner of revenue under section 275.74, subdivision 2;

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353, or locally administered pension plans, that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (f), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the Department of Corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the Department of Corrections. If the county utilizes this special levy, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation

computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;

(15) to fund a ~~police or firefighters relief association~~ as required under ~~section 69.77~~ sections 31 to 42 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

(16) for purposes of a storm sewer improvement district under section 444.20;

(17) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most recent federal census, whichever is greater. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

(18) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

(19) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007;

(20) for a city, for the unreimbursed costs of redeployed traffic-control agents and lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified to the Federal Highway Administration;

(21) to pay costs attributable to wages and benefits for sheriff, police, and fire personnel. If a local governmental unit did not use this special levy in the previous year its levy limit base under section 275.71 shall be reduced by the amount equal to the amount it levied for the purposes specified in this clause in the previous year;

(22) an amount equal to any reductions in the certified aids or credit reimbursements payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section

16A.152 or reductions under another provision of law. The amount of the levy allowed under this clause for each year is limited to the amount unallotted or reduced from the aids and credit reimbursements certified for payment in the year following the calendar year in which the tax levy is certified unless the unallotment or reduction amount is not known by September 1 of the levy certification year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case that unallotment or reduction amount may be levied in the following year;

(23) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253B.185, subdivision 5;

(24) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; and

(25) for the estimated amount of reduction to market value credit reimbursements under section 273.1384 for credits payable in the year in which the levy is payable.

Sec. 46. Minnesota Statutes 2012, section 297I.10, subdivision 1, is amended to read:

Subdivision 1. **Cities of the first class.** (a) The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any licensed foreign or domestic fire insurance company on property in a city of the first class, or by its agents for it, in cash or otherwise.

(b) By July 31 and December 31 of each year, the commissioner of management and budget shall pay to ~~the relief association in each city of the first class~~ a warrant for an amount equal to the total amount of the surcharge on the premiums collected within ~~the~~ that city since the previous payment.

(c) The treasurer of the ~~relief association~~ city shall place the money received under this subdivision in ~~the a special account or fund of the relief association to defray all or a portion of the employer contribution requirement of public employees police and fire plan coverage for city firefighters.~~

Sec. 47. Minnesota Statutes 2012, section 345.381, is amended to read:

345.381 PROPERTY HELD BY MINNESOTA PUBLIC PENSION FUND.

No amounts of money held or owing by a public pension fund enumerated in section 356.20, subdivision 2, or 356.30, subdivision 3, or governed by sections ~~69.77 or 69.771 to 69.776~~ shall or sections 31 to 42 may be presumed to have been abandoned for purposes of sections 345.41, 345.42, 345.43, 345.47 and 345.48 if the plan governing the public pension fund includes a provision governing the disposition of unclaimed amounts of money.

Sec. 48. Minnesota Statutes 2012, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees; mandatory membership.** (a) Public employees whose salary exceeds \$425 in any month and who are not specifically excluded under subdivision 2b or who have not been provided an option to participate under subdivision 2d, whether individually or by action of the governmental subdivision, must participate as members of the association with retirement coverage by the general employees retirement plan under this chapter, the public employees police and fire retirement plan under this chapter, or the local government correctional employees retirement plan under chapter 353E, whichever applies. Membership commences as a condition of their employment on the first day of their employment or on the first day that the eligibility criteria are met, whichever is later. Public employees include but are not limited to:

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

(2) elected county sheriffs;

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

(i) town and city clerk or treasurer;

(ii) county auditor, treasurer, or recorder;

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

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

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

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

~~(6) employees of the Minneapolis Firefighters Relief Association or Minneapolis Police Relief Association who are not excluded employees under subdivision 2b due to coverage by the relief association pension plan and who elected general employee retirement plan coverage before August 20, 2009;~~

~~(7)~~ (6) employees of the Red Wing Port Authority who were first employed by the Red Wing Port Authority before May 1, 2011, and who are not excluded employees under subdivision 2b; and

~~(8)~~ (7) employees of the Seaway Port Authority of Duluth who are not excluded employees under subdivision 2b.

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

(c) If the salary of an included public employee is less than \$425 in any subsequent month, the member retains membership eligibility.

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

Sec. 49. Minnesota Statutes 2012, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible to participate as members of the association with retirement coverage by the general employees retirement plan, the local government correctional employees retirement plan under chapter 353E, or the public employees police and fire retirement plan:

- (1) persons whose salary from one governmental subdivision never exceeds \$425 in a month;
- (2) public officers who are elected to a governing body, city mayors, or persons who are appointed to fill a vacancy in an elective office of a governing body, whose term of office commences on or after July 1, 2002, for the service to be rendered in that elective position;
- (3) election officers or election judges;
- (4) patient and inmate personnel who perform services for a governmental subdivision;
- (5) except as otherwise specified in subdivision 12a, employees who are hired for a temporary position as defined under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days in the same governmental subdivision;
- (6) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster;
- (7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota State Retirement System, the Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association, ~~or any police or firefighters relief association governed by section 69.77 that has not consolidated with the Public Employees Retirement Association, or any local police or firefighters consolidation account who have not elected the type of benefit coverage provided by the public employees police and fire fund under sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4, 5, or 6, who have not elected public employees police and fire plan benefit coverage.~~ This clause must not be construed to prevent a person from being a member of and contributing to the Public Employees Retirement Association and also belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;
- (8) persons who are members of a religious order and are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended through January 1,

1987, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(9) employees of a governmental subdivision who have not reached the age of 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time basis at an accredited school, college, or university in an undergraduate, graduate, or professional-technical program, or a public or charter high school;

(10) resident physicians, medical interns, and pharmacist residents and pharmacist interns who are serving in a degree or residency program in public hospitals or clinics;

(11) students who are serving in an internship or residency program sponsored by an accredited educational institution;

(12) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(13) except for employees of Hennepin County or Hennepin Healthcare System, Inc., foreign citizens who are employed by a governmental subdivision under a work permit, or an H-1b visa initially issued or extended for a combined period less than three years of employment. Upon extension of the employment beyond the three-year period, the foreign citizens must be reported for membership beginning the first of the month thereafter provided the monthly earnings threshold as provided under subdivision 2a is met;

(14) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988, to October 1, 1988;

(15) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the Public Employees Retirement Association and participants in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel;

(16) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties, but a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the Public Employees Retirement Association and a participant in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment activities other than those as a volunteer firefighter;

(17) pipefitters and associated trades personnel employed by Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters local 455 pension plan who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section 12;

(18) electrical workers, plumbers, carpenters, and associated trades personnel who are employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who have retirement coverage under a collective bargaining agreement by the Electrical Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the pension plan applicable to

Carpenters Local 87 who were either first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000, chapter 461, article 7, section 5;

(19) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters, allied tradesworkers, and plasterers who are employed by the city of St. Paul or Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan, the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(20) plumbers who are employed by the Metropolitan Airports Commission, with coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(21) employees who are hired after June 30, 2002, to fill seasonal positions under subdivision 12b which are limited in duration by the employer to 185 consecutive calendar days or less in each year of employment with the governmental subdivision;

(22) persons who are provided supported employment or work-study positions by a governmental subdivision and who participate in an employment or industries program maintained for the benefit of these persons where the governmental subdivision limits the position's duration to three years or less, including persons participating in a federal or state subsidized on-the-job training, work experience, senior citizen, youth, or unemployment relief program where the training or work experience is not provided as a part of, or for, future permanent public employment;

(23) independent contractors and the employees of independent contractors;

(24) reemployed annuitants of the association during the course of that reemployment; and

(25) persons appointed to serve on a board or commission of a governmental subdivision or an instrumentality thereof.

(b) Any person performing the duties of a public officer in a position defined in subdivision 2a, paragraph (a), clause (3), is not an independent contractor and is not an employee of an independent contractor.

Sec. 50. Minnesota Statutes 2012, 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 membership, public hospitals owned or operated by, or an integral part of, a governmental subdivision or governmental subdivisions, the Association of Minnesota Counties, the Minnesota Inter-county 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 Seaway Port Authority of Duluth, the Red Wing Port Authority, 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., ~~and the Minneapolis Firefighters Relief Association and Minneapolis Police Relief Association with respect to staff covered by the Public Employees Retirement Association general plan:~~

(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 the Seaway Port Authority of Duluth and other than the Red Wing Port Authority; 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; 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.

Sec. 51. Minnesota Statutes 2012, section 353.01, subdivision 10, is amended to read:

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

(1) the periodic compensation of a public employee, before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs, and also means "wages" and includes net income from fees; and

(2) for a public employee who is covered by a supplemental retirement plan under section 356.24, subdivision 1, clause (8), (9), or (10), which require all plan contributions be made by the employer, the contribution to the applicable supplemental retirement plan when an agreement between the

parties establishes that the contribution will either result in a mandatory reduction of employees' wages through payroll withholdings, or be made in lieu of an amount that would otherwise be paid as wages; and.

~~(3) for a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association or to which section 353.665 applies and who has elected coverage either under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation or under section 353.665, subdivision 4, the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the actual periodic compensation of the public employee after the effective date of consolidation.~~

(b) Salary does not mean:

(1) the fees paid to district court reporters, unused annual vacation or sick leave payments, in lump-sum or periodic payments, severance payments, reimbursement of expenses, lump-sum settlements not attached to a specific earnings period, or workers' compensation payments;

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

(3) the amount equal to that which the employing governmental subdivision would otherwise pay toward single or family insurance coverage for a covered employee when, through a contract or agreement with some but not all employees, the employer:

(i) discontinues, or for new hires does not provide, payment toward the cost of the employee's selected insurance coverages under a group plan offered by the employer;

(ii) makes the employee solely responsible for all contributions toward the cost of the employee's selected insurance coverages under a group plan offered by the employer, including any amount the employer makes toward other employees' selected insurance coverages under a group plan offered by the employer; and

(iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages;

(4) except as provided in section 353.86 or 353.87, compensation of any kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined in subdivision 35 or 36;

(5) the amount of compensation that exceeds the limitation provided in section 356.611; and

(6) amounts paid by a federal or state grant for which the grant specifically prohibits grant proceeds from being used to make pension plan contributions, unless the contributions to the plan are made from sources other than the federal or state grant.

(c) Amounts provided to an employee by the employer through a grievance proceeding or a legal settlement are salary only if the settlement is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

Sec. 52. Minnesota Statutes 2012, section 353.01, subdivision 16, is amended to read:

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

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

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

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

(4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;

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

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

subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary, excluding overtime pay, during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate, excluding overtime pay, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

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

~~(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association under chapter 353A or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "allowable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.~~

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

~~(e) (d) MS 2002 [Expired]~~

Sec. 53. Minnesota Statutes 2012, section 353.64, subdivision 1a, is amended to read:

Subd. 1a. **Police and fire plan; other members.** (a) A person who prior to July 1, 1961, was a member of the police and fire plan, by virtue of being a police officer or firefighter, shall, as long as the person remains in either position, continue membership in the plan:

~~(b) A person who was employed by a governmental subdivision as a police officer and was a member of the police and fire plan on July 1, 1978, by virtue of being a police officer as defined by this section on that date, and if employed by the same governmental subdivision in a position in the same department in which the person was employed on that date, continues to be a member of the plan, whether or not that person has the power of arrest by warrant and is licensed by the Peace Officers Standards and Training Board after that date.~~

~~(e) (b) A person who was employed as a correctional officer by Rice county before July 1, 1998, for the duration of employment in the correctional position held on July 1, 1998, continues to be a member of the public employees police and fire plan, whether or not the person has the power of arrest by warrant and is licensed by the Peace Officers Standards and Training Board after that date.~~

~~(d) A person who was employed by a governmental subdivision as a police officer or a firefighter, whichever applies, was an active member of the local police or salaried firefighters relief association located in that governmental subdivision by virtue of that employment as of the effective date of the consolidation as authorized by sections 353A.01 to 353A.10, and has elected coverage by the public employees police and fire plan, shall become a member of the police and fire plan after that date if employed by the same governmental subdivision in a position in the same department in which the person was employed on that date.~~

~~(e) Any police officer or firefighter of a relief association that has consolidated with the association for which the employee has not elected coverage by the public employees police and fire plan as provided in sections 353A.01 to 353A.10, or any police officer or firefighter to whom~~

~~section 353.665 applies who has not elected coverage by the public employees police and fire plan as provided in section 353.665, subdivision 4, must become a member of the public employees police and fire plan, but is not subject to the provisions of sections 353.651 to 353.659 unless an election for such coverage is made under section 353.665, subdivision 4.~~

Sec. 54. Minnesota Statutes 2012, section 353.659, is amended to read:

353.659 LOCAL RELIEF ASSOCIATION CONSOLIDATION ACCOUNT BENEFITS.

(a) For any person who has had prior service covered by a local police or firefighters relief association which has ~~consolidated~~ merged with the public employees police and fire retirement association plan and who has elected the type of benefit coverage provided by the public employees police and fire fund benefit plan under section 353A.08 following the consolidation as permitted by the applicable law, any the retirement benefits payable are governed by the applicable provisions of this chapter.

(b) For any person who has had prior service covered by a local police or firefighters relief association which has ~~consolidated~~ merged with the public employees police and fire retirement association plan and who has ~~did not elected~~ elect the type of benefit coverage provided by the public employees police and fire fund benefit plan under section 353A.08 following the consolidation as permitted by the applicable law, any the retirement benefits payable are governed by the provisions of Minnesota Statutes 2012, sections 353B.01 to 353B.13 which apply applied to the applicable former relief association or by section 353.6511 or 353.6512, if applicable.

Sec. 55. Minnesota Statutes 2012, section 353.665, subdivision 1, is amended to read:

Subdivision 1. **Merger authorized Application.** (a) ~~Notwithstanding any provision of law to the contrary, unless the applicable municipality elects otherwise under paragraph (b), every~~ This section applies to the local police and fire relief associations or consolidation account under chapter 353A in existence on March 1, 1999, becomes a part of accounts that merged with the public employees police and fire plan and fund governed by sections 353.63 to 353.659 on July 1, 1999 and are specified in paragraph (b).

(b) ~~If a municipality desires to retain its consolidation account~~ The former local police or fire relief associations or consolidation accounts, whichever applies, the governing body of the municipality must adopt a resolution to that effect and must file a copy of the resolution with the secretary of state, the state auditor, the legislative auditor, the management and budget commissioner, the revenue commissioner, the executive director of the public employees retirement association, and the executive director of the Legislative Commission on Pensions and Retirement. ~~The retention election must apply to both consolidation accounts if the municipality is associated with more than one consolidation account. The retention resolution must be adopted and filed with all recipients before June 15, 1999.~~ are:

(1) the former local police and fire consolidation accounts that merged with the public employees police and fire retirement plan and fund under Laws 1999, chapter 222, article 4;

(2) the former Minneapolis Firefighters Relief Association;

(3) the former Minneapolis Police Relief Association;

(4) the former Fairmont Police Relief Association; and

(5) the former Virginia Fire Consolidation Account.

Sec. 56. Minnesota Statutes 2012, section 353.665, subdivision 5, is amended to read:

Subd. 5. **Benefit coverage for retirees and benefit recipients certain former local relief association or consolidation account members.** (a) A person who received a survivor benefit from a merging attributable to or of a former member of a former merged local police or fire consolidation account for the month of June 1999, and who has did not previously elected participation in the Minnesota postretirement investment fund for any future postretirement adjustments rather than the postretirement adjustment mechanism or mechanisms of the relief association benefit plan under section 353A.08, subdivision 1, may elect participation in the Minnesota postretirement investment fund for any future postretirement adjustments or retention of the postretirement adjustment mechanism or mechanisms of the relief association benefit plan as reflected in the applicable provisions of chapter 353B. This election must be in writing on a form prescribed by the executive director and must be made before September 1, 1999. elect coverage by all or a portion of the public employees police and fire retirement plan as permitted by applicable law must be calculated or computed under the benefit plan provisions of the applicable former local police or paid firefighters relief association.

(b) If an eligible person is a minor, the election must be made by the person's parent or legal guardian. If the eligible person makes no affirmative election under this subdivision, the person retains the postretirement adjustment mechanism or mechanisms of the relief association benefit plan as reflected in the applicable provisions of chapter 353B. The annuity, service pension, disability pension or benefit, or survivor benefit attributable to or of a former member of the former Minneapolis Firefighters Relief Association or of the former Minneapolis Police Relief Association who had that status as of December 29, 2011, continue after consolidation in the same amount and under the same terms as provided in chapter 423B or 423C, respectively, and the bylaws in effect as of that date, except that the unit value is governed by section 353.01, subdivisions 10a and 10b, respectively, and the postretirement adjustments after December 31, 2015, must be calculated solely under section 353.6511, subdivision 7.

(c) On behalf of former members of the Minneapolis Firefighters Relief Association or Minneapolis Police Relief Association, the executive director shall withhold any health insurance or dental insurance premiums designated by the annuitant or benefit recipient and shall transfer them to the city of Minneapolis. The Public Employees Retirement Association may charge a necessary and reasonable monthly administrative fee to the city of Minneapolis for this function and bill it in addition to the employer contribution under section 353.65, subdivision 3, paragraph (b). Notwithstanding any provision of chapter 13 to the contrary, the executive director shall provide the city of Minneapolis with the current addresses of former members of the Minneapolis Firefighters Relief Association and the Minneapolis Police Relief Association. The city of Minneapolis shall continue to administer the health and dental insurance programs as constituted May 1, 2011, for the former members of the former Minneapolis relief associations.

(d) The executive director shall cooperate with the Minneapolis firefighters fraternal association and the Minneapolis police fraternal association to ensure adequate communications with the former members of the former Minneapolis Firefighters Relief Association or the Minneapolis Police Relief Association consistent with Public Employees Retirement Association policy.

(c) The survivor benefit payable on behalf of any service pension or disability benefit recipient who elects participation in the Minnesota postretirement investment fund must be calculated under the relief association benefit plan in effect on the effective date of consolidation under chapter 353A as reflected in the applicable provisions of chapter 353B: (e) The annuity, service pension, disability pension or benefit, or survivor benefit attributable to or of a former member of the former Fairmont Police Relief Association must be calculated or computed under Minnesota Statutes 2000, sections 423.41 to 423.46, 423.48 to 423.59, 423.61, and 423.62; Laws 1963, chapter 423; Laws 1977, chapter 100; and Laws 1999, chapter 222, article 3, section 4, except that the annual base salary figure for pension and benefit determinations upon consolidation and for the balance of calendar year 2012 is \$106,666.67 and after December 31, 2012, annual postretirement adjustments of pensions and benefits in force must be calculated solely under section 356.415, subdivision 1c.

(f) The annuity, service pension, disability pension or benefit, or survivor benefit attributable to or of a former member of the former Virginia firefighters consolidation account must be calculated or computed under the election made under Minnesota Statutes 2012, section 353A.08, unless the person made a subsequent election under Minnesota Statutes 2012, section 353.6691, subdivision 4, subject to any additional ad hoc postretirement adjustment under Minnesota Statutes 2012, section 353.6691, subdivision 5, paragraph (d).

Sec. 57. Minnesota Statutes 2012, section 353.665, is amended by adding a subdivision to read:

Subd. 5a. **Continuing provisions; prior Minneapolis relief associations.** (a) Health insurance account retention. The health insurance account of the former Minneapolis Firefighters Relief Association and the health insurance account of the former Minneapolis Police Relief Association shall remain with the financial institution holding the applicable account on the effective date of this section, if the applicable financial institution adequately performs all trustee and fiduciary duties with respect to the applicable account as a condition of the retention of the account.

(b) Health insurance account administrative expenses. Under Laws 2011, First Special Session chapter 8, article 6, section 14, and article 7, section 14, three years of expected administrative expenses were prepaid from the Minneapolis Firefighters Relief Association and the Minneapolis Police Relief Association health insurance accounts to the financial institution holding the applicable account. After the three-year prepayment period, the beneficiaries of the applicable account are responsible for the payment of administrative expenses related to the operation of the account.

(c) Successor in interest. The public employees police and fire retirement plan and fund is the successor in interest to all claims for or against the former Minneapolis Firefighters Relief Association and the former Minneapolis Police Relief Association. The public employees police and fire retirement plan and fund is not liable for any claim against a former Minneapolis relief association, its governing board, or its administrative staff acting in a fiduciary capacity, under chapter 356A or common law, which is founded upon a claim of a breach of fiduciary duty if the act or acts constituting the claimed breach were not undertaken in good faith. The public employees police and fire retirement plan may assert any applicable defense to any claim in any judicial or administrative proceeding that the applicable Minneapolis relief association, its board, or its administrative staff would otherwise have been entitled to assert, and the public employees police and fire retirement plan may assert any applicable defense that it has in its capacity as a statewide agency.

(d) Indemnification. The Public Employees Retirement Association shall indemnify any former fiduciary of the Minneapolis relief associations consistent with the provisions of section 356A.11.

The indemnification may be effected by the purchase by the Public Employees Retirement Association of reasonable fiduciary liability tail insurance for the officers and directors of the former Minneapolis relief association.

Sec. 58. Minnesota Statutes 2012, section 353.665, subdivision 8, is amended to read:

Subd. 8. **Member and employer contributions.** (a) ~~Effective on the first day of the first full pay period following June 30, 1999, Except as provided in paragraph (b), (c), or (d), the employee contribution rate for merging merged former consolidation account active members is the rate specified in section 353.65, subdivision 2, and the regular municipal contribution rate on behalf of merged former consolidation account active members is the rate specified in section 353.65, subdivision 3.~~

(b) ~~The municipality associated with a merging former local consolidation account that had a positive value amortizable base calculation under subdivision 7, paragraph (d), after the preliminary calculation or the second calculation, whichever applies, must make an additional municipal contribution to the public employees police and fire plan for the period from January 1, 2000, to December 31, 2009. The amount of the additional municipal contribution is the amount calculated by the actuary retained under section 356.214 and certified by the executive director of the Public Employees Retirement Association by which the amortizable base amount would be amortized on a level dollar annual end-of-the-year contribution basis, using an 8.5 percent interest rate assumption. The additional municipal contribution is payable during the month of January, is without any interest, or if made after January 31, but before the next following December 31, is payable with interest for the period since January 1 at a rate which is equal to the preretirement interest rate assumption specified in section 356.215, subdivision 8, applicable to the public employees police and fire fund expressed as a monthly rate and compounded on a monthly basis or if made after December 31 of the year in which the additional municipal contribution is due is payable with interest at a rate which is four percent greater than the highest interest rate assumption specified in section 356.215, subdivision 8, expressed as a monthly rate and compounded monthly from January 1 of the year in which the additional municipal contribution is due until the date on which payment is made. With respect to active members of the merged former Minneapolis Firefighters Relief Association and the merged former Minneapolis Police Relief Association, there are no employee contributions payable and the employer contribution on behalf of those active members is at the rate specified in section 353.65, subdivision 3, applied to the active member's salary. In addition, an additional municipal contribution is payable by the city of Minneapolis annually on July 15, set at the amount calculated as of December 30, 2011, as sufficient to amortize, on a level annual dollar basis by December 31, 2031, the unfunded present value figure calculated as required by Minnesota Statutes 2012, section 353.667, subdivision 6, paragraph (a), and Minnesota Statutes 2012, section 353.668, subdivision 6, paragraph (a). If the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under Minnesota Statutes 2012, section 353.667, subdivision 6, and Minnesota Statutes 2012, section 353.668, subdivision 6, paragraph (a), updated for the passage of time, must be revised and the amortization contribution by the city of Minneapolis for the balance of the amortization period must be redetermined by the actuary retained under section 356.214 and certified by the executive director to the city of Minneapolis.~~

(c) If there are assets of the former Fairmont Police Relief Association in excess of the present value of future benefits as of June 29, 2012, these assets must be credited to an interest-bearing suspense account within the public employees police and fire retirement fund, must be used to offset any amount payable under paragraph (a) until June 30, 2015, and, after June 30, 2015, must be paid to the city of Fairmont. The suspense account must be credited with the same rate of investment return as the public employees police and fire retirement fund. If, after June 29, 2012, the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and the amortization contribution by the city of Fairmont for the balance of the amortization period must be redetermined by the actuary retained under section 356.214 and certified by the executive director to the city of Fairmont.

