S.F. 272
(Pappas)

H.F. 403
(Nelson)

S.F. 447
(Pappas)

H.F. 618
(Nelson)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s):	State Patrol Retirement Plan, PERA-Correctional; PERA-P&F
Relevant Provisions of Law:	Minnesota Statutes, Chapters 352B and 356
General Nature of Proposal:	Benefit modifications and contribution increases.
Date of Summary:	March 4, 2013

Specific Proposed Changes

- **S.F. 272 (Pappas); H.F. 403 (Nelson)** amends the State Patrol Retirement Plan law to increase member and employer contribution rates, increase vesting periods for retirement annuities and benefits, impose a maximum on retirement annuities, restructure two repetitive survivor benefit provisions, and to further reduce automatic annual post-retirement adjustments until the retirement plan becomes 85% funded on a market value of assets basis.
- **S.F. 447 (Pappas); H.F. 618 (Nelson)** amends the Public Employees Police and Fire Retirement Plan (PERA-P&F) law to revise the duty disability definition, increase the vesting service requirement for retirement annuities, expand the disability application reporting requirements of employing units, increase member and employer contribution rates, impose a maximum on retirement annuities, increase the reduction factor for early retirement, modify automatic annual post-retirement adjustments, and to make various technical clarifications.

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of intended benefit diminutions.
2. Appropriateness of lengthened vesting periods.
3. Appropriateness of retirement annuity maximums; salary credit issues.
4. Appropriateness of retirement annuity maximums; inconsistent applications.
5. Appropriateness of retirement annuity maximums; multiple public safety plan service.
6. Appropriateness of retirement annuity maximums; unclear application to duty disability benefits.
7. Appropriateness of increased early retirement reduction factors.
8. Appropriateness of further post-retirement adjustment modifications.
9. Appropriateness of increased member contributions imposed on new hires bearing full application of the benefit reductions.
10. Appropriateness of delays in member and employer contribution rate increases.
11. Actuarial impact on current contribution deficiencies.
12. Lack of uniformity in approaches and particulars.
13. Potential retirement plan consolidation.

Potential Amendments

S0272-1A and S0447-1A	Clarify that salary earned during service rendered in excess of the service credit maximum is creditable salary.
S0272-2A and S0447-2A	Clarify that salary earned during service rendered in excess of the service credit maximum is not covered salary for benefit computation purposes.

State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director LAM

RE: S.F. 272 (Pappas); H.F. 403 (Nelson): State Patrol Retirement Plan; Benefit Modifications and Contribution Increases.

S.F. 447 (Pappas); H.F. 618 (Nelson): PERA-P&F and PERA-Correctional; Benefit Modifications and Contribution Increases.

DATE: March 1, 2013

General Summary of S.F. 272 (Pappas); H.F. 403 (Nelson)

S.F. 272 (Pappas); H.F. 403 (Nelson) amends portions of Minnesota Statutes, Chapters 352B and 356, relating to the State Patrol Retirement Plan, by making the following changes:

1. Increased Contribution Rates. The member contribution rate is increased in total by 2% in two installments and the employer contribution rate is increased in total by 3% in two installments. *(Sec. 1-2)*

2. Increased Vesting Periods. The 2010 increase in the period of service to vest for an annuity or benefit is delayed until July 1, 2013, and is increased to ten years for a normal retirement annuity and an early retirement annuity. *(Sec. 3, 5, 7)*

3. Maximum Retirement Annuity. The allowable service credit used to compute retirement annuities are limited to 33 years unless the active member had 28 years of allowable service before July 1, 2013. *(Sec. 4)*

4. Increased Early Retirement Reduction Factor. For members who retire after June 30, 2015, the early retirement reduction factor is increased from 0.1% per month under age 55 at retirement to 0.34% per month under age 55 at retirement. *(Sec. 5)*

5. Restructures Two Repetitive Survivor Benefit Provisions. Two survivor benefit provisions that replicate each other are folded together. *(Sec. 6, 7, 9)*

6. Reduced Post-Retirement Adjustments. Effective January 1, 2014, the automatic annual post-retirement adjustment increases are reduced from 1.5% to 1% until the retirement plan is at least 85% funded on a market value of assets basis, then 1.5% automatic post-retirement increases until the plan is at least 90% funded on a market value of assets basis, and then a return to the 2008-2009 2.5% automatic annual post-retirement adjustment. *(Sec. 8)*

General Summary of S.F. 447 (Pappas); H.F. 618 (Nelson)

S.F. 447 (Pappas); H.F. 618 (Nelson) amends various portions of Minnesota Statutes, Chapters 353 (PERA and PERA-P&F), 353E (PERA-Correctional) and 356 (Retirement, Generally), to make the following modifications with respect to the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), the Public Employees Police and Fire Retirement Plan (PERA-P&F), and the Local Government Correctional Service Retirement Plan (PERA-Correctional), all effective immediately, on July 1, 2014, or on July 1, 2019:

1. Duty Disability Definition Revision. The duty disability definition for PERA-P&F and PERA-Correctional is restricted solely to disabilities arising out of or incurred during the performance of inherently dangerous duties. *(Sec. 1, 10)*

2. Vesting Service Credit Requirement Increased. The PERA-P&F service requirement is increased from three years to ten years for PERA-P&F members first employed after June 30, 2010, and to 20 years for PERA-P&F members first employed after June 30, 2014, with the extended period vesting proportional between five years and ten years or between ten years and 20 years. *(Sec. 2)*

3. Expanded Employer Disability Application Reporting. PERA-P&F and PERA-Correctional disability applications would need to include more information on specific job requirements and job requirement deficiencies. *(Sec. 3)*

4. Increased Member and Employer Contributions. PERA-P&F member and employer contributions would be increased in two steps from 9.6% of salary to 10.8% of salary and 14.4% of salary to 16.2% of salary, respectively. *(Sec. 4-5)*

5. Maximum Retirement Annuity Imposed. A PERA-P&F retirement annuity maximum is imposed, set at 33 years of service credit and 99% of the final average salary, with any member contributions in excess of 33 years of service credit refunded with interest at retirement. *(Sec. 6)*

6. Increased Early Retirement Reduction Factor. Greater early retirement reduction factors are imposed on PERA-P&F retirements between age 50 and age 55 occurring after June 30, 2014, set at an amount proportionately determined between 1.2% or 2.4% per year and 5% per year if retirement occurs between June 30, 2014, and July 1, 2019, and 5% per year after June 30, 2019. *(Sec. 7)*

7. Post-Retirement Adjustment Modifications. The PERA-General, PERA-P&F, and PERA-Correctional post-retirement adjustments will continue at 1% until the applicable retirement fund becomes at least 90% funded on an market value basis for two consecutive actuarial valuations and if the funded ratio of the retirement fund on a market value basis including the restored adjustment rate is less than 86% for two consecutive actuarial valuations or is less than 81% for the most recent actuarial valuation and the PERA-P&F post-retirement adjustment is not payable for retirees who began receipt after June 1, 2014, for at least 25 months for a partial adjustment or for at least 36 months for a full adjustment. *(Sec. 11-12)*

8. Technical Clarifications. Technical clarifications in the PERA-P&F survivor benefit calculation and survivor benefit family maximums also are made. *(Sec. 8-9)*

Section-by-Section Summaries

Section-by-section summaries of S.F. 272 (Pappas); H.F. 403 (Nelson) and S.F. 447 (Pappas); H.F. 618 (Nelson) are attached.

Background Information on Relevant Topics

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

- **Attachment A**: The history and the benefit coverage of the State Patrol Retirement Plan.
- **Attachment B**: The history and the benefit coverage of PERA-P&F.
- **Attachment C**: Actuarial valuation results for the State Patrol Retirement Plan 1992-2012.
- **Attachment D**: Actuarial valuation results for PERA-P&F 1992-2012.
- **Attachment E**: Information on early retirement reductions in Minnesota public pension plans.
- **Attachment F**: Information on the 2010-2011 Minnesota post-retirement adjustment modifications.

Discussion and Analysis

S.F. 272 (Pappas); H.F. 403 (Nelson) amends the State Patrol Retirement Plan law to increase member and employer contribution rates, increase vesting periods for retirement annuities and benefits, impose a maximum on retirement annuities, restructure two repetitive survivor benefit provisions, and to further reduce automatic annual post-retirement adjustments until the retirement plan becomes 85% funded on a market value of assets basis.

S.F. 447 (Pappas); H.F. 618 (Nelson) amends the Public Employees Police and Fire Retirement Plan (PERA-P&F) law to revise the duty disability definition, increase the vesting service requirement for retirement annuities, expand the disability application reporting requirements of employing units, increase member and employer contribution rates, impose a maximum on retirement annuities, increase the reduction factor for early retirement, modify automatic annual post-retirement adjustments, and to make various technical clarifications.

The proposed legislation raises both general and specific pension and related public policy issues for consideration by and possible discussion between Commission members, as follows:

1. Appropriateness of Intended Benefit Diminutions. The policy issue is whether or not it is appropriate for the Commission to recommend the benefit diminution in the form of the reduced post-retirement adjustment rate contained in the proposed legislation. The Commissions Pension Policy Principle II.C.22. provides:

   II.C.22. No Intended Ultimate Benefit Diminutions

   1. In recommending benefit plan modifications, the imposition of reductions in overall benefit coverage for existing pension plan members should not be recommended.
   2. The imposition of a reduction in overall benefit coverage may be imposed for new pension plan members in order to achieve sound pension policy goals.

3. A reduction in some aspect or aspects of benefit coverage may be recommended in combination with a proposed benefit increase or benefit increases in implementing sound pension policy goals.

If the proposed benefit reduction is to be justified under the Commission's policy principles, it must be demonstrated that the diminishment is necessary to achieve sound pension policy goals, since the reduction is not part of a benefit decrease for benefit increase trade. While the maintenance of financial sustainability is clearly an implicit goal of Minnesota's public pension programs, it is unclear whether simple actuarial liability and cost reductions would have been the type of goals contemplated in the pension policy principles.

