

1.1 A bill for an act

1.2 relating to retirement; Public Employees Retirement Association, administrative
1.3 and technical modifications; clarifying certain service and salary credit
1.4 purchases, clarifying the offset for benefits received for certain refund payments;
1.5 clarifying police and fire plan coverage for certain Hennepin Healthcare
1.6 System supervisors; requiring termination from all public service for combined
1.7 service annuity eligibility; amending Minnesota Statutes 2014, sections 353.32,
1.8 subdivision 1; 353.34, subdivision 2; 356.30, subdivision 1; Minnesota Statutes
1.9 2015 Supplement, sections 353.0162; 353.64, subdivision 10; repealing
1.10 Minnesota Statutes 2014, section 353.0161, subdivision 1; Minnesota Statutes
1.11 2015 Supplement, section 353.0161, subdivisions 2, 3.

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

1.13 Section 1. Minnesota Statutes 2015 Supplement, section 353.0162, is amended to read:

1.14 **353.0162 ~~REDUCED SALARY PERIODS~~ SALARY CREDIT PURCHASE**
1.15 **FOR PERIODS OF REDUCED SALARY.**

1.16 (a) A member may purchase ~~additional~~ differential salary credit, as described in
1.17 paragraph (c), for a period specified in this section paragraph (b).

1.18 (b) The applicable period is a period during which the member is receiving a no or
1.19 reduced salary from the employer while the member is:

1.20 (1) receiving ~~temporary~~ workers' compensation payments related to the member's
1.21 service to the public employer;

1.22 (2) on an authorized leave of absence, except that if the authorized leave of absence
1.23 exceeds twelve months, the period of leave for which differential salary credit may be
1.24 purchased is limited to twelve months; or

1.25 (3) on an authorized ~~partial-paid~~ leave of absence as a result of a budgetary or salary
1.26 savings program offered or mandated by a governmental subdivision, if certified to the
1.27 executive director by the governmental subdivision.

2.1 (c) The Differential salary ~~amount~~ credit is the difference between the ~~average~~
2.2 ~~monthly~~ salary received by the member during the ~~a period of reduced salary under~~
2.3 ~~this section specified in paragraph (b)~~ and the ~~average monthly~~ salary of the member,
2.4 excluding overtime, on which contributions to the applicable plan ~~were~~ would have
2.5 been made during the period of the last six months of covered employment occurring
2.6 immediately before the period of reduced salary, applied to based on the member's normal
2.7 employment period, measured in hours or otherwise, as applicable, and rate of pay.

2.8 (d) To receive eligible differential salary credit, the member shall pay the plan, by
2.9 delivering payment to the executive director, an amount equal to:

2.10 (1) the applicable employee contribution rate under section 353.27, subdivision
2.11 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the
2.12 differential salary amount;

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

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

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

2.22 (f) Payment under this section must include interest on the contribution amount or
2.23 amounts, whichever applies, at an 8.5 percent annual rate until June 30, 2015, and at an
2.24 eight percent annual rate thereafter, prorated for applicable months from the date on which
2.25 the period of reduced salary specified ~~under this section in paragraph (b)~~ terminates to the
2.26 date on which the payment or payments are received by the executive director. Payment
2.27 under this section must be completed ~~within~~ by the earlier earliest of (i) 30 days from after
2.28 termination of public service by the employee under section 353.01, subdivision 11a, ~~or~~
2.29 (ii) one year after the termination of the period specified in paragraph (b), as further
2.30 restricted under this section or (iii) 30 days after the commencement of a disability benefit.

2.31 (g) ~~The period for which additional allowable salary credit may be purchased is~~
2.32 ~~limited to the period during which the person receives temporary workers' compensation~~
2.33 ~~payments or for those business years in which the governmental subdivision offers or~~
2.34 ~~mandates a budget or salary savings program, as certified to the executive director by a~~
2.35 ~~resolution of the governing body of the governmental subdivision. For an authorized leave~~

3.1 of absence, the period for which allowable salary credit may be purchased may not exceed
3.2 12 months of authorized leave.

3.3 ~~(h) To purchase~~ (g) If the member has purchased 12 months of differential salary
3.4 credit for a subsequent period of temporary workers' compensation benefits or subsequent
3.5 authorized medical leave of absence, the member must return to public service and render
3.6 a minimum of three months of allowable service to purchase differential salary credit for
3.7 a subsequent leave of absence.

3.8 **EFFECTIVE DATE.** This section is effective July 1, 2016.