(d) If there was a remainder present value of future benefits amounts under Minnesota Statutes 2012, section 353.6691, subdivision 5, paragraph (a), the city of Virginia shall pay an additional municipal contribution annually on or before December 31 sufficient to amortize on a level annual dollar basis by December 31, 2020, that remainder present value of future benefits amounts of the former Virginia fire department consolidation account. If, after June 29, 2012, the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and any amortization contribution by the city of Virginia for the balance of the amortization period must be redetermined by the actuary retained under section 356.214 and certified by the executive director to the city of Virginia.

Sec. 59. Minnesota Statutes 2012, section 353.71, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** Any person who has been a member of a defined benefit retirement plan administered by the Public Employees Retirement Association, or a retirement plan administered by the Minnesota State Retirement System, or the Teachers Retirement Association, or any other public retirement system in the state of Minnesota having a like provision, except a retirement plan providing benefits for police officers or firefighters governed by sections ~~69.77~~ or 69.771 to 69.776, or by sections 31 to 42, is entitled, when qualified, to an annuity from each retirement plan if the total allowable service in all retirement plans or in any two of these retirement plans totals the number of years of allowable service required to receive a normal retirement annuity for that retirement plan, provided that no portion of the allowable service upon which the retirement annuity from one retirement plan is based is again used in the computation for benefits from another retirement plan and provided further that the person has not taken a refund from any one of these retirement plans since the person's membership in that association or system last terminated. The annuity from each fund must be determined by the appropriate provisions of the law except that the requirement that a person must have at least a specific minimum period of allowable service in the respective association or system does not apply for the purposes of this section if the combined service in two or more of these retirement plans equals the number of years of allowable service required to receive a normal retirement annuity for that retirement plan.

Sec. 60. Minnesota Statutes 2012, section 356.20, subdivision 2, is amended to read:

Subd. 2. **Covered public pension plans and funds.** This section applies to the following public pension plans:

- (1) the general state employees retirement plan of the Minnesota State Retirement System;
- (2) the general employees retirement plan of the Public Employees Retirement Association;
- (3) the Teachers Retirement Association;
- (4) the State Patrol retirement plan;
- (5) the St. Paul Teachers Retirement Fund Association;
- (6) the Duluth Teachers Retirement Fund Association;
- (7) the University of Minnesota faculty retirement plan;
- (8) the University of Minnesota faculty supplemental retirement plan;
- (9) the judges retirement fund;
- (10) ~~a police or firefighter's relief association specified or described in section 69.77, subdivision 1a~~ the Bloomington Fire Department Relief Association;
- (11) a volunteer firefighter relief association governed by section 69.771, subdivision 1;
- (12) the public employees police and fire plan of the Public Employees Retirement Association;
- (13) the correctional state employees retirement plan of the Minnesota State Retirement System;
- (14) the local government correctional service retirement plan of the Public Employees Retirement Association; and
- (15) the voluntary statewide lump-sum volunteer firefighter retirement plan.

Sec. 61. Minnesota Statutes 2012, section 356.215, subdivision 18, is amended to read:

Subd. 18. **Establishment of actuarial assumptions.** (a) Before July 2, 2010, the actuarial assumptions used for the preparation of actuarial valuations under this section that are other than preretirement interest, postretirement interest, salary increase, and payroll increase may be changed only with the approval of the Legislative Commission on Pensions and Retirement or after a period of one year has elapsed since the date on which the proposed assumption change or changes were received by the Legislative Commission on Pensions and Retirement without commission action.

(b) After July 1, 2010, the actuarial assumptions used for the preparation of actuarial valuations under this section that are other than postretirement interest and preretirement interest may be changed only with the approval of the Legislative Commission on Pensions and Retirement or after a period of one year has elapsed since the date on which the proposed assumption change or changes were received by the Legislative Commission on Pensions and Retirement without commission action.

(c) A change in the applicable actuarial assumptions may be proposed by the governing board of the applicable pension fund or relief association, by the actuary retained by the joint retirement systems under section 356.214 or by the actuary retained by a local police or firefighters relief association governed by sections ~~69.77 or 69.771~~ to ~~69.776~~ or by sections 31 to 42, if one is retained.

Sec. 62. Minnesota Statutes 2012, section 356.216, is amended to read:

356.216 CONTENTS OF ACTUARIAL VALUATIONS FOR LOCAL POLICE AND FIRE FUNDS MONTHLY VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS.

The provisions of section 356.215 that govern the contents of actuarial valuations ~~must~~ apply to the Bloomington Fire Department Relief Association and to any local police or fire pension fund or monthly volunteer firefighter relief association required to make an actuarial report under this section, except as follows:

~~(1) in calculating normal cost and other requirements, if required to be expressed as a level percentage of covered payroll, the salaries used in computing covered payroll must be the maximum rate of salary on which retirement and survivorship credits and amounts of benefits are determined and from which any member contributions are calculated and deducted;~~

~~(2) (1) in lieu of the amortization date specified in section 356.215, subdivision 11, the appropriate amortization target date specified in clause (2) or section 69.77, subdivision 4, or 69.773, subdivision 4, clause paragraph (c), must be used in calculating any required amortization contribution, except that if the actuarial report;~~

~~(2) for the Bloomington Fire Department Relief Association indicates an, any unfunded actuarial accrued liability, the unfunded obligation is to must be amortized on a level dollar basis by December 31 of the year occurring 20 years later after the year in which the unfunded actuarial accrued liability initially occurred, and, if subsequent actuarial valuations for the Bloomington Fire Department Relief Association determine indicate a net actuarial experience loss incurred during the year which ended as of the day before the most recent actuarial valuation date, any unfunded actuarial accrued liability due to that loss is to be amortized on a level dollar basis by December 31 of the year occurring 20 years later after the year in which the net actuarial experience loss occurred;~~

~~(3) in addition to the tabulation of active members and annuitants provided for in section 356.215, subdivision 13, the member contributions for active members for the calendar year and the prospective annual retirement annuities service pensions under the benefit plan for active members must be reported;~~

~~(4) actuarial valuations required under section 39 must be made annually and actuarial valuations required under section 69.773, subdivision 2, must be made at least every four years and actuarial valuations required under section 69.77 shall be made annually or as frequently as required by generally accepted accounting principles in the government sector, whichever frequency requirement is shorter;~~

~~(5) the actuarial balance sheet showing accrued assets valued at market value if the actuarial valuation is required to be prepared at least every four years or valued as current assets under section 356.215, subdivision 1, paragraph (b) or (f), whichever applies, if the actuarial valuation is required to be prepared annually, actuarial accrued liabilities, and the unfunded actuarial accrued liability must include the following required reserves:~~

~~(i) for active members:~~

~~1. (A) retirement benefits or service pensions;~~

~~2. (B) disability benefits; and~~

- ~~3. refund liability due to death or withdrawal;~~
- 4. (C) survivors' benefits;
- (ii) for deferred annuitants' benefits;
- (iii) for former members without vested rights;
- (iv) for annuitants~~;~~;
- ~~1. (A) retirement annuities or service pensions;~~
- 2. (B) disability annuities; and
- ~~3. surviving spouses' annuities;~~
- 4. surviving children's annuities; (C) survivor benefits.

In addition to those required reserves, separate items must be shown for additional benefits, if any, which may not be appropriately included in the reserves listed above; and

(6) actuarial valuations are due to be filed with the state auditor by the first day of the seventh month after the end of the fiscal year which the actuarial valuation covers.

Sec. 63. Minnesota Statutes 2012, section 356.219, subdivision 1, is amended to read:

Subdivision 1. **Report required.** (a) The State Board of Investment, on behalf of the public pension funds and programs for which it is the investment authority, and any Minnesota public pension plan that is not fully invested through the State Board of Investment, including the Bloomington Fire Department Relief Association and a local police or volunteer firefighters relief association governed by sections 69.77 or 69.771 to 69.775, shall report the information specified in subdivision 3 to the state auditor. The state auditor may prescribe a form or forms for the purposes of the reporting requirements contained in this section.

(b) The Bloomington Fire Department Relief Association and a local police or volunteer firefighters relief association governed by section 69.77 or sections 69.771 to 69.775 is fully invested during a given calendar year for purposes of this section if all assets of the applicable pension plan beyond sufficient cash equivalent investments to cover six months expected expenses are invested under section 11A.17. The board of any fully invested public pension plan remains responsible for submitting investment policy statements and subsequent revisions as required by subdivision 3, paragraph (a).

(c) For purposes of this section, the State Board of Investment is considered to be the investment authority for any Minnesota public pension fund required to be invested by the State Board of Investment under section 11A.23, or for any Minnesota public pension fund authorized to invest in the supplemental investment fund under section 11A.17 and which is fully invested by the State Board of Investment.

(d) This section does not apply to the following plans:

- (1) the Minnesota unclassified employees retirement program under chapter 352D;
- (2) the public employees defined contribution plan under chapter 353D;
- (3) the individual retirement account plans under chapters 354B and 354D;

- (4) the higher education supplemental retirement plan under chapter 354C;
- (5) any alternative retirement benefit plan established under section 383B.914; and
- (6) the University of Minnesota faculty retirement plan.

Sec. 64. Minnesota Statutes 2012, section 356.219, subdivision 2, is amended to read:

Subd. 2. **Asset class definition.** (a) For purposes of this section, "asset class" means any of the following asset groupings as authorized in applicable law, bylaws, or articles of incorporation:

- (1) cash and any cash equivalent investments with maturities of one year or less when issued;
- (2) debt securities with maturities greater than one year when issued, including but not limited to mortgage participation certificates and pools, asset backed securities, guaranteed investment contracts, and authorized government and corporate obligations of corporations organized under laws of the United States or any state, or the Dominion of Canada or its provinces;
- (3) stocks or convertible issues of any corporation organized under laws of the United States or any state, or the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange;
- (4) international stocks or convertible issues;
- (5) international debt securities; and
- (6) real estate and venture capital.

(b) If the pension plan is investing ~~under section 69.77, subdivision 9, section 69.775, or any other applicable law~~, in open-end investment companies registered under the federal Investment Company Act of 1940, or in the Minnesota supplemental investment fund under section 11A.17, this investment must be included under an asset class indicated in paragraph (a), clauses (1) through (6), as appropriate. If the investment vehicle includes underlying securities from more than one asset class as indicated by paragraph (a), clauses (1) through (6), the investment may be treated as a separate asset class.

Sec. 65. Minnesota Statutes 2012, section 356.219, subdivision 8, is amended to read:

Subd. 8. **Timing of reports.** (a) For ~~salariéd firefighter relief associations, police the Bloomington Fire Department Relief associations, Association and the volunteer firefighter relief associations~~, the information required under this section must be submitted by the due date for reports required under section 69.051, subdivision 1 or 1a, as applicable. If a relief association satisfies the definition of a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report required under section 69.051, subdivision 1 or 1a, as applicable, the chief administrative officer of the covered pension plan shall certify that compliance on a form prescribed by the state auditor. The state auditor shall transmit annually to the State Board of Investment a list or lists of covered pension plans which submitted certifications in order to facilitate reporting by the State Board of Investment under paragraph (c).

(b) For the St. Paul Teachers Retirement Fund Association, the Duluth Teachers Retirement Fund Association, and the University of Minnesota faculty supplemental retirement plan, the information required under this section must be submitted to the state auditor by June 1 of each year.

(c) The State Board of Investment, on behalf of pension funds specified in subdivision 1, paragraph (c), must report information required under this section by September 1 of each year.

Sec. 66. Minnesota Statutes 2012, section 356.406, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) Each of the words or terms defined in this subdivision has the meaning indicated.

(b) "Public pension plan" means any retirement plan or fund enumerated in section 356.20, subdivision 2, or 356.30, subdivision 3, the Bloomington Fire Department Relief Association, any relief association governed by ~~section 69.77~~ or sections 69.771 to 69.775, any retirement plan governed by chapter 354B or 354C, the Hennepin County supplemental retirement plan governed by sections 383B.46 to 383B.52, or any housing and redevelopment authority retirement plan.

(c) "Public pension plan member" means a person who is a participant covered by a public pension plan; a former participant of a public pension plan who has sufficient service to be entitled to receive a future retirement annuity or service pension; a recipient of a retirement annuity, service pension, or disability benefit from a public pension plan; or a former participant of a public pension plan who has member or employee contributions to the person's credit in the public pension plan.

(d) "Survivor" means the surviving spouse, a former spouse, a surviving child, a joint annuitant, a designated recipient of a second or remainder portion of an optional annuity form, a beneficiary, or the estate of a deceased public pension plan member, as those terms are commonly understood or defined in the benefit plan document of the public pension plan.

(e) "Survivor benefit" means a surviving spouse benefit, surviving child benefit, second or remainder portion of an optional annuity form, a death benefit, a funeral benefit, or a refund of member or employee contributions payable on account of the death of a public pension plan member as provided for in the benefit plan document of the public pension plan.

Sec. 67. Minnesota Statutes 2012, section 356A.01, subdivision 19, is amended to read:

Subd. 19. **Pension fund.** "Pension fund" means the assets amassed and held in a pension plan, other than the general fund, as reserves for present and future payment of benefits and administrative expenses. For the Bloomington Fire Department Relief Association or a retirement plan governed by section 69.77 or by chapter 424A, the term means the relief association special fund.

Sec. 68. Minnesota Statutes 2012, section 356A.06, subdivision 4, is amended to read:

Subd. 4. **Economic interest statement.** (a) Each member of the governing board of a covered pension plan and the chief administrative officer of the plan shall file with the plan a statement of economic interest.

(b) For a covered pension plan other than a plan specified in paragraph (c), the statement must contain the information required by section 10A.09, subdivision 5, and any other information that the fiduciary or the governing board of the plan determines is necessary to disclose a reasonably foreseeable potential or actual conflict of interest.

(c) For a covered pension plan governed by sections 69.771 to 69.776 or ~~a covered pension plan governed by section 69.77~~ with the Bloomington Fire Department Relief Association if its special fund assets are under \$8,000,000, the statement must contain the following:

(1) the person's principal occupation and principal place of business;

(2) whether or not the person has an ownership of or interest of ten percent or greater in an investment security brokerage business, a real estate sales business, an insurance agency, a bank, a savings and loan, or another financial institution; and

(3) any relationship or financial arrangement that can reasonably be expected to give rise to a conflict of interest.

(d) The statement must be filed annually with the chief administrative officer of the plan and be available for public inspection during regular office hours at the office of the pension plan.

(e) A disclosure form meeting the requirements of the federal Investment Advisers Act of 1940, United States Code, title 15, sections 80b-1 to 80b-21 as amended, and filed with the State Board of Investment or the pension plan meets the requirements of this subdivision.

(f) The chief administrative officer of each covered pension plan, by January 15, annually, shall transmit a certified listing of all individuals who have filed statements of economic interest with the plan under this subdivision during the preceding 12 months and the address of the office referenced in paragraph (d) to the Campaign Finance and Public Disclosure Board.

Sec. 69. Minnesota Statutes 2012, section 356A.07, subdivision 2, is amended to read:

Subd. 2. **Annual financial report.** A covered pension plan shall provide each active plan participant and benefit recipient with a copy of the most recent annual financial report required by section 356.20 and a copy of the most recent actuarial evaluation, if any, required by section ~~69.77~~, 69.773, 356.215, or 356.216, or by section 39, or a summary of those reports.

Sec. 70. Minnesota Statutes 2012, section 423A.02, subdivision 1, is amended to read:

Subdivision 1. **Amortization state aid.** ~~(a) A municipality in which is located a local police or salaried firefighters relief association to which the provisions of section 69.77, apply, that had an unfunded actuarial accrued liability in the most recent relief association actuarial valuation, is entitled, upon application as required by the commissioner of revenue, to receive local police and salaried firefighters' relief association amortization state aid if the municipality and the appropriate relief association both comply with the applicable provisions of sections 69.031, subdivision 5; 69.051, subdivisions 1 and 3, and 69.77. The cities of Fairmont and Minneapolis are entitled, subject to subdivisions 2, 4, and 5, to receive amortization state aid under this section.~~

(b) The total amount of amortization state aid to all entitled municipalities must not exceed ~~\$5,055,000~~ the appropriation under subdivision 3a.

(c) ~~Subject to the adjustment for the city of Minneapolis provided in this paragraph, the amount of amortization state aid to which a municipality is entitled annually is an amount equal to the level annual dollar amount required to amortize, by December 31, 2010, the unfunded actuarial accrued liability of the special fund of the appropriate relief association as reported in the December 31, 1978, actuarial valuation of the relief association prepared under sections 356.215 and 356.216, reduced by the dollar amount required to pay the interest on the unfunded actuarial accrued liability of the special fund of the relief association for calendar year 1981 set at the rate specified in Minnesota Statutes 1978, section 356.215, subdivision 8. For the city of Minneapolis, the amortization state aid amount thus determined must be reduced by \$747,232 on account of the former Minneapolis Police Relief Association and by \$772,768 on account of the former Minneapolis Fire Department Relief Association. The amortization state aid amounts are:~~

<u>City</u>	<u>Aid Amount</u>
<u>Fairmont</u>	<u>\$24,172</u>
<u>Minneapolis</u>	<u>\$2,728,547</u>

If the amortization state aid amounts determined under this paragraph exceed the amount appropriated for this purpose under subdivision 3a, the amortization state aid for actual allocation must be reduced pro rata.

(d) Each municipality is eligible for an amortization state aid payment in a fiscal year if:

(1) for Fairmont, the executive director of the Public Employees Retirement Association certifies on or before June 30 that a municipal contribution with respect to the former Fairmont Police Relief Association is payable in the upcoming fiscal year under section 353.665, subdivision 8, paragraph (c); and

(2) for Minneapolis, the executive director of the Public Employees Retirement Association certifies on or before June 30 that an additional employer contribution with respect to either the former Minneapolis Firefighters Relief Association or the former Minneapolis Police Relief Association is payable in the upcoming fiscal year under section 353.665, subdivision 8, paragraph (b).

Payment of amortization state aid to municipalities must be made directly to the municipalities involved in three equal installments on July 15, September 15, and November 15 annually. Upon receipt of amortization state aid, the municipal treasurer shall transmit the aid amount to the treasurer custodian of the local relief association trust fund or to the executive director of the public employees police and fire retirement fund, whichever applies, for immediate deposit in the special fund of the relief association.

(e) The commissioner of revenue shall administer the amortization state aid program. The commissioner shall prescribe and periodically revise, as necessary, the form for and required content of the application certifications for the amortization state aid.

~~(f) The amount required under this section, as provided in subdivision 3a, is appropriated annually from the general fund to the commissioner of revenue.~~

Sec. 71. Minnesota Statutes 2012, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** ~~(a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:~~

~~(1) all police or salaried firefighters relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31;~~

~~(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the~~

~~effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and~~

~~(3) the municipalities that are required to make an additional municipal contribution under section 353.665, subdivision 8; 353.667, subdivision 6; or 353.668, subdivision 6, for the duration of the required additional contribution.~~

~~(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.~~

~~(c) (a) Beginning October 1, 2000 2013, and annually thereafter, the commissioner shall allocate the additional amortization state aid, including any state aid in excess of the limitation in subdivision 4, on the following basis:~~

~~(1) 64.5 percent to the municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4;~~

~~(2) 34.2 (1) 47.1 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Fire Department Relief Association; and defray the employer costs associated with police and firefighter retirement coverage;~~

~~(2) 25.8 percent as additional funding to support the minimum fire state aid for volunteer firefighter relief associations under section 69.021, subdivision 7, paragraph (d);~~

~~(3) 12.9 percent to the city of Duluth to defray employer costs associated with police and firefighter retirement coverage;~~

~~(4) 12.9 percent to the St. Paul Teachers Retirement Fund Association if the investment performance requirement of paragraph (c) is met; and~~

~~(3) (5) 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia Fire Department Relief Association defray the employer contribution under section 353.665, subdivision 8, paragraph (d).~~

If there is no unfunded actuarial accrued liability in both additional employer contribution under section 353.665, subdivision 8, paragraph (b), certified under subdivision 1, paragraph (d), clause (2), with respect to the former Minneapolis Police Relief Association and the former Minneapolis Fire Department Relief Association as disclosed in the most recent actuarial valuations for the relief associations prepared under sections 356.215 and 356.216, the commissioner shall allocate that 34.2 47.1 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. If there is no unfunded actuarial accrued liability in employer contribution by the city of Virginia Fire Department Relief Association as disclosed in the most recent actuarial valuation for the relief association prepared under sections 356.215 and 356.216 under section 353.665, subdivision 8, paragraph (d), for the former Virginia

Fire Department Relief Association certified on or before June 30 by the executive director of the Public Employees Retirement Association, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. ~~Upon the final payment to municipalities required by section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), the commissioner shall allocate that 64.5 percent of the aid as follows: 20 percent to the St. Paul Teachers Retirement Fund Association, 20 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation proposed under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Firefighters Relief Association, 20 percent for the city of Duluth to pay for any costs associated with the police and firefighters pensions, and 40 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations.~~

~~(b) The allocation must be made by the commissioner at the same time and under the same procedures as specified in subdivision 3 of revenue on October 1 annually.~~

~~(c) With respect to the St. Paul Teachers Retirement Fund Association, annually, beginning on July 1, 2005, if the applicable teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to ~~that~~ the retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.~~

~~(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section 69.021, subdivision 11, paragraph (e), and the aid amounts in excess of the limitation in subdivision 4.~~

Sec. 72. Minnesota Statutes 2012, section 423A.02, subdivision 2, is amended to read:

Subd. 2. **Continued eligibility.** ~~A municipality that has qualified for amortization state aid under subdivision 1 on December 31, 1984, and has an additional municipal contribution payable under section 353A.09, subdivision 5, paragraph (b), as of the most recent December 31, continues upon application to be entitled to receive amortization state aid under subdivision 1 and supplementary amortization state aid under subdivision 1a, after the local police or salaried firefighters' relief association has been consolidated into the public employees police and fire fund. If a municipality loses entitlement for amortization state aid and supplementary amortization state aid in any year because of not having an additional municipal contribution under section 353A.09, subdivision 5, paragraph (b), the municipality is not entitled to the aid amounts in any subsequent year. A municipality that received amortization aid in 1999 and is required to make an additional municipal contribution under section 353.665, subdivision 8, continues to qualify for the amortization state aid and the supplemental amortization aid until December 31, 2009 received amortization aid in 2011 and is required to make a municipal contribution under section 353.665, subdivision 8, paragraph (b), (c), or (d), whichever applies, continues to qualify for amortization state aid for the duration of the applicable municipal contribution.~~

Sec. 73. Minnesota Statutes 2012, section 423A.02, subdivision 3, is amended to read:

Subd. 3. **Reallocation of amortization or supplementary amortization state aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year amortization aid ~~and supplementary amortization aid~~ distributed under subdivisions ~~subdivision 1 and 1a~~ that is not distributed for any reason to a municipality for use by a local police or salaried fire relief association must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 50 percent of the amounts derived under this paragraph to the Teachers Retirement Association, ten percent to the Duluth Teachers Retirement Fund Association, and 40 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments ~~shall~~ must be made on ~~or before June 30~~ July 15 each fiscal year. If the St. Paul Teachers Retirement Fund Association or the Duluth Teachers Retirement Fund Association becomes fully funded, ~~its~~ the association's eligibility for ~~its portion of this aid~~ ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization ~~and supplementary amortization~~ aid under paragraph (a), ~~prior to~~ before June 30 ~~annually~~ Independent School District No. 625, St. Paul, must make an additional contribution of \$800,000 each year to the St. Paul Teachers Retirement Fund Association.