2. Appropriateness of Lengthened Vesting Periods. The policy issue is whether or not it is appropriate to increase the length of allowable service credit required to newly hired plan members to gain a non-forfeitable right to a retirement benefit beyond the three-year vesting requirement enacted in 1989. Retirement policy in defined benefit plans is intended to provide an adequate retirement income after retirement, either in conjunction with Social Security or on its own, for career employees and the appropriate portion of that adequate benefit coverage for non-career employees who have rendered a significant enough portion of a full career to justify the undertaking of the liability and administrative burdens to pay a partial retirement benefit. Vesting periods create withdrawal or turnover gains, where plan members who terminate membership before vesting release the entire pension plan liability accrued on their behalf beyond a refund repayment liability, and those turnover actuarial gains reduce the total actuarial funding requirements of the retirement plan. In 1987-1989, the Commission and the Legislature concluded that ten years was too great a vesting requirement and that five (1987) or three (1989) years of allowable service was sufficient to entitle non-career plan members to an eventual benefit. That decision was reversed for some other public pension plan members in the 2010 financial sustainability legislation and is being reversed for these public safety employee pension plans in this proposed legislation. A goal of the proposed change is to increase turnover actuarial gains and to reduce the actuarial accrued liabilities of the two retirement plans, but the change is likely to have a potentially adverse impact on future public safety employee workforces and benefit forfeitures by future public safety employees.

3. Appropriateness of Retirement Annuity Maximums; Salary Credit Issues. The policy issue is whether or not it is appropriate to set a limitation on State Patrol Retirement Plan and PERA-P&F retirement annuities. Aside from the Judges Retirement Plan, enacted in 1973, no statewide or major local Minnesota public retirement plan has a limit on retirement annuities payable from the retirement plan. The addition of a retirement annuity maximum appears to be primarily a means to obtain some accrued liability and annual financial requirement reductions to address current pension plan contribution deficiencies. The imposition of benefit maximums on current retirement plan members can be expected to result in a change in their future service and also can be expected to cause complications within their benefit plan. For a public safety employee who was employed at a very early age, the limit will be reached earlier than the normal retirement age, and will likely cause career planning changes for that employee. The proposed benefit maximum provisions include refunds of member contributions for service rendered in excess of the maximum, presumably meaning that no salary credit would be earned by plan members who work beyond the service credit maximum, presumably reducing the person's final average salary for benefit computation purposes.

If the person is intended to earn salary credit even when not earning service credit and when the member contributions for the excess service credit are refundable, that needs to be clarified. Alternative Clarifying amendments are attached:

Amendments S0272-1A and **S0447-1A** clarify that salary earned during service rendered in excess of the service credit maximum is creditable salary

Amendments S0272-2A and **S0447-2A** clarify that salary earned during service rendered in excess of the service credit maximum is not covered salary for benefit computation purposes.

4. Appropriateness of Retirement Annuity Maximums; Inconsistent Applications. The policy issue is whether or not the conflicting inconsistent application of limiting the benefits payable to pension plan members who commence public safety employment at an early age and imposing significant greater age-based early retirement reductions if they retire upon reaching the service credit maximum are appropriate. A person who is employed as a police officer at age 20 would reach the service credit maximum at age 53 under the proposed legislation, but would suffer an early retirement reduction under the proposed legislation that is 3.4 times (State Patrol) or five times (PERA-P&F) greater than are imposed under current law.

5. Appropriateness of Retirement Annuity Maximums; Multiple Public Safety Plan Service. The policy issue is the apparent inapplicability of the benefit maximum for public pension plan members whose

public safety career involves service covered by PERA-P&F and service covered by the State Patrol Retirement Plan, such as conservation officers who later become city police chiefs or municipal police officers who become State Troopers, Bureau of Criminal Apprehension officers or Department of Commerce Fraud Prevention Division officers. While it is unclear how frequent these combinations of public safety employment are, when it does occur, under the proposed legislation as drafted, the combination with an annuity paid under the Combined Service Annuity law would defeat the application of the limit.

6. Appropriateness of Retirement Annuity Maximums; Unclear Application to Duty Disability Benefits. The policy issue is the lack of clarity about how the proposed benefit maximum will apply to a public safety employee who suffers a line of duty disability that would otherwise qualify the person to an annuity that they would be paid based on the service rendered. Duty disabilitants have always been favored with the most expansive benefits under the public safety employee retirement plans to give them security as they engage in the hazardous aspects of their employment and to provide them with significant benefits when casualty-caused disability actually occur. Imposing the maximum for long-service personnel, in addition to encouraging them to retire early, could also discourage them from undertaking particularly hazardous employment risks. Failing to impose the maximum on duty disability benefits will provide added incentive for long-service members with more marginal employment-related disabilities to pursue a duty disability benefit over a retirement annuity.

7. Appropriateness of Increased Early Retirement Reduction Factors. The policy issue is whether or not increasing the reduction on early retirement annuities on existing personnel is appropriate. Early retirement experienced by these public safety retirement plans, along with increasing disability benefit utilization, are likely to have been significant actuarial cost drivers in recent years and reversing the trend of retirements before age 55 would provide significant actuarial cost savings. Imposing the early retirement reductions on an arbitrary date (after June 30, 2015, for the State Patrol Retirement Plan and after July 1, 2014, for PERA-P&F) will have a significant likely impact on future behavior by current retirement-eligible personnel, causing a likely increase in premature retirements. The PERA-P&F increased early retirement reduction factor imposition is more nuanced that the State Patrol Retirement Plan increase early retirement reduction factor imposition, attempting to grade-in the reduction, but the simple imposition of any increase in the reduction factor is likely to prompt some overreaction in the form of premature retirements.

8. Appropriateness of Further Post-Retirement Adjustment Modifications. The policy issue is whether or not further modifications in the automatic annual post-retirement adjustments are appropriate. Post-retirement adjustment rates were reduced from an automatic 2.5% post-retirement adjustment in 2010 (statewide plans and the Duluth Teachers Retirement Fund Association) and in 2011 (St. Paul Teachers Retirement Fund Association). Because any slowing in the rate of post-retirement increases for retirees triggers an immediate actuarial accrued liability release, the post-retirement adjustment mechanisms are a fruitful target for retrenchment. The changes in post-retirement adjustment mechanisms affect individuals who are less well represented in the policymaking process, and, for the oldest cadre of retirees, who are the least able to represent themselves and have a voice in any proposed formation. The Commission should consider taking testimony from the proponents of the proposed legislation about the manner in which the proposals were assembled, how many retirees were involved in the decision-making process, and what steps have been taken in vetting the proposal with affected older retirees.

9. Appropriateness of Increased Member Contributions Imposed on New Hires Bearing Full Application of the Benefit Reductions. The policy issue is whether or not charging newly hired public safety personnel, to whom the various proposed benefit reductions are fully applicable, is appropriate. Many of the benefit modifications proposed in the two bills are applicable only for new entrants after some date in the near-term future, with the actuarial impact from the modification remaining to be assessed, but these same new hires are also covered by the member contribution rate increases. Charging new employees the highest contribution rate for a stripped-down retirement plan is likely to give rise to resentments. In a generally analogous circumstance, in increasing the member contribution rate of the Teachers Retirement Plan (TRA) for teacher who are not covered by the Rule of 90 early normal retirement age provision has been the basis for a number of benefit increase proposals over the past decade, some successful and others not.

10. Appropriateness of Delays in Member and Employer Contribution Rate Increases. The policy issue is whether or not the length of the contribution rate increase phase-in (start in 2014 and complete in 2015 for PERA-P&F) is appropriate. If the funding deficiencies of the two plans are so significant that the demand legislative action this year, it is puzzling to determine why one of the most significant components of the most recent sustainability legislation is delayed in its implementation.

11. Actuarial Impact on Current Contribution Deficiencies. The policy issue is what impact the proposed legislation makes on the current contribution deficiencies in the two public safety retirement plans. The following summarizes the actuarial information that has been made available to the Commission staff:

	State Patrol FY2012		Contribution Rate Increases		Early Retirement Reduction Rate Increase		33-Year Allowable Service Credit Cap		Reduced Post-Retirement Adjustment Rate		Resulting Actuarial Condition	
Membership												
Active Members		823										823
Service Retirees		733										733
Disabilitants		48										48
Survivors		182										182
Deferred Retirees		40										40
Nonvested Former Memb.		15										15
Total Membership		1,841										1,841
Funded Status	(%)	($)	(%)	($)	(%)	($)	(%)	($)	(%)	($)	(%)	($)
Accrued Liability		760,955,000				-1,100,000		-500,000		-32,300,000		727,055,000
Current Assets		554,244,000				–		–		–		554,244,000
Unfunded Accr. Liability		206,711,000				-1,100,000		-500,000		-32,300,000		172,811,000
Funding Ratio	72.84										76.23	
Financing Requirements												
Covered Payroll		66,592,000										66,592,000
Benefits Payable		50,007,000										50,007,000
Normal Cost	21.63	14,404,000			-0.40	-266,000	-0.10	-67,000	-1.10	-733,000	20.03	13,338,000
Administrative Exp.	0.24	160,000			–	–	–	–	–	–	0.24	160,000
Amortization	20.65	13,751,000			-0.10	-67,000	-0.10	-67,000	-3.20	-2,131,000	16.35	11,486,000
Total Requirements	42.52	28,315,000			-0.50	-333,000	-0.20	-134,000	-4.30	-2,864,000	37.52	24,944,000
Employee Contrib.	12.40	8,257,000	2.00	1,332,000							14.40	9,589,000
Employer Contrib.	18.60	12,386,000	3.00	1,998,000							21.60	14,384,000
Total Contributions	31.00	20,643,000	5.00	3,330,000							36.00	23,973,000
Total Requirements	42.52	28,315,000	0.00	0	-0.50	-333,000	-0.20	-134,000	-4.30	-2,864,000	37.52	24,944,000
Total Contributions	31.00	20,643,000	5.00	3,330,000	–	–	–	–	–	–	36.00	23,973,000
Deficiency -Surplus	11.52	7,672,000	-5.00	-3,330,000	-0.50	-333,000	-0.20	-134,000	-4.30	-2,864,000	1.52	971,000

