

1.1 A bill for an act

1.2 relating to retirement; Public Employees Retirement Association; general employees

1.3 retirement plan; expanding the coverage of chapter 353F governing privatization

1.4 of medical facilities to include privatization of any governmental subdivisions;

1.5 revising and adding definitions; deleting references to medical facilities; revising

1.6 the method for calculating withdrawal liability; expanding the annual reporting

1.7 requirement to include amount of withdrawal liability for privatizing employers;

1.8 amending Minnesota Statutes 2024, sections 353F.01; 353F.02, subdivisions 3,

1.9 4b, 5a, 6, by adding subdivisions; 353F.025; 353F.03; 353F.04; 353F.05; 353F.051,

1.10 subdivisions 1, 2; 353F.052; 353F.057; 353F.06; 353F.07; 353F.08; 353F.09;

1.11 repealing Minnesota Statutes 2024, section 353F.02, subdivision 4a.

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

1.13 Section 1. Minnesota Statutes 2024, section 353F.01, is amended to read:

1.14 **353F.01 PURPOSE AND INTENT.**

1.15 The purpose of this chapter is to ensure, to the extent possible, that persons employed

1.16 ~~at public medical facilities who~~ by governmental subdivisions that are privatized and

1.17 consequently are excluded from retirement coverage by the Public Employees Retirement

1.18 Association will be entitled to receive future retirement benefits under the general employees

1.19 retirement plan of the Public Employees Retirement Association commensurate with the

1.20 prior contributions made by them or made on their behalf upon the privatization of the

1.21 ~~medical facility~~ governmental subdivision.

1.22 Sec. 2. Minnesota Statutes 2024, section 353F.02, is amended by adding a subdivision to

1.23 read:

1.24 Subd. 2a. **Association.** "Association" means the Public Employees Retirement Association

1.25 established under chapter 353.

2.1 Sec. 3. Minnesota Statutes 2024, section 353F.02, subdivision 3, is amended to read:

2.2 Subd. 3. **Effective date of privatization.** "Effective date of privatization" means the
2.3 date that ~~the operation of a medical facility is assumed by another~~ governmental subdivision
2.4 becomes a privatized employer or the date that a ~~medical facility~~ governmental subdivision
2.5 is purchased by another employer in a privatization and active membership in the ~~Public~~
2.6 ~~Employees Retirement~~ association consequently terminates.

2.7 Sec. 4. Minnesota Statutes 2024, section 353F.02, is amended by adding a subdivision to
2.8 read:

2.9 Subd. 3b. **Funding ratio.** "Funding ratio" means the actuarial value of assets of the
2.10 general employees retirement fund, divided by the present value of accrued benefits for the
2.11 fund, expressed as a percentage.

2.12 Sec. 5. Minnesota Statutes 2024, section 353F.02, is amended by adding a subdivision to
2.13 read:

2.14 Subd. 3c. **General employees retirement fund.** "General employees retirement fund"
2.15 means the general employees retirement fund as defined under section 353.27, subdivision
2.16 1.

2.17 Sec. 6. Minnesota Statutes 2024, section 353F.02, is amended by adding a subdivision to
2.18 read:

2.19 Subd. 3d. **General employees retirement plan.** "General employees retirement plan"
2.20 or "general plan" means the general employees retirement plan of the association established
2.21 under chapter 353.

2.22 Sec. 7. Minnesota Statutes 2024, section 353F.02, is amended by adding a subdivision to
2.23 read:

2.24 Subd. 3e. **Governmental subdivision.** "Governmental subdivision" has the meaning
2.25 given in section 353.01, subdivision 6.

2.26 Sec. 8. Minnesota Statutes 2024, section 353F.02, subdivision 4b, is amended to read:

2.27 Subd. 4b. **Privatization.** "Privatization" means ~~a medical facility that privatizes when~~
2.28 ~~the facility~~ the process of privatizing, through which a governmental subdivision ceases to
2.29 be a governmental subdivision for any reason other than that the ~~medical facility~~
2.30 governmental subdivision closes or permanently ceases to operate.