(c) Thirty percent of the difference between \$5,720,000 and the current year amortization aid ~~and supplementary amortization aid~~ under subdivisions ~~1 and~~ subdivision 1a that is not distributed for any reason to a municipality for use by a local police or salaried firefighter relief association must be distributed under section 69.021, subdivision 7, paragraph (d), as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations.

Sec. 74. Minnesota Statutes 2012, section 423A.02, subdivision 3a, is amended to read:

Subd. 3a. **Appropriations for amortization state aid; ~~supplementary amortization state aid;~~ and amortization state aid and supplementary state aid reallocations.** ~~\$4,720,000~~ \$5,720,000 is annually appropriated from the general fund to the commissioner of revenue for amortization state aid under subdivision 1, and for the reallocation of amortization aid under subdivision 3. ~~\$1,000,000~~ is annually appropriated from the general fund to the commissioner of revenue for ~~supplementary amortization state aid under subdivision 1a, and for the reallocation of supplementary amortization state aid under subdivision 3.~~

Sec. 75. Minnesota Statutes 2012, section 423A.02, subdivision 4, is amended to read:

Subd. 4. **Limit on certain total aid amounts.** (a) The total of amortization aid, ~~supplemental amortization aid,~~ and additional amortization aid under this section payable to a municipality to which section 353.665, subdivision 8, paragraph (b), (c), or (d), applies, may not exceed the amount of the additional municipal contribution payable by an individual municipality under section 353.665, subdivision 8, paragraph (b), (c), or (d).

(b) Any aid amount in excess of the limit under this subdivision for an individual municipality must be redistributed to the other municipalities to which section 353.665, subdivision 8, paragraph (b), (c), or (d), applies. The excess aid must be distributed in proportion to each municipality's additional municipal contribution under section 353.665, subdivision 8, paragraph (b), (c), or (d).

(c) When the total aid for each municipality under this section equals the limit under paragraph (a), any aid in excess of the limit must be redistributed under subdivision 1b.

Sec. 76. Minnesota Statutes 2012, section 423A.02, subdivision 5, is amended to read:

Subd. 5. **Termination of state aid programs.** The amortization state aid, ~~supplemental amortization state aid,~~ and additional amortization state aid programs terminate as of the December 31, next following the date of the actuarial valuation when the assets of the St. Paul Teachers Retirement Fund Association equal the actuarial accrued liability of that plan or ~~December 31, 2009~~ when the assets of the Duluth Teachers Retirement Fund Association equal the actuarial accrued liability of that plan, whichever is later.

Sec. 77. Minnesota Statutes 2012, section 424A.001, subdivision 4, is amended to read:

Subd. 4. **Relief association.** (a) "Relief association" or "volunteer firefighters' relief association" means a volunteer firefighters' relief association or a volunteer firefighters' division or account of a partially salaried and partially volunteer firefighters' relief association that is:

- (1) organized and incorporated as a nonprofit corporation to provide retirement benefits to volunteer firefighters under chapter 317A and any laws of the state;
- (2) governed by this chapter and sections 69.771 to 69.775; and
- (3) directly associated with:
 - (i) a fire department established by municipal ordinance;
 - (ii) an independent nonprofit firefighting corporation that is organized under the provisions of chapter 317A and that operates primarily for firefighting purposes; or
 - (iii) a fire department operated as or by a joint powers entity that operates primarily for firefighting purposes.

(b) "Relief association" or "volunteer firefighters' relief association" does not mean:

- (1) the Bloomington Fire Department Relief Association governed by ~~section 69.77~~ sections 31 to 42; Minnesota Statutes 2000, chapter 424; and Laws 1965, chapter 446, as amended; or
- (2) the voluntary statewide lump-sum volunteer firefighter retirement plan governed by chapter 353G.

(c) A relief association or volunteer firefighters' relief association is a governmental entity that receives and manages public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response.

Sec. 78. Minnesota Statutes 2012, section 424A.02, subdivision 9, is amended to read:

Subd. 9. **Limitation on ancillary benefits.** A defined benefit relief association, including any volunteer firefighters relief association governed by ~~section 69.77~~ sections 31 to 42 or any volunteer firefighters division of a relief association governed by chapter 424, may only pay ancillary benefits which would constitute an authorized disbursement as specified in section 424A.05 subject to the following requirements or limitations:

- (1) with respect to a defined benefit relief association in which governing bylaws provide solely for a lump-sum service pension to a retiring member, or provide a retiring member the choice of either a lump-sum service pension or a monthly service pension and the lump-sum service pension was chosen, no ancillary benefit may be paid to any former member or paid to any person on behalf of any former member after the former member (i) terminates active service with the fire department

and active membership in the relief association; and (ii) commences receipt of a service pension as authorized under this section; and

(2) with respect to any defined benefit relief association, no ancillary benefit paid or payable to any member, to any former member, or to any person on behalf of any member or former member, may exceed in amount the total earned service pension of the member or former member. The total earned service pension must be calculated by multiplying the service pension amount specified in the bylaws of the relief association at the time of death or disability, whichever applies, by the years of service credited to the member or former member. The years of service must be determined as of (i) the date the member or former member became entitled to the ancillary benefit; or (ii) the date the member or former member died entitling a survivor or the estate of the member or former member to an ancillary benefit. The ancillary benefit must be calculated without regard to whether the member had attained the minimum amount of service and membership credit specified in the governing bylaws. For active members, the amount of a permanent disability benefit or a survivor benefit must be equal to the member's total earned service pension except that the bylaws of a defined benefit relief association may provide for the payment of a survivor benefit in an amount not to exceed five times the yearly service pension amount specified in the bylaws on behalf of any member who dies before having performed five years of active service in the fire department with which the relief association is affiliated.

(3)(i) If a lump sum survivor or death benefit is payable under the articles of incorporation or bylaws, the benefit must be paid:

(A) as a survivor benefit to the surviving spouse of the deceased firefighter;

(B) as a survivor benefit to the surviving children of the deceased firefighter if no surviving spouse;

(C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no surviving spouse or surviving children; or

(D) as a death benefit to the estate of the deceased active or deferred firefighter if no surviving children and no beneficiary designated.

(ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly or partially, the spouse's entitlement to a survivor benefit.

(4)(i) If a monthly benefit survivor or death benefit is payable under the articles of incorporation or bylaws, the benefit must be paid:

(A) as a survivor benefit to the surviving spouse of the deceased firefighter;

(B) as a survivor benefit to the surviving children of the deceased firefighter if no surviving spouse;

(C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no surviving spouse or surviving children; or

(D) as a death benefit to the estate of the deceased active or deferred firefighter if no surviving spouse, no surviving children, and no beneficiary designated.

(ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly or partially, the spouse's entitlement to a survivor benefit.

(iii) For purposes of this clause, if the relief association bylaws authorize a monthly survivor benefit payable to a designated beneficiary, the relief association bylaws may limit the total survivor benefit amount payable.

(5) For purposes of this section, for a monthly benefit volunteer fire relief association or for a combination lump-sum and monthly benefit volunteer fire relief association where a monthly benefit service pension has been elected by or a monthly benefit is payable with respect to a firefighter, a designated beneficiary must be a natural person. For purposes of this section, for a lump-sum volunteer fire relief association or for a combination lump-sum and monthly benefit volunteer fire relief association where a lump-sum service pension has been elected by or a lump-sum benefit is payable with respect to a firefighter, a trust created under chapter 501B may be a designated beneficiary. If a trust is payable to the surviving children organized under chapter 501B as authorized by this section and there is no surviving spouse, the survivor benefit may be paid to the trust, notwithstanding a requirement of this section to the contrary.

Sec. 79. Minnesota Statutes 2012, section 475.52, subdivision 6, is amended to read:

Subd. 6. **Certain purposes.** Any municipality may issue bonds for paying judgments against it; for refunding outstanding bonds; for funding floating indebtedness; for funding actuarial liabilities to pay postemployment benefits to employees or officers after their termination of service; or for funding all or part of the municipality's current and future unfunded liability for a pension or retirement fund or plan referred to in section 356.20, subdivision 2, as those liabilities are most recently computed under sections 356.215 and 356.216. The board of trustees or directors of a the Bloomington Fire Department Relief Association referred to in section 69.77 must consent and must be a party to any contract made under this section with respect to the fund held by it for the benefit of and in trust for its members. For purposes of this section, the term "postemployment benefits" means benefits giving rise to a liability under Statement No. 45 of the Governmental Accounting Standards Board.

Sec. 80. **REVISOR'S INSTRUCTION.**

(a) The revisor of statutes shall not show the text of Minnesota Statutes, section 69.77, and shall add the note in Minnesota Statutes, section 69.77, "CITY OF BLOOMINGTON; LOCAL."

(b) In Minnesota Statutes 2014 and subsequent editions, Minnesota Statutes, sections 69.771 to 69.776 must be recodified as Minnesota Statutes, sections 424A.091 to 424A.096, and all statutory cross-references revised.

Sec. 81. **REPEALER.**

(a) Minnesota Statutes 2012, section 353.665, subdivisions 2, 3, 4, 6, 7, 9, and 10, are repealed.

(b) Minnesota Statutes 2012, sections 353.667; 353.668; 353.669; and 353.6691, are repealed.

(c) Minnesota Statutes 2012, sections 353A.01; 353A.02; 353A.03; 353A.04; 353A.05; 353A.06; 353A.07; 353A.08; 353A.081; 353A.083; 353A.09; 353A.10; 353B.01; 353B.02; 353B.03; 353B.04; 353B.05; 353B.06; 353B.07; 353B.08; 353B.09; 353B.10; 353B.11; 353B.12; 353B.13; and 353B.14, are repealed.

(d) Minnesota Statutes 2012, sections 423A.01; 423A.04; 423A.05; 423A.07; 423A.10; 423A.11; 423A.12; 423A.13; 423A.14; 423A.15; 423A.16; 423A.17; 423A.171; 423A.18; 423A.19; 423A.20; 423A.21; and 423A.22, are repealed.

(e) Minnesota Statutes 2012, sections 69.021, subdivision 6; 353.64, subdivision 3; and 423A.02, subdivision 1a, are repealed.

(f) Minnesota Statutes 2012, section 69.77, subdivision 3, is repealed.

Sec. 82. EFFECTIVE DATE; PRIOR AID ALLOCATIONS VALIDATED.

(a) Sections 70 to 76 are effective June 1, 2013.

(b) Except as provided in paragraph (c), sections 1 to 69 and 77 to 81 are effective July 1, 2013.

(c) With respect to the city of Minneapolis, section 18 is effective retroactively from July 20, 2011, and with respect to the city of Fairmont, section 18 is effective retroactively from May 10, 2012.

(d) Allocations of amortization state aid, supplementary amortization state aid, or additional amortization state aid made by the commissioner of revenue before January 1, 2013, are hereby validated.

ARTICLE 6

VOLUNTEER FIREFIGHTER RETIREMENT CHANGES

Section 1. Minnesota Statutes 2012, section 69.771, subdivision 1, is amended to read:

Subdivision 1. **Covered relief associations.** The applicable provisions of sections 69.771 to 69.776 apply to govern any firefighters' relief association other than defined in section 424A.001, subdivision 4, and do not apply to a relief association enumerated in section 69.77, subdivision 1a, which is organized under any laws of this state, which is composed of volunteer firefighters or is composed partially of volunteer firefighters and partially of salaried firefighters with retirement coverage provided by the public employees police and fire fund and which, in either case, operates subject to the service pension minimum requirements for entitlement and maximums contained in section 424A.02, or subject to a special law modifying those requirements or maximums.

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

Sec. 2. Minnesota Statutes 2012, section 69.774, subdivision 1, is amended to read:

Subdivision 1. **Authorized inclusion in fire state aid program; covered nonprofit corporations.** (a) This section ~~shall apply~~ applies to any independent nonprofit firefighting corporation incorporated or organized ~~pursuant to~~ under chapter 317A which: (1) operates exclusively for firefighting purposes; (2) which is composed of volunteer firefighters; and (3) which has a duly established separate subsidiary incorporated firefighters' relief association which provides retirement coverage for or pays a service pension to a retired firefighter or a retirement benefit to a surviving dependent of either an active or a retired firefighter, and which ~~operates is subject to the service pension minimum requirements for entitlement to and maximums for a service pension contained in section 424A.02, or a special law modifying those requirements or maximums~~ applicable provisions of chapter 424A.

(b) Notwithstanding any law to the contrary, a municipality contracting with an independent nonprofit firefighting corporation ~~shall~~ must be included in the distribution of fire state aid to the appropriate county auditor by the state auditor only if the independent nonprofit firefighting corporation complies with the provisions of this section.

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

Sec. 3. Minnesota Statutes 2012, section 353G.05, subdivision 2, is amended to read:

Subd. 2. **Election of coverage.** (a) The process for electing coverage of volunteer firefighters by the retirement plan is initiated by a request to the executive director for a cost analysis of the prospective retirement coverage.

(b) If the volunteer firefighters are currently covered by a volunteer firefighters' relief association governed by chapter 424A, the cost analysis of the prospective retirement coverage must be requested jointly by the secretary of the volunteer firefighters' relief association, following approval of the request by the board of the volunteer firefighters' relief association, and the chief administrative officer of the entity associated with the relief association, following approval of the request by the governing body of the entity associated with the relief association. If the relief association is associated with more than one entity, the chief administrative officer of each associated entity must execute the request. If the volunteer firefighters are not currently covered by a volunteer firefighters' relief association, the cost analysis of the prospective retirement coverage must be requested by the chief administrative officer of the entity operating the fire department. The request must be made in writing and must be made on a form prescribed by the executive director.

(c) The cost analysis of the prospective retirement coverage by the statewide retirement plan must be based on the service pension amount under section 353G.11 closest to the service pension amount provided by the volunteer firefighters' relief association if the relief association is a lump-sum defined benefit plan, or the amount equal to 95 percent of the most current average account balance per relief association member if the relief association is a defined contribution plan, or to the lowest service pension amount under section 353G.11 if there is no volunteer firefighters' relief association, rounded up, and any other service pension amount designated by the requester or requesters. The cost analysis must be prepared using a mathematical procedure certified as accurate by an approved actuary retained by the Public Employees Retirement Association.

(d) If a cost analysis is requested and a volunteer firefighters' relief association exists that has filed the information required under section 69.051 in a timely fashion, upon request by the executive director, the state auditor shall provide the most recent data available on the financial condition of the volunteer firefighters' relief association, the most recent firefighter demographic data available, and a copy of the current relief association bylaws. If a cost analysis is requested, but no volunteer firefighters' relief association exists, the chief administrative officer of the entity operating the fire department shall provide the demographic information on the volunteer firefighters serving as members of the fire department requested by the executive director.

(e) If a cost analysis is requested, the executive director of the State Board of Investment shall review the investment portfolio of the relief association, if applicable, for compliance with the applicable provisions of chapter 11A and for appropriateness for retention under the established investment objectives and investment policies of the State Board of Investment. If the prospective retirement coverage change is approved under paragraph (f), the State Board of Investment may require that the relief association liquidate any investment security or other asset which the executive director of the State Board of Investment has determined to be an ineligible or inappropriate investment for retention by the State Board of Investment. The security or asset liquidation must occur before the effective date of the transfer of retirement plan coverage. If requested to do so by the chief administrative officer of the relief association, the executive

director of the State Board of Investment shall provide advice about the best means to conduct the liquidation.

(f) Upon receipt of the cost analysis, the governing body of the municipality or independent nonprofit firefighting corporation associated with the fire department shall either approve or disapprove the retirement coverage change within ~~90~~ 120 days. If the retirement coverage change is not acted upon within ~~90~~ 120 days, it is deemed to be disapproved. If the retirement coverage change is approved by the applicable governing body, coverage by the voluntary statewide lump-sum volunteer firefighter retirement plan is effective on the next following January 1.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 424A.001, is amended by adding a subdivision to read:

Subd. 11. **Fiscal year.** The fiscal year for a volunteer firefighter relief association begins on January 1 of each calendar year and ends on December 31 of the same calendar year.

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

Sec. 5. Minnesota Statutes 2012, section 424A.01, subdivision 6, is amended to read:

Subd. 6. **Return to active firefighting after break in service.** (a) ~~The requirements of This section apply~~ subdivision applies to all breaks in service, except breaks in that the resumption service mandated by requirements of this subdivision do not apply to leaves of absence made available by federal or statute, such as the Family Medical Leave Act, United States Code, title 29, section 2691, and the Uniformed Services Employment and Reemployment Rights Act, United States Code, title 38, section 4301, and do not apply to leaves of absence made available by state law statute, such as the Parental Leave Act, section 181.941; the Leave for Organ Donations Act, section 181.9456; the Leave for Civil Air Patrol Service Act, section 181.946; the Leave for Immediate Family Members of Military Personnel Injured or Killed in Active Service Act, section 181.947; or the Protection of Jurors' Employment Act, section 593.50.

(b)(1) If a firefighter who has ceased to perform or supervise fire suppression and fire prevention duties for at least 60 days resumes performing active firefighting with the fire department associated with the relief association, if the bylaws of the relief association so permit, the firefighter may again become an active member of the relief association. A firefighter who returns to active service and membership is subject to the service pension calculation requirements under this section.

(2) A firefighter who has been granted an approved leave of absence not exceeding one year by the fire department or by the relief association is exempt from the minimum period of resumption service requirement of this section.

(3) A person who has a break in service not exceeding one year but has not been granted an approved leave of absence and who has not received a service pension or disability benefit may be made exempt from the minimum period of resumption service requirement of this section by the relief association bylaws.

(4) If the bylaws so provide, a firefighter who returns to active relief association membership under this paragraph may continue to collect a monthly service pension, notwithstanding the service pension eligibility requirements under chapter 424A.

(c) If a former firefighter who has received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the resumption service period if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2. No firefighter may be paid a service pension more than once for the same period of service.

(d) If a former firefighter who has not received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the original and resumption service periods if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and resumption years of service credit.

(e) A firefighter who returns to active lump-sum relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c) must have, upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a lump-sum service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, a second lump-sum service pension for the resumption service period must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of the resumption service.

(f) A firefighter who had not been paid a lump-sum service pension returns to active relief association membership under paragraph (b), who did not meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous cessation of duties. The service pension for a firefighter who returns to active lump-sum relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(g) If a firefighter receiving a monthly benefit service pension returns to active monthly benefit relief association membership under paragraph (b), and if the relief association bylaws do not allow for the firefighter to continue collecting a monthly service pension, any monthly benefit service pension payable to the firefighter is suspended as of the first day of the month next following the date on which the firefighter returns to active membership. If the firefighter was receiving a monthly benefit service pension, and qualifies for a service pension under paragraph (c), the firefighter is entitled to an additional monthly benefit service pension upon a subsequent cessation of duties calculated based on the resumption service credit and the service pension accrual amount in effect on the date of the termination of the resumption service. A suspended initial service pension resumes as of the first of the month next following the termination of the resumption service. If the firefighter was not receiving a monthly benefit service pension and meets the minimum service requirement of section 424A.02, subdivision 2, a service pension must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of service credit.

(h) A firefighter who was not receiving a monthly benefit service pension returns to active relief association membership under paragraph (b), who did not meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous cessation of duties. The service pension for a firefighter who returns to active relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(i) For defined contribution plans, a firefighter who returns to active relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c) or (d) must have, upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, and if the firefighter meets the minimum service requirement of section 424A.016, subdivision 3, based on the resumption years of service, a second service pension for the resumption service period must be calculated to include allocations credited to the firefighter's individual account during the resumption period of service and deductions for administrative expenses, if applicable.

(j) For defined contribution plans, if a firefighter who had not been paid a service pension returns to active relief association membership under paragraph (b), and who meets the minimum service requirement of section 424A.016, subdivision 3, based on the firefighter's original and resumption years of service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated to include allocations credited to the firefighter's individual account during the original and resumption period periods of service and deductions for administrative expenses, if applicable, less any amounts previously forfeited under section 424A.016, subdivision 4.

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

Sec. 6. Minnesota Statutes 2012, section 424A.015, subdivision 1, is amended to read:

Subdivision 1. **Separation from active service; exception.** (a) No service pension is payable to a person while the person remains an active member of the respective fire department, and a person who is receiving a service pension is not entitled to receive any other benefits from the special fund of the relief association.

(b) No relief association as defined in section 424A.001, subdivision 4, may pay a service pension or disability benefit to a former member of the relief association if that person has not separated from active service with the fire department to which the relief association is directly associated, unless:

(1) the person is employed subsequent to retirement by discontinues volunteer firefighter duties with the municipality or the independent nonprofit firefighting corporation, whichever applies, to perform and performs duties within the municipal fire department or corporation on a full-time basis;

(2) the governing body of the municipality or of the corporation has filed its determination with the board of trustees of the relief association that the person's experience with and service to the fire department in that person's full-time capacity would be difficult to replace; and

(3) the bylaws of the relief association were amended to provide for the payment of a service pension or disability benefit for such full-time employees.

