

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 1864

(SENATE AUTHORS: SIMONSON)

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OFFICIAL STATUS
Introduction and first reading
Referred to State Government Finance and Policy and Elections

1.1 A bill for an act
1.2 relating to retirement; statewide and major local public retirement plans; modifying
1.3 provisions for purchasing salary or service credit for periods during which the
1.4 member receives workers' compensation; amending Minnesota Statutes 2016,
1.5 sections 352.017; 353.0162; 354.72; 354A.096; repealing Minnesota Statutes 2016,
1.6 section 352.01, subdivision 13a.

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

1.8 Section 1. Minnesota Statutes 2016, section 352.017, is amended to read:

1.9 **352.017 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE**
1.10 **PROCEDURE.**

1.11 Subdivision 1. Right to purchase allowable service; application. ~~Except for (a) An~~
1.12 employee shall receive credit for allowable service of up to one year for any period of
1.13 authorized leave of absence without pay or for any period during which the employee is
1.14 receiving workers' compensation payments related to the employee's service to the employing
1.15 unit, if the employee or the employee's employer makes the payments required by this
1.16 section to the executive director.

1.17 (b) This section does not apply to leaves or breaks in service covered by section 352.27;

1.18 (c) This section applies to all plans ~~specified in~~ covered by this chapter for any period
1.19 of authorized leave of absence without pay that does not exceed one year and for which the
1.20 employee obtains credit for allowable service by making payment as specified in this section
1.21 to the applicable fund.

1.22 Subd. 2. Purchase procedure for a leave of absence without pay. (a) An employee
1.23 covered by in a plan ~~specified in~~ covered by this chapter may purchase credit for allowable

2.1 service in that plan for ~~a period specified in subdivision 1~~ an authorized leave of absence
 2.2 without pay if the employee makes a the payment as specified in paragraph (b) or (c),
 2.3 whichever applies. The employing unit, at its option, may pay the employer portion of the
 2.4 amount specified in paragraph (b) on behalf of its ~~employees~~ employee.

2.5 (b) ~~If payment is received by the executive director within one year from the date the~~
 2.6 ~~employee returned to work following the authorized leave,~~ The payment amount is equal
 2.7 to the employee and employer contribution rates specified in law for the applicable plan at
 2.8 the end of the leave period multiplied by the employee's hourly rate of salary on the date
 2.9 of return from the leave ~~of absence~~ and by the days and months of the leave ~~of absence~~ for
 2.10 which the employee is eligible for allowable service credit. The payment must include
 2.11 compound interest at the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent
 2.12 per month thereafter from the last day of the leave period until the last day of the month in
 2.13 which payment is received. ~~If Payment is~~ must be received by the executive director ~~after~~
 2.14 within one year, ~~the payment amount is the amount determined under section 356.551.~~
 2.15 Payment under this paragraph must be made from the date the employee returns to work
 2.16 following the leave or, if earlier, before the date of termination from public employment
 2.17 covered under this chapter.

2.18 (c) If the employee terminates employment covered by this chapter during ~~the leave or~~
 2.19 ~~following the leave rather than returning to covered employment,~~ the payment amount is
 2.20 equal to the employee and employer contribution rates specified in law for the applicable
 2.21 plan on the day prior to the termination date, multiplied by the employee's hourly rate of
 2.22 salary on that date and by the days and months of the leave prior to termination. Payment
 2.23 must be received by the executive director within 30 days after the termination date. ~~The~~
 2.24 ~~payment amount is equal to the employee and employer contribution rates specified in law~~
 2.25 ~~for the applicable plan on the day prior to the termination date, multiplied by the employee's~~
 2.26 ~~hourly rate of salary on that date and by the days and months of the leave of absence prior~~
 2.27 ~~to termination.~~

2.28 **Subd. 3. Purchase procedure for period of workers' compensation if employee**
 2.29 **returns to service.** (a) An employee in a plan covered by this chapter may purchase credit
 2.30 for allowable service in that plan for a leave of absence during which the employee is
 2.31 receiving temporary workers' compensation payments and a reduced salary or no salary
 2.32 from the employer, if the employee makes the employee contribution payment, with interest,
 2.33 as specified in paragraph (b). If the employee makes the employee contribution payment,
 2.34 the employing unit shall pay the employer contribution amount, with interest, as specified
 2.35 in paragraph (c), on behalf of its employee.

3.1 (b) The employee shall pay an amount equal to the employee contribution rate specified
3.2 in law for the applicable plan at the end of the leave period multiplied by the difference
3.3 between salary received, if any, and the salary the employee would normally receive if not
3.4 on leave during the period. The payment must include compound interest at the monthly
3.5 rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter from the
3.6 last day of the leave period until the last day of the month in which payment is received.