	PERA-P&F FY2012		Contribution Rate Increases		Early Retirement Reduction Rate Increase		Reduced Post-Retirement Adjustment Rate		Resulting Actuarial Condition	
Membership										
Active Members		10,865								10,865
Service Retirees		6,463								6,463
Disabilitants		1,095								1,095
Survivors		1,848								1,848
Deferred Retirees		1,303								1,303
Nonvested Former Memb.		971								971
Total Membership		22,545								22,545
Funded Status	(%)	($)	(%)	($)	(%)	($)	(%)	($)	(%)	($)
Accrued Liability		7,403,295,000								6,980,000,000 *
Current Assets		5,797,868,000								5,797,868,000
Unfunded Accr. Liability		1,605,427,000								1,182,132,000 *
Funding Ratio	78.31								83.06	
Financing Requirements										
Covered Payroll		807,180,000								807,180,000
Benefits Payable		386,208,000								386,208,000
Normal Cost	20.56	165,955,000							18.82	151,912,000 *
Administrative Exp.	0.11	888,000							0.11	888,000
Amortization	12.70	102,512,000							9.35	75,483,000 *
Total Requirements	33.37	269,355,000			-1.10	-8,879,000	-4.10	-33,094,000	28.17	227,383,000
Employee Contrib.	9.60	77,489,000	1.20	9,686,000					10.80	87,175,000
Employer Contrib.	14.40	116,234,000	1.80	14,529,000					16.20	130,763,000
Employer Add'l Cont.	1.43	11,559,000	–	–					1.43	11,559,000
Total Contributions	25.43	205,282,000	3.00	24,215,000					28.43	229,497,000
Total Requirements	33.37	269,355,000	–	–	-1.10	-8,879,000	-4.10	-33,094,000	28.17	227,383,000
Total Contributions	25.43	205,282,000	3.00	24,215,000	–	–	–	–	28.43	229,497,000
Deficiency -Surplus	7.94	64,073,000	-3.00	-24,215,000	-1.10	-8,879,000	-4.10	-33,094,000	-0.26	-2,114,000

* *Estimated from minimal PERA-P&F actuarial work available on the PERA website.*

12. Lack of Uniformity in Approaches and Particulars. The policy issue is whether or not the divergent approaches and different particulars used in assembling the two benefit plan modifications are appropriate. Currently, the retirement benefit plans of the two retirement plans are very similar, except for the benefit modifications enacted in 2010. Other than the contribution rate increases, which differ in amount but largely resemble each other, and the imposition of a 33years of allowable service

credit cap, the vesting changes, the early retirement reduction rates, and the post-retirement adjustment mechanisms have significant differences. It is unclear why there is not more uniformity in the particular changes.

13. Potential Retirement Plan Consolidation. The policy issue is the question of whether or not a consolidation of the two retirement plans would be an appropriate component of any financial sustainability legislation for the two groups of public safety personnel. The State Patrol Retirement Plan is a relatively small retirement plan in membership, making it a very small risk pool, with greater difficulty in fashioning accurate actuarial assumptions and consequently subject to periodic large savings in recognized actuarial cost. Since the State of Minnesota is the largest funder of both plans through state agency budgets, police state aid, and fire state aid, a single larger risk pool would also be a budgetary sound proposal.

Section-by-Section Summary of S.F. 272 (Pappas); H.F. 403 (Nelson)

Sec.	Pg.Ln	Stat. Provision	Plan	Subject Matter	Summary
1	1.10	352B.02 Subd. 1a	State Patrol	Member contributions	Increases the member contribution rate by 2% in two installments, 1% in FY 2015 and 1% beginning in FY 2017.
2	1.22	352B.02, Subd. 1c	State Patrol	Employer contributions	Increases the employer contribution rate by 3% in two installments, 1.5% in FY 2015 and 1.5% beginning in FY 2017.
3	2.9	352B.08, Subd. 1	State Patrol	Retirement annuity vesting	Delays the 2010 increase in years of service credit to vest for newly employed members from 7/1/2010 to 7/1/2013 and increases the minimum length of service credit to vest from five years to ten years.
4	2.22	352B.08, Subd. 2	State Patrol	Maximum retirement annuity	Unless a member had at least 28 years of allowable service credit on 6/30/2013, a maximum of 33 years of service credit can be used to calculate an annuity, and any member contributions for service in excess of 33 years are refunded at annuity commencement.
5	3.2	352B.08, Subd. 2a	State Patrol	Early retirement annuity	Delays the 2010 vesting period increase from 7/1/2010 to 7/1/2013, increases the minimum length of service credit to vest from five years to ten years, delays the 2010 increase in the early retirement reduction factor for retirements occurring after 6/30/2015, and increases the post-2015 retirement factor increase from 0.2 to 0.34% per month under age 55.
6	3.14	352B.11, Subd. 5	State Patrol	Optional annuity	Updates cross-reference to the surviving spouse benefit provision proposed for repeal.
7	3.25	352B.11, Subd. 2b	State Patrol	Surviving spouse benefit	The vesting change from three years to five years is delayed from 7/1/2010 to 7/1/2013 and this subdivision and the substance of Minnesota Statutes, Sec. 352B.11, Subdivision 2c
8	5.9	356.415, Subd. 1e	State Patrol	Post-retirement adjustments	Reduces the automatic annual post-retirement increase to 1% beginning 1/1/2014 and continuing until the plan is at least 85% funded on a market value of assets basis and sets the automatic annual post-retirement increase to 1.5% until the December 31 after the plan is at least 90% funded on a market value of assets.
9	6.19	352B.11, Subd. 2c	State Patrol	Repealer	Repeals Section 352B.11, Subdivision 2c.

Section-by-Section Summary of S.F. 447 (Pappas); H.F. 618 (Nelson)

Sec.	Pg.Ln	Stat. Provision	Plan	Subject Matter	Summary
1		353.01, Subd. 41	PERA-P&F	Duty disability definition	Requires inability to perform normal duties arising out of or incurred during the performance of inherently dangerous duties rather than normal duties or less frequent duties, protecting property or personal safety with inherently dangerous duties, effective immediately.
2		353.01, Subd. 47	PERA-P&F	Vesting requirements	For persons who first become a member of the plan after 7/1/2014, imposes 20-year proportional vesting, set at 50% vested with ten years of service to 100% vested with 20 years of service.
3		353.031, Subd. 4	PERA-P&F PERA-Corr.	Disability benefit applications	Adds requirements that the application must explain the duties the person cannot perform for a benefit applied for within two years, that the application must explain the duties the person cannot perform for the 90-day period before the disability if the disability is applied for more than two years after the disability, that the application must explain why or why not the person cannot continue in employment in a current or other position, and the application must state the specific act giving rise to the disability and relate the disability to an inherently dangerous duty for a duty disability application.
4		353.65, Subd. 2	PERA-P&F	Member contributions	Increases the member contribution rate from the current 9.6% to 10.2% of salary in calendar year 2014 and to 10.8% of salary after calendar year 2014.
5		353.65, Subd. 3	PERA-P&F	Employer contributions	Increases the employer contribution rate from the current 14.4% to 13.3% of salary in calendar year 2014 and to 16.2% of salary after calendar year 2014.
6		353.651, Subd. 3	PERA-P&F	Retirement annuity formula	Specifies that the calculated retirement annuity is multiplied by the vesting percentage if service is less than 20 years and, for plan members first enrolled after 6/30/2014, service credit is limited to 33 years, the retirement annuity is limited to 99% of final average salary, with a refund of contributions over 33 years provided at retirement with same interest rate as regular member contribution refund.
7		353.651, Subd. 4	PERA-P&F	Early retirement reduction	Limits the current 0.1% per month below age 55 reduction to pre2007 hires who retire before 7/1/2014, limits the current 0.2% per month under age 55 reduction to post-2007 hires who retire before 7/1/2014, adds a reduction per year under age 55 for members who retired between 7/1/2012 and 7/1/2019, prorated between either 1.2% if the person first became a plan member after 6/30/2007 and 5.0%, and adds a 5.0% reduction per year under age 55 for members who retired after 7/1/2019.
8		353.657, Subd. 2a	PERA-P&F	Death while eligible survivor benefit	Corrects an obsolete citation to a normal retirement provision repealed in 2005.
9		353.657, Subd. 3a	PERA-P&F	Family benefits maximum and minimum	Specifies that any reduction in individual benefit amounts to achieve the overall family maximum must be imposed proportionately on the annuitant, surviving spouse and dependent child and specifies restoration upon the end of child dependency or annuitant or spouse death.
10		353E.001, Subd. 1	PERA-Corr.	Duty disability definition	Requires inability to perform normal duties arising out of or incurred during the performance of inherently dangerous duties rather than normal duties or less frequent duties, protecting property or personal safety with inherently dangerous duties, effective immediately.
11		356.415, Subd. 1b	PERA-General PERA-Corr.	Post-retirement adjustments	Resets the trigger for a return to full 2.5% adjustments at reaching 90% funded on a market value of assets basis for two consecutive actuarial valuations and returns to the limited adjustment rate in a subsequent year or years if the funded ratio on a market value of assets basis is less than 85% for two consequent actuarial valuations or less than 80% for the most recent actuarial valuation.
12		356.415, Subd. 1c	PERA-P&F	Post-retirement adjustments	Extends the 1% adjustment rate through 6/1/2014 for current and near-term future retirees, extends the minimum period of receipt for new retirees after 6/1/2014 to 25 months for a partial adjustment and to 36 months for a full adjustment, with a 1% adjustment after 6/1/2014 until funding stability is restored, extends the post-funding stability minimum receipt period to 25 months for a partial adjustment and 36 months for a full adjustment, and defines funding stability if the funded ratio on a market value of assets basis is less than 85% for two consecutive actuarial valuations or less than 80% for the most recent actuarial valuation.

Background Information on the State Patrol Retirement Plan

The State Patrol Retirement Plan was established in 1943 (Laws 1943, Ch. 637) and initially provided retirement coverage solely for state highway patrol troopers. Currently, the State Patrol Retirement Plan provides retirement coverage for four distinct groups of law enforcement officers: (1) the State Patrol Division of the Department of Public Safety, (2) the Bureau of Criminal Apprehension of the Department of Public Safety, (3) the Enforcement (Game Wardens) Division of the Department of Natural Resources, and (4) the Gambling Enforcement Division of the Department of Public Safety.