3.1 Sec. 9. Minnesota Statutes 2024, section 353F.02, is amended by adding a subdivision to
3.2 read:

3.3 Subd. 4c. **Privatize or privatizing.** "Privatize" or "privatizing" means to engage in a
3.4 transaction, include a sale to, acquisition by, or merger with an entity or a sale to or
3.5 acquisition by one or more individuals, or a series of such transactions that result in a
3.6 governmental subdivision ceasing to be a governmental subdivision on or after the effective
3.7 date of privatization. Privatize or privatizing does not mean ceasing to be a governmental
3.8 subdivision because the subdivision closed or permanently ceased to operate.

3.9 Sec. 10. Minnesota Statutes 2024, section 353F.02, subdivision 5a, is amended to read:

3.10 Subd. 5a. **Privatized former public employer.** "Privatized former public employer"
3.11 means ~~a medical facility that was included in the definition of~~ an entity that was a
3.12 governmental subdivision under section 353.01, subdivision 6, on the day before the effective
3.13 date of privatization ~~that is privatized and whose employees are certified for participation~~
3.14 ~~under this chapter~~ privatized employees.

3.15 Sec. 11. Minnesota Statutes 2024, section 353F.02, subdivision 6, is amended to read:

3.16 Subd. 6. **Privatized former public employee.** (a) "Privatized former public employee"
3.17 means a person who, before the effective date of the privatization of a governmental
3.18 subdivision:

3.19 (1) was employed by the ~~privatized former public employer on the day before the effective~~
3.20 ~~date of privatization;~~ or governmental subdivision; and

3.21 (2) ~~terminated employment with the privatized former public employer on the day before~~
3.22 ~~the effective date; and~~

3.23 (3) was a ~~participant in~~ member of the general employees retirement plan ~~of the Public~~
3.24 ~~Employees Retirement Association at the time of termination of employment with the~~
3.25 ~~privatized former public employer~~ for the period of employment with the governmental
3.26 subdivision.

3.27 (b) Privatized former public employee does not mean a person who, on the day before
3.28 the effective date of privatization, was simultaneously employed with the privatized ~~former~~
3.29 ~~public employer and by a governmental subdivision under section 353.01, subdivision 6,~~
3.30 and who, after the effective date of privatization, continues to accrue service credit under
3.31 section 353.01, subdivision 16, through simultaneous employment with a governmental
3.32 subdivision.

4.1 Sec. 12. Minnesota Statutes 2024, section 353F.02, is amended by adding a subdivision
4.2 to read:

4.3 Subd. 6a. **Privatizing active employee.** "Privatizing active employee" means a privatized
4.4 employee who was employed by the privatizing governmental subdivision on the day before
4.5 the effective date of the privatization.

4.6 Sec. 13. Minnesota Statutes 2024, section 353F.025, is amended to read:

4.7 **353F.025 ~~CERTIFICATION AND DECERTIFICATION OF MEDICAL~~**
4.8 **~~FACILITIES AND OTHER PUBLIC EMPLOYING UNITS~~ WITHDRAWAL**
4.9 **LIABILITY.**

4.10 Subdivision 1. **Eligibility determination and calculation of withdrawal liability.** (a)
4.11 ~~The chief clerical~~ This section applies to any governmental subdivision that privatizes.

4.12 (b) Before the effective date of privatization, an officer of a the governmental subdivision
4.13 may that is privatizing or that has control or ownership of an entity that is privatizing must
4.14 submit to the executive director a resolution from the governing body to the executive
4.15 director of the Public Employees Retirement Association which supports providing coverage
4.16 under this chapter for employees of that governmental subdivision who are privatized, and
4.17 which states that the governing body will pay for actuarial calculations, as further specified
4.18 in paragraph (c) of the governmental subdivision stating the following:

4.19 (1) that it is the intention of the governmental subdivision to privatize or to engage in a
4.20 privatization that will result in the controlled or owned entity becoming privatized; and

4.21 (2) that the governmental subdivision or entity will reimburse the association for the
4.22 cost to calculate withdrawal liability under paragraph (d).