3.7 (c) The employer shall pay an amount equal to the employer contribution rate specified
3.8 in law for the applicable plan at the end of the leave period multiplied by the difference
3.9 between salary received, if any, and the salary the employee would normally receive if not
3.10 on leave during the period. The payment must include compound interest at the monthly
3.11 rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter from the
3.12 last day of the leave period until the last day of the month in which payment is received.

3.13 (d) Payment must be received by the executive director within one year from the date
3.14 the employee returns to work following the leave or, if earlier, before the date of termination
3.15 from public employment covered under this chapter.

3.16 **Subd. 4. Purchase procedure for period of workers' compensation if employee does**
3.17 **not return to service.** (a) This subdivision applies to any employee who is eligible to
3.18 purchase credit for allowable service under subdivision 3 but who terminates employment
3.19 during or following the leave of absence during which the employee is receiving temporary
3.20 workers' compensation payments and a reduced salary or no salary from the employer. The
3.21 employee may purchase credit for allowable service if the employee makes the employee
3.22 contribution payment, with interest, as specified in paragraph (b). If the employee makes
3.23 the employee contribution payment, the employing unit shall pay the employer contribution
3.24 amount, with interest, as specified in paragraph (c), on behalf of its employee.

3.25 (b) The employee shall pay an amount equal to the employee contribution rate specified
3.26 in law for the applicable plan on the day prior to the termination date multiplied by the
3.27 difference between salary received, if any, and the salary the employee would normally
3.28 receive if not on leave during the period.

3.29 (c) The employer shall pay an amount equal to the employer contribution rate specified
3.30 in law for the applicable plan at the end of the leave period multiplied by the difference
3.31 between salary received, if any, and the salary the employee would normally receive if not
3.32 on leave during the period.

3.33 (d) Payment must be received by the executive director within 30 days after the
3.34 employment termination date.

4.1 Subd. 5. **Payment after the applicable due date.** If the employee wishes to purchase
 4.2 credit for allowable service after the due date specified in subdivision 2, 3, or 4, as applicable
 4.3 to the employee and type of leave, the payment amount is the amount determined under
 4.4 section 356.551.

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

4.6 Sec. 2. Minnesota Statutes 2016, section 353.0162, is amended to read:

4.7 **353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE FOR**
 4.8 **PERIODS OF REDUCED SALARY.**

4.9 Subdivision 1. **Salary credit purchase.** (a) A member ~~may purchase additional~~ shall
 4.10 receive salary credit for a an applicable period specified, as defined in this section subdivision
 4.11 2, if the member or the member's employer, as specified in subdivisions 6 and 7, makes the
 4.12 payments under subdivision 4 to the executive director.

4.13 Subd. 2. **Applicable period.** (b) (a) The applicable period is a period during which the
 4.14 member is receiving a reduced or no salary from the employer while the member is:

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

4.17 (2) on an authorized leave of absence; or

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

4.21 (b) The applicable period is limited to the period during which the person receives
 4.22 workers' compensation or for those business years in which the governmental subdivision
 4.23 offers or mandates a budget or salary savings program, as certified to the executive director
 4.24 by a resolution of the governing body of the governmental subdivision. For an authorized
 4.25 leave of absence, the period for which salary credit may be purchased may not exceed 12
 4.26 months of authorized leave.

4.27 Subd. 3. **Differential salary amount.** (e) The differential salary amount is the difference
 4.28 between the average monthly salary received by the member during the applicable period
 4.29 ~~of reduced salary under this section~~ and the ~~average monthly~~ salary of the member, excluding
 4.30 overtime, on which contributions to the applicable plan ~~were~~ would have been made during
 4.31 the period ~~of the last six months of covered employment occurring immediately before the~~

5.1 ~~period of reduced salary, applied to,~~ based on the member's normal employment period,
 5.2 measured in hours or otherwise, as applicable, and rate of pay.

5.3 Subd. 4. **Payments.** (d) To receive eligible salary credit, the member or employer, as
 5.4 specified in subdivisions 6 and 7, shall pay an amount to the executive director of the
 5.5 applicable plan the following amounts:

5.6 (1) an employee contribution payment equal to: (1) the applicable employee contribution
 5.7 rate under section 353.27, subdivision 2; 353.65, subdivision 2; or 353E.03, subdivision 1,
 5.8 as applicable, multiplied by the differential salary amount, plus interest as described in
 5.9 subdivision 5;

5.10 (2) plus an employer equivalent contribution payment equal to the applicable employer
 5.11 contribution rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03,
 5.12 subdivision 2, as applicable, multiplied by the differential salary amount, plus interest as
 5.13 described in subdivision 5; and

5.14 (3) plus, if applicable, an equivalent additional employer additional amount contribution
 5.15 payment equal to the additional employer contribution rate in section 353.27, subdivision
 5.16 3a, multiplied by the differential salary amount, plus interest as described in subdivision 5.