A separate retirement plan had been established for game wardens (the Game Wardens Retirement Plan) in 1955 (Laws 1955, Ch. 679, Sec. 1-12). In 1961, the State Police Retirement Plan was established for Bureau of Criminal Apprehension agents and officers and, when it was created, it absorbed the Game Wardens Retirement Plan (Laws 1961, Ch. 736). In 1969, the State Police Retirement Plan was in turn merged into the State Patrol Retirement Plan (Laws 1969, Ch. 693). In 1990, law enforcement officers in the Gambling Enforcement Division of the Department of Public Safety were added to the State Patrol Retirement Plan (Laws 1990, Ch. 570). With the exception of a small number of data processing personnel in the Bureau of Criminal Apprehension who were grandparented into the plan in 1987-1988, all members of the State Patrol Retirement Plan are peace officers licensed by the Peace Officers Standards and Training Board.

As a public safety pension plan, the State Patrol Retirement Plan pays larger retirement annuities, disability benefits, and survivor benefits than a general employee retirement plan and has an earlier normal retirement age for the retirement annuity. Because of these benefit plan differences, the plan has a greater actuarial cost and greater member and employer contributions than a general employee retirement plan. It is assumed that the State Patrol Retirement Plan will be the sole plan providing income during retirement. As law enforcement officers, members of the State Patrol Retirement Plan are not covered by Social Security for their state law enforcement employment.

The policy reason for having a more lucrative benefit program for public safety employee retirement plans is that public safety employment (police officer or firefighter service) is particularly hazardous, that it requires the maintenance of a particularly vigorous and robust workforce to meet the strenuous requirements of the employment position, and that the normally expected working career of a public safety employee will be significantly curtailed as a consequence of the hazards and strenuous requirements of that type of employment when compared to a general public employee. Also, as noted, this is a basic plan rather than one coordinated with Social Security.

Public employee pension plans are intended to assist the governmental personnel system by encouraging the recruitment of qualified and motivated new employees, the retention of able and valued existing employees, and the orderly and predictable out-transitioning of employees at the expected end or normal conclusion of their working career. For public safety employees, public safety employee retirement plans provide more lucrative benefits to assist in the recruitment and retention of new and existing personnel, but most clearly emphasize the out-transitioning function.

Regarding plan benefits, in addition to a refund of employee contributions plus interest for terminating members who are not vested or who elect that benefit, or in certain death refund situations, the plan provides several annuity benefits:

- Normal retirement benefit. The retirement benefit provided for a member retiring at the plan's normal retirement age, age 55, is 3% of the high-five average salary for each year of service. A member who is age 55 or older with 30 years of service and has a high-five average salary of $75,000 will receive an annuity of $67,500. To be eligible for any form of retirement annuity the person must be vested. The vesting requirement is three years for those first employed before July 1, 2010, and five years for those first employed on or after that date.

- Early retirement benefit. Vested members can retire as early as age 50 with only a slight reduction due to early retirement. The reduction is 1/10 of a percent for each month (1.2% per year) that the individual is under age 55. For employees first hired after June 30, 2010, the reduction will be 1/5 of a percent per month (2.4% per year) that the individual is under age 55. These early retirement annuities are subsidized.

- Duty disability benefit. The plan uses an occupational definition of disability, an inability to perform the specific job, rather than the more stringent definition used by general employee plans which require an inability to perform any gainful employment. A duty disability means a physical or psychological 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 the person, that is a direct result of injury or disease arising from performance of duties that reflect the inherent dangers specific to the positions covered by the plan. The plan pays a minimum duty disability benefit equal to a 20-year service pension (60% of the high-five average salary), plus an additional 3% of that high-five salary for each year of service in excess of 20. There is no reduction due to early receipt.

- Regular disability benefit. A regular disability means a physical or psychological 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 the person, that is a direct result of injury or disease arising from activities while not at work, or while at work but performing duties that do not reflect the inherent dangers specific to the positions covered by the plan. Non-duty-related disability benefits are computed like a retirement annuity, but without any reduction due to early receipt. The minimum benefit is equivalent to a 15-year service pension, and the individual must have at least one year of service credit to be eligible.
- Survivor, dependent child benefits. A retiree or disabilitant may choose to provide continuing coverage to a survivor by electing a joint-and-survivor annuity form. In addition, the plan has provisions providing survivor annuities and dependent child benefits in death-while-active situations.

Under current law, plan annuitants (retirees, disabilitants, survivors) receive annual increases of 1.5% per year. When the funding ratio based on market value reaches 90%, annual increases to annuitants will be 2.5% per year.

Actuarial Condition of the State Patrol Retirement Plan

Based on the most recent actuarial study, July 1, 2012, the State Patrol Retirement Plan had a 72.8% funding ratio. The total contributions are 11.5% of payroll less than the contribution level needed to pay off the remaining unfunded liabilities by the full funding date.

State Patrol Plan
2012

Membership		
Active Members		823
Service Retirees		733
Disabilitants		48
Survivors		182
Deferred Retirees		40
Nonvested Former Members		15
Total Membership		1,841
Funded Status		
Accrued Liability		$760,955,000
Current Assets		$554,244,000
Unfunded Accrued Liability		$206,711,000
Funding Ratio	72.84%	
Financing Requirements		
Covered Payroll		$66,592,000
Benefits Payable		$50,007,000
Normal Cost	21.63%	$14,404,000
Administrative Expenses	0.24%	$160,000
Normal Cost & Expense	21.87%	$14,564,000
Normal Cost & Expense	21.87%	$14,564,000
Amortization	20.65%	$13,751,000
Total Requirements	42.52%	$28,315,000
Employee Contributions	12.40%	$8,257,000
Employer Contributions	18.60%	$12,386,000
Employer Add'l Cont.	0.00%	$0
Direct State Funding	0.00%	$0
Other Govt. Funding	0.00%	$0
Administrative Assessment	0.00%	$0
Total Contributions	31.00%	$20,643,000
Total Requirements	42.52%	$28,315,000
Total Contributions	31.00%	$20,643,000
Deficiency (Surplus)	11.52%	$7,672,000

In recent years, the Legislature has taken several actions attempting to reduce the contribution deficiencies of this plan. In 2006, the Legislature passed employee and employer contribution rate increases of 2.0% for the employee (from 8.4% to 10.4% of salary) and 3.0% for the employer (from 12.6% to 15.6% of salary), to be phased in from July 1, 2007 to July 1, 2009. In 2010, these rates were again revised, increased from 10.4% to 12.4% of salary for the employee and to 18.6% of salary for the employer.

In addition to increasing contribution rates, the 2010 Legislature took other actions which should help reduce plan liabilities. These revisions along with the 2010 contribution increases just described were part of the Financial Sustainability Provisions, enacted as Laws 2010, Chapter 359, Article 1. That package of revisions, proposed by the administrators of the various plans and enacted into law, was in response to the serious harm done to the pension funds by the Great Recession of 2008 and 2009. For the State Patrol Plan, these changes included the contribution rate increases, an increase the vesting requirement from three years to five years for new hires, a reduction in deferred annuity augmentation, and reduced post-retirement adjustments of 1.5% per year rather than 2.5%. The reduced post-retirement increases will apply until the plan becomes at least 90% funded based on market value.

<u>State Patrol Plan Disability</u>

State Patrol Plan disability has not been significant compared to other public safety or correctional plans. State Patrol Plan disability assumptions were unchanged for decades, possibly since the plan was created. A State Patrol Plan experience study in 2004 did not lead to any recommendations to revise that plan's disability rate assumptions. However, based on an experience study covering 2006 to 2011, the MSRS actuary, Mercer Consulting, recommended a reduction in disability rates at each age to 80% of the prior assumption. These changes were approved by the Commission at its July 30, 2012, meeting.

Background Information on the Public Employees Police and Fire Retirement Plan

1. History. Before 1959, local government police officers and firefighters who were not required to be covered by a local police or paid firefighter relief association were covered by the Public Employees Retirement Association. PERA was established by the Legislature in 1931, essentially replicating the retirement coverage provided to state employees by the State Employees Retirement Association (SERA, now the Minnesota State Retirement System General Plan (MSRS-General)) in 1929.

   Because SERA and PERA preceded the creation of the Social Security system (federal Old Age, Survivor, and Disability Insurance Program) and because Social Security initially did not extend to federal, state, or local government employees, SERA and PERA initially were "basic" programs. This means that the state or public employee's entire retirement benefit comes from the public pension plan, without any Social Security benefit.

   In 1959, to assist police officers and firefighters in local government, the Legislature established the Public Employees Police and Fire Plan (PERA-P&F). Initially, the coverage applied to any public employee in law enforcement or fire suppression, but the membership qualifications were refined as the licensing of police officers began in the 1970s. Coverage is governed by Minnesota Statutes, Section 353.64, Subdivisions 1 and 2. Since 1959, all newly employed county deputy sheriffs have pension coverage by PERA-P&F, and since 1980 all newly employed municipal police officers have pension coverage by PERA-P&F.

   In 1965, for public hospital employees, and in 1967, for other public employees, PERA coordinated with Social Security. The Social Security program was amended in the mid-1950s to permit coverage of public employees. The PERA Coordinated Program supplements Social Security coverage, while the PERA Basic Program provides total retirement coverage for those public employees who declined Social Security coverage in the 1965, 1967 and 1969 Social Security coverage referendums. The PERA Basic Program was closed to new entrants in 1967.

2. PERA-P&F Membership and Coverage. Currently, PERA-P&F membership requires that the employees meet the following requirements to qualify as a police officer:

   a. Police Employment. Employment must be as a police officer by a municipal police department of a county sheriff's office.
   b. Primary Law Enforcement Function. Primary employment function must be to enforce the law.
   c. POST Board Licensure. Peace officers must be licensed by the Peace Officers Standards and Training (POST) Board.
   d. Property and Safety Protection. Peace officers must be engaged in the hazards of protecting the property and safety of others.
   e. Arrest with a Warrant. Peace officers must be empowered to arrest with a warrant.