3.9 Sec. 2. Minnesota Statutes 2014, section 353.32, subdivision 1, is amended to read:

3.10 Subdivision 1. **Before retirement.** If a member or former member ~~who terminated~~
3.11 ~~public service~~ dies before retirement or before receiving any retirement annuity and no
3.12 other payment of any kind is or may become payable to any person, a refund is payable to
3.13 the designated beneficiary or, if there be none, to the surviving spouse, or, if none, to the
3.14 legal representative of the decedent's estate. The refund must be in an amount equal to
3.15 accumulated deductions, less the sum of any disability or survivor benefits that have been
3.16 paid by the fund, plus annual compound interest thereon at the rate specified in section
3.17 353.34, subdivision 2, and less the sum of any disability or survivor benefits, if any, that
3.18 ~~may have been paid by the fund~~; provided that a survivor who has a right to benefits under
3.19 section 353.31 may waive such benefits in writing, except such benefits for a dependent
3.20 child under the age of 18 years may only be waived under an order of the district court.

3.21 **EFFECTIVE DATE.** This section is effective July 1, 2016.

3.22 Sec. 3. Minnesota Statutes 2014, section 353.34, subdivision 2, is amended to read:

3.23 Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person
3.24 who ceases to be a public employee is entitled to receive a refund in an amount equal
3.25 to accumulated deductions ~~with,~~ less the sum of any disability benefits that have been
3.26 paid by the fund, plus annual compound interest to the first day of the month in which
3.27 the refund is processed.

3.28 (b) For a person who ceases to be a public employee before July 1, 2011, the refund
3.29 interest is at the rate of six percent to June 30, 2011, and at the rate of four percent after
3.30 June 30, 2011. For a person who ceases to be a public employee after July 1, 2011, the
3.31 refund interest is at the rate of four percent.

4.1 (c) If a person repays a refund and subsequently applies for another refund, the
 4.2 repayment amount, including interest, is added to the fiscal year balance in which the
 4.3 repayment was made.

4.4 (d) If the refund payable to a member is based on employee deductions that are
 4.5 determined to be invalid under section 353.27, subdivision 7, the interest payable on the
 4.6 invalid employee deductions is four percent.

4.7 **EFFECTIVE DATE.** This section is effective July 1, 2016.

4.8 Sec. 4. Minnesota Statutes 2015 Supplement, section 353.64, subdivision 10, is
 4.9 amended to read:

4.10 Subd. 10. **Pension coverage for Hennepin Healthcare System, Inc.; paramedics**
 4.11 **and emergency medical technicians.** An employee of Hennepin Healthcare System,
 4.12 Inc. is a member of the public employees police and fire retirement plan under sections
 4.13 353.63 to 353.68 if the person is:

4.14 (1) certified as a paramedic or emergency medical technician by the state under
 4.15 section 144E.28, subdivision 4;

4.16 (2) employed full time by Hennepin county as:

4.17 (i) a paramedic ~~or~~;

4.18 (ii) an emergency medical technician by Hennepin County; or

4.19 (iii) a supervisor or manager of paramedics or emergency medical technicians; and

4.20 (3) not eligible for coverage under the agreement signed between the state and the
 4.21 secretary of the federal Department of Health and Human Services making the provisions
 4.22 of the federal Old Age, Survivors, and Disability Insurance Act applicable to paramedics
 4.23 and emergency medical technicians because the person's position is excluded after that
 4.24 date from application under United States Code, title 42, sections 418(d)(5)(A) and
 4.25 418(d)(8)(D), and section 355.07.

4.26 Hennepin Healthcare System, Inc. shall deduct the employee contribution from
 4.27 the salary of each full-time paramedic and emergency medical technician it employs as
 4.28 required by section 353.65, subdivision 2, shall make the employer contribution for each
 4.29 full-time paramedic and emergency medical technician it employs as required by section
 4.30 353.65, subdivision 3, and shall meet the employer recording and reporting requirements
 4.31 in section 353.65, subdivision 4.

4.32 **EFFECTIVE DATE.** This section is effective July 1, 2016.

4.33 Sec. 5. Minnesota Statutes 2014, section 356.30, subdivision 1, is amended to read:

5.1 Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any
5.2 provisions of the laws governing the retirement plans enumerated in subdivision 3, a
5.3 person who has met the qualifications of paragraph (b) may elect to receive a retirement
5.4 annuity from each enumerated retirement plan in which the person has at least one-half
5.5 year of allowable service, based on the allowable service in each plan, subject to the
5.6 provisions of paragraph (c).