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

Sec. 7. Minnesota Statutes 2012, section 424A.015, subdivision 4, is amended to read:

Subd. 4. **Transfer to individual retirement account.** A relief association that is a qualified pension plan under section 401(a) of the Internal Revenue Code, as amended, and that provides a single payment service pension, at the written request of the applicable retiring member or, following the death of the active member, at the written request of the deceased member's surviving spouse, may directly transfer on an institution-to-institution basis the eligible member's lump-sum pension or the death or survivor benefit attributable to the member, whichever applies, to the requesting person's individual retirement account under section 408(a) of the Internal Revenue Code, as amended.

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

Sec. 8. Minnesota Statutes 2012, section 424A.016, subdivision 6, is amended to read:

Subd. 6. **Deferred service pensions.** (a) A member of a relief association is entitled to a deferred service pension if the member:

~~(1) has completed the lesser of the minimum period of active service with the fire department specified in the bylaws or 20 years of active service with the fire department;~~

~~(2) has completed at least five years of active membership in the relief association; and~~

~~(3) separates from active service and membership and has completed the minimum service and membership requirements in subdivision 2.~~ The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

(b) The deferred service pension is payable when the former member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and when the former member makes a valid written application.

(c) A defined contribution relief association may, if its governing bylaws so provide, credit interest or additional investment performance on the deferred lump-sum service pension during the period of deferral. If provided for in the bylaws, the interest must be paid:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association;

(2) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested in a separate investment vehicle held by the relief association; or

(3) at the investment return on the assets of the special fund of the defined contribution volunteer firefighter relief association in proportion to the share of the assets of the special fund to the credit

of each individual deferred member account through the accounting date on which the investment return is recognized by and credited to the special fund.

(d) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable as follows:

(1) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (1) or (3), beginning on the date that the member separates from active service and membership and ending on the accounting date immediately before the deferred member commences receipt of the deferred service pension; or

(2) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (2), beginning on the date that the member separates from active service and membership and ending on the date that the separate investment vehicle is valued immediately before the date on which the deferred member commences receipt of the deferred service pension.

(e) The deferred service pension is governed by and must be calculated under the general statute, special law, relief association articles of incorporation, and relief association bylaw provisions applicable on the date on which the member separated from active service with the fire department and active membership in the relief association.

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

Sec. 9. Minnesota Statutes 2012, section 424A.02, subdivision 7, is amended to read:

Subd. 7. **Deferred service pensions.** (a) A member of a defined benefit relief association is entitled to a deferred service pension if the member:

~~(1) has completed the lesser of either the minimum period of active service with the fire department specified in the bylaws or 20 years of active service with the fire department;~~

~~(2) has completed at least five years of active membership in the relief association; and~~

~~(3) separates from active service and membership and has completed the minimum service and membership requirements in subdivision 1.~~ The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

(b) The deferred service pension is payable when the former member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and when the former member makes a valid written application.

(c) A defined benefit relief association that provides a lump-sum service pension governed by subdivision 3 may, when its governing bylaws so provide, pay interest on the deferred lump-sum service pension during the period of deferral. If provided for in the bylaws, interest must be paid in one of the following manners:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association;

(2) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested in a separate investment vehicle held by the relief association; or

(3) at an interest rate of up to five percent, compounded annually, as set by the board of directors and approved as provided in subdivision 10 trustees.

(d) Any change in the interest rate set by the board of directors under paragraph (c), clause (3), must be ratified by the governing body of the municipality served by the fire department to which the relief association is directly associated, or by the independent nonprofit firefighting corporation, as applicable.

~~(d)~~ (e) Interest under paragraph (c), clause (3), is payable beginning on the January 1 next following the date on which the municipality has approved the deferred service pension interest rate established as set by the board of trustees was ratified by the governing body of the municipality served by the fire department to which the relief association is directly associated, or by the independent nonprofit firefighting corporation, as applicable.

~~(e)~~ (f) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable as follows:

(1) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (1) or (3), beginning on the first day of the month next following the date that on which the member separates from active service and membership and ending on the accounting date last day of the month immediately before the month in which the deferred member commences receipt of the deferred service pension; or

(2) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (2), beginning on the date that the member separates from active service and membership and ending on the date that the separate investment vehicle is valued immediately before the date on which the deferred member commences receipt of the deferred service pension.

~~(f)~~ (g) For a deferred service pension that is transferred to a separate account established and maintained by the relief association or separate investment vehicle held by the relief association, the deferred member bears the full investment risk subsequent to transfer and in calculating the accrued liability of the volunteer firefighters relief association that pays a lump-sum service pension, the accrued liability for deferred service pensions is equal to the separate relief association account balance or the fair market value of the separate investment vehicle held by the relief association.

~~(g)~~ (h) The deferred service pension is governed by and must be calculated under the general statute, special law, relief association articles of incorporation, and relief association bylaw provisions applicable on the date on which the member separated from active service with the fire department and active membership in the relief association.

EFFECTIVE DATE. This section is effective January 1, 2014, with respect to the amendments to paragraphs (c), (d), and (e), and is effective retroactively from January 1, 2013, with respect to the amendments to paragraph (f).

Sec. 10. Minnesota Statutes 2012, section 424A.10, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section:

(1) "qualified recipient" means an individual who receives a lump-sum distribution of pension or retirement benefits from a volunteer firefighters' relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for service that the individual has performed as a volunteer firefighter;

(2) "survivor of a deceased active or deferred volunteer firefighter" means the surviving spouse of a deceased active or deferred volunteer firefighter ~~under section 424A.001, subdivision 6,~~ or, if none, the surviving child or children of a deceased active or deferred volunteer firefighter;

(3) "active volunteer firefighter" means a person who regularly renders fire suppression service for a municipal fire department or an independent nonprofit firefighting corporation, who has met the statutory and other requirements for relief association membership, and who is deemed by the relief association under law and its bylaws to be a fully qualified member of the relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for at least one month; and

(4) "deferred volunteer firefighter" means a former active volunteer firefighter who terminated active firefighting service, has sufficient service credit from the applicable relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan to be entitled to a service pension under the bylaws of the relief association, but has not applied for or has not received the service pension.

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

Sec. 11. Minnesota Statutes 2012, section 424A.10, subdivision 2, is amended to read:

Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer firefighters' relief association or by the voluntary statewide lump-sum volunteer firefighter retirement plan of a lump-sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association must pay the supplemental benefit out of its special fund and the voluntary statewide lump-sum volunteer firefighter retirement plan must pay the supplemental benefit out of the voluntary statewide lump-sum volunteer firefighter retirement plan. This benefit is an amount equal to ten percent of the regular lump-sum distribution that is paid on the basis of the recipient's service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed \$1,000. A supplemental benefit under this paragraph may not be paid to a survivor of a deceased active or deferred volunteer firefighter in that capacity.

(b) Upon the payment by a relief association or the retirement plan of a lump-sum survivor benefit to a survivor of a deceased active volunteer firefighter or of a deceased deferred volunteer firefighter, the association ~~may~~ must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the special fund of the relief association ~~if its articles of incorporation or bylaws so provide~~ and the retirement plan ~~may~~ must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the retirement fund if chapter 353G so provides. The amount of the supplemental survivor benefit is 20 percent of the survivor benefit, but not to exceed \$2,000.

(c) An individual may receive a supplemental benefit under paragraph (a) or under paragraph (b), but not under both paragraphs with respect to one lump-sum volunteer firefighter benefit.

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

Sec. 12. WHITE BEAR LAKE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION; RETIREE DEATH BENEFIT.

Notwithstanding any provision of Minnesota Statutes, section 424A.05, subdivision 3, clause (4), to the contrary, the White Bear Lake Volunteer Fire Department Relief Association may provide, if its bylaws so provide, for the payment of a \$2,000 lump sum death benefit from the special fund of the relief association to the estate of a person who was a member of the relief association, who rendered at least 20 years of firefighting service in the fire department and membership in the relief association, who retired before January 1, 2009, who received a monthly benefit service pension from the relief association for the month in which this section became effective, and who died after the effective date of the bylaw amendment that implements the authority under this section.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of White Bear Lake and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. REPEALER.

Minnesota Statutes 2012, section 424A.10, subdivision 5, is repealed.

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

ARTICLE 7

ONE PERSON AND SMALL GROUP RETIREMENT CHANGES

Section 1. Minnesota Statutes 2012, section 352.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees.** (a) "State employee" includes:

- (1) employees of the Minnesota Historical Society;
- (2) employees of the State Horticultural Society;
- (3) employees of the Minnesota Crop Improvement Association;
- (4) employees of the adjutant general whose salaries are paid from federal funds and who are not covered by any federal civilian employees retirement system;
- (5) employees of the Minnesota State Colleges and Universities who are employed under the university or college activities program;
- (6) currently contributing employees covered by the system who are temporarily employed by the legislature during a legislative session or any currently contributing employee employed for any special service as defined in subdivision 2b, clause (8);
- (7) employees of the legislature who are appointed without a limit on the duration of their employment and persons employed or designated by the legislature or by a legislative committee or commission or other competent authority to conduct a special inquiry, investigation, examination, or installation;

(8) trainees who are employed on a full-time established training program performing the duties of the classified position for which they will be eligible to receive immediate appointment at the completion of the training period;

(9) employees of the Minnesota Safety Council;

(10) any employees who are on authorized leave of absence from the Transit Operating Division of the former Metropolitan Transit Commission and who are employed by the labor organization which is the exclusive bargaining agent representing employees of the Transit Operating Division;

(11) employees of the Metropolitan Council, Metropolitan Parks and Open Space Commission, Metropolitan Sports Facilities Commission, or Metropolitan Mosquito Control Commission unless excluded under subdivision 2b or are covered by another public pension fund or plan under section 473.415, subdivision 3;

(12) judges of the Tax Court;

(13) personnel who were employed on June 30, 1992, by the University of Minnesota in the management, operation, or maintenance of its heating plant facilities, whose employment transfers to an employer assuming operation of the heating plant facilities, so long as the person is employed at the University of Minnesota heating plant by that employer or by its successor organization;

(14) personnel who are employed as seasonal employees in the classified or unclassified service;

(15) persons who are employed by the Department of Commerce as a peace officer in the Insurance Fraud Prevention Division under section 45.0135 who have attained the mandatory retirement age specified in section 43A.34, subdivision 4;

(16) employees of the University of Minnesota unless excluded under subdivision 2b, clause (3);

(17) employees of the Middle Management Association whose employment began after July 1, 2007, and to whom section 352.029 does not apply;

(18) employees of the Minnesota Government Engineers Council to whom section 352.029 does not apply; ~~and~~

(19) employees of the Minnesota Sports Facilities Authority; and

(20) employees of the Minnesota Association of Professional Employees.

(b) Employees specified in paragraph (a), clause (13), are included employees under paragraph (a) if employer and employee contributions are made in a timely manner in the amounts required by section 352.04. Employee contributions must be deducted from salary. Employer contributions are the sole obligation of the employer assuming operation of the University of Minnesota heating plant facilities or any successor organizations to that employer.

EFFECTIVE DATE. (a) This section is effective July 1, 2013.

(b) The membership inclusion under paragraph (a), clause (20), does not apply to a person who is receiving an age and service retirement annuity from the general state employees retirement plan of the Minnesota State Retirement System on June 30, 2013.

Sec. 2. Minnesota Statutes 2012, section 352.029, subdivision 1, is amended to read:

Subdivision 1. **Qualifications.** Unless already specifically included under section 352.01, subdivision 2a, or unless specifically excluded under section 352.01, subdivision 2b, a state employee on leave of absence without pay to provide service as an employee or officer of a labor organization that is an exclusive bargaining agent representing state employees may elect under subdivision 2 to be covered by the general state employees retirement plan of the Minnesota State Retirement System for service with the labor organization, subject to the limitations set forth in subdivisions 2a and 2b.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 352.029, subdivision 2a, is amended to read:

Subd. 2a. **Limitations on salary for benefits and contributions.** (a) The covered salary for a labor organization employee who is a member under section 352.01, subdivision 2a, paragraph (a), or who qualifies for membership under this section or section 352.75 is limited to the lesser of:

- (1) the employee's actual salary as defined under section 352.01, subdivision 13; or
- (2) 75 percent of the salary of the governor as set under section 15A.082.

(b) The limited covered salary determined under this subdivision must be used in determining employee, employer, and employer additional contributions under section 352.04, subdivisions 2 and 3, and in determining retirement annuities and other benefits under this chapter and chapter 356.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 352.029, subdivision 2b, is amended to read:

Subd. 2b. **Earning restrictions apply.** A retirement annuity is only payable, if the person has met any other applicable requirements, upon the termination of employment by the labor organization by the person who is a member under section 352.01, subdivision 2a, paragraph (a), or who elected coverage under subdivision 1 of employment by the labor organization. The reemployed annuitant earnings limitation set forth in section 352.115, subdivision 10, applies in the event that the person who is a member under section 352.01, subdivision 2a, paragraph (a), or who elected coverage under subdivision 1 retires and is subsequently reemployed while an annuitant by the labor organization or by any other entity employing persons who are covered by the Minnesota State Retirement System by virtue of that employment.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 352.029, subdivision 3, is amended to read:

Subd. 3. **Contributions.** The employee and employer contributions required by section 352.04, or by section 352.92 for employees covered by section 352.91, are the obligation of the employee who is a member under section 352.01, subdivision 2a, paragraph (a), or who chooses coverage under this section. However, the employing labor organization may pay the employer contributions. Contributions made by the employee must be made by salary deduction. The employing labor organization shall pay all contributions to the system as required by section 352.04, or by section 352.92 for employees covered by section 352.91.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 352.029, subdivision 5, is amended to read:

Subd. 5. **Board membership excluded.** Employees of a labor organization who become members of the system under section 352.01, subdivision 2a, paragraph (a), or under this section are not eligible for election to the board of directors.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 7. **[356.408] TERMINATION OF SURVIVOR DESIGNATION.**

Subdivision 1. **Authorization to terminate optional annuity form.** A public pension plan retired member receiving a joint and survivor retirement annuity or a person receiving a joint and survivor disability benefit from a plan listed in section 356.30, subdivision 3, and the designated survivor of that person may mutually agree to terminate the survivor designation by filing a termination statement on a form and in the manner specified by the chief administrative officer of the applicable public pension plan. Upon filing a valid termination statement accepted by the chief administrative officer, the rights of the designated survivor to receive a benefit upon death of the plan retired or disabled annuitant are terminated, and the retired or disabled annuitant must receive a normal single-life annuity.

Subd. 2. **Revised annuity form.** The replacement single life annuity must be actuarially equivalent to the joint and survivor annuity as of the first day of the month following acceptance of the valid termination statement by the chief administrative officer and payment of this revised prospective annuity begins on that same date.

Subd. 3. **Application.** This section does not apply if the designated survivor is the spouse or former spouse of the plan member.

Subd. 4. **Termination statement form requirements.** The annuity form termination statements must be in written form and must be notarized. Before accepting any signed form or forms, the chief administrative officer of the applicable pension plan must offer counseling to the retired or disabled annuitant and the designated survivor regarding the implications of the annuity form waiver. The forms must indicate that this counseling has been offered and either has been completed or has been waived by the retired or disabled annuitant and the designated survivor.

Subd. 5. **Prohibition against further annuity form revisions.** No retired or disabled annuitant who waives the annuity form under this section may further revise the annuity form at any later date.

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

Sec. 8. Minnesota Statutes 2012, section 356.48, subdivision 1, is amended to read:

Subdivision 1. **Covered plans.** This section applies to the following retirement plans:

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

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

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

(4) the unclassified state employees retirement program of the Minnesota State Retirement System established under chapter 352D;

(5) the general employee retirement plan of the Public Employees Retirement Association established under chapter 353;

(6) the public employees police and fire retirement plan established under chapter 353;

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

(8) the Teachers Retirement Association established under chapter 354; and

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

~~(9)~~ (10) the uniform judicial retirement plan established under chapter 490.

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

Sec. 9. MSRS-GENERAL RETIREMENT ELIGIBILITY CLARIFICATION; SERVICE CREDIT PURCHASE IN CERTAIN INSTANCES.

(a) An eligible person described in paragraph (b) is entitled to purchase prior uncredited service credit under paragraph (c) and, if the service credit purchase is made, to have the effective start date for active retirement plan membership of June 30, 1989, and to retire under Minnesota Statutes, section 352.116, subdivision 1.

(b) An eligible person is a person who:

(1) was born on July 17, 1964;

(2) was initially employed by the state of Minnesota as a temporary status laborer general on June 19, 1989;

(3) became a seasonal status laborer general on August 30, 1989;

(4) became an unlimited status laborer general on December 12, 1990;

(5) has received annual statements from the Minnesota State Retirement System indicating eligibility for a retirement benefit under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b), as of September 1, 2012, including the June 30, 2012, annual statement;

(6) attended a Minnesota State Retirement System preretirement class in March 2012 and was individually informed by a Minnesota State Retirement System employee of the person's retirement eligibility under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b); and

(7) received a letter from the Minnesota State Retirement System on August 16, 2012, revising the start date for general state employees retirement plan allowable service credit from June 19, 1989, to September 27, 1989, and indicating consequent inapplicability of Minnesota Statutes, section 352.116, subdivision 1.

(c) An eligible person may purchase allowable service credit in the general state employees retirement plan of the Minnesota State Retirement System for the period June 30, 1989, by paying an amount equal to 7.63 percent of salary earned after June 18, 1989, to June 30, 1989, and to 8.85 percent of salary earned after June 30, 1989, to September 27, 1989, plus 8.5 percent compound interest on the total equivalent employee and employer contribution amounts from the date on which the contribution would have been deducted or paid if the person had been a member of the general state employees retirement plan of the Minnesota State Retirement System at the time to the date

that this portion of the prior service credit purchase payment is made. The payment must be made in a lump sum.

(d) An eligible person who purchased allowable service credit under paragraph (c) has a June 30, 1989, start date for allowable service credited by the general state employees retirement plan of the Minnesota State Retirement System and is eligible for a retirement annuity under Minnesota Statutes, section 352.116, subdivision 1.

(e) Authority to purchase prior uncredited allowable service credit under this section expires on August 1, 2013.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 10. PERA-GENERAL; PURCHASE OF CERTAIN PRIOR NORTHFIELD SERVICE CREDIT.

(a) Notwithstanding any provision of Minnesota Statutes, chapter 353, to the contrary, an eligible person described in paragraph (b) is entitled to repay any prior refund as provided in paragraph (c) and is entitled to purchase service credit as provided in paragraph (d).

(b) An eligible person is a person who:

(1) was born on July 10, 1942;

(2) was employed by the city of Northfield on October 5, 2005;

(3) became a member of the general employees retirement plan of the Public Employees Retirement Association on April 5, 2009;

(4) was employed by the transit division of the city of Northfield until June 29, 2012; and

(5) was eligible for PERA general employees retirement plan membership on October 5, 2005, but was not reported to PERA for membership in a timely fashion.

(c) The eligible person may repay to the general employees retirement fund of the Public Employees Retirement Association any refund of accumulated member contributions and interest previously received, plus interest at an annual rate of 8.5 percent compounded annually from the date on which the refund was paid until the date on which the refund is repaid.

(d) If the eligible person repays all prior refunds under paragraph (c), the eligible person may purchase 43 months of allowable service credit and salary credit from the general employees retirement plan of the Public Employees Retirement Association by making a payment equal to the unpaid member contributions during the period October 5, 2005, until April 5, 2009, plus 8.5 percent interest from the date that each contribution would have been transmitted to the Public Employees Retirement Association until the date that the payment under this paragraph is made.

(e) If the eligible person makes the payment required under paragraph (c) in a timely fashion, within 30 days following notification of that fact by the executive director of the Public Employees Retirement Association, the city of Northfield shall pay the balance of the prior service credit purchase payment amount required under Minnesota Statutes, section 356.551. If the payment by the city of Northfield is not paid in a timely fashion, the executive director shall collect the unpaid amount as provided under Minnesota Statutes, section 353.28, subdivision 6.

(f) Authority to repay a refund and to make a prior service credit purchase payment under this section expires on December 31, 2014.

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

Sec. 11. PERA-GENERAL; SERVICE CREDIT PURCHASE FOR OMITTED CONTRIBUTION PERIOD; WRIGHT COUNTY HIGHWAY DEPARTMENT EMPLOYEE.

(a) Notwithstanding any provision of law to the contrary, an eligible person described in paragraph (b) is entitled to purchase from the general employees retirement plan of the Public Employees Retirement Association allowable service credit under Minnesota Statutes, section 353.01, subdivision 16, for the period of omitted member deductions described in paragraph (c).

(b) An eligible person is a person who:

(1) was born on March 19, 1959;

(2) is a current employee of the Wright County Highway Department, covered by the general employees retirement plan of the Public Employees Retirement Association;

(3) shifted from temporary to full-time employment with the highway department in April 2007; and

(4) was not reported by Wright County for retirement coverage by and membership in the general employees retirement plan of the Public Employees Retirement Association until March 2012.

(c) The period of uncredited service authorized for purchase is the period from April 2007 through December 2008, during which no member contributions for the general employees retirement plan of the Public Employees Retirement Association were deducted from the eligible person's salary by Wright County, and which could not be corrected through the Public Employees Retirement Association omitted contribution provision due to a three-year time limit in the provision.

(d) Minnesota Statutes, section 356.551, applies to this purchase, except that the purchase payment amount payable by the eligible person is the employee contributions that should have been made, plus 8.5 percent interest compounded annually from the date each deduction should have occurred, until the date paid to the Public Employees Retirement Association. The purchase payment amount payable by Wright County is the balance of the full actuarial value prior service credit purchase payment amount as of the first day of the month next following the receipt of the eligible person's payment that is remaining after deducting the purchase payment amount payable by the eligible person.

(e) The payment amount due from the county under paragraph (d) must be made on or before the 15th of the month next following the receipt of the eligible person's payment under paragraph (d). If the county purchase payment amount is not paid in a timely fashion, the amount due accrues compound monthly interest at the rate of 0.71 percent per month from the first day of the month next following the receipt of the eligible person's payment until the county purchase payment amount is received by the Public Employees Retirement Association. If the county purchase payment amount is not paid to the Public Employees Retirement Association 90 days after the receipt of the eligible person's payment, the executive director shall notify the commissioner of

management and budget and the commissioner of revenue of that unpaid obligation and the unpaid obligation must be deducted from any state aid otherwise payable to the county, plus interest.

(f) The eligible person must provide the executive director of the Public Employees Retirement Association with any relevant requested information pertaining to this service credit purchase.

(g) Authority to make a service credit purchase under this section expires on June 30, 2014, or upon the termination from public employment under Minnesota Statutes, section 353.01, subdivision 11a, whichever occurs earlier.

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

ARTICLE 8

MISCELLANEOUS PROVISIONS

Section 1. [6.496] VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS; STATE BOARD OF INVESTMENT OPTIONS.

(a) Annually, on or before March 1, the state auditor shall provide all volunteer firefighter relief associations with recent and historic investment performance results of the various accounts of the Minnesota supplemental investment fund and information on the process and procedures for a volunteer firefighter relief association to utilize the Minnesota supplemental investment fund as an investment option.