   For firefighters, the PERA-P&F membership provision requires that the municipal employee must either be a full-time firefighter or a person in charge of a designated fire company and be engaged in the hazards of firefighting.

   For part-time employees engaged in police work or firefighting, PERA-P&F membership is available if the employing municipality declares by governing body resolution that the part-time employee meets the statutory police officer or firefighter requirements, except that the individual does not perform the applicable duties full-time. For full-time police officers or firefighters who are periodically assigned other duties, the other duties must be in the same department and the other duties must be secondary services, with the police or firefighting services being the primary focus of the person's employment.

   As a public safety employer pension plan, PERA-P&F pays larger retirement annuities, disability benefits, and survivor benefits than a general employee retirement plan and has an earlier normal retirement age for the retirement annuity. Because of these benefit plan differences, the plan typically has a greater actuarial cost and greater member and employer contributions than a general employee retirement plan. As law enforcement officers, members of PERA-P&F are not covered by Social Security under both state and federal law for their state law enforcement employment.

   The policy reasons for having a more lucrative benefit program for public safety employee retirement plans are:

   - Public safety employment (police officer or firefighter service) is particularly hazardous;
   - It requires the maintenance of a particularly vigorous and robust workforce to meet the strenuous requirements of the employment position; and
   - The normally expected working career of a public safety employee will be significantly curtailed as a consequence of the hazards and strenuous requirements of that type of employment when compared to a general public employee.

   Public employee pension plans are intended to assist the governmental personnel system by encouraging the recruitment of qualified and motivated new employees, the retention of able and valued existing employees, and the orderly and predictable out-transitioning of employees at the expected end or normal conclusion of their working career. For public safety employees, public safety employee retirement plans provide more lucrative benefits to assist in the recruitment and retention of new and existing personnel, but most clearly emphasize the out-transitioning function.

Actuarial Valuation Data by Year

State Patrol Retirement Plan

(STPATROL)

	FY2012		FY2011		FY2010		FY2009		FY2008		FY2007		FY2006	
Membership														
Active Members		823		862		848		876		840		844		851
Service Retirees		733		700		684		673		660		645		626
Disabilitants		48		48		48		44		42		41		41
Survivors		182		184		192		191		194		190		179
Deferred Retirees		40		38		39		41		35		32		33
Nonvested Former Members		15		15		14		11		7		8		9
Total Membership		1,841		1,847		1,825		1,836		1,778		1,760		1,739
Funded Status														
Accrued Liability		$760,955,000		$700,898,000		$683,360,000		$725,334,000		$693,686,000		$673,443,671		$641,479,078
Current Assets		$554,244,000		$563,046,000		$567,211,000		$584,501,000		$595,082,000		* $617,900,887		$618,990,349
Unfunded Accrued Liability		$206,711,000		$137,852,000		$116,149,000		$140,833,000		$98,604,000		$55,542,784		$22,488,729
Funding Ratio	72.84%		80.33%		83.00%		80.58%		85.79%		91.75%		96.49%	
Financing Requirements														
Covered Payroll		$66,592,000		$66,035,000		$67,187,000		$67,421,000		$63,771,000		$61,497,551		$57,765,450
Benefits Payable		$50,007,000		$47,844,000		$46,119,000		$44,480,000		$42,804,000		$40,581,617		$38,767,492
Normal Cost	21.63%	$14,404,000	22.91%	$15,127,000	22.98%	$15,437,000	25.37%	$17,103,000	25.15%	$16,041,000	24.75%	$15,219,351	24.41%	$14,098,467
Administrative Expenses	0.24%	$160,000	0.14%	$92,000	0.18%	$123,000	0.16%	$108,000	0.18%	$115,000	0.19%	$116,845	0.18%	$103,978
Amortization	20.65%	$13,751,000	13.20%	$8,717,000	10.68%	$7,176,000	12.63%	$8,515,000	9.15%	$5,838,000	4.96%	$3,050,279	2.10%	$1,213,075
Total Requirements	42.52%	$28,315,000	36.25%	$23,936,000	33.84%	$22,736,000	38.16%	$25,726,000	34.49%	$21,994,000	29.90%	$18,386,475	26.69%	$15,415,520
Employee Contributions	12.40%	$8,257,000	12.40%	$8,188,000	10.40%	$6,988,000	10.40%	$7,012,000	9.80%	$6,250,000	9.10%	$5,596,277	8.40%	$4,852,298
Employer Contributions	18.60%	$12,386,000	18.60%	$12,283,000	15.60%	$10,481,000	15.60%	$10,518,000	14.60%	$9,310,000	13.60%	$8,363,667	12.60%	$7,278,447
Employer Add'l Cont	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Direct State Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Other Govt. Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Administrative Assessment	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Total Contributions	31.00%	$20,643,000	31.00%	$20,471,000	26.00%	$17,469,000	26.00%	$17,530,000	24.40%	$15,560,000	22.70%	$13,959,944	21.00%	$12,130,745
Total Requirements	42.52%	$28,315,000	36.25%	$23,936,000	33.84%	$22,736,000	38.16%	$25,726,000	34.49%	$21,994,000	29.90%	$18,386,475	26.69%	$15,415,520
Total Contributions	31.00%	$20,643,000	31.00%	$20,471,000	26.00%	$17,469,000	26.00%	$17,530,000	24.40%	$15,560,000	22.70%	$13,959,944	21.00%	$12,130,745
Deficiency (Surplus)	11.52%	$7,672,000	5.25%	$3,465,000	7.84%	$5,267,000	12.16%	$8,196,000	10.09%	$6,434,000	7.20%	$4,426,531	5.69%	$3,284,775
Amortization Target Date	2037		2036		2036		2036		2036		2036		2036	
Actuary	GRS		Mercer		Mercer		Mercer		Mercer		Segal		Segal	

** Reflects 2007 Asset Valuation Method change*

State Patrol Plan Actuarial Data
Attachment C, p. 1 of 3

	2005		2004		2003		2002		2001		2000		1999	
Membership														
Active Members		831		834		805		810		823		830		825
Service Retirees		612		607		592		577		556		531		503
Disabilitants		35		34		31		29		25		22		23
Survivors		178		163		162		156		164		457		146
Deferred Retirees		34		27		20		27		25		24		23
Nonvested Former Members		14		12		13		11		10		10		10
Total Membership		1,704		1,677		1,623		1,610		1,603		1,874		1,530
Funded Status														
Accrued Liability		$566,763,689		$545,243,508		$538,980,000		$510,344,000		$489,483,000		$458,384,000		$406,215,000
Current Assets		$601,220,181		$594,785,274		$591,521,000		$591,383,000		$572,815,000		$528,573,000		$472,687,000
Unfunded Accrued Liability		($34,456,492)		($49,541,766)		($52,541,000)		($81,039,000)		($83,332,000)		($70,189,000)		($66,472,000)
Funding Ratio	106.08%		109.09%		109.75%		115.88%		117.02%		115.31%		116.36%	
Financing Requirements														
Covered Payroll		$55,142,064		$53,119,128		$56,569,000		$51,473,000		$51,574,000		$51,980,000		$47,034,000
Benefits Payable		$36,956,287		$35,501,294		$34,316,000		$33,031,000		$29,935,000		$25,789,000		$22,226,000
Normal Cost	23.03%	$12,698,808	23.00%	$12,212,574	22.62%	$12,797,000	22.62%	$11,649,000	22.53%	$11,620,000	22.55%	$11,725,000	22.62%	$10,636,000
Administrative Expenses	0.17%	$93,742	0.17%	$90,303	0.18%	$102,000	0.20%	$103,000	0.17%	$88,000	0.20%	$104,000	0.16%	$75,000
Amortization	(3.36%)	($1,852,773)	(5.02%)	($2,666,580)	(5.00%)	($2,828,000)	(8.48%)	($4,365,000)	(8.70%)	($4,487,000)	(7.27%)	($3,779,000)	(9.57%)	($4,501,000)
Total Requirements	19.84%	$10,939,777	18.15%	$9,636,297	17.80%	$10,071,000	14.34%	$7,387,000	14.00%	$7,221,000	15.48%	$8,050,000	13.21%	$6,210,000
Employee Contributions	8.40%	$4,631,933	8.40%	$4,462,007	8.40%	$4,752,000	8.40%	$4,324,000	8.40%	$4,332,000	8.40%	$4,366,000	8.40%	$3,951,000
Employer Contributions	12.60%	$6,947,900	12.60%	$6,693,010	12.60%	$7,128,000	12.60%	$6,486,000	12.60%	$6,498,000	12.60%	$6,550,000	12.60%	$5,926,000
Employer Add'l Cont	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Direct State Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Other Govt. Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Administrative Assessment	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Total Contributions	21.00%	$11,579,833	21.00%	$11,155,017	21.00%	$11,880,000	21.00%	$10,810,000	21.00%	$10,830,000	21.00%	$10,916,000	21.00%	$9,877,000
Total Requirements	19.84%	$10,939,777	18.15%	$9,636,297	17.80%	$10,071,000	14.34%	$7,387,000	14.00%	$7,221,000	15.48%	$8,050,000	13.21%	$6,210,000
Total Contributions	21.00%	$11,579,833	21.00%	$11,155,017	21.00%	$11,880,000	21.00%	$10,810,000	21.00%	$10,830,000	21.00%	$10,916,000	21.00%	$9,877,000
Deficiency (Surplus)	(1.16%)	($640,056)	(2.85%)	($1,518,720)	(3.20%)	($1,809,000)	(6.66%)	($3,423,000)	(7.00%)	($3,609,000)	(5.52%)	($2,866,000)	(7.79%)	($3,667,000)
Amortization Target Date	2035		2034		2033		2032		2031		2030		2020	
Actuary	Segal		Segal		Milliman USA		Milliman USA		Milliman USA		Milliman & Robertson		Milliman & Robertson	

Actuarial Valuation Data by Year — State Patrol Retirement Plan (STPATROL)