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

5.20 Subd. 5. **Interest.** (f) Payment under this section must include Interest shall be paid on
 5.21 each of the contribution amount or amounts, whichever applies, required under subdivision
 5.22 4 at an 8.5 percent annual rate until June 30, 2015, and at an eight percent annual rate
 5.23 thereafter, prorated for applicable months from the date on which the period of reduced
 5.24 salary specified under this section terminates to the date on which the payment or payments
 5.25 are received by the executive director.

5.26 Subd. 6. **Purchase by member and employer for period of workers' compensation.**
 5.27 To receive salary credit for an applicable period described in subdivision 2, paragraph (a),
 5.28 clause (1), the member shall pay the employee contribution payment described in subdivision
 5.29 4, clause (1). If the employee pays the employee contribution payment, the employer, by
 5.30 appropriate action of its governing body, if necessary, and documented in its official records,
 5.31 shall pay, on behalf of the member, the employer contribution payment described in
 5.32 subdivision 4, clause (2), and, if applicable, the additional employer contribution payment
 5.33 described in subdivision 4, clause (3).

6.1 Subd. 7. Purchase by member for period of leave of absence. To receive salary credit
 6.2 for an applicable period described in subdivision 2, paragraph (a), clause (2) or (3), the
 6.3 member shall pay the employee contribution payment, the employer contribution payment,
 6.4 and, if applicable, the additional employer contribution payment described in subdivision
 6.5 4. The employer, by appropriate action of its governing body, if necessary, and documented
 6.6 in its official records, may pay, on behalf of the member, the employer contribution payment
 6.7 described in subdivision 4, clause (2), and, if applicable, the additional employer contribution
 6.8 payment described in subdivision 4, clause (3).

6.9 Subd. 8. Timing. Payment under this section must be completed ~~within~~ by the earlier
 6.10 earliest of:

6.11 (1) 30 days ~~from~~ after termination of public service by the employee under section
 6.12 353.01, subdivision 11a, ~~or~~;

6.13 (2) one year after the ~~termination~~ last day of the applicable period specified in paragraph
 6.14 (b), as further restricted under this section; or

6.15 ~~(g) The period for which additional allowable salary credit may be purchased is limited~~
 6.16 ~~to the period during which the person receives temporary workers' compensation payments~~
 6.17 ~~or for those business years in which the governmental subdivision offers or mandates a~~
 6.18 ~~budget or salary savings program, as certified to the executive director by a resolution of~~
 6.19 ~~the governing body of the governmental subdivision. For an authorized leave of absence,~~
 6.20 ~~the period for which allowable salary credit may be purchased may not exceed 12 months~~
 6.21 ~~of authorized leave.~~

6.22 (3) 30 days after the commencement of a disability benefit.

6.23 Subd. 9. Subsequent periods. ~~(h) A member shall be permitted to purchase salary credit~~
 6.24 ~~for a subsequent applicable period of temporary workers' compensation benefits or subsequent~~
 6.25 ~~authorized medical leave of absence, only if the member must return has returned to public~~
 6.26 ~~service and ~~render~~ rendered a minimum of three months of allowable service.~~

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

6.28 Sec. 3. Minnesota Statutes 2016, section 354.72, is amended to read:

6.29 **354.72 AUTHORIZED LEAVE OF ABSENCE AND STRIKE PERIOD SERVICE**
 6.30 **CREDIT PURCHASE PROCEDURE.**

6.31 Subdivision 1. **Application.** This section applies to any strike period under section
 6.32 354.05, subdivision 13, clause (6), and to any period of authorized leave of absence ~~without~~

7.1 pay under sections 354.093, 354.094, 354.095, and 354.096 for which the teacher obtains
7.2 credit for allowable service by making payment as specified in this section to the Teachers
7.3 Retirement Association fund. Each year of an extended leave of absence under section
7.4 354.094 is considered to be a separate leave for purposes of this section.