(b) Annually, on or before March 1, the state auditor shall provide all volunteer firefighter relief associations with basic information on the voluntary statewide lump-sum volunteer firefighter retirement plan, that a fire department has the option annually to join the retirement plan, and that, if the fire department joins the retirement plan, future asset investments would be the responsibility of the State Board of Investment.

(c) The information provision required by paragraphs (a) and (b) may be provided in an electronic or other format if the state auditor determines that the format is reasonably accessible by a preponderance of volunteer firefighter relief associations.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 2. Minnesota Statutes 2012, section 352.03, subdivision 4, is amended to read:

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

- (1) elect a chair;
- (2) appoint an executive director;
- (3) establish rules to administer this chapter and chapters 3A, 352B, 352C, 352D, and 490 and transact the business of the system, subject to the limitations of law;
- (4) consider and dispose of, or take any other action the board of directors deems appropriate concerning, denials of applications for annuities or disability benefits under this chapter, chapter 3A, 352B, 352C, 352D, or 490, and complaints of employees and others pertaining to the retirement of employees and the operation of the system;

(5) oversee the administration of the deferred compensation plan established in section 352.965; ~~and~~

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

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

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

Sec. 3. Minnesota Statutes 2012, section 353.03, subdivision 3, is amended to read:

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

(1) elect a president and vice-president;

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

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

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

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

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

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

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

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

(b) In passing upon all applications and claims, the board may summon, swear, hear, and examine witnesses and, in the case of claims for disability benefits, may require the claimant to submit to a medical examination by a physician of the board's choice, at the expense of the fund, as a condition

precedent to the passing on the claim, and, in the case of all applications and claims, may conduct investigations necessary to determine their validity and merit.

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

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

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

Sec. 4. Minnesota Statutes 2012, section 354.07, subdivision 1, is amended to read:

Subdivision 1. **General powers of board.** The board has the power to frame bylaws for its own government and for the management of the association not inconsistent with the laws of the state and to modify them at its pleasure; to adopt, alter, and enforce reasonable rules not inconsistent with the laws of the state for the administration and management of the association, for the payment and collection of payments from members, and for the payment of withdrawals and benefits; to pass upon and allow or disallow applications for membership in the association and for credit for teaching service; to pass upon and allow or disallow claims for withdrawals, pensions, or benefits payable by the fund; to adopt an appropriate mortality table based on experience of the association as recommended by the actuary retained under section 356.214 and using the applicable postretirement interest assumption specified in section 356.215, subdivision 8; to approve early retirement and optional annuity factors, subject to review by the actuary retained by the Legislative Commission on Pensions and Retirement; to establish the schedule for implementation of the approved factors; to notify the Legislative Commission on Pensions and Retirement of the implementation schedule; and to provide for the payment out of the fund of necessary expenses for the administration by the association and of claims for withdrawals, pensions, or benefits allowed.

Sec. 5. Minnesota Statutes 2012, section 354A.021, subdivision 2, is amended to read:

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

(b) In addition to the other powers and duties of a board of trustees of a first class city teacher retirement fund association, the board shall approve early retirement and optional annuity factors, subject to review by the actuary retained by the Legislative Commission on Pensions and Retirement; shall establish the schedule for implementation of the approved factors; and shall notify the Legislative Commission on Pensions and Retirement of the implementation schedule.

ARTICLE 9

STATE PATROL RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES

Section 1. Minnesota Statutes 2012, section 352B.011, subdivision 4, is amended to read:

Subd. 4. **Average monthly salary.** (a) Subject to the limitations of section 356.611, "average monthly salary" means the average of the highest monthly salaries for five years of service as a member upon which contributions were deducted from pay under section 352B.02, or upon which appropriate contributions or payments were made to the fund to receive allowable service and salary credit as specified under the applicable law. Average monthly salary must be based upon all allowable service if this service is less than five years.

(b) The salary used for the calculation of "average monthly salary" means the salary of the member as defined in section 352.01, subdivision 13. "Average monthly salary" includes the salary of the member during the period of covered employment rendered after reaching the allowable service credit limit of section 352B.08, subdivision 2, paragraph (b). The salary used for the calculation of "average monthly salary" does not include any lump-sum annual leave payments and overtime payments made at the time of separation from state service, any amounts of severance pay, or any reduced salary paid during the period the person is entitled to workers' compensation benefit payments for temporary disability.

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

Sec. 2. Minnesota Statutes 2012, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. **Member contributions.** (a) The member contribution is the following percentage of the member's salary:

- | | |
|--|--------------------------------------|
| (1) before the first day of the first pay period beginning after July 1, 2011 2014 | 10.40 <u>12.4</u> percent |
| (2) on or after the first day of the first pay period beginning after July 1, 2011 2014, to June 30, 2016 | 12.40 <u>13.4</u> percent |
| (3) after June 30, 2016 | <u>14.4</u> percent |

(b) These contributions must be made by deduction from salary as provided in section 352.04, subdivision 4.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 352B.02, subdivision 1c, is amended to read:

Subd. 1c. **Employer contributions.** (a) In addition to member contributions, department heads shall pay a sum equal to the specified percentage of the salary upon which deductions were made, which constitutes the employer contribution to the fund as follows:

- | | |
|--|--------------------------------------|
| (1) before the first day of the first pay period beginning after July 1, 2011 <u>2014</u> | 15.60 <u>18.6</u> percent |
| (2) on or after the first day of the first pay period beginning after July 1, 2011 <u>2014</u> , to June 30, 2016 | 18.60 <u>20.1</u> percent |
| (3) after June 30, 2016 | <u>21.6</u> percent |

(b) Department contributions must be paid out of money appropriated to departments for this purpose.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 352B.08, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; when to apply; accrual.** (a) Every member who is credited with three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or with at least ~~five~~ ten years of allowable service if first employed after June 30, ~~2010~~ 2013, is entitled to separate from state service and upon becoming 50 years old, is entitled to receive a life annuity, upon separation from state service.

(b) Members must apply for an annuity in a form and manner prescribed by the executive director.

(c) No application may be made more than 90 days before the date the member is eligible to retire by reason of both age and service requirements.

(d) An annuity begins to accrue no earlier than 180 days before the date the application is filed with the executive director.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 352B.08, subdivision 2, is amended to read:

Subd. 2. **Normal retirement annuity.** (a) The annuity must be paid in monthly installments. The annuity shall be equal to the amount determined by multiplying the average monthly salary of the member by the percent specified in section 356.315, subdivision 6, for each year of allowable service and ~~pro rata~~ prorated for additional completed months of allowable service, unless restricted under paragraph (b).

(b) Allowable service in excess of 33 years must not be used in computing the annuity. This restriction does not apply to any member who has at least 28 years of allowable service before July 1, 2013.

(c) When the annuity commences, any member contributions attributable to allowable service not used to compute the annuity due to the restrictions in paragraph (b) must be refunded using procedures specified in section 352B.11, subdivision 1.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 352B.08, subdivision 2a, is amended to read:

Subd. 2a. **Early retirement.** Any member who has become at least 50 years old and who has at least three years of allowable service if first employed before July 1, ~~2010~~ 2013, or who has

at least ~~five~~ ten years of allowable service if first employed after June 30, ~~2010~~ 2013, is entitled upon application to a reduced retirement annuity equal to the annuity calculated under subdivision 2, reduced by one-tenth of one percent for each month that the member is under age 55 at the time of retirement, if first employed the effective date of retirement is before July 1, 2010, or reduced by two-tenths of one percent 2015. If the effective date of retirement is after June 30, 2015, the reduction is 0.34 percent for each month that the member is under age 55 at the time of retirement if first employed after June 30, 2010.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 352B.10, subdivision 5, is amended to read:

Subd. 5. **Optional annuity.** A disablitant may elect, in lieu of spousal survivorship coverage under section 352B.11, ~~subdivisions subdivision 2b and 2c,~~ the normal disability benefit or an optional annuity as provided in section 352B.08, subdivision 3. The choice of an optional annuity must be made in writing, on a form prescribed by the executive director, and must be made before the commencement of the payment of the disability benefit, or within 90 days before reaching age 55 or before reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. The optional annuity is effective on the date on which the disability benefit begins to accrue, or the month following the attainment of age 55 or following the five-year anniversary of the effective date of the disability benefit, whichever is later.

Sec. 8. Minnesota Statutes 2012, section 352B.11, subdivision 1, is amended to read:

Subdivision 1. **Refund of payments.** (a) A member who has not received other benefits under this chapter is entitled to a refund of payments made by salary deduction, plus interest, if the member is separated, either voluntarily or involuntarily, from the state service that entitled the member to membership.

(b) A refund under section 352B.08, subdivision 2, paragraph (c), does not result in a forfeiture of salary credit for the allowable service credit covered by the refund.

~~(b)~~ (c) In the event of the member's death, if there are no survivor benefits payable under this chapter, a refund plus interest is payable to the last designated beneficiary on a form filed with the director before death, or if no designation is filed, is payable to the member's estate. Interest under this subdivision must be calculated as provided in section 352.22, subdivision 2. To receive a refund, the application must be made on a form prescribed by the executive director.

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

Sec. 9. Minnesota Statutes 2012, section 352B.11, subdivision 2b, is amended to read:

Subd. 2b. **Surviving spouse benefit eligibility.** (a) If an active member with three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013, dies before attaining age 55, the surviving spouse is entitled to the a benefit specified in subdivision 2c, paragraph (b) for life equal to 50 percent of the average monthly salary of the deceased member. On the first of the month next following the date on which the deceased member would have attained exact age 55, in lieu of continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt of the second half of a 100 percent joint and survivor annuity if this provides a larger benefit. The joint and survivor annuity

must be computed assuming the exact age 55 for the deceased member and the age of the surviving spouse on the date of death.

(b) If an active member with less than three years of allowable service if first employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if first employed after June 30, ~~2010~~ 2013, dies at any age, the surviving spouse is entitled to receive the a benefit specified in subdivision 2c, paragraph (c) for life equal to 50 percent of the average monthly salary of the deceased member.

(c) If an active member with three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013, dies on or after attaining exact age 55, the surviving spouse is entitled to receive the benefits specified in subdivision 2c, paragraph (d) a benefit for life equal to 50 percent of the average monthly salary of the deceased member, or the second half of a 100 percent joint and survivor annuity, whichever is larger. The joint and survivor annuity must be computed using the age of the deceased member on the date of death and the age of the surviving spouse on that same date.

(d) If a disabiltant dies while receiving a disability benefit under section 352B.10 or before the benefit under that section commenced, and an optional annuity was not elected under section 352B.10, subdivision 5, the surviving spouse is entitled to receive the a benefit specified in subdivision 2c, paragraph (b) for life equal to 50 percent of the average monthly salary of the deceased member. On the first of the month next following the date on which the deceased member would have attained exact age 55, in lieu of continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt of the second half of a 100 percent joint and survivor annuity if this provides a larger benefit. The joint and survivor annuity must be computed assuming the exact age 55 for the deceased member and the age of the surviving spouse on the date of death.

(e) If a former member with three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013, who terminated from service and has not received a refund or commenced receipt of any other benefit provided by this chapter, dies, the surviving spouse is entitled to receive the as a benefit specified in subdivision 2c, paragraph (e) the second half of a 100 percent joint and survivor annuity, commencing on the first of the month next following the deceased member's date of death, or the first of the month next following the date on which the deceased member would have attained age 55, whichever is later. The joint and survivor annuity must be computed using the age of the deceased member on the date of death and the age of the surviving spouse on that same date.

(f) If a former member with less than three years of allowable service if first employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if first employed after June 30, ~~2010~~ 2013, who terminated from service and has not received a refund or commenced receipt of any other benefit, if applicable, provided by this chapter, dies, the surviving spouse is entitled to receive the refund specified in subdivision 2c, paragraph (f) or, if none, the children or, if none, the deceased member's estate is entitled to a refund of the employee contributions plus interest computed as specified in subdivision 1.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 10. Minnesota Statutes 2012, section 356.415, subdivision 1e, is amended to read:

Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

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

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of ~~1.5~~ one percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(b) The increases provided by this subdivision commence on January 1, ~~2011~~ 2014. Increases under ~~this subdivision paragraph (a)~~ paragraph (a) for the State Patrol retirement plan terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds ~~90~~ 85 percent of the actuarial accrued liability of the retirement plan and increases under ~~subdivision 1 paragraph (c)~~ paragraph (c) recommence after that date.

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

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

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

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

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

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 11. **REPEALER.**

Minnesota Statutes 2012, section 352B.11, subdivision 2c, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2013.

ARTICLE 10

PERA PLANS SALARY DEFINITION

Section 1. Minnesota Statutes 2012, section 353.01, subdivision 10, is amended to read:

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

(1) the wages or periodic compensation of payable to a public employee; by the employing governmental subdivision before;

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

(ii) any employee-elected deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs, and also means "wages" and includes net income from fees that would have otherwise been available as a cash payment to the employee; and

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

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

(3) for a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association or to which section 353.665 applies and who has elected coverage either under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation or under section 353.665, subdivision 4, the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the actual periodic compensation of the public employee after the effective date of consolidation;

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

(5) the amount paid to a member who is absent from employment by reason of personal, parental, or military leave of absence if equivalent to the hourly base salary rate in effect during the six months of allowable service, or portions thereof, prior to the leave, multiplied by the average number of regular hours for which the employee was compensated during the six months of allowable service prior to the applicable leave of absence;

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

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

(b) Salary does not mean:

(1) the fees paid to district court reporters;

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

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

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

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

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

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

~~(2)~~ (8) employer-paid amounts used by an employee toward the cost of insurance coverage, ~~employer-paid fringe benefits~~, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage and certain amounts determined by the executive director to be ineligible;

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

(i) employer-paid premiums or supplemental contributions for employees for all types of insurance;

(ii) membership dues or fees for the use of fitness or recreational facilities;

(iii) incentive payments or cash awards relating to a wellness program;

(iv) the value of any nonmonetary benefits;

(v) any form of payment made in lieu of an employer-paid fringe benefit;

(vi) an employer-paid amount made to a deferred compensation or tax-sheltered annuity program; and

(vii) any amount paid by the employer as a supplement to salary, either as a lump-sum amount or a fixed or matching amount paid on a recurring basis, that is not available to the employee as cash;

(3) (10) the amount equal to that which the employing governmental subdivision would otherwise pay toward single or family insurance coverage for a covered employee when, through a contract or agreement with some but not all employees, the employer:

(i) discontinues, or for new hires does not provide, payment toward the cost of the employee's selected insurance coverages under a group plan offered by the employer;

(ii) makes the employee solely responsible for all contributions toward the cost of the employee's selected insurance coverages under a group plan offered by the employer, including any amount the employer makes toward other employees' selected insurance coverages under a group plan offered by the employer; and

(iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages;

(4) (11) except as provided in section 353.86 or 353.87, compensation of any kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined in subdivision 35 or 36;

(5) (12) the amount of compensation that exceeds the limitation provided in section 356.611; and

(6) (13) amounts paid by a federal or state grant for which the grant specifically prohibits grant proceeds from being used to make pension plan contributions, unless the contributions to the plan are made from sources other than the federal or state grant; and

(14) bonus pay that is not performance or merit pay under paragraph (a), clause (6).

(c) Amounts, other than those provided under paragraph (a), clause (4), provided to an employee by the employer through a grievance proceeding, a court order, or a legal settlement are salary only if the settlement or court order is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

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

ARTICLE 11

PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES

Section 1. Minnesota Statutes 2012, section 353.01, subdivision 17a, is amended to read:

Subd. 17a. **Average salary.** (a) "Average salary," for purposes of calculating a retirement annuity under section 353.29, subdivision 3, means an amount equivalent to the average of the highest salary of the member, police officer, or firefighter, whichever applies, upon which employee contributions were paid for any five successive years of allowable service, based on dates of salary periods as listed on salary deduction reports. "Average salary" includes the salary of the employee during the period of covered employment rendered after reaching the allowable service credit limit of section

353.651, subdivision 3, paragraph (b). Average salary must be based upon all allowable service if this service is less than five years.

(b) "Average salary" may not include any reduced salary paid during a period in which the employee is entitled to benefit payments from workers' compensation for temporary disability, unless the average salary is higher, including this period.

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

Sec. 2. Minnesota Statutes 2012, section 353.01, subdivision 41, is amended to read:

Subd. 41. **Duty disability.** "Duty disability," physical or psychological, means a condition that is expected to prevent a member, for a period of not less than 12 months, from performing the normal duties of the position held by a person who is a member of the public employees police and fire retirement plan, and that is the direct result of an injury incurred during, or a disease arising out of, ~~the performance of normal duties or the actual performance of less frequent inherently dangerous duties, either of which are specific to protecting the property and personal safety of others and that present inherent dangers~~ that are specific to the positions covered by the public employees police and fire retirement plan.

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

Sec. 3. Minnesota Statutes 2012, section 353.01, subdivision 47, is amended to read:

Subd. 47. **Vesting.** (a) "Vesting" means obtaining a nonforfeitable entitlement to an annuity or benefit from a retirement plan administered by the Public Employees Retirement Association by having credit for sufficient allowable service under paragraph (b) ~~or~~ (c), ~~or~~ (d), whichever applies.

(b) For purposes of qualifying for an annuity or benefit as a basic or coordinated plan member of the general employees retirement plan of the Public Employees Retirement Association:

(1) a public employee who first became a member of the association before July 1, 2010, is 100 percent vested when the person has accrued credit for not less than three years of allowable service as defined under subdivision 16; and

(2) a public employee who first becomes a member of the association after June 30, 2010, is 100 percent vested when the person has accrued credit for not less than five years of allowable service as defined under subdivision 16.

(c) For purposes of qualifying for an annuity or benefit as a member of the ~~police and fire plan~~ or a member of the local government correctional employees retirement plan:

(1) a public employee who first became a member of the association before July 1, 2010, is 100 percent vested when the person has accrued credit for not less than three years of allowable service as defined under subdivision 16; and

(2) a public employee who first becomes a member of the association after June 30, 2010, is vested at the following percentages when the person has accrued credited allowable service as defined under subdivision 16, as follows:

(i) 50 percent after five years;

(ii) 60 percent after six years;

- (iii) 70 percent after seven years;
- (iv) 80 percent after eight years;
- (v) 90 percent after nine years; and
- (vi) 100 percent after ten years.

(d) For purposes of qualifying for an annuity or benefit as a member of the public employees police and fire retirement plan:

(1) a public employee who first became a member of the association before July 1, 2010, is 100 percent vested when the person has accrued credit for not less than three years of allowable service as defined under subdivision 16;

(2) a public employee who first becomes a member of the association after June 30, 2010, and before July 1, 2014, is vested at the following percentages when the person has accrued credited allowable service as defined under subdivision 16, as follows:

- (i) 50 percent after five years;
- (ii) 60 percent after six years;
- (iii) 70 percent after seven years;
- (iv) 80 percent after eight years;
- (v) 90 percent after nine years; and
- (vi) 100 percent after ten years; and

(3) a public employee who first becomes a member of the association after June 30, 2014, is vested at the following percentages when the person has accrued credited allowable service as defined under subdivision 16, as follows:

- (i) 50 percent after ten years;
- (ii) 55 percent after 11 years;
- (iii) 60 percent after 12 years;
- (iv) 65 percent after 13 years;
- (v) 70 percent after 14 years;
- (vi) 75 percent after 15 years;
- (vii) 80 percent after 16 years;
- (viii) 85 percent after 17 years;
- (ix) 90 percent after 18 years;
- (x) 95 percent after 19 years; and
- (xi) 100 percent after 20 or more years.

Sec. 4. Minnesota Statutes 2012, section 353.031, subdivision 4, is amended to read:

Subd. 4. **Additional requirements; eligibility for police and fire or local government correctional service retirement plan disability benefits.** (a) If an application for disability benefits is filed within two years of the date of the injury or the onset of the illness that gave rise to the disability application, the application must be supported by evidence that the applicant is unable to perform the duties of the position held by the applicant on the date of the injury or the onset of the illness causing the disability. The employer must provide evidence indicating whether the applicant is able or unable to perform the duties of the position held on the date of the injury or onset of the illness causing the disability ~~and the specifications~~, a clear explanation of any duties that the individual can or cannot perform, and an explanation of why the employer may or may not authorize continued employment to the applicant in the current or other position.

(b) If an application for disability benefits is filed more than two years after the date of injury or the onset of an illness causing the disability, the application must be supported by evidence that the applicant is unable to perform the ~~most recent~~ duties that ~~are~~ were expected to be performed by the applicant during the 90 days ~~before preceding the filing of last day the application~~ applicant performed services for the employer. The employer must provide evidence of the duties that ~~are~~ were expected to be performed by the applicant during the 90 days ~~before preceding the filing of last day the application~~ applicant performed services, whether the applicant can or cannot perform those duties overall, ~~and the specifications~~ a clear explanation of any duties that the applicant can or cannot perform, and an explanation of why the employer may or may not authorize continued employment to the applicant in the current or other position.

(c) Any report supporting a claim to disability benefits under section 353.656 or 353E.06 must specifically relate the disability to its cause; and for any claim to duty disability from an injury or illness arising out of an act of duty, the report must state the specific act of duty giving rise to the claim, and relate the cause of disability to inherently dangerous duties specific tasks or functions required to be performed by the employee in fulfilling the employee's duty-related acts which must be specific to the inherent dangers of the positions eligible for membership in covered by the public employees police and fire fund plan and the local government correctional service retirement plan. Any report that does not relate the cause of disability to ~~specific acts or functions~~ inherently dangerous duties performed by the employee may not be relied upon as evidence to support eligibility for benefits and may be disregarded in the executive director's decision-making process.

(d) Any application for duty disability must be supported by a first report of injury as defined in section 176.231.

(e) If a member who has applied for and been approved for disability benefits before the termination of service does not terminate service or is not placed on an authorized leave of absence as certified by the governmental subdivision within 45 days following the date on which the application is approved, the application shall be canceled. If an approved application for disability benefits has been canceled, a subsequent application for disability benefits may not be filed on the basis of the same medical condition for a minimum of one year from the date on which the previous application was canceled.

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

Sec. 5. Minnesota Statutes 2012, section 353.35, subdivision 1, is amended to read:

Subdivision 1. **Refund rights.** (a) Except as provided in paragraph (b), when any former member accepts a refund, all existing service credits and all rights and benefits to which the person was entitled prior to the acceptance of the refund must terminate.

(b) A refund under section 353.651, subdivision 3, paragraph (c), does not result in a forfeiture of salary credit for the allowable service credit covered by the refund.

(c) The rights and benefits of a former member must not be restored until the person returns to active service and acquires at least six months of allowable service credit after taking the last refund and repays the refund or refunds taken and interest received under section 353.34, subdivisions 1 and 2, plus interest at an annual rate of 8.5 percent compounded annually. If the person elects to restore service credit in a particular fund from which the person has taken more than one refund, the person must repay all refunds to that fund. All refunds must be repaid within six months of the last date of termination of public service.