5.7 (b) A person may receive, upon retirement, a retirement annuity from each
5.8 enumerated retirement plan in which the person has at least one-half year of allowable
5.9 service, and augmentation of a deferred annuity calculated at the appropriate rate under
5.10 the laws governing each public pension plan or fund named in subdivision 3, based on
5.11 the date of the person's initial entry into public employment from the date the person
5.12 terminated all public service if:

5.13 (1) the person has allowable service in any two or more of the enumerated plans;

5.14 (2) the person has sufficient allowable service in total that equals or exceeds the
5.15 applicable service credit vesting requirement of the retirement plan with the longest
5.16 applicable service credit vesting requirement; and

5.17 (3) the person has not begun to receive an annuity from any enumerated plan ~~or the~~
5.18 ~~person has made application for benefits from each applicable plan~~ before terminating all
5.19 public service; and

5.20 (4) the effective dates of the retirement annuity with each plan under which the
5.21 person chooses to receive an annuity are within a one-year period.

5.22 (c) The retirement annuity from each plan must be based upon the allowable service,
5.23 accrual rates, and average salary in the applicable plan except as further specified or
5.24 modified in the following clauses:

5.25 (1) the laws governing annuities must be the law in effect on the date of termination
5.26 from the last period of public service under a covered retirement plan with which the person
5.27 earned a minimum of one-half year of allowable service credit during that employment;

5.28 (2) the "average salary" on which the annuity from each covered plan in which
5.29 the employee has credit in a formula plan must be based on the employee's highest five
5.30 successive years of covered salary during the entire service in covered plans;

5.31 (3) the accrual rates to be used by each plan must be those percentages prescribed by
5.32 each plan's formula as continued for the respective years of allowable service from one
5.33 plan to the next, recognizing all previous allowable service with the other covered plans;

5.34 (4) the allowable service in all the plans must be combined in determining eligibility
5.35 for and the application of each plan's provisions in respect to reduction in the annuity
5.36 amount for retirement prior to normal retirement age; and

6.1 (5) the annuity amount payable for any allowable service under a nonformula plan
6.2 of a covered plan must not be affected, but such service and covered salary must be used
6.3 in the above calculation.

6.4 (d) This section does not apply to any person whose final termination from the last
6.5 public service under a covered plan was before May 1, 1975.

6.6 (e) For the purpose of computing annuities under this section, the accrual rates
6.7 used by any covered plan, except the public employees police and fire plan, the judges
6.8 retirement fund, and the State Patrol retirement plan, must not exceed 2.7 percent per year
6.9 of service for any year of service or fraction thereof. The formula percentage used by the
6.10 judges retirement fund must not exceed 3.2 percent per year of service for any year of
6.11 service or fraction thereof. The accrual rate used by the public employees police and fire
6.12 plan and the State Patrol retirement plan must not exceed 3.0 percent per year of service
6.13 for any year of service or fraction thereof. The accrual rate or rates used by the legislators
6.14 retirement plan must not exceed 2.5 percent, but this limit does not apply to the adjustment
6.15 provided under section 3A.02, subdivision 1, paragraph (c).

6.16 (f) Any period of time for which a person has credit in more than one of the covered
6.17 plans must be used only once for the purpose of determining total allowable service.

6.18 (g) If the period of duplicated service credit is more than one-half year, or the person
6.19 has credit for more than one-half year, with each of the plans, each plan must apply its
6.20 formula to a prorated service credit for the period of duplicated service based on a fraction
6.21 of the salary on which deductions were paid to that fund for the period divided by the total
6.22 salary on which deductions were paid to all plans for the period.

6.23 (h) If the period of duplicated service credit is less than one-half year, or when
6.24 added to other service credit with that plan is less than one-half year, the service credit
6.25 must be ignored and a refund of contributions made to the person in accord with that
6.26 plan's refund provisions.

6.27 **EFFECTIVE DATE.** This section is effective July 1, 2016.

6.28 Sec. 6. **REPEALER.**

6.29 Minnesota Statutes 2014, section 353.0161, subdivision 1, is repealed.

6.30 Minnesota Statutes 2015 Supplement, section 353.0161, subdivisions 2 and 3, are
6.31 repealed.

6.32 **EFFECTIVE DATE.** This section is effective July 1, 2016.

353.0161 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.

Subdivision 1. **Application.** This section applies to employees covered by any plan specified in this chapter or chapter 353E for any period of authorized leave of absence specified in section 353.01, subdivision 16, paragraph (a), clause (5), for which the employee obtains credit for allowable service by making payment as specified in this section to the applicable fund.

Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in subdivision 1 may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the member returned to work following the authorized leave, or within 30 days after the date of termination of public service if the member did not return to work, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period, or at termination of public service, whichever is earlier, multiplied by the employee's average monthly salary, excluding overtime, upon which deductions were paid during the six months, or portion thereof, before the commencement of the leave of absence and by the number of months of the leave of absence for which the employee wants allowable service credit. Payments made under this paragraph must include compound interest at the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter from the last day of the leave period until the last day of the month in which payment is received.

(c) If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date the person terminates public service under section 353.01, subdivision 11a.

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