7.5 Subd. 2. **Purchase procedure.** (a) A teacher may purchase credit for allowable and
7.6 formula service in the plan for a period specified in subdivision 1 if the teacher makes a
7.7 payment as specified in paragraph (b), (c), or (d), whichever applies. For any period of leave
7.8 during which the teacher is receiving workers' compensation, the employing unit shall pay
7.9 the employer portion of the payment, including any amortization contributions and interest
7.10 on the employer contributions, on behalf of its employee if the teacher pays the employee
7.11 portion and interest on that portion. For any other period of leave, the employing unit, at
7.12 its option, may pay the employer portion of the amount on behalf of its employees.

7.13 (b) If payment is received by the executive director by June 30 of the fiscal year of the
7.14 strike period or by December 31 of the fiscal year following an authorized leave included
7.15 under section 354.093, 354.095, or 354.096, payment must equal the total employee and
7.16 employer contribution rates, including amortization contribution rates if applicable, multiplied
7.17 by the member's average monthly salary rate on the date the leave or strike period
7.18 commenced, multiplied by the months and portions of a month of the leave or strike period
7.19 for which the teacher seeks allowable service credit. This paragraph also applies to an
7.20 extended leave under section 354.094, except that payment must be received by June 30 of
7.21 the year of the leave, and the salary used in the computation is the salary received during
7.22 the year immediately preceding the initial year of the leave.

7.23 (c) If payment is made after June 30 and before the following June 30 for a strike period,
7.24 or after December 31 of the fiscal year following a leave of absence under section 354.093,
7.25 354.095, or 354.096, and before July 1, the payment must include the amount determined
7.26 in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 for
7.27 a strike period, or from December 31 for a leave under section 354.093, 354.095, or 354.096,
7.28 until the last day of the month in which payment is received. If payment is made on or after
7.29 July 1 and before the following July 1 for an extended leave of absence under section
7.30 354.094, the payment must include the amount determined in paragraph (b) plus compound
7.31 interest at a monthly rate of 0.71 percent from June 30 until the last day of the month in
7.32 which payment is received.

7.33 (d) If payment is received by the executive director after the applicable last permitted
7.34 date under paragraph (c), the payment amount is the amount determined under section

8.1 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under
8.2 this section may be made anytime before the effective date of retirement.

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

8.4 Sec. 4. Minnesota Statutes 2016, section 354A.096, is amended to read:

8.5 **354A.096 MEDICAL LEAVE.**

8.6 (a) Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund
8.7 Association who is on an authorized medical leave of absence and subsequently returns to
8.8 teaching service is entitled to receive allowable service credit, not to exceed one year, for
8.9 the period of leave, upon making the prescribed payment to the fund. This payment must
8.10 include the required employee and employer contributions at the rates specified in section
8.11 354A.12, subdivisions 1 and 2a, as applied to the member's average full-time monthly salary
8.12 rate on the date the leave of absence commenced plus annual interest at the rate of 8.5
8.13 percent until June 30, 2015, and eight percent thereafter per year from the end of the fiscal
8.14 year during which the leave terminates to the end of the month during which payment is
8.15 made.

8.16 (b) For any period of leave during which the teacher is receiving workers' compensation,
8.17 the employing unit shall pay the employer portion of the payment, including interest on the
8.18 employer contributions, on behalf of its employee if the teacher pays the employee portion
8.19 and interest on that portion. For any other period of leave, the member must pay the total
8.20 amount required unless the employing unit, at its option, pays the employer contributions.
8.21 The total amount required must be paid by the end of the fiscal year following the fiscal
8.22 year in which the leave of absence terminated or before the member retires, whichever is
8.23 earlier. Payment must be accompanied by a copy of the resolution or action of the employing
8.24 authority granting the leave and the employing authority, upon granting the leave, must
8.25 certify the leave to the association in a manner specified by the executive director. A member
8.26 may not receive more than one year of allowable service credit during any fiscal year by
8.27 making payment under this section.

8.28 (c) A member may not receive disability benefits under section 354A.36 and receive
8.29 allowable service credit under this section for the same period of time.

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

8.31 Sec. 5. **REPEALER.**

8.32 Minnesota Statutes 2016, section 352.01, subdivision 13a, is repealed.

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

352.01 DEFINITIONS.

Subd. 13a. **Reduced salary during period of workers' compensation.** An employee on leave of absence receiving temporary workers' compensation payments and a reduced salary or no salary from the employer who is entitled to allowable service credit for the period of absence, may make payment to the fund for the difference between salary received, if any, and the salary the employee would normally receive if not on leave of absence during the period. The employee shall pay an amount equal to the employee and employer contribution rate under section 352.04, subdivisions 2 and 3, on the differential salary amount for the period of the leave of absence.

The employing department, at its option, may pay the employer amount on behalf of its employees. Payment made under this subdivision must include interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year, and must be completed within one year of the return from leave of absence.