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

Sec. 6. Minnesota Statutes 2012, section 353.65, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For members other than members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, or for members other than members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employee contribution is 9.4 percent an amount equal to the following percentage of the total salary of the each member in calendar year 2010 and is, as follows: 9.6 percent of the salary of the member in each before calendar year after 2010 2014; 10.2 percent in calendar year 2014; and 10.8 percent in calendar year 2015 and thereafter.

(b) For members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10a, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Firefighters Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

(c) For members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Police Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

(d) Contributions under this section must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

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

Sec. 7. Minnesota Statutes 2012, section 353.65, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) With respect to members other than members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, or for members other than members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employer contribution is ~~14.1 percent~~ an amount equal to the following percentage of the total salary of the each member in calendar year 2010 and is, as follows: 14.4 percent of the salary of the member in each before calendar year after 2010 2014; 15.3 percent in calendar year 2014; and 16.2 percent in calendar year 2015 and thereafter.

(b) With respect to members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (b).

(c) With respect to members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (c).

(d) Contributions under this subdivision must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

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

Sec. 8. Minnesota Statutes 2012, section 353.651, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** (a) The average salary as defined in section 353.01, subdivision 17a, multiplied by the percent specified in section 356.315, subdivision 6, per year multiplied by years of allowable service, multiplied by the applicable vesting percentage indicated in section 353.01, subdivision 47, determines the amount of the normal retirement annuity. If the member has earned allowable service for performing services other than those of a police officer or firefighter, the annuity representing that service must be computed under sections 353.29 and 353.30.

(b) For a member first enrolled in the public employees police and fire retirement plan after June 30, 2014, the average salary as defined in section 353.01, subdivision 17a, paragraph (a), includes salary for all years for which contributions have been reported to the public employees police and fire retirement plan, but allowable service included in the calculation is limited to 33 years and the normal retirement annuity must not exceed 99 percent of the average salary.

(c) When the annuity begins for members of the public employees police and fire retirement plan enrolled after June 30, 2014, a prorated share of the contributions for allowable service exceeding 33 years must be refunded to the member. The prorated share of the contributions to be refunded is determined by multiplying the accumulated deductions paid by the member to the public employees police and fire retirement plan by a percentage determined using the number of months of service in excess of 396 as the numerator and the total number of months of allowable service on which contributions were reported as the denominator. Interest as defined in section 353.34, subdivision 2, is to be applied to the prorated share of contributions from the first of the 397th month of allowable service reported to the public employees police and fire retirement plan to the first of the month the annuity begins.

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

Sec. 9. Minnesota Statutes 2012, section 353.651, subdivision 4, is amended to read:

Subd. 4. **Early retirement.** (a) A person who becomes a public employees police and fire retirement plan member after June 30, 2007, or a former member who is reinstated as a member of the plan after that date, who is at least 50 years of age and who is at least partially vested under section 353.01, subdivision 47, upon the termination of public service before July 1, 2014, if the person is other than a county sheriff or after January 4, 2015, if the person is a county sheriff is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by two-tenths of one percent for each month that the member is under age 55 at the time of retirement.

(b) Upon the termination of public service before July 1, 2014, if the person is other than a county sheriff or upon the termination of public service before January 5, 2015, if the person is a county sheriff, any public employees police and fire retirement plan member who first became a member of the plan before July 1, 2007, and who is not specified in paragraph (a), upon attaining at least 50 years of age with at least three years of allowable service is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by one-tenth of one percent for each month that the member is under age 55 at the time of retirement.

(c) A person other than a county sheriff who is a member of the public employees police and fire retirement plan on or after July 1, 2014, or a county sheriff who is a member of the public employees police and fire retirement plan on or after January 5, 2015, and who is at least 50 years old and is at least partially vested under section 353.01, subdivision 47, and whose benefit effective date is after July 1, 2014, if other than a county sheriff or after January 4, 2015, if a county sheriff and on or before July 1, 2019, is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced for each month the member is under age 55 at the time of retirement by applying a blended monthly rate that is equivalent to the sum of:

(1) one-sixtieth of the annual rate of five percent, prorated for each month the person's benefit effective date is after July 1, 2014, or after December 31, 2014, whichever applies; and

(2) one-sixtieth of the annual rate provided under paragraph (a) or (b), whichever applies, for each month the person's benefit effective date is before July 1, 2019.

(d) A person other than a county sheriff who is a member of the public employees police and fire retirement plan on or after July 1, 2014, or a county sheriff who is a member of the public employees police and fire retirement plan on or after January 5, 2015, and who is at least 50 years old and is at least partially vested under section 353.01, subdivision 47, whose benefit effective date is after July 1, 2019, is entitled, upon application, to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by five percent annually, prorated for each month that the member is under age 55.

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

Sec. 10. Minnesota Statutes 2012, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member who has attained the age of at least 50 years and either who is vested under section 353.01, subdivision 47, or who has credit for at least 30 years of allowable service, regardless of age attained, dies before the annuity or disability benefit becomes payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive a death while eligible survivor benefit.

(b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the death while eligible survivor benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a death while eligible survivor benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The benefit may be elected instead of a refund with interest under section 353.32, subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity which the member could have qualified for on the date of death, computed as provided in sections 353.651, ~~subdivisions 2 and~~ subdivision 3, and 353.30, subdivision 3.

(d) The surviving spouse may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision.

(e) No payment accrues beyond the end of the month in which entitlement to such annuity has terminated. An amount equal to the excess, if any, of the accumulated contributions which were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of such deceased member.

(f) Any member may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to the designated beneficiary, as otherwise provided by this chapter.

(g) For a member who is employed as a full-time firefighter by the Department of Military Affairs of the state of Minnesota, allowable service as a full-time state Military Affairs Department firefighter credited by the Minnesota State Retirement System may be used in meeting the minimum allowable service requirement of this subdivision.

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

Sec. 11. Minnesota Statutes 2012, section 353.657, subdivision 3a, is amended to read:

Subd. 3a. **Maximum and minimum family benefits.** (a) The maximum monthly benefit per family must not exceed the following percentages of the member's average monthly salary as specified in subdivision 3:

(1) 80 percent, if the member's death was a line of duty death; or

(2) 70 percent, if the member's death was not a line of duty death or occurred while the member was receiving a disability benefit that accrued before July 1, 2007.

(b) The minimum monthly benefit per family, including the joint and survivor optional annuity under subdivision 2a, and section 353.656, subdivision 1a, must not be less than the following percentage of the member's average monthly salary as specified in subdivision 3:

(1) 60 percent, if the death was a line of duty death; or

(2) 50 percent, if the death was not a line of duty death or occurred while the member was receiving a disability benefit that accrued before July 1, 2007.

(c) If the maximum under paragraph (a) is exceeded, the monthly benefit of the joint annuitant, surviving spouse, and dependent children, as applicable, must each be reduced to the amount necessary proportionately so that the total family benefit does not exceed the applicable maximum. The joint and survivor optional annuity, surviving spouse, or dependent children benefit, as applicable, must be restored, plus applicable postretirement adjustments under Minnesota Statutes 2008, section 356.41 or section 356.415, as the dependent child or children become no longer dependent under section 353.01, subdivision 15, or in the event of the death of the joint and survivor annuity recipient or the surviving spouse.

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

Sec. 12. Minnesota Statutes 2012, section 353E.001, subdivision 1, is amended to read:

Subdivision 1. **Duty disability.** "Duty disability," physical or psychological, means a condition that is expected to prevent a member, for a period of not less than 12 months, from performing the normal duties of a local government correctional service employee as defined under section 353E.02 and that is the direct result of an injury incurred during, or a disease arising out of, the performance of normal duties or the actual performance of less frequent inherently dangerous duties, either of which are specific to protecting the property and personal safety of others and that present inherent dangers that are specific to the positions covered by the local government correctional service retirement plan.

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

Sec. 13. Minnesota Statutes 2012, section 356.415, subdivision 1b, is amended to read:

Subd. 1b. **Annual postretirement adjustments; PERA; general employees retirement plan and local government correctional retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the general employees retirement plan of the Public Employees Retirement Association and the local government correctional service retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) for ~~January 1, 2011,~~ and each successive January 1 until funding stability is restored for the applicable retirement plan, a postretirement increase of one percent must be applied each year, effective on January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30;

(2) for ~~January 1, 2011,~~ and each successive January 1 until funding stability is restored for the applicable retirement plan, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of one percent for each month the person has been receiving an annuity or benefit must be applied;

(3) for each January 1 following the restoration of funding stability for the applicable retirement plan, a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30; and

(4) for each January 1 following restoration of funding stability for the applicable retirement plan, for each annuity or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied.

(b) Funding stability is restored when the market value of assets of the applicable retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the two most recent prior consecutive actuarial valuation valuations prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Public Employees Retirement Association under section 356.214.

~~(c) If, after applying the increase as provided for in paragraph (a), clauses (3) and (4), the market value of the applicable retirement plan is determined in the next subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent of the actuarial accrued liability of any of the applicable Public Employees Retirement Association plans, After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), are rather than an increase under subdivision 1, is again to be applied as of the next successive January until funding stability is again restored: in a subsequent year or years if the market value of assets of the applicable plan equals or is less than:~~

~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or~~

~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.~~

(d) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

(e) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment, as provided in section 353.29, subdivision 6, must be treated as the sum of a period-certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period-certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period-certain retirement annuity must terminate when the period-certain retirement annuity terminates.

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

Sec. 14. Minnesota Statutes 2012, section 356.415, subdivision 1c, is amended to read:

Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on January 1, until funding stability is restored, as follows:

(1) for January 1, 2011, and for January 1, 2012, for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or

benefit for at least 12 full months as of the immediate preceding June 30, an amount equal to one percent in each year; or

(2) for ~~January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or benefit for at least one full month, but not less than 11 months, as of the immediate preceding June 30, an amount equal to 1/12 of one percent in each year for each month of annuity or benefit receipt; and

(3) for ~~January 1, 2013, and each successive January 1 that follows the loss of funding stability as defined under paragraph (b) until funding stability as defined under paragraph (b) is again restored,~~ for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, who ~~has~~ will have been receiving the an annuity or benefit for at least ~~12~~ 36 full months as of the immediate preceding June 30, an amount equal to ~~the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous,~~ but not to exceed 1.5 one percent; or

(4) for ~~January 1, 2013, and each successive January 1 that follows the loss of funding stability as defined under paragraph (b) until funding stability as defined under paragraph (b) is again restored,~~ for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, who has been receiving the annuity or benefit for at least ~~one~~ 25 full month months, but less than 36 months as of the immediate preceding June 30, an amount equal to 1/12 of ~~the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous for each full month of annuity or benefit receipt,~~ but not to exceed 1/12 of 1.5 one percent for each full month of annuity or benefit receipt; during the fiscal year in which the annuity or benefit was effective.

(5) for (b) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on each January 1 following the restoration of funding stability as defined under paragraph (b) (c) and during the continuation of funding stability as defined under paragraph (b) (c), as follows:

(1) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least ~~12~~ 36 full months as of the immediate preceding June 30, an amount equal to the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous, but not to exceed 2.5 percent; and

(6) for each January 1 following the restoration of funding stability as defined under paragraph (b) and during the continuation of funding stability as defined under paragraph (b); (2) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least ~~one~~ 25 full month months, but less than 36 full months, as of the immediate preceding June 30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit

was effective, but not to exceed 1/12 of 2.5 percent for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective.

(b) (c) Funding stability is restored when the market value of assets of the public employees police and fire retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the two most recent prior consecutive actuarial valuation valuations prepared under section 356.215 and under the standards for actuarial work of the Legislative Commission on Pensions and Retirement by the approved actuary retained by the Public Employees Retirement Association under section 356.214.

(d) After having met the definition of funding stability under paragraph (c), a full or prorated increase, as provided in paragraph (a), clause (1), (2), (3), or (4), whichever applies, rather than adjustments under paragraph (b), is again applied in a subsequent year or years if the market value of assets of the public employees police and fire retirement plan equals or is less than:

(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or

(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.

(e) (e) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

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

ARTICLE 12

TEACHERS RETIREMENT ASSOCIATION EARLY RETIREMENT REDUCTION FACTORS

Section 1. Minnesota Statutes 2012, section 354.44, subdivision 6, is amended to read:

Subd. 6. **Computation of formula program retirement annuity.** (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in paragraph (b) or (d) on the basis of each member's average salary under section 354.05, subdivision 13a, for the period of the member's formula service credit.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled for service rendered before July 1, 2006:

	Coordinated Member	Basic Member
Each year of service during first ten	the percent specified in section 356.315, subdivision 1, per year	the percent specified in section 356.315, subdivision 3, per year

Each year of service thereafter	the percent specified in section 356.315, subdivision 2, per year	the percent specified in section 356.315, subdivision 4, per year
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For service rendered on or after July 1, 2006, the average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of service credit, determines the amount the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	the percent specified in section 356.315, subdivision 1a, per year	the percent specified in section 356.315, subdivision 3, per year
Each year of service after ten years of service	the percent specified in section 356.315, subdivision 2b, per year	the percent specified in section 356.315, subdivision 4, per year

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). For a basic member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified by section 356.315, subdivision 4, for each year of service for a basic member shall determine the amount of the retirement annuity to which the basic member is entitled. The annuity of a basic member who was a member of the former Minneapolis Teachers Retirement Fund Association as of June 30, 2006, must be determined according to the annuity formula under the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association in effect as of that date. For a coordinated member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified in section 356.315, subdivision 2, for each year of service rendered before July 1, 2006, and by the percent specified in section 356.315, subdivision 2b, for each year of service rendered on or after July 1, 2006, determines the amount of the retirement annuity to which the coordinated member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee after June 30, 2006. Except in regards to section 354.46, this paragraph remains in effect until June 30, 2015.

(f) After June 30, 2020, this paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age is entitled to receive the normal annuity provided in paragraph (d). For a person who is at least age 62 or older and has at least 30 years of service, the annuity must be reduced by an early reduction factor of six percent per year of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee became an employee after June 30, 2006. For a person who is not at least age 62 or older and does not have at least 30 years of service, the annuity would be reduced by an early reduction factor of four percent per year for ages 55 through 59 and seven percent per year of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee became an employee after June 30, 2006.

(g) After June 30, 2015, and before July 1, 2020, for a person who would have a reduced retirement annuity under either paragraph (e) or (f) if they were applicable, the employee is entitled to receive a reduced annuity which must be calculated using a blended reduction factor augmented monthly by 1/60 of the difference between the reduction required under paragraph (e) and the reduction required under paragraph (f).

(f) (h) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

EFFECTIVE DATE. This section is effective July 1, 2013.

ARTICLE 13

FIRST CLASS CITY TEACHER RETIREMENT INCREASES AND FINANCIAL SOLVENCY MEASURES

Section 1. [354.436] DIRECT STATE AID ON BEHALF OF THE FORMER MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.

Subdivision 1. Aid authorization. The state shall pay \$12,954,000 to the Teachers Retirement Association on behalf of the former Minneapolis Teachers Retirement Fund Association.

Subd. 2. Aid appropriation. The commissioner of management and budget shall pay the aid annually on October 1. The amount required is appropriated annually from the general fund to the commissioner of management and budget.

Subd. 3. Aid expiration. The aid specified in this section terminates and this section expires when the current assets of the Teachers Retirement Association fund equal or exceed the actuarial accrued liabilities of the fund as determined in the most recent actuarial valuation report for the Teachers Retirement Association fund by the actuary retained under section 356.214, or on the established date for full funding under section 356.215, subdivision 11, whichever occurs earlier.

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

Sec. 2. Minnesota Statutes 2012, section 354A.011, subdivision 21, is amended to read:

Subd. 21. **Retirement.** (a) "Retirement" means the time after the date of cessation of active teaching service by a teacher who is ~~thereafter~~ then entitled to an accrued retirement annuity ~~commencing~~ beginning as designated by the board of trustees and payable ~~pursuant to an~~ upon ~~filing a valid application for an annuity filed~~ with the board. The applicable provisions of law, articles of incorporation and bylaws in effect on the date of cessation of active teaching service thereafter determine the rights of the person.

(b) For members of the St. Paul Teachers Retirement Fund Association, a right to a retirement annuity requires a complete and continuous separation for 90 days from employment in any form with Independent School District No. 625, including service provided to the school district as an independent contractor or as an employee of an independent contractor.

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

Sec. 3. Minnesota Statutes 2012, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) The contribution required to be paid by each member of a teachers retirement fund association is the percentage of total salary specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth Teachers Retirement Fund Association	
old law and new law	
coordinated programs	
before July 1, 2011 <u>2013</u>	5- 5 <u>6.5</u> percent

effective July 1, 2011 <u>2013</u>	6.0 <u>7.0</u> percent
effective July 1, 2012 <u>2014</u>	6.5 <u>7.5</u> percent
St. Paul Teachers Retirement Fund Association	
basic program before July 1, 2011	8 percent
basic program after June 30, 2011	8.25 percent
basic program after June 30, 2012	8.5 percent
basic program after June 30, 2013	8.75 percent
basic program after June 30, 2014	9.0 percent
<u>basic program after June 30, 2015</u>	<u>9.5</u> percent
<u>basic program after June 30, 2016</u>	<u>10.0</u> percent
coordinated program before July 1, 2011	5.5 percent
coordinated program after June 30, 2011	5.75 percent
coordinated program after June 30, 2012	6.0 percent
coordinated program after June 30, 2013	6.25 percent
coordinated program after June 30, 2014	6.50 percent
<u>coordinated program after June 30, 2015</u>	<u>7.0</u> percent
<u>coordinated program after June 30, 2016</u>	<u>7.50</u> percent

(b) Contributions shall be made by deduction from salary and must be remitted directly to the respective teachers retirement fund association at least once each month.

(c) When an employee contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

EFFECTIVE DATE. This section is effective with respect to the Duluth Teachers Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul Teachers Retirement Fund Association on the day following final enactment.

Sec. 4. Minnesota Statutes 2012, section 354A.12, subdivision 2a, is amended to read:

Subd. 2a. **Employer regular and additional contributions.** (a) The employing units shall make the following employer contributions to teachers retirement fund associations:

(1) for any coordinated member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a regular employer contribution to the respective retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

Duluth Teachers Retirement Fund Association

before July 1, 2011 <u>2013</u>	5.79 <u>6.79</u> percent
effective July 1, 2011 <u>2013</u>	6.29 <u>7.29</u> percent
effective July 1, 2012 <u>2014</u>	6.79 <u>7.50</u> percent

St. Paul Teachers Retirement Fund Association

before July 1, 2011	4.50 percent
after June 30, 2011	4.75 percent
after June 30, 2012	5.0 percent
after June 30, 2013	5.25 percent
after June 30, 2014	5.5 percent
<u>after June 30, 2015</u>	<u>6.0 percent</u>
<u>after June 30, 2016</u>	<u>6.25 percent</u>
<u>after June 30, 2017</u>	<u>6.5 percent</u>

(2) for any basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount according to the schedule below:

before July 1, 2011	8.0 percent of salary
after June 30, 2011	8.25 percent of salary
after June 30, 2012	8.5 percent of salary
after June 30, 2013	8.75 percent of salary
after June 30, 2014	9.0 percent of salary
<u>after June 30, 2015</u>	<u>9.5 percent of salary</u>
<u>after June 30, 2016</u>	<u>9.75 percent of salary</u>
<u>after June 30, 2017</u>	<u>10.0 percent of salary</u>

(3) for a basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.64 percent of the salary of the basic member;

(4) for a coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to the applicable percentage of the coordinated member's salary, as provided below:

St. Paul Teachers Retirement Fund Association	3.84 percent
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(b) The regular and additional employer contributions must be remitted directly to the respective teachers retirement fund association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

(d) When an employer contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

EFFECTIVE DATE. This section is effective with respect to the Duluth Teachers Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul Teachers Retirement Fund Association on the day following final enactment.

Sec. 5. Minnesota Statutes 2012, section 354A.12, is amended by adding a subdivision to read:

Subd. 2c. Duluth Teachers Retirement Fund Association; employer contributions for reemployed annuitants. The school district shall make the regular employer contributions and additional employer contributions specified in subdivision 2a on behalf of any retired member of the Duluth Teachers Retirement Fund Association who is reemployed by Independent School District No. 709, including providing service to the school district as an independent contractor or as an employee of an independent contractor.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 354A.12, is amended by adding a subdivision to read:

Subd. 2d. St. Paul Teachers Retirement Fund Association; employer contributions for reemployed annuitants. Independent School District No. 625 shall make the regular employer contribution and additional employer contribution specified in subdivision 2a, plus a supplemental contribution equal to 2.5 percent of salary, on behalf of any retired member of the St. Paul Teachers Retirement Fund Association who is reemployed by Independent School District No. 625, including providing service to the school district as an independent contractor or as an employee of an independent contractor.

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

Sec. 7. Minnesota Statutes 2012, section 354A.12, subdivision 3a, is amended to read:

Subd. 3a. Special direct state aid to first class city teachers retirement fund associations.
(a) The state shall pay \$346,000 as special direct state aid to the Duluth Teachers Retirement Fund Association; and \$2,827,000 to the St. Paul Teachers Retirement Fund Association and, for the former Minneapolis Teachers Retirement Fund Association, \$12,954,000 to the Teachers Retirement Association.

(b) The direct state aids under this subdivision are payable October 1 annually. The commissioner of management and budget shall pay the direct state aid aids specified in this subdivision. The amount amounts required under this subdivision is are appropriated annually from the general fund to the commissioner of management and budget.

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

Sec. 8. Minnesota Statutes 2012, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. Termination of supplemental contributions and direct matching and state aid.
(a) The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct and all forms of state aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until June 30, 2037, whichever occurs earlier.

(b) The aid to the Duluth Teachers Retirement Fund Association under section 423A.02, subdivision 3, and all forms of state aid under subdivision 3a to the Duluth Teachers Retirement Fund Association must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until the established date for full funding under section 356.215, subdivision 11, whichever occurs earlier.

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

Sec. 9. Minnesota Statutes 2012, section 354A.12, subdivision 7, is amended to read:

Subd. 7. Recovery of benefit overpayments. (a) If the executive director discovers, within the time period specified in subdivision 8 following the payment of a refund or the accrual date of any retirement annuity, survivor benefit, or disability benefit, that benefit overpayment has occurred due to using invalid service or salary, or due to any erroneous calculation procedure, the executive director must recalculate the annuity or benefit payable and recover any overpayment. The executive director shall recover the overpayment by requiring direct repayment or by suspending or reducing the payment of a retirement annuity or other benefit payable under this chapter to the applicable person or the person's estate, whichever applies, until all outstanding amounts have been recovered. If a benefit overpayment or improper payment of benefits occurred caused by a failure of the person to satisfy length of separation requirements for retirement under section 354A.011, subdivision 21, the executive director shall recover the improper payments by requiring direct repayment. The repayment must include interest at the rate of 0.71 percent per month from the first of the month in which a monthly benefit amount was paid to the first of the month in which the amount is repaid, with annual compounding.