4.23 ~~(b)~~ (c) The governing body must also provide to the executive director a copy of any
4.24 applicable the purchase or, lease, or other transaction agreement and any other information
4.25 requested by the executive director to allow the executive director to verify that under the
4.26 proposed employer change, determine whether the new employer does not qualify as, after
4.27 the privatization, will be a governmental subdivision under section 353.01, subdivision 6
4.28 or a privatized employer, making the employees ineligible for continued coverage as active
4.29 members of the general employees retirement plan of the Public Employees Retirement
4.30 Association.

4.31 ~~(e) Following~~ (d) If, within 30 days after receipt of a the resolution and a determination
4.32 by information under paragraph (b), the executive director determines that the new employer
4.33 is after the privatization will not be a governmental subdivision, the executive director shall

5.1 must direct the consulting actuary retained by the association under section 356.214 to
5.2 determine whether the general employees retirement plan of the Public Employees Retirement
5.3 Association, if coverage under this chapter is provided, is expected to receive a net gain or
5.4 a net loss if privatization occurs. A net gain is expected if the actuarial liability of the special
5.5 benefit coverage provided under this chapter, if extended to the applicable employees under
5.6 the privatization, is less than the actuarial gain otherwise to accrue to the plan. A net loss
5.7 is expected if the actuarial accrued liability of the special benefit coverage provided under
5.8 this chapter, if extended to the applicable employees under the privatization, is more than
5.9 the actuarial gain otherwise to accrue to the plan. The date of the actuarial calculations used
5.10 to make this determination must be within one year of the effective date of privatization
5.11 calculate the withdrawal liability to be incurred by the privatized employer on the effective
5.12 date of the privatization. Withdrawal liability and present value must be calculated as
5.13 provided in paragraphs (e) and (f), respectively.

5.14 (e) Withdrawal liability is equal to the present value of accrued benefits attributable to
5.15 the privatizing active employees minus the product of:

5.16 (1) the present value of accrued benefits attributable to the privatizing active employees;
5.17 and

5.18 (2) the general plan's funding ratio.

5.19 If the withdrawal liability is a negative number, the withdrawal liability is zero.

5.20 Withdrawal liability must be calculated using the most recently completed actuarial valuation
5.21 before the effective date of privatization.

5.22 (f) Present value of accrued benefits is determined using the actuarial assumptions under
5.23 section 356.215, subdivision 8, for the general plan. The present value of accrued benefits
5.24 does not include projected compensation or projected service.

5.25 (g) The governmental subdivision must reimburse the association for the cost of
5.26 calculating the withdrawal liability.

5.27 Subd. 1a. **Payment of withdrawal liability.** No later than six months after the effective
5.28 date of privatization, the privatized employer must pay the withdrawal liability calculated
5.29 under subdivision 1 to the general employees retirement fund, unless the privatized employer
5.30 elects a payment plan. In lieu of a single withdrawal liability payment, the privatized
5.31 employer may elect to pay the withdrawal liability with interest compounded annually at
5.32 the applicable rate or rates specified in section 356.59, subdivision 3, in equal annual
5.33 payments for a term of no longer than ten years. The obligation to pay under this subdivision
5.34 is binding upon the privatized employer and its successors and assignees.

6.1 Subd. 2. **Reporting privatizations.** (a) ~~If The actuarial calculations under subdivision~~
 6.2 ~~1, paragraph (c), indicate privatization can be approved because a net gain to the general~~
 6.3 ~~employees retirement plan of the Public Employees Retirement association is expected, or~~
 6.4 ~~if paragraph (b) applies, the executive director shall, following acceptance of the actuarial~~
 6.5 ~~calculations by~~ must maintain a record of the consulting actuary's calculation of withdrawal
 6.6 liability under subdivision 1 and any associated report. The calculation and any associated
 6.7 report must be made publicly available and provided to:

6.8 (1) the board of trustees, ~~forward notice and supporting documentation, including a copy~~
 6.9 ~~of the actuary's report and findings, to;~~

6.10 (2) the chair and the executive director of the Legislative Commission on Pensions and
 6.11 Retirement; and

6.12 (3) the chairs and the ranking minority members of the legislative committees with
 6.13 jurisdiction over governmental operations in the house of representatives and senate.