	1998		1997		1996		1995		1994		1993		1992	
Membership														
Active Members		806		795		777		803		788		781		795
Service Retirees		462		422		416		401		391		377		373
Disabilitants		21		20		18		18		18		15		15
Survivors		137		128		126		121		120		119		109
Deferred Retirees		21		21		22		19		21		18		19
Nonvested Former Members		7		7		6		5		3		3		3
Total Membership		1,454		1,393		1,365		1,367		1,341		1,313		1,314
Funded Status														
Accrued Liability		$371,369,000		$332,427,000		$303,941,000		$283,078,000		$275,377,000		$258,202,000		$233,656,000
Current Assets		$430,011,000		$375,650,000		$323,868,000		$284,918,000		$262,570,000		$244,352,000		$222,314,000
Unfunded Accrued Liability		($58,642,000)		($43,223,000)		($19,927,000)		($1,840,000)		$12,807,000		$13,850,000		$11,342,000
Funding Ratio	115.79%		113.00%		106.56%		100.65%		95.35%		94.60%		95.15%	
Financing Requirements														
Covered Payroll		$45,217,000		$43,084,000		$40,399,000		$39,838,000		$41,462,000		$40,654,000		$37,113,000
Benefits Payable		$18,353,000		$14,642,000		$13,279,000		$12,092,000		$11,272,000		$10,253,000		$9,603,000
Normal Cost	22.50%	$10,170,000	21.91%	$9,443,000	21.19%	$8,560,548	21.21%	$8,449,640	20.08%	$8,325,570	20.12%	$8,179,585	20.19%	$7,493,115
Administrative Expenses	0.15%	$68,000	0.15%	$65,000	0.14%	$56,559	0.13%	$51,789	0.16%	$66,339	0.16%	$65,046	0.63%	$233,812
Amortization	(8.51%)	($3,848,000)	(6.39%)	($2,753,000)	0.00%	$0	0.00%	$0	1.55%	$642,661	1.66%	$674,856	1.45%	$538,139
Total Requirements	14.14%	$6,390,000	15.67%	$6,755,000	21.33%	$8,617,107	21.34%	$8,501,429	21.79%	$9,034,570	21.94%	$8,919,488	22.27%	$8,265,065
Employee Contributions	8.40%	$3,798,000	8.40%	$3,619,000	8.92%	$3,603,591	8.92%	$3,553,550	8.50%	$3,524,270	8.50%	$3,455,590	8.50%	$3,154,605
Employer Contributions	12.60%	$5,697,000	12.60%	$5,429,000	14.88%	$6,011,371	14.88%	$5,927,894	14.88%	$6,169,546	14.88%	$6,049,315	14.88%	$5,522,414
Employer Add'l Cont	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Direct State Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Other Govt. Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Administrative Assessment	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Total Contributions	21.00%	$9,495,000	21.00%	$9,048,000	23.80%	$9,614,962	23.80%	$9,481,444	23.38%	$9,693,816	23.38%	$9,504,905	23.38%	$8,677,019
Total Requirements	14.14%	$6,390,000	15.67%	$6,755,000	21.33%	$8,617,107	21.34%	$8,501,429	21.79%	$9,034,570	21.94%	$8,919,488	22.27%	$8,265,065
Total Contributions	21.00%	$9,495,000	21.00%	$9,048,000	23.80%	$9,614,962	23.80%	$9,481,444	23.38%	$9,693,816	23.38%	$9,504,905	23.38%	$8,677,019
Deficiency (Surplus)	(6.86%)	($3,105,000)	(5.33%)	($2,293,000)	(2.47%)	($997,855)	(2.46%)	($980,015)	(1.59%)	($659,246)	(1.44%)	($585,418)	(1.11%)	($411,954)
Amortization Target Date	2020		2020		2020		2020		2020		2020		2020	
Actuary	Milliman & Robertson		Milliman & Robertson		Milliman & Robertson		Milliman & Robertson		Milliman & Robertson		Milliman & Robertson		Milliman & Robertson	

State Patrol Plan Actuarial Data
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Actuarial Valuation Data by Year — Public Employees Police and Fire Retirement Plan (PERA-P&F)

	FY2012		FY2011		FY2010		FY2009		FY2008		FY2007		FY2006	
Membership														
Active Members		10,865		10,880		11,002		11,035		10,961		10,720		10,591
Service Retirees		6,463		5,549		5,354		5,213		5,079		4,938		4,756
Disabilitants		1,095		864		859		838		824		803		765
Survivors		1,848		1,435		1,413		1,380		1,291		1,291		1,280
Deferred Retirees		1,303		1,335		1,315		1,280		1,242		1,200		999
Nonvested Former Members		971		870		930		911		879		814		757
Total Membership		22,545		20,933		20,873		20,657		20,276		19,766		19,148
Funded Status														
Accrued Liability		$7,403,295,000		$6,363,546,000		$5,963,672,000		$6,296,274,000		$5,918,061,000		$5,669,346,646		$5,260,564,020
Current Assets		$5,797,868,000		$5,274,602,000		$5,188,339,000		$5,239,855,000		$5,233,015,000	*	$5,198,921,940		$5,017,950,719
Unfunded Accrued Liability		$1,605,427,000		$1,088,944,000		$775,333,000		$1,056,419,000		$685,046,000		$470,424,706		$242,613,301
Funding Ratio	78.31%		82.89%		87.00%		83.22%		88.42%		91.70%		95.39%	
Financing Requirements														
Covered Payroll		$807,180,000		$796,689,000		$795,171,000		$786,887,000		$746,743,000		$699,841,244		$668,088,065
Benefits Payable		$386,208,000		$342,219,000		$326,041,000		$310,099,000		$295,994,000		$280,266,868		$264,601,229
Normal Cost	20.56%	$165,955,000	19.77%	$157,490,000	19.65%	$156,244,000	22.07%	$173,703,000	23.07%	$172,273,000	22.19%	$155,328,501	22.32%	$149,097,708
Administrative Expenses	0.11%	$888,000	0.10%	$797,000	0.10%	$795,000	0.13%	$1,023,000	0.11%	$821,000	0.10%	$699,841	0.11%	$734,897
Amortization	12.70%	$102,512,000	8.91%	$70,985,000	5.77%	$45,881,000	7.79%	$61,298,000	5.23%	$39,055,000	6.19%	$43,320,173	3.14%	$20,977,965
Total Requirements	33.37%	$269,355,000	28.78%	$229,272,000	25.52%	$202,920,000	29.99%	$236,024,000	28.41%	$212,149,000	28.48%	$199,348,515	25.57%	$170,810,570
Employee Contributions	9.60%	$77,489,000	9.60%	$76,482,000	9.50%	$75,541,000	9.40%	$73,967,000	9.00%	$67,207,000	8.20%	$57,386,982	7.40%	$49,438,517
Employer Contributions	14.40%	$116,234,000	14.40%	$114,723,000	14.25%	$113,312,000	14.10%	$110,951,000	13.50%	$100,810,000	12.30%	$86,080,473	11.10%	$74,157,775
Employer Add'l Cont.	1.43%	$11,559,000	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Direct State Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Other Govt. Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Administrative Assessment	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Total Contributions	25.43%	$205,282,000	24.00%	$191,205,000	23.75%	$188,853,000	23.50%	$184,918,000	22.50%	$168,017,000	20.50%	$143,467,455	18.50%	$123,596,292
Total Requirements	33.37%	$269,355,000	28.78%	$229,272,000	25.52%	$202,920,000	29.99%	$236,024,000	28.41%	$212,149,000	28.48%	$199,348,515	25.57%	$170,810,570
Total Contributions	25.43%	$205,282,000	24.00%	$191,205,000	23.75%	$188,853,000	23.50%	$184,918,000	22.50%	$168,017,000	20.50%	$143,467,455	18.50%	$123,596,292
Deficiency (Surplus)	7.94%	$64,073,000	4.78%	$38,067,000	1.77%	$14,067,000	6.49%	$51,106,000	5.91%	$44,132,000	7.98%	$55,881,060	7.07%	$47,214,278
Amortization Target Date	2039		2038		2038		2038		2038		2020		2020	
Actuary	GRS		Mercer		Mercer		Mercer		Mercer		Segal		Segal	