(b) In the event the executive director determines that an overpaid annuity or benefit that is the result of invalid salary included in the average salary used to calculate the payment amount must be recovered, the executive director must determine the amount of the employee deductions taken in error on the invalid salary, with interest as determined under 354A.37, subdivision 3, and must subtract that amount from the total annuity or benefit overpayment, and the remaining balance of the overpaid annuity or benefit, if any, must be recovered.

(c) If the invalid employee deductions plus interest exceed the amount of the overpaid benefits, the balance must be refunded to the person to whom the benefit or annuity is being paid.

(d) Any invalid employer contributions reported on the invalid salary must be credited against future contributions payable by the employer.

(e) If a member or former member, who is receiving a retirement annuity or disability benefit for which an overpayment is being recovered, dies before recovery of the overpayment is completed and an optional annuity or refund is payable, the remaining balance of the overpaid annuity or benefit must continue to be recovered from the payment to the optional annuity beneficiary or refund recipient.

(f) The board of trustees shall adopt policies directing the period of time and manner for the collection of any overpaid retirement or optional annuity, and survivor or disability benefit, or a refund that the executive director determines must be recovered as provided under this section.

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

Sec. 10. Minnesota Statutes 2012, section 354A.27, is amended by adding a subdivision to read:

Subd. 6a. Postretirement adjustment transition. (a) If the funded ratio of the retirement plan based on the actuarial value of assets is at least 90 percent as reported in the most recent actuarial valuation prepared under sections 356.214 and 356.215, this subdivision expires and subsequent postretirement adjustments are governed by subdivision 7.

(b) Each annuity or benefit recipient of the retirement plan who has been receiving that annuity or benefit for at least 12 months as of the applicable January 1 is eligible to receive a postretirement adjustment of one percent, payable on January 1.

EFFECTIVE DATE. This section is effective July 1, 2013, and applies to the January 1, 2014, postretirement increase.

Sec. 11. Minnesota Statutes 2012, section 354A.27, subdivision 7, is amended to read:

Subd. 7. Calculation of postretirement adjustments. (a) This subdivision applies if subdivision 6 6a has expired.

(b) A percentage adjustment must be computed and paid under this subdivision to eligible persons under subdivision 5. This adjustment is determined by reference to the Consumer Price Index for urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual cost-of-living adjustments to recipients of federal old-age, survivors, and disability insurance. For calculations of cost-of-living adjustments under paragraph (c), the term "average third quarter Consumer Price Index value" means the sum of the monthly index values as initially reported by the Bureau of Labor Statistics for the months of July, August, and September, divided by 3.

(c) Before January 1 of each year, the executive director must calculate the amount of the cost-of-living adjustment by dividing the most recent average third quarter index value by the same average third quarter index value from the previous year, subtract one from the resulting quotient, and express the result as a percentage amount, which must be rounded to the nearest one-tenth of one percent.

(d) The amount calculated under paragraph (c) is the full cost-of-living adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred during the calendar year before the cost-of-living adjustment is applied, the full increase amount must be prorated on the basis of whole calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the cost-of-living adjustment is applied, calculated to the third decimal place.

(e) The adjustment must not be less than zero nor greater than five percent.

(f) If the funding ratio of the plan as determined in the most recent actuarial valuation using the actuarial value of assets is less than 80 percent there will be no postretirement adjustment the following January 1.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 12. Minnesota Statutes 2012, section 354A.31, subdivision 3, is amended to read:

Subd. 3. **Resumption of teaching after commencement of a retirement annuity.** (a) Any person who retired and is receiving a coordinated program retirement annuity under the provisions of sections 354A.31 to 354A.41 or any person receiving a basic program retirement annuity under the governing sections in the articles of incorporation or bylaws and who has resumed teaching service for the school district in which the teachers retirement fund association exists is entitled to continue to receive retirement annuity payments, except that all or a portion of the annuity payments must be deferred during the calendar year immediately following the calendar year in which the person's salary from the teaching service is in an amount greater than \$46,000. The amount of the annuity deferral is one-third the salary amount in excess of \$46,000 and must be deducted from the annuity payable for the calendar year immediately following the calendar year in which the excess amount was earned.

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

(c) After a person has reached the Social Security normal retirement age, no deferral requirement is applicable regardless of the amount of any compensation received for teaching service for the school district in which the teachers retirement fund association exists.

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

(e) Notwithstanding other paragraphs of this subdivision, for any retired Duluth Teachers Retirement Fund Association member whose effective date of retirement is after June 30, 2013, amounts specified as deferred under this subdivision must instead be forfeited to the Duluth Teachers Retirement Fund Association fund.

(f) Notwithstanding other paragraphs of this subdivision, for any retired St. Paul Teachers Retirement Fund Association basic or coordinated program member whose effective date of retirement is after June 30, 2013, amounts specified as deferred under this subdivision must instead be forfeited to the St. Paul Teachers Retirement Fund Association fund.

(g) For the purpose of this subdivision, salary from teaching service includes: (i) all income for services performed as a consultant or independent contractor; or income resulting from working with the school district in any capacity; and (ii) the greater of either the income received or an amount based on the rate paid with respect to an administrative position, consultant, or independent contractor in the school district in which the teachers retirement fund association exists and at the same level as the position occupied by the person who resumes teaching service.

(h) On or before February 15 of each year, each applicable employing unit shall report to the teachers retirement fund association the amount of postretirement salary as defined in this subdivision, earned as a teacher, consultant, or independent contractor during the previous calendar year by each retiree of the teachers retirement fund association for teaching service performed after retirement. The report must be in a format approved by the executive secretary or director.

EFFECTIVE DATE. This section is effective with respect to the Duluth Teachers Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul Teachers Retirement Fund Association the day following final enactment.

Sec. 13. Minnesota Statutes 2012, section 354A.31, subdivision 4, is amended to read:

Subd. 4. **Computation of normal coordinated retirement annuity; St. Paul fund.** (a) This subdivision applies to the coordinated program of the St. Paul Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) will apply. For service rendered before July 1, 2015, the retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1, per year for each year of coordinated service for the first ten years and the percent specified in section 356.315, subdivision 2, for each year of coordinated service thereafter. For service rendered after June 30, 2015, the retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1a, per year for each year of coordinated service for the first ten years and the percent specified in section 356.315, subdivision 2b, for each year of coordinated service thereafter.

(d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 2, for each year of coordinated service rendered before July 1, 2015, and the percent specified in section 356.215, subdivision 2b, for each year of coordinated service thereafter.

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

Sec. 14. Minnesota Statutes 2012, section 354A.31, subdivision 4a, is amended to read:

Subd. 4a. **Computation of normal coordinated retirement annuity; Duluth fund.** (a) This subdivision applies to the new law coordinated program of the Duluth Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1, per year for each year of coordinated program service for the first ten years rendered through June 30, 2013, and the percent specified in section 356.315, subdivision 1a, per year for each year of coordinated program service rendered after June 30, 2013, and the percent specified in section 356.315, subdivision 2, for each subsequent year of coordinated program service through June 30, 2013, and the percent specified in section

356.315, subdivision 2b, per year for each year of coordinated program service rendered after June 30, 2013.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 2, for each year of coordinated program service through June 30, 2013, and the percent specified in section 356.315, subdivision 2b, per year for each year of coordinated program service rendered after June 30, 2013.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 15. Minnesota Statutes 2012, section 354A.31, subdivision 7, is amended to read:

Subd. 7. **Actuarial Reduction for early retirement.** (a) This subdivision applies to a person who has become at least 55 years old and first becomes a coordinated member after June 30, 1989, and to any other coordinated member who has become at least 55 years old and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), ~~and~~ or subdivision 4a, paragraph (d), as applicable, in conjunction with this subdivision than when calculated under subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6.

(b) A coordinated member who retires before the ~~full benefit normal retirement age~~ shall be paid the retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), ~~reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the person initially becomes a teacher after June 30, 2006; whichever is applicable, multiplied by the applicable early retirement factor specified below:~~

<u>Normal retirement age:</u>	<u>Under age 62</u>		<u>Age 62 or older</u>	
	<u>or less than 30 years of service</u>		<u>with 30 years of service</u>	
	<u>65</u>	<u>66</u>	<u>65</u>	<u>66</u>
<u>Age at retirement</u>				
<u>55</u>	<u>0.5376</u>	<u>0.4592</u>		
<u>56</u>	<u>0.5745</u>	<u>0.4992</u>		
<u>57</u>	<u>0.6092</u>	<u>0.5370</u>		
<u>58</u>	<u>0.6419</u>	<u>0.5726</u>		
<u>59</u>	<u>0.6726</u>	<u>0.6062</u>		
<u>60</u>	<u>0.7354</u>	<u>0.6726</u>		

<u>61</u>	<u>0.7947</u>	<u>0.7354</u>		
<u>62</u>	<u>0.8507</u>	<u>0.7947</u>	<u>0.8831</u>	<u>0.8389</u>
<u>63</u>	<u>0.9035</u>	<u>0.8507</u>	<u>0.9246</u>	<u>0.8831</u>
<u>64</u>	<u>0.9533</u>	<u>0.9035</u>	<u>0.9635</u>	<u>0.9246</u>
<u>65</u>	<u>1.0000</u>	<u>0.9533</u>	<u>1.0000</u>	<u>0.9635</u>
<u>66</u>		<u>1.0000</u>		<u>1.0000</u>

For normal retirement ages between ages 65 and 66, the early retirement factors will be determined by linear interpolation between the early retirement factors applicable for normal retirement ages 65 and 66.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 16. Minnesota Statutes 2012, section 354A.35, subdivision 2, is amended to read:

Subd. 2. **Death while eligible to retire; surviving spouse optional annuity.** (a) The surviving spouse of a vested coordinated member who dies prior to retirement may elect to receive, instead of a refund with interest under subdivision 1, an annuity equal to the 100 percent joint and survivor annuity the member could have qualified for had the member terminated service on the date of death. The surviving spouse eligible for a surviving spouse benefit under this paragraph may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. A surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity at any time after the member's death. The member's surviving spouse shall be paid a joint and survivor annuity under section 354A.32 and computed under section 354A.31.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If a vested member of the Duluth Teachers Retirement Fund Association was under age 55 on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the early retirement reduction from age 55 to the date payment begins.

(d) If a vested member of the St. Paul Teachers Retirement Fund Association was under age 55 on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the actuarial equivalent reduction from age 55 to the date payment begins. The actuarial equivalent reduction is calculated so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity and the annuity amount were augmented at an annual rate of 2.5

percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

(d) (e) Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity or surviving spouse benefit payable under this section. The benefits are payable for the life of the surviving spouse, or upon expiration of the term certain benefit payment under subdivision 2b.

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

Sec. 17. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the applicable following preretirement interest assumption and the applicable following postretirement interest assumption:

(1) select and ultimate interest rate assumption

plan	ultimate preretirement interest rate assumption	ultimate postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
elective state officers retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5

Except for the legislators retirement plan and the elective state officers retirement plan, the select preretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 8.0 percent. Except for the legislators retirement plan and the elective state officers retirement plan, the select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 5.5 percent, except for the Duluth teachers retirement plan and the St. Paul teachers

retirement plan, each with a select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, of 8.0 percent.

(2) single rate preretirement and postretirement interest rate assumption

plan	interest rate assumption
Bloomington Fire Department Relief Association	6.0
local monthly benefit volunteer firefighters relief associations	5.0

(b) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
judges retirement plan	3.0
Bloomington Fire Department Relief Association	4.0

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
local government correctional service retirement plan	assumption C
Duluth teachers retirement plan	assumption A
St. Paul teachers retirement plan	assumption B

For plans other than the Duluth teachers retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for all retirement plans covered by this clause the Duluth Teachers Retirement Fund Association and for the local government correctional service retirement plan and 15 for the St. Paul Teachers Retirement Fund Association. The designated percentage rate is ~~0.3~~ 0.2 percent for the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

age	A	B	C
16	8.00% <u>6.00%</u>	6.90% <u>5.90%</u>	9.00%

59TH DAY]

FRIDAY, MAY 17, 2013

4175

17	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
18	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
19	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
20	6.90 <u>6.00</u>	6.90 <u>5.90</u>	9.00
21	6.90 <u>6.00</u>	6.90 <u>5.90</u>	8.75
22	6.90 <u>6.00</u>	6.90 <u>5.90</u>	8.50
23	6.85 <u>6.00</u>	6.85 <u>5.85</u>	8.25
24	6.80 <u>6.00</u>	6.80 <u>5.80</u>	8.00
25	6.75 <u>6.00</u>	6.75 <u>5.75</u>	7.75
26	6.70 <u>6.00</u>	6.70 <u>5.70</u>	7.50
27	6.65 <u>6.00</u>	6.65 <u>5.65</u>	7.25
28	6.60 <u>6.00</u>	6.60 <u>5.60</u>	7.00
29	6.55 <u>6.00</u>	6.55 <u>5.55</u>	6.75
30	6.50 <u>6.00</u>	6.50 <u>5.50</u>	6.75
31	6.45 <u>6.00</u>	6.45 <u>5.45</u>	6.50
32	6.40 <u>6.00</u>	6.40 <u>5.40</u>	6.50
33	6.35 <u>6.00</u>	6.35 <u>5.35</u>	6.50
34	6.30 <u>6.00</u>	6.30 <u>5.30</u>	6.25
35	6.25 <u>6.00</u>	6.25 <u>5.25</u>	6.25
36	6.20 <u>5.86</u>	6.20 <u>5.20</u>	6.00
37	6.15 <u>5.73</u>	6.15 <u>5.15</u>	6.00
38	6.10 <u>5.59</u>	6.10 <u>5.10</u>	6.00
39	6.05 <u>5.45</u>	6.05 <u>5.05</u>	5.75
40	6.00 <u>5.31</u>	6.00 <u>5.00</u>	5.75
41	5.90 <u>5.18</u>	5.95 <u>4.95</u>	5.75
42	5.80 <u>5.04</u>	5.90 <u>4.90</u>	5.50
43	5.70 <u>4.90</u>	5.85 <u>4.85</u>	5.25
44	5.60 <u>4.76</u>	5.80 <u>4.80</u>	5.25
45	5.50 <u>4.63</u>	5.75 <u>4.75</u>	5.00
46	5.40 <u>4.49</u>	5.70 <u>4.70</u>	5.00
47	5.30 <u>4.35</u>	5.65 <u>4.65</u>	5.00
48	5.20 <u>4.21</u>	5.60 <u>4.60</u>	5.00
49	5.10 <u>4.08</u>	5.55 <u>4.55</u>	5.00
50	5.00 <u>3.94</u>	5.50 <u>4.50</u>	5.00

59TH DAY]

FRIDAY, MAY 17, 2013

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3	6.90	7.46	8.00	9.00	7.00	5.70
4	6.20	6.58	7.50	8.00	6.75	5.55
5	5.70	5.97	7.25	6.50	6.50	5.40
6	5.30	5.52	7.00	6.10	6.25	5.25
7	5.00	5.16	6.85	5.80	6.00	5.10
8	4.70	4.87	6.70	5.60	5.85	4.95
9	4.50	4.63	6.55	5.40	5.70	4.80
10	4.40	4.42	6.40	5.30	5.55	4.65
11	4.20	4.24	6.25	5.20	5.40	4.55
12	4.10	4.08	6.00	5.10	5.25	4.45
13	4.00	3.94	5.75	5.00	5.10	4.35
14	3.80	3.82	5.50	4.90	4.95	4.25
15	3.70	3.70	5.25	4.80	4.80	4.15
16	3.60	3.60	5.00	4.80	4.65	4.05
17	3.50	3.51	4.75	4.80	4.50	3.95
18	3.50	3.50	4.50	4.80	4.35	3.85
19	3.50	3.50	4.25	4.80	4.20	3.75
20	3.50	3.50	4.00	4.80	4.05	3.75
21	3.50	3.50	3.90	4.70	4.00	3.75
22	3.50	3.50	3.80	4.60	4.00	3.75
23	3.50	3.50	3.70	4.50	4.00	3.75
24	3.50	3.50	3.60	4.50	4.00	3.75
25	3.50	3.50	3.50	4.50	4.00	3.75
26	3.50	3.50	3.50	4.50	4.00	3.75
27	3.50	3.50	3.50	4.50	4.00	3.75
28	3.50	3.50	3.50	4.50	4.00	3.75
29	3.50	3.50	3.50	4.50	4.00	3.75
30 or more	3.50	3.50	3.50	4.50	4.00	3.75

(c) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan of the Minnesota State Retirement System	3.75%

correctional state employees retirement plan	3.75
State Patrol retirement plan	3.75
judges retirement plan	3.00
general employees retirement plan of the Public Employees Retirement Association	3.75
public employees police and fire retirement plan	3.75
local government correctional service retirement plan	3.75
teachers retirement plan	3.75
Duluth teachers retirement plan	4.50 <u>3.50</u>
St. Paul teachers retirement plan	5.00 <u>4.00</u>

(d) The assumptions set forth in paragraphs (b) and (c) continue to apply, unless a different salary assumption or a different payroll increase assumption:

(1) has been proposed by the governing board of the applicable retirement plan;

(2) is accompanied by the concurring recommendation of the actuary retained under section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most recent actuarial valuation report if section 356.214 does not apply; and

(3) has been approved or deemed approved under subdivision 18.

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

Sec. 18. Minnesota Statutes 2012, section 356.47, subdivision 1, is amended to read:

Subdivision 1. **Application.** (a) This section applies to the balance of annual retirement annuities on the amount of retirement annuity reductions after reemployed annuitant earnings limitations for retirement plans governed by section 352.115, subdivision 10; 353.37; 354.44, subdivision 5; or 354A.31, subdivision 3.

(b) This section also applies to the balance of annual retirement annuities on the amount of retirement annuity reductions under section 354A.31, subdivision 3, for members of the Duluth Teachers Retirement Fund Association whose effective date of retirement is before July 1, 2013.

(c) This section also applies to the balance of annual retirement annuities on the amount of retirement annuity reductions under section 354A.31, subdivision 3, for members of the St. Paul Teachers Retirement Fund Association whose effective date of retirement is before July 1, 2013.

EFFECTIVE DATE. This section is effective with respect to the Duluth Teachers Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul Teachers Retirement Fund Association the day following final enactment.

Sec. 19. Minnesota Statutes 2012, section 423A.02, subdivision 5, is amended to read:

Subd. 5. **Termination of state aid programs.** The amortization state aid, ~~supplemental amortization state aid~~, and additional amortization state aid programs terminate as of the December 31, next following the date of the actuarial valuation when the assets of the St. Paul Teachers Retirement Fund Association equal the actuarial accrued liability of that plan or ~~December 31,~~

2009 when the assets of the Duluth Teachers Retirement Fund Association equal the actuarial accrued liability of that plan, whichever is later.

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

Sec. 20. DULUTH TEACHERS RETIREMENT FUND ASSOCIATION BYLAW AMENDMENT AUTHORIZATION.

Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the Duluth Teachers Retirement Fund Association is authorized to amend its articles of incorporation or its bylaws to specify the revised contribution rates under sections 3 and 4, required employee contributions on behalf of reemployed annuitants as specified under section 5, and revised treatment of reemployed annuitant holding accounts under sections 12 and 18.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 21. ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION BYLAW AMENDMENT AUTHORIZATION.

Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the St. Paul Teachers Retirement Fund Association is authorized to amend its articles of incorporation or its bylaws to apply the reduction factors stated in section 15 rather than the actuarial reduction factors previously authorized.

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

Sec. 22. CONSOLIDATION STUDY.

The boards and executive directors of the Duluth Teachers Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, and the Teachers Retirement Association shall jointly study and develop a report on the feasibility and requirements necessary for the consolidation of the Duluth Teachers Retirement Fund Association and the St. Paul Teachers Retirement Fund Association into the Teachers Retirement Association. The report shall include detailed actuarial analysis that will define the financial requirements for consolidating with the Teachers Retirement Association in a manner, consistent with past practice, that assures that the assets of the Teachers Retirement Association are protected, that the merging funds are fully funded, and that the Teachers Retirement Association is not subsidizing the merged funds. The report shall include implementation plans, proposed allocation of costs between the state and all interested parties, time frames sufficient for an orderly transition, necessary management and administrative changes, asset investment related considerations, and education and communication plans to fully inform the executive branch, the legislative branch, and all system stakeholders of financial requirements. The report shall include plans to treat the employees of the Duluth Teachers Retirement Fund Association and the St. Paul Teachers Retirement Fund Association in a manner comparable to that provided to the former employees of the former Minneapolis Teachers Retirement Fund Association upon consolidation into the Teachers Retirement Fund Association. The boards and executive directors shall consult with the executive director of the State Board of Investment on investment management transition issues. The report must be submitted to the Legislative Commission on Pensions and Retirement by January 6, 2014.

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

Sec. 23. **FY2014-2015 BIENNIUM DTRFA AND SPTRFA ADDITIONAL DIRECT STATE AID.**

On October 1, 2013, and on October 1, 2014, the commissioner of management and budget shall pay \$6,000,000 to the Duluth Teachers Retirement Fund Association and \$7,000,000 to the St. Paul Teachers Retirement Fund Association. The required amounts are appropriated annually from the general fund to the commissioner of management and budget.

EFFECTIVE DATE. This section is effective July 1, 2013, and expires the day following the day on which the July 1, 2014-June 30, 2015, payments are made.

Sec. 24. **REPEALER.**

Minnesota Statutes 2012, section 354A.27, subdivision 6, is repealed.

ARTICLE 14

JUDGES RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES

Section 1. Minnesota Statutes 2012, section 356.315, is amended by adding a subdivision to read:

Subd. 8a. **Judges plan.** The applicable benefit accrual rate is 2.5 percent.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 2. Minnesota Statutes 2012, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as otherwise provided in subdivision 1a, 1b, 1c, 1d, or 1e, or 1f, retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months prior to the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective on January 1 following the calendar year in which the person has been retired for less than 12 months.

(b) The increases provided by this subdivision commence on January 1, 2010.

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

(d) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in section 353.29, subdivision 6, must be treated as the sum of a period certain retirement annuity and a life retirement

annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 356.415, is amended by adding a subdivision to read:

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

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

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

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

(c) Increases under this subdivision terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the judges retirement plan equals or exceeds 70 percent of the actuarial accrued liability of the retirement plan. Increases under subdivision 1 or 1a, whichever is applicable, begin on the January 1 next following that date.

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

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 490.121, subdivision 21f, is amended to read:

Subd. 21f. **Normal retirement date.** (a) For a judge in the tier I program, "normal retirement date" means the date a the judge attains the age of 65.