6.14 ~~(b) If the calculations under subdivision 1, paragraph (c), indicate a net loss, the executive~~
 6.15 ~~director shall recommend to the board of trustees that the privatization be approved if the~~
 6.16 ~~chief clerical officer of the applicable governmental subdivision submits a resolution from~~
 6.17 ~~the governing body specifying that a lump sum payment will be made to the Public~~
 6.18 ~~Employees Retirement Association equal to the net loss, plus interest. The interest must be~~
 6.19 ~~computed using the applicable ultimate investment return assumption under section 356.215,~~
 6.20 ~~subdivision 8, expressed as a monthly rate, from the date of the actuarial valuation from~~
 6.21 ~~which the actuarial accrued liability data was used to determine the net loss in the actuarial~~
 6.22 ~~study under subdivision 1, to the date of payment, with annual compounding. Payment must~~
 6.23 ~~be made on or after the effective date of privatization.~~

6.24 ~~(e)~~(b) ~~The Public Employees Retirement~~ association must maintain a list that includes
 6.25 the names of all privatized ~~former public~~ employers in the association's annual comprehensive
 6.26 ~~annual~~ financial report and on the association's website. Beginning July 1, 2027, the
 6.27 association must also include in the list the amount of the withdrawal liability determined
 6.28 as of the effective date of privatization and the remaining amount, if any, of withdrawal
 6.29 liability due to be paid for each privatized employer.

6.30 Sec. 14. Minnesota Statutes 2024, section 353F.03, is amended to read:

6.31 **353F.03 VESTING RULE FOR CERTAIN EMPLOYEES.**

6.32 Notwithstanding any provision of chapter 353 to the contrary, a privatized ~~former public~~
 6.33 employee is eligible to receive a retirement annuity under section 353.29 of the edition of

7.1 Minnesota Statutes published in the year before the year in which the privatization occurred,
7.2 without regard to the requirement specified in section 353.01, subdivision 47.

7.3 Sec. 15. Minnesota Statutes 2024, section 353F.04, is amended to read:

7.4 **353F.04 AUGMENTATION INTEREST RATES FOR PRIVATIZED FORMER**
7.5 **PUBLIC EMPLOYEES.**

7.6 Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of a privatized
7.7 ~~former public~~ employee is subject to augmentation under section 353.34, subdivision 3,
7.8 except that the rate of augmentation is as specified in this section.

7.9 (b) This paragraph applies if the effective date of privatization was on or before January
7.10 1, 2007, and also applies to Hutchinson Area Health Care with a privatization effective date
7.11 of January 1, 2008. For a privatized ~~former public~~ employee, the augmentation rate is 5.5
7.12 percent compounded annually until January 1 following the year in which the ~~person~~
7.13 privatized employee attains age 55. After that date, the augmentation rate is 7.5 percent
7.14 compounded annually.

7.15 (c) If paragraph (b) is not applicable, and if the effective date of the privatization is after
7.16 January 1, 2007, and before January 1, 2011, then the augmentation rate is four percent
7.17 compounded annually until January 1, following the year in which the ~~person~~ privatized
7.18 employee attains age 55. After that date, the augmentation rate is six percent compounded
7.19 annually.

7.20 (d) If the effective date of the privatization is after December 31, 2010, the augmentation
7.21 rate depends on the result of computations specified in section 353F.025, subdivision 1. If
7.22 those computations indicate no loss or a net gain to the ~~fund of the~~ general employees
7.23 ~~retirement plan of the Public Employees Retirement Association~~ fund, the augmentation
7.24 rate is two percent compounded annually. If the computations under that subdivision indicate
7.25 a net loss to the fund if a two percent augmentation rate is used, but a net gain or no loss if
7.26 a one percent rate is used, then the augmentation rate is one percent compounded annually.