** Reflects 2007 Asset Valuation Method change*

PERA-P&F Actuarial Data
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	2005		2004		2003		2002		2001		2000		1999	
Membership														
Active Members		10,235		10,055		9,948		9,940		9,858		9,627		9,477
Service Retirees		4,668		4,547		4,381		4,191		4,188		3,991		3,674
Disabilitants		686		700		614		574		543		482		412
Survivors		1,261		1,385		1,213		1,206		1,267		1,205		1,173
Deferred Retirees		927		878		758		637		554		470		368
Nonvested Former Members		729		750		740		663		610		626		195
Total Membership		18,506		18,315		17,654		17,211		17,020		16,401		15,299
Funded Status														
Accrued Liability		$4,956,339,899		$4,692,190,387		$4,390,953,000		$3,886,311,000		$3,712,360,000		$3,383,187,000		$3,004,637,000
Current Assets		$4,814,961,076		$4,746,834,494		$4,713,606,000		$4,707,255,000		$4,510,134,000		$4,145,351,000		$3,679,551,000
Unfunded Accrued Liability		$141,378,823		($54,644,107)		($322,653,000)		($820,944,000)		($797,774,000)		($762,164,000)		($674,914,000)
Funding Ratio	97.15%		101.16%		107.35%		121.12%		121.49%		122.53%		122.46%	
Financing Requirements														
Covered Payroll		$625,806,943		$593,944,656		$582,688,000		$541,250,000		$528,942,000		$494,134,000		$474,245,000
Benefits Payable		$251,428,946		$237,442,200		$225,434,000		$212,405,000		$192,245,000		$165,719,000		$68,672,000
Normal Cost	22.28%	$139,384,787	22.37%	$132,886,767	22.05%	$128,469,000	20.22%	$109,474,000	20.21%	$106,905,000	19.93%	$98,462,000	20.30%	$96,225,000
Administrative Expenses	0.12%	$750,968	0.12%	$712,734	0.12%	$699,000	0.12%	$650,000	0.13%	$688,000	0.14%	$692,000	0.23%	$1,091,000
Amortization	1.84%	$11,514,848	(0.44%)	($2,613,356)	(2.65%)	($15,441,000)	(7.26%)	($39,295,000)	(7.22%)	($38,190,000)	(7.38%)	($36,467,000)	(8.85%)	($41,971,000)
Total Requirements	24.24%	$151,650,603	22.05%	$130,986,145	19.52%	$113,727,000	13.08%	$70,829,000	13.12%	$69,403,000	12.69%	$62,687,000	11.68%	$55,345,000
Employee Contributions	6.60%	$41,303,258	6.20%	$36,824,569	6.20%	$36,127,000	6.20%	$33,558,000	6.20%	$32,793,000	6.20%	$30,636,000	6.20%	$29,403,000
Employer Contributions	9.90%	$61,954,887	9.30%	$55,236,853	9.30%	$54,190,000	9.30%	$50,336,000	9.30%	$49,189,000	9.30%	$45,954,000	9.30%	$44,105,000
Employer Add'l Cont.	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Direct State Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Other Govt. Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Administrative Assessment	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Total Contributions	16.50%	$103,258,145	15.50%	$92,061,422	15.50%	$90,317,000	15.50%	$83,894,000	15.50%	$81,982,000	15.50%	$76,590,000	15.50%	$73,508,000
Total Requirements	24.24%	$151,650,603	22.05%	$130,986,145	19.52%	$113,727,000	13.08%	$70,829,000	13.12%	$69,403,000	12.69%	$62,687,000	11.68%	$55,345,000
Total Contributions	16.50%	$103,258,145	15.50%	$92,061,422	15.50%	$90,317,000	15.50%	$83,894,000	15.50%	$81,982,000	15.50%	$76,590,000	15.50%	$73,508,000
Deficiency (Surplus)	7.74%	$48,392,458	6.55%	$38,924,723	4.02%	$23,410,000	(2.42%)	($13,065,000)	(2.38%)	($12,579,000)	(2.81%)	($13,903,000)	(3.82%)	($18,163,000)
Amortization Target Date	2020		2034		2033		2032		2031		2030		2020	
Actuary	Segal		Segal		Milliman USA		Milliman USA		Milliman USA		Milliman & Robertson		Milliman & Robertson	

PERA-P&F Actuarial Data
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	1998		1997		1996		1995		1994		1993		1992	
Membership														
Active Members		8,499		8,079		7,680		7,380		7,043		6,785		6,521
Service Retirees		1,781		1,608		1,524		1,435		1,347		1,250		1,191
Disabilitants		251		215		184		146		116		94		93
Survivors		492		471		447		426		411		394		379
Deferred Retirees		292		292		267		250		234		215		187
Nonvested Former Members		201		201		162		141		140		121		120
Total Membership		11,516		10,866		10,264		9,778		9,291		8,859		8,491
Funded Status														
Accrued Liability		$1,741,344,000		$1,556,483,000		$1,334,202,000		$1,196,795,000		$1,099,221,000		$1,009,226,000		$888,826,000
Current Assets		$2,337,313,000		$1,974,635,000		$1,633,010,000		$1,385,901,000		$1,234,959,000		$1,118,342,000		$979,981,000
Unfunded Accrued Liability		($595,969,000)		($418,152,000)		($298,808,000)		($189,106,000)		($135,738,000)		($109,116,000)		($91,155,000)
Funding Ratio	134.22%		126.87%		122.40%		115.80%		112.35%		110.81%		110.26%	
Financing Requirements														
Covered Payroll		$399,499,000		$369,503,000		$336,779,000		$313,885,000		$294,339,000		$270,813,000		$255,270,000
Benefits Payable		$56,034,000		$43,045,000		$37,132,000		$32,152,000		$28,127,000		$24,619,000		$22,165,000
Normal Cost	20.21%	$80,719,000	21.65%	$80,020,000	19.73%	$66,446,497	19.49%	$61,176,187	19.47%	$57,307,803	19.26%	$52,158,584	18.05%	$46,076,235
Administrative Expenses	0.14%	$559,000	0.13%	$480,000	0.13%	$437,813	0.12%	$376,662	0.12%	$353,207	0.11%	$297,894	0.55%	$1,403,985
Amortization	(8.95%)	($35,755,000)	(6.57%)	($24,276,000)	(4.75%)	($15,997,003)	(3.12%)	($9,793,212)	(2.31%)	($6,799,231)	(1.92%)	($5,199,610)	0.00%	$0
Total Requirements	11.40%	$45,523,000	15.21%	$56,224,000	15.11%	$50,887,307	16.49%	$51,759,637	17.28%	$50,861,779	17.45%	$47,256,869	18.60%	$47,480,220
Employee Contributions	7.60%	$30,362,000	7.60%	$28,082,000	7.60%	$25,595,204	7.60%	$23,855,260	7.60%	$22,369,764	7.80%	$21,123,414	8.00%	$20,421,600
Employer Contributions	11.40%	$45,543,000	11.40%	$42,123,000	11.40%	$38,392,806	11.40%	$35,782,890	11.40%	$33,554,646	11.70%	$31,685,121	12.00%	$30,632,400
Employer Add'l Cont.	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Direct State Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Other Govt. Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Administrative Assessment	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Total Contributions	19.00%	$75,905,000	19.00%	$70,205,000	19.00%	$63,988,010	19.00%	$59,638,150	19.00%	$55,924,410	19.50%	$52,808,535	20.00%	$51,054,000
Total Requirements	11.40%	$45,523,000	15.21%	$56,224,000	15.11%	$50,887,307	16.49%	$51,759,637	17.28%	$50,861,779	17.45%	$47,256,869	18.60%	$47,480,220
Total Contributions	19.00%	$75,905,000	19.00%	$70,205,000	19.00%	$63,988,010	19.00%	$59,638,150	19.00%	$55,924,410	19.50%	$52,808,535	20.00%	$51,054,000
Deficiency (Surplus)	(7.60%)	($30,382,000)	(3.79%)	($13,981,000)	(3.89%)	($13,100,703)	(2.51%)	($7,878,514)	(1.72%)	($5,062,631)	(2.05%)	($5,551,667)	(1.40%)	($3,573,780)
Amortization Target Date	2020		2020		2020		2020		2020		2020		2020	
Actuary	Milliman & Robertson		Milliman & Robertson		Milliman & Robertson		Milliman & Robertson		Milliman & Robertson		Milliman & Robertson		Milliman & Robertson	

Background Information on Early Retirement Reductions

Early Retirement Reductions

1. Definition. An "early retirement reduction" is the factor or calculation procedure that governs the determination of the amount of a retirement annuity that commences at an age younger than the normal retirement age.

2. Commission Principles of Pension Policy Provision. Principle II.C.5. of the Principles of Pension Policy of the Legislative Commission on Pensions and Retirement indicates that Minnesota public pension plans should not subsidize early retirement benefits and that, unless it is a part of an appropriately designed early retirement incentive, the early retirement reduction should be calculated on an actuarial equivalent basis.

   Specifically, the applicable principle states:

   > II.C.5. Appropriate Early Retirement Reductions
   >
   > Public employee pension plans should not subsidize early retirement benefits and, except for appropriately designed early retirement incentive programs, retirement benefits should be actuarially reduced for retirement before any applicable normal retirement age.

   The current set of principles, last revisited by the Commission in 1996-1996, in this particular principle, indicates that early retirement should not be subsidized by the public pension plan other than as part of an appropriately designed early retirement incentive and that early retirement benefits should be actuarially reduced. The 1995-1996 principle was a slight modification of the 1980 principles, which indicated that retirement benefits should be reduced on an actuarially equivalent basis for retirement at an age earlier than the normal retirement age, except for retirement by long service employees at age 62 with 30 years of service credit. That long service early retirement eligibility was first authorized by the Legislature in 1973.

   Legislative changes since 1996 have been potentially at variance with the principle to some degree with respect to the State Patrol Retirement Plan, the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), and the Public Employees Police and Fire Retirement Plan (PERA-P&F).

   - In 1997, the actuarial equivalent early (pre-age 55) retirement reduction for the State Patrol Retirement Plan was replaced by a subsidized reduction factor (Laws 1997, Ch. 233, Art. 1, Sec. 32).
   - In 1999, for the State Patrol Retirement Plan, MSRS-Correctional, and PERA-P&F, the early (pre-age 55) retirement reduction was subsidized, with the MSRS-Correctional reduction factor changed from an actuarial equivalency reduction and with the State Patrol Retirement Plan and PERA-P&F reduction factor both further subsidized (Laws 1999, Ch. 222, Art. 13, Sec. 5, and Art. 14, Sec. 1, 3). The State Patrol Plan and PERA-P&F reduction factors are very slight after the 1997 and 1999 changes, making the early retirement annuity amount almost identical to the normal retirement annuity amount.

3. Policy Considerations Respecting Early Retirement Reductions. A defined benefit retirement plan is intended to provide the greatest benefit value to its members (and to incur its greatest actuarial accrued liability) at the normal retirement age. The use of actuarial equivalent early retirement reduction factors is intended to provide access to a benefit at an earlier age and, presumably, for a corresponding longer period of time of receipt without increasing that pension value for the retiree and the corresponding actuarial accrued liability for the retirement plan.

   Minnesota public pension plans currently do not uniformly and rigorously require actuarial equivalent early retirement reduction factors, thereby generally subsidizing early retirement by actually providing the governmental employee retiring before the normal retirement age with a somewhat greater pension value (and imposing on the pension plan a greater actuarial accrued liability) than would occur at the normal retirement age. The 1997 and 1999 public safety employee retirement plan early retirement reduction factor legislation furthers that subsidization for those plans. The following identifies the various Minnesota public retirement plan early retirement reduction rates currently imposed:

- Reduction Method: Actuarial equivalent value of annuity deferred to the normal retirement age and augmented at three percent per year of imputed deferral.