(b) For a judge in the tier II program, normal retirement date means the date the judge attains age 66.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 490.121, subdivision 22, is amended to read:

Subd. 22. **Service credit limit.** "Service credit limit" means, for a judge covered by tier I, the greater of: (1) 24 years of allowable service under this chapter; or (2), for judges a judge with allowable service rendered before July 1, 1980, the number of years of allowable service under chapter 490, which, when multiplied by the percentage listed in section 356.315, subdivision 7 or 8, whichever is applicable to each year of service, equals 76.8. For a judge covered by tier II, there is no service credit limit.

EFFECTIVE DATE. This section is effective July 1, 2013.

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

Subd. 25. **Tier I.** "Tier I" is the benefit program of the retirement plan with a membership specified by section 490.1221, paragraph (b), and governed by sections 356.315, subdivisions 7 and 8; 356.415, subdivisions 1 and 1f; and 490.121 to 490.133, except as modified in sections 356.315, subdivision 8a; 490.121, subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and 490.124, subdivision 1, paragraphs (c) and (d).

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 490.121, is amended by adding a subdivision to read:

Subd. 26. **Tier II.** "Tier II" is the benefit program of the retirement plan with a membership specified by section 490.1221, paragraph (c), and governed by sections 356.315, subdivision 8a; 356.415, subdivisions 1 and 1f; 490.121 to 490.133, as modified in section 490.121, subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and 490.124, subdivision 1, paragraphs (c) and (d).

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 8. **[490.1221] JUDGES PLAN PROGRAMS.**

(a) Members of the judges retirement plan are members of either the tier I or tier II program.

(b) A tier I program judge is a person who was first appointed or elected as a judge before July 1, 2013, who was not eligible for the tier II program because the judge had five or more years of allowable service on or before December 30, 2013, or did not elect that program.

(c) A tier II program judge is a person who:

(1) was first appointed or elected as a judge after June 30, 2013; or

(2) was first appointed or elected as a judge before July 1, 2013, had less than five years of allowable service on or before December 30, 2013, and made an election under section 14 to be in the tier II program.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 9. **[490.1222] APPLICATION OF SERVICE CREDIT LIMIT.**

The service credit limit specified in section 490.121, subdivision 22, does not apply to a judge in the tier II program.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 10. Minnesota Statutes 2012, section 490.123, subdivision 1a, is amended to read:

Subd. 1a. **Member contribution rates.** (a) A judge ~~who is covered by the federal Old Age, Survivors, Disability, and Health Insurance Program and~~ in the tier I program whose service does not exceed the service credit limit in section 490.121, subdivision 22, shall contribute to the fund from each salary payment a sum equal to ~~8.00~~ 9.00 percent of salary.

(b) A judge in the tier II program shall contribute to the fund from each salary payment a sum equal to 7.00 percent of salary.

~~(b) The contribution~~ (c) Contributions under this subdivision ~~is~~ are payable by salary deduction. The deduction must be made by the state court administrator under section 352.04, subdivisions 4, 5, and 8.

EFFECTIVE DATE. This section is effective beginning on the first day of the first full payroll period following an increase in judicial salaries of at least one percent due to action by the legislature during calendar year 2013 or later.

Sec. 11. Minnesota Statutes 2012, section 490.123, subdivision 1b, is amended to read:

Subd. 1b. **Employer contribution rate.** (a) The employer contribution rate to the fund on behalf of a judge is ~~20.5~~ 22.5 percent of salary. The employer obligation continues after a judge exceeds the service credit limit in section 490.121, subdivision 22.

(b) The employer contribution must be paid by the state court administrator. The employer contribution is payable at the same time as member contributions are made under subdivision 1a or as employee contributions are made to the unclassified program governed by chapter 352D for judges whose service exceeds the limit in section 490.121, subdivision 22, are remitted.

EFFECTIVE DATE. This section is effective the first day of the first full payroll period after June 30, 2013.

Sec. 12. Minnesota Statutes 2012, section 490.124, subdivision 1, is amended to read:

Subdivision 1. **Basic Retirement annuity.** (a) Except as qualified hereinafter from and after the mandatory retirement date, the normal retirement date, the early retirement date, or one year from the disability retirement date, as the case may be, a retiring judge is eligible to receive a retirement annuity from the judges' retirement fund.

(b) For a tier I program judge, the retirement annuity is an amount equal to:

(1) the percent specified in section 356.315, subdivision 7, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered before July 1, 1980; plus

(2) the percent specified in section 356.315, subdivision 8, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered after June 30, 1980.

(c) For a tier II program judge who was first appointed or elected as a judge before July 1, 2013, the retirement annuity is an amount equal to:

(1) the percent specified in section 356.315, subdivision 8, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered before January 1, 2014; plus

(2) the percentage specified in section 356.315, subdivision 8a, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered after December 31, 2013.

(d) For a tier II program judge who was first appointed or elected as a judge after June 30, 2013, the retirement annuity is an amount equal to the percent specified in section 356.315, subdivision 8a, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service.

(e) (e) For a judge in the tier I program, service that exceeds the service credit limit in section 490.121, subdivision 22, must be excluded in calculating the retirement annuity, but the compensation earned by the judge during this period of judicial service must be used in determining a judge's final average compensation and calculating the retirement annuity.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 13. MEMBER CONTRIBUTION INCREASE CONDITION.

Any increase in judicial salaries enacted by the legislature during calendar year 2013 or later is not applicable to a judge in the tier I program if the member contribution rate applicable to that judge in the tier I program under Minnesota Statutes, section 490.123, subdivision 1a, is not deducted from the salary of the judge.

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

Sec. 14. TIER II PROGRAM ELECTION; PRE-JULY 1, 2013, JUDGES.

Subdivision 1. **Authority.** A person who was first appointed or elected as a judge covered by the Minnesota State Retirement System judges retirement plan before July 1, 2013, is eligible to elect treatment as a tier II program judge if the judge has less than five years of allowable service on the date the judge makes a valid election under subdivision 2.

Subd. 2. **Election procedure.** An eligible judge under subdivision 1 may elect to be subject to the provisions of Minnesota Statutes, chapter 490, applicable to a tier II program judge rather than the tier I program by electing that treatment in writing before January 1, 2014, on a form provided by the executive director of the Minnesota State Retirement System.

Subd. 3. **Effect of election.** (a) The election is irrevocable.

(b) An eligible judge who fails to make an election remains in the tier I program.

(c) If the tier II program is elected by an eligible judge, member contributions based on revised member contribution rates under Minnesota Statutes, section 490.123, subdivision 1a, begin on the first day of the first full pay period occurring after January 1, 2014.

EFFECTIVE DATE. This section is effective July 1, 2013.

ARTICLE 15**MISCELLANEOUS PROVISIONS**

Section 1. Minnesota Statutes 2012, section 356.91, is amended to read:

356.91 VOLUNTARY MEMBERSHIP DUES DEDUCTION.

(a) Upon written authorization of a person receiving an annuity from a public pension fund administered by the Minnesota State Retirement System or the Public Employees Retirement Association, the executive director of the public pension fund ~~may~~ shall deduct from the retirement annuity an amount requested by the annuitant to be paid as membership dues or other payments to any labor organization that is an exclusive bargaining agent representing public employees or an organization representing retired public employees of which the annuitant is a member and shall, on a monthly basis, pay the amount to the organization so designated by the annuitant.

(b) A pension fund and the plan fiduciaries which authorize or administer deductions of dues payments under paragraph (a) are not liable for failure to properly deduct or transmit the dues amounts, provided that the fund and the fiduciaries have acted in good faith.

~~(c) The deductions under paragraph (a) may occur no more frequently than two times per year and may not be used for political purposes. Any labor organization that is an exclusive bargaining agent representing public employees or an organization representing retired public employees may conduct blind mailings to the annuitants of a retirement system specified in paragraph (a) by requesting that the retirement system mail voluntary membership information and dues deduction cards to annuitants. Such mailings shall not be for the purpose of supporting or opposing any candidate, political party, or ballot measure. The organization requesting the blind mailing shall pay all costs associated with these mailings, including but not limited to copying, labeling, mailing, postage, and record keeping. In lieu of administering a blind mailing in-house, a retirement system may transmit annuitant data necessary for conducting a blind mailing to a mail center pursuant to a secure data share agreement with the mail center which provides that neither the organization nor any other entity shall have direct access to the data transmitted by the retirement system. The retirement system shall have no obligation to approve or disapprove, or otherwise be responsible for, the content of the mailings. No organization shall conduct more than two blind mailings per calendar year.~~

~~(d) Any labor organization specified in paragraph (a) shall reimburse the public pension fund for the administrative expense of withholding premium amounts.~~

ARTICLE 16**APPROPRIATIONS**

Section 1. **PUBLIC SAFETY; APPROPRIATIONS.**

The following amounts are appropriated to the Department of Public Safety for the increased employer contribution in section 3:

(1) \$95,000 in fiscal year 2015 is appropriated from the general fund. The general fund base appropriation for fiscal year 2017 is \$189,000;

(2) \$546,000 in fiscal year 2015 is appropriated from the trunk highway fund. The trunk highway fund base appropriation for fiscal year 2017 is \$1,093,000; and

(3) \$8,000 in fiscal year 2015 is appropriated from the highway user tax distribution fund. The highway user tax distribution fund base appropriation for fiscal year 2017 is \$16,000."

Delete the title and insert:

"A bill for an act relating to retirement; modifying State Board of Investment provisions; MSRS administrative provisions; PERA administrative provisions; benefit accrual rate specification; revisions and repeals of former local police and paid firefighter relief association laws; volunteer firefighter retirement changes; one person and small group retirement changes; miscellaneous provisions; state patrol retirement plan financial solvency measures; PERA plans salary definitions; public employees police and fire retirement plan financial solvency measures; Teachers Retirement Association early retirement reduction factors; first class city teacher retirement increases and financial solvency measures; judges retirement plan financial solvency measures; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 3.85, subdivision 10; 3A.011; 3A.03, subdivision 3; 3A.07; 3A.115; 3A.13; 3A.15; 6.495, subdivisions 1, 3; 6.67; 11A.24, subdivision 1; 13D.01, subdivision 1; 69.011, subdivisions 1, 2, 3, 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, 11; 69.031, subdivisions 1, 3, 5; 69.041; 69.051, subdivisions 1, 1a, 1b, 2, 3, 4; 69.33; 69.77, subdivisions 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 69.771, subdivision 1; 69.774, subdivision 1; 69.80; 275.70, subdivision 5; 297I.10, subdivision 1; 345.381; 352.01, subdivisions 2a, 17b; 352.029, subdivisions 1, 2a, 2b, 3, 5; 352.03, subdivisions 4, 8; 352.045, by adding subdivisions; 352.113, subdivisions 4, 6, 8, by adding subdivisions; 352.115, subdivision 3; 352.22, subdivision 3; 352.87, subdivision 3; 352.93, subdivision 2; 352.95, subdivision 1; 352.955, subdivisions 1, 3; 352B.011, subdivisions 4, 13; 352B.02, subdivisions 1a, 1c; 352B.08, subdivisions 1, 2, 2a; 352B.10, subdivisions 1, 5, by adding a subdivision; 352B.11, subdivisions 1, 2b; 352D.04, subdivision 2; 353.01, subdivisions 2a, 2b, 6, 10, 16, 17a, 29, 41, 47; 353.03, subdivision 3; 353.031, subdivision 4; 353.27, subdivision 7; 353.29, subdivision 3; 353.34, subdivisions 1, 2; 353.35, subdivision 1; 353.50, subdivisions 3, 6; 353.64, subdivision 1a; 353.65, subdivisions 2, 3; 353.651, subdivisions 3, 4; 353.656, subdivisions 1, 1a, 3a; 353.657, subdivisions 2, 2a, 3, 3a; 353.659; 353.665, subdivisions 1, 5, 8, by adding a subdivision; 353.71, subdivision 1; 353E.001, subdivision 1; 353E.04, subdivision 3; 353E.06, subdivision 1; 353F.02, subdivisions 3, 4, 6, by adding a subdivision; 353F.025, subdivisions 1, 2; 353F.03; 353F.04; 353F.05; 353F.051, subdivision 1; 353F.052; 353F.06; 353F.07; 353F.08; 353G.05, subdivision 2; 354.07, subdivision 1; 354.44, subdivision 6; 354A.011, subdivision 21; 354A.021, subdivision 2; 354A.12, subdivisions 1, 2a, 3a, 3c, 7, by adding subdivisions; 354A.27, subdivision 7, by adding a subdivision; 354A.31, subdivisions 3, 4, 4a, 7; 354A.35, subdivision 2; 356.20, subdivisions 2, 4; 356.214, subdivision 1; 356.215, subdivisions 1, 8, 18; 356.216; 356.219, subdivisions 1, 2, 8; 356.30, subdivisions 1, 3; 356.315, subdivision 9, by adding a subdivision; 356.401, subdivision 3; 356.406, subdivision 1; 356.415, subdivisions 1, 1a, 1b, 1c, 1e, 2, by adding a subdivision; 356.47, subdivision 1; 356.48, subdivision 1; 356.635, subdivision 1; 356.91; 356A.01, subdivision 19; 356A.06, subdivision 4; 356A.07, subdivision 2; 423A.02, subdivisions 1, 1b, 2, 3, 3a, 4, 5; 424A.001, subdivision 4, by adding a subdivision; 424A.01, subdivision 6; 424A.015, subdivisions 1, 4; 424A.016, subdivision 6; 424A.02, subdivisions 7, 9; 424A.10, subdivisions 1, 2; 475.52, subdivision 6; 490.121, subdivisions 21f, 22, by adding subdivisions; 490.123, subdivisions 1a, 1b; 490.124, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 3A; 6;

353F; 354; 356; 490; repealing Minnesota Statutes 2012, sections 3A.02, subdivision 3; 69.021, subdivision 6; 69.77, subdivision 3; 352.045, subdivisions 3, 4; 352.955, subdivision 2; 352B.11, subdivision 2c; 352C.001; 352C.091, subdivision 1; 352C.10; 353.29, subdivision 6; 353.64, subdivision 3; 353.665, subdivisions 2, 3, 4, 6, 7, 9, 10; 353.667; 353.668; 353.669; 353.6691; 353A.01; 353A.02; 353A.03; 353A.04; 353A.05; 353A.06; 353A.07; 353A.08; 353A.081; 353A.083; 353A.09; 353A.10; 353B.01; 353B.02; 353B.03; 353B.04; 353B.05; 353B.06; 353B.07; 353B.08; 353B.09; 353B.10; 353B.11; 353B.12; 353B.13; 353B.14; 353F.02, subdivisions 4, 5; 353F.025, subdivision 3; 354A.27, subdivision 6; 356.315, subdivisions 1, 1a, 2, 2a, 2b, 3, 4, 5, 5a, 6, 7, 8; 423A.01; 423A.02, subdivision 1a; 423A.04; 423A.05; 423A.07; 423A.10; 423A.11; 423A.12; 423A.13; 423A.14; 423A.15; 423A.16; 423A.17; 423A.171; 423A.18; 423A.19; 423A.20; 423A.21; 423A.22; 424A.10, subdivision 5."

We request the adoption of this report and repassage of the bill.

Senate Conferees: Sandra L. Pappas, Roger J. Reinert, Tom Saxhaug

House Conferees: Mary Murphy, Michael V. Nelson, Greg Davids

Senator Pappas moved that the foregoing recommendations and Conference Committee Report on S.F. No. 489 be now adopted, and that the bill be repassed as amended by the Conference Committee.

CALL OF THE SENATE

Senator Pappas imposed a call of the Senate for the balance of the proceedings on S.F. No. 489. The Sergeant at Arms was instructed to bring in the absent members.

Senator Nienow moved to postpone consideration of S.F. No. 489 and the Conference Committee Report thereon until 12:15 a.m.

Senator Pappas moved that S.F. No. 489 and the Conference Committee Report thereon be laid on the table. The motion prevailed.

Senator Hayden moved that the Senate do now recess subject to the call of the President.

Senator Ortman moved that the Senate do now adjourn until 11:00 a.m., Saturday, May 18, 2013.

The question was taken on the adoption of the Ortman motion.

The roll was called, and there were yeas 26 and nays 36, as follows:

Those who voted in the affirmative were:

Anderson	Hall	Nelson	Petersen, B.	Weber
Benson	Hann	Newman	Pratt	Westrom
Brown	Ingebrigtsen	Nienow	Rosen	
Chamberlain	Kiffmeyer	Ortman	Ruud	
Dahms	Limmer	Osmeck	Senjem	
Gazelka	Miller	Pederson, J.	Thompson	

Those who voted in the negative were:

Bonoff	Carlson	Champion	Clausen	Cohen
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Dahle
Dibble
Dziedzic
Eaton
Eken
Franzen
Goodwin

Hawj
Hayden
Hoffman
Jensen
Kent
Koenen
Latz

Lourey
Marty
Metzen
Pappas
Reinert
Rest
Saxhaug

Scalze
Schmit
Sheran
Sieben
Skoe
Sparks
Tomassoni

Torres Ray
Wiger
Wiklund

The motion did not prevail.

RECESS

The question recurred on the Hayden motion that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Pappas moved that S.F. No. 489 and the Conference Committee Report thereon be taken from the table. The motion prevailed.

Senator Pappas moved that the foregoing recommendations and Conference Committee Report on S.F. No. 489 be now adopted, and that the bill be repassed as amended by the Conference Committee.

Senator Nienow moved to postpone consideration of S.F. No. 489 and the Conference Committee Report thereon until 12:30 a.m.

CALL OF THE SENATE

Senator Latz imposed a call of the Senate for the balance of the proceedings on S.F. No. 489. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Nienow motion.

Senator Sieben moved that those not voting be excused from voting. The motion prevailed.

The roll was called, and there were yeas 20 and nays 33, as follows:

Those who voted in the affirmative were:

Anderson
Benson
Chamberlain
Fischbach

Gazelka
Hall
Hann
Kiffmeyer

Limmer
Miller
Nelson
Newman

Nienow
Pederson, J.
Pratt
Rosen

Ruud
Senjem
Thompson
Weber

Those who voted in the negative were:

Bakk
Bonoff
Carlson

Champion
Clausen
Cohen

Dibble
Dziedzic
Eaton

Eken
Franzen
Goodwin

Hawj
Hayden
Hoffman

Ingebrigtsen	Latz	Reinert	Schmit	Tomassoni
Jensen	Lourey	Rest	Sheran	Wiklund
Kent	Marty	Saxhaug	Sieben	
Koenen	Pappas	Scalze	Skoe	

The motion did not prevail.

Senator Rosen moved that the recommendations and Conference Committee Report on S.F. No. 489 be rejected and that the bill be re-referred to the Conference Committee as formerly constituted for further consideration.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 25 and nays 35, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Kiffmeyer	Nienow	Rosen
Benson	Gazelka	Limmer	Ortman	Ruud
Brown	Hall	Miller	Osmek	Thompson
Chamberlain	Hann	Nelson	Pederson, J.	Weber
Dahms	Ingebrigtsen	Newman	Pratt	Westrom

Those who voted in the negative were:

Bakk	Dibble	Hayden	Marty	Sheran
Bonoff	Dziedzic	Hoffman	Metzen	Sieben
Carlson	Eaton	Jensen	Pappas	Skoe
Champion	Eken	Kent	Reinert	Sparks
Clausen	Franzen	Koenen	Rest	Tomassoni
Cohen	Goodwin	Latz	Saxhaug	Wiger
Dahle	Hawj	Lourey	Schmit	Wiklund

The motion did not prevail.

The question recurred on the Pappas motion that the foregoing recommendations and Conference Committee report on S.F. No. 489 be now adopted, and that the bill be repassed as amended by the Conference Committee.

The roll was called, and there were yeas 38 and nays 27, as follows:

Those who voted in the affirmative were:

Bakk	Eaton	Johnson	Reinert	Sparks
Bonoff	Eken	Kent	Rest	Stumpf
Carlson	Franzen	Koenen	Saxhaug	Tomassoni
Champion	Goodwin	Latz	Scalze	Torres Ray
Clausen	Hawj	Lourey	Schmit	Wiger
Dahle	Hayden	Marty	Sheran	Wiklund
Dibble	Hoffman	Metzen	Sieben	
Dziedzic	Jensen	Pappas	Skoe	

Those who voted in the negative were:

Anderson	Gazelka	Limmer	Osmek	Thompson
Benson	Hall	Miller	Pederson, J.	Weber
Brown	Hann	Nelson	Pratt	Westrom
Chamberlain	Housley	Newman	Rosen	
Dahms	Ingebrigtsen	Nienow	Ruud	
Fischbach	Kiffmeyer	Ortman	Senjem	

The motion prevailed. So the recommendations and Conference Committee report were adopted.

S.F. No. 489 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 38 and nays 27, as follows:

Those who voted in the affirmative were:

Bakk	Dziedzic	Jensen	Pappas	Skoe
Bonoff	Eaton	Johnson	Reinert	Stumpf
Carlson	Eken	Kent	Rest	Tomassoni
Champion	Franzen	Koenen	Saxhaug	Torres Ray
Clausen	Goodwin	Latz	Scalze	Wiger
Cohen	Hawj	Lourey	Schmit	Wiklund
Dahle	Hayden	Marty	Sheran	
Dibble	Hoffman	Metzen	Sieben	

Those who voted in the negative were:

Anderson	Gazelka	Limmer	Osmek	Thompson
Benson	Hall	Miller	Pederson, J.	Weber
Brown	Hann	Nelson	Pratt	Westrom
Chamberlain	Housley	Newman	Rosen	
Dahms	Ingebrigtsen	Nienow	Ruud	
Fischbach	Kiffmeyer	Ortman	Senjem	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MEMBERS EXCUSED

Senator Bakk was excused from the Session of today from 1:35 to 5:30 p.m. and from 8:45 to 9:40 p.m. Senator Pratt was excused from the Session of today from 1:40 to 1:50 p.m. Senator Westrom was excused from the Session of today from 2:45 to 3:05 p.m. Senator Bonoff was excused from the Session of today from 3:35 to 4:00 p.m. Senator Petersen, B. was excused from the Session of today from 3:35 to 4:00 p.m. and at 9:40 p.m. Senator Sieben was excused from the Session of today from 3:45 to 5:40 p.m. Senator Schmit was excused from the Session of today from 4:00 to 4:30 p.m. Senators Nelson and Sheran were excused from the Session of today from 4:10 to 4:20 p.m. Senator Lourey was excused from the Session of today from 4:45 to 5:30 p.m. Senators Ortman and Sheran were excused from the Session of today from 5:25 to 5:30 p.m. Senator Fischbach was excused from the Session of today from 5:30 to 5:40 p.m. and from 8:45 to 9:40 p.m. Senator Miller was excused from the Session of today from 8:45 to 9:20 p.m. Senator Housley was excused from the Session of today from 8:45 to 11:30 p.m. Senators Ortman and Osmek were excused from the Session of today from 10:30 to 10:35 p.m.

ADJOURNMENT

Senator Bakk moved that the Senate do now adjourn until 9:00 a.m., Saturday, May 18, 2013. The motion prevailed.

JoAnne M. Zoff, Secretary of the Senate