7.27 (e) Notwithstanding paragraphs (b) to (d), after June 30, 2020, and before January 1,
7.28 2024, the augmentation rate for all privatized ~~former public~~ employees under paragraphs
7.29 (b) to (d) is two percent compounded annually. After December 31, 2023, no additional
7.30 augmentation is applied to the deferred annuities of privatized ~~former public employee's~~
7.31 ~~deferred annuity~~ employees.

7.32 Subd. 2. **Exceptions.** The augmentation rates specified in subdivision 1 do not apply to
7.33 a privatized ~~former public~~ employee:

8.1 (1) beginning the first of the month in which the privatized ~~former public~~ employee
8.2 becomes covered again by a retirement plan enumerated in section 356.30, subdivision 3,
8.3 if the employee accrues at least six months of credited service in any single plan enumerated
8.4 in section 356.30, subdivision 3, except clause (6);

8.5 (2) beginning the first of the month in which the privatized ~~former public~~ employee
8.6 becomes covered again by the general employees retirement plan of the ~~Public Employees~~
8.7 ~~Retirement Association~~;

8.8 (3) beginning the first of the month after a privatized ~~former public~~ employee terminates
8.9 service with the privatized ~~former public~~ employer;

8.10 (4) if the privatized ~~former public~~ employee begins receipt of a retirement annuity while
8.11 employed by the privatized ~~former public~~ employer; or

8.12 (5) if the effective date of privatization occurs after June 30, 2020.

8.13 Sec. 16. Minnesota Statutes 2024, section 353F.05, is amended to read:

8.14 **353F.05 AUTHORIZATION FOR ADDITIONAL ALLOWABLE SERVICE FOR**
8.15 **EARLY RETIREMENT PURPOSES.**

8.16 (a) For the purpose of determining eligibility for early retirement benefits provided under
8.17 section 353.30, subdivision 1a, of the edition of Minnesota Statutes published in the year
8.18 before the year in which the privatization occurred, and notwithstanding any provision of
8.19 chapter 353; to the contrary, the years of allowable service for a privatized ~~former public~~
8.20 employee who transfers employment on the effective date of privatization and does not
8.21 apply for a refund of contributions under section 353.34, subdivision 1, of the edition of
8.22 Minnesota Statutes published in the year before the year in which the privatization occurred,
8.23 or any similar provision, includes service with the privatized ~~former public~~ employer
8.24 following the effective date. The privatized ~~former public~~ employer shall provide any reports
8.25 that the executive director of the ~~Public Employees Retirement Association~~ may reasonably
8.26 request to permit calculation of benefits.

8.27 (b) To be eligible for early retirement benefits under this section, the ~~individual~~ privatized
8.28 employee must separate from service with the privatized ~~former public~~ employer. The
8.29 privatized ~~former public~~ employee, or an individual authorized to act on behalf of that
8.30 employee, may apply for an annuity following application procedures under section 353.29,
8.31 subdivision 4.

9.1 Sec. 17. Minnesota Statutes 2024, section 353F.051, subdivision 1, is amended to read:

9.2 Subdivision 1. **Eligibility.** A privatized ~~former public~~ employee who is totally and
9.3 permanently disabled under section 353.01, subdivision 19, and who had a medically
9.4 documented preexisting condition of the disability before the termination of coverage, may
9.5 apply for a disability benefit.

9.6 Sec. 18. Minnesota Statutes 2024, section 353F.051, subdivision 2, is amended to read:

9.7 Subd. 2. **Calculation of benefits.** A person qualifying under subdivision 1 is entitled to
9.8 receive a disability benefit calculated under section 353.33, subdivision 3. ~~The disability~~
9.9 ~~benefit must be augmented under section 353.71, subdivision 2, from the date of termination~~
9.10 ~~to the date the disability benefit begins to accrue.~~

9.11 Sec. 19. Minnesota Statutes 2024, section 353F.052, is amended to read:

9.12 **353F.052 APPLICATION OF SURVIVING SPOUSE, DEPENDENT CHILD**
9.13 **PROVISION.**

9.14 Notwithstanding any provisions of law to the contrary, subdivisions within section
9.15 353.32 of the edition of Minnesota Statutes published in the year before the year in which
9.16 a privatization occurred, applicable to the surviving spouse or dependent children of a former
9.17 member as defined in section 353.01, subdivision 7a, apply to the survivors of a privatized
9.18 ~~former public~~ employee.