  Plans Involved:
  - MSRS General State Employees Retirement Plan (MSRS-General) level benefit tier
  - PERA General Employees Retirement Plan (PERA-General) level benefit tier
  - Teachers Retirement Association (TRA) level benefit tier
  - Duluth Teachers Retirement Fund Association (DTRFA) Old Law or New Law Plan level benefit tier
  - St. Paul Teachers Retirement Fund Association (SPTRFA) Basic or Coordinated Program level benefit tier
  - Legislators Retirement Plan

- Reduction Method: One-half of one percent per month (six percent per year) that the retiree is under the normal retirement age.

  Plans Involved:
  - Elective State Officers Retirement Plan
  - Judges Retirement Plan

- Reduction Method: One-quarter of one percent per month (three percent per year) that the retiree is under the normal retirement age.

  Plans Involved:
  - MSRS-General Rule of 90 tier
  - PERA-General Rule of 90 tier
  - TRA Rule of 90 tier
  - DTRFA Old Law or New Law Plan Rule of 90 tier
  - MTRFA Basic or Coordinated Program Rule of 90 tier
  - SPTRFA Basic or Coordinated Program Rule of 90 tier

- Reduction Method: Two-tenths of one percent per month (2.4 percent per year) that the retiree is under age 55.

  Plan Involved:
  - Correctional State Employees Retirement Plan (MSRS-Correctional)

- Reduction Method: One-tenth of one percent per month (1.2 percent per year) that the retiree is under age 55.

  Plans Involved:
  - State Patrol Retirement Plan
  - Public Employees Police and Fire Retirement Plan (PERA-P&F)

- Reduction Method: Defined contribution plan (two dollar bill and annuity) benefit for early retirement.

  Plan Involved:
  - Minneapolis Employees Retirement Fund (MERF)

The wide variety of the reductions imposed by the various retirement plans and the extent of the subsidizations provided calls adherence to the current Commission policy principle into question.

Background Information on the 2010-2011 Minnesota Post-Retirement Adjustment Modifications

In 2010 (Laws 2010, Ch. 359, Art. 1) and in 2011 (1st Spec. Sess. Laws 2011, Ch. 8, Art. 2), the post-retirement adjustment mechanisms of the 13 statewide and major local retirement plans were modified in a manner that reduced the actuarial accrued liabilities of the retirement plan.

For the 13 retirement plans, there were eight different approaches to the modifications, as follows:

1. The General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), and the Judges Retirement Plan annual post-retirement adjustment rate was reduced from 2.5% to 2.0%, to be restored when the fund is 90% funded on a market value of assets basis, with a six-month waiting period imposed for initial increase.

2. The General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), the Local Government Correctional Service Retirement Plan (PERA-Correctional), and the MERF Division of the Public Employees Retirement Association (PERA) annual post-retirement adjustment rate was reduced from 2.5% to 1.0%, to be restored when the fund is 90% funded on a market value of assets basis, with the rate to be reduced subsequently if the fund later declines from 90% funded.

3. The Legislators Retirement Plan and the Elective State Officers Retirement Plan annual post-retirement adjustment rate was reduced from 2.5% to 2.0%, to be restored once MSRS-General is 90% funded on a market value of assets basis, and with the imposition of a six-month waiting period for initial increase.

4. The State Patrol Retirement Plan annual post-retirement adjustment rate was reduced from 2.5% to 1.5%, to be restored when the fund is 90% funded on a market value of assets basis, and with a six-month waiting period imposed for initial increase.

5. The Public Employees Police and Fire Retirement Plan (PERA-P&F) annual post-retirement adjustment rate was reduced from 2.5% to 1.0% for January 1, 2011, and January 1, 2012, then set equal to the CPI percentage for the preceding fiscal year, not to exceed 1.5% until the fund is 90% funded on a market value of assets basis, and then not to exceed 2.5%, and with the rate to be reduced again if the fund later declines from 90% funded.

6. The Teachers Retirement Association (TRA) annual post-retirement adjustment was suspended for January 1, 2011, and January 1, 2012. Starting January 1, 2013, the annual post-retirement adjustment rate was reduced from 2.5% to 2.0% thereafter, to be restored when the fund is 90% funded on a market value of assets basis, with a six-month waiting period imposed for initial increase.

7. The Duluth Teachers Retirement Fund Association (DTRFA) annual post-retirement adjustment was set at 0% when the fund is less than 80% funded on a market value of assets basis, 1% when the fund is 80% to 90% funded on a market value of assets basis, and 2% when the fund is more than 90% funded on a market value of assets basis. When the fund is 90% funded on an actuarial value of assets basis, the post-retirement adjustment rate moves to an inflation match up to 5%.

8. The St. Paul Teachers Retirement Fund Association (SPTRFA) automatic 2% post-retirement adjustment rate was suspended for January 1, 2011, and the automatic post-retirement adjustment was set at 1% when the fund is less than 80% funded on an actuarial value of assets basis, 2% until the fund is 90% funded on an actuarial value of assets basis, and when the fund is 90% funded on an actuarial value of assets basis, the automatic post-retirement adjustment rate moves to an inflation match up to 5%.

.... moves to amend S.F. No. 272; H.F. No. 403, as follows:

Page 1, after line 9, insert:

"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."

Page 3, after line 24, insert:

"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."

Renumber the sections in sequence

Amend the title accordingly

.... moves to amend S.F. No. 447; H.F. No. 403, as follows:

Page 1, after line 13, insert:

"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."

Page 4, after line 26, insert:

"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."

Renumber the sections in sequence

2.1 Amend the title accordingly

.... moves to amend S.F. No. 272; H.F. No. 403, as follows:

Page 1, after line 9, insert:

"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 and paragraph (c), "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. 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.

(c) "Average monthly salary" does not include 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).

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

Renumber the sections in sequence

Amend the title accordingly

.... moves to amend S.F. No. 447; H.F. No. 403, as follows:

Page 1, after line 13, insert:

"Section 1. Minnesota Statutes 2012, section 353.01, subdivision 17a, is amended to read:

Subd. 17a. **Average salary.** (a) Except for amounts specified in paragraph (b) or (c), "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 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" does not include 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).

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

Renumber the sections in sequence

Amend the title accordingly

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE S.F. No. 272

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
02/06/2013	159	Introduction and first reading Referred to State and Local Government

A bill for an act

relating to retirement; State Patrol retirement plan; increasing member and employer contributions; increasing vesting to ten years for new hires; capping allowable service for computing annuities; reducing postretirement adjustments; amending Minnesota Statutes 2012, sections 352B.02, subdivisions 1a, 1c; 352B.08, subdivisions 1, 2, 2a; 352B.10, subdivision 5; 352B.11, subdivision 2b; 356.415, subdivision 1e; repealing Minnesota Statutes 2012, section 352B.11, subdivision 2c.

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

Section 1. 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~~ <u>2014</u>	~~10.40~~ <u>12.4</u> percent
(2) on or after the first day of the first pay period beginning after July 1, ~~2011~~ <u>2014, to June 30, 2016</u>	~~12.40~~ <u>13.4</u> percent
<u>(3) after June 30, 2016</u>	<u>14.4 percent</u>

(b) These contributions must be made by deduction from salary as provided in section 352.04, subdivision 4.

<u>**EFFECTIVE DATE.** This section is effective July 1, 2013.</u>

Sec. 2. 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~~ 2014	~~15.60~~ 18.6 percent
(2) on or after the first day of the first pay period beginning after July 1, ~~2011~~ 2014, to June 30, 2016	~~18.60~~ 20.1 percent
(3) after June 30, 2016	21.6 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. 3. 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. 4. 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. 5. 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. 6. Minnesota Statutes 2012, section 352B.10, subdivision 5, is amended to read:

Subd. 5. **Optional annuity.** A disabilitant 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. 7. 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 disabilitant 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. 8. 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) 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) 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.

~~(c)~~ (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. 9. **REPEALER.**

Minnesota Statutes 2012, section 352B.11, subdivision 2c, is repealed.

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

352B.11 RETIREES.

Subd. 2c. **Surviving spouse benefit entitlements.** (a) A surviving spouse specified in subdivision 2b is eligible to receive, following the filing of a valid application and consistent with any other applicable requirements, a benefit as specified in this subdivision. A 100 percent joint and survivor annuity under paragraph (b) must be computed assuming the exact age 55 for the deceased member and the age of the surviving spouse on the date of death. A 100 percent joint and survivor annuity under paragraph (d) or (e) 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.

(b) For a surviving spouse specified in subdivision 2b, paragraph (a) or (d), the surviving spouse benefit is a benefit 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.

(c) For a surviving spouse specified in subdivision 2b, paragraph (b), the surviving spouse benefit is a benefit for life equal to 50 percent of the average monthly salary of the deceased member.

(d) For a surviving spouse specified in subdivision 2b, paragraph (c), the surviving spouse benefit is 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.

(e) For a surviving spouse specified in subdivision 2b, paragraph (e), the surviving spouse benefit is 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.

(f) For a surviving spouse specified in subdivision 2b, paragraph (f), the surviving spouse 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.

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 447

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
02/14/2013	229	Introduction and first reading Referred to State and Local Government

A bill for an act

relating to retirement; Public Employees Retirement Association plans; modifying the trigger for increasing or lowering annual postretirement adjustments for all plans; modifying duty disability definitions and clarifying disability application requirements for the public employees police and fire and local government correctional retirement plans; revising vesting, increasing plan employee and employer contributions, increasing the reduction for early retirement clarifying survivor benefit provisions, and delaying the first annual postretirement adjustment for the public employees police and fire retirement plan; amending Minnesota Statutes 2012, sections 353.01, subdivisions 41, 47; 353.031, subdivision 4; 353.65, subdivisions 2, 3; 353.651, subdivisions 3, 4; 353.657, subdivisions 2a, 3a; 353E.001, subdivision 1; 356.415, subdivisions 1b, 1c.

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

Section 1. 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. 2. 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. 3. 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 some 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 some 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. 4. 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. 5. 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. 6. 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. 7. 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, 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, 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 who is a member of the public employees police and fire retirement plan on or after July 1, 2014, 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, 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; 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 who is a member of the public employees police and fire retirement plan on or after July 1, 2014, 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. 8. 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. 9. 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. 10. 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. 11. 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. 12. 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), clauses (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.

~~(c)~~ (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.