9.19 Sec. 20. Minnesota Statutes 2024, section 353F.057, is amended to read:

9.20 **353F.057 TERMINATION FROM SERVICE REQUIREMENT.**

9.21 Upon termination of service from the privatized ~~former public~~ employer after the effective
9.22 date of privatization, a privatized ~~former public~~ employee must separate from any
9.23 employment relationship with the privatized ~~former public~~ employer for at least 30 days to
9.24 qualify to receive a retirement annuity under this chapter.

9.25 Sec. 21. Minnesota Statutes 2024, section 353F.06, is amended to read:

9.26 **353F.06 APPLICATION OF REEMPLOYED ANNUITANT EARNINGS**
9.27 **LIMITATIONS.**

9.28 If a privatized ~~former public~~ employee satisfies the separation from service requirement
9.29 in section 353F.057 and thereafter resumes employment with the privatized ~~former public~~

10.1 employer or a governmental subdivision under section 353.01, subdivision 6, the reemployed
10.2 annuitant earnings limitations of section 353.37 apply.

10.3 Sec. 22. Minnesota Statutes 2024, section 353F.07, is amended to read:

10.4 **353F.07 EFFECT ON REFUND.**

10.5 Notwithstanding any provision of chapter 353 to the contrary, privatized ~~former public~~
10.6 employees may receive a refund of employee accumulated contributions plus interest as
10.7 provided in section 353.34, subdivision 2, at any time after the transfer of employment to
10.8 the privatized ~~former public~~ employer. If a privatized ~~former public~~ employee has received
10.9 a refund from a pension plan listed in section 356.30, subdivision 3, the ~~person~~ privatized
10.10 employee may not repay that refund unless the ~~person~~ privatized employee again becomes
10.11 a member of one of those listed plans and complies with section 356.30, subdivision 2.

10.12 Sec. 23. Minnesota Statutes 2024, section 353F.08, is amended to read:

10.13 **353F.08 COUNSELING SERVICES.**

10.14 The privatized ~~former public~~ employer and the executive director ~~of the Public Employees~~
10.15 ~~Retirement Association~~ shall provide privatized ~~former public~~ employees with counseling
10.16 on their benefits available under the general employees retirement plan ~~of the Public~~
10.17 ~~Employees Retirement Association~~ during a period mutually agreed ~~upon~~ before or after
10.18 the effective date of privatization.

10.19 Sec. 24. Minnesota Statutes 2024, section 353F.09, is amended to read:

10.20 **353F.09 APPLICATION TO SALES OF PRIVATIZED ~~FORMER PUBLIC~~**
10.21 **EMPLOYERS.**

10.22 A ~~medical facility or other employing unit~~ privatized employer shall cease to be a
10.23 privatized ~~former public~~ employer and its employees shall cease to be considered privatized
10.24 ~~former public~~ employees under this chapter upon the sale of the operations of the ~~medical~~
10.25 ~~facility or~~ employing unit to another employer or the sale of the ~~medical facility or~~ employing
10.26 unit to another employer. The privatized ~~former public~~ employees ~~shall be~~ are entitled to
10.27 benefits accrued under this chapter to the date of the sale, but ~~shall~~ must not accrue additional
10.28 benefits after the date of the sale.

10.29 Sec. 25. **REPEALER.**

10.30 Minnesota Statutes 2024, section 353F.02, subdivision 4a, is repealed.

11.1 Sec. 26. **EFFECTIVE DATE.**

11.2 Sections 1 to 25 are effective July 1, 2027.