

A bill for an act

1.1 relating to retirement; modifying various public pension plan provisions;
1.2 providing for uniformity in various administrative provisions; modifying
1.3 definitions; amending Minnesota Statutes 2008, sections 3A.02, subdivision 3,
1.4 by adding a subdivision; 3A.03, by adding a subdivision; 3A.04, by adding a
1.5 subdivision; 3A.115; 11A.08, subdivision 1; 11A.23, subdivisions 1, 2; 352.04,
1.6 subdivisions 1, 12; 352.061; 352.113, by adding a subdivision; 352.115, by
1.7 adding a subdivision; 352.12, by adding a subdivision; 352.75, subdivisions 3,
1.8 4; 352.911, subdivisions 3, 5; 352.93, by adding a subdivision; 352.931, by
1.9 adding a subdivision; 352.95, by adding a subdivision; 352B.02, subdivision 1d;
1.10 352B.08, by adding a subdivision; 352B.10, by adding a subdivision; 352B.11,
1.11 by adding a subdivision; 352C.10; 352D.06, subdivision 1; 352D.065, by adding
1.12 a subdivision; 352D.075, by adding a subdivision; 353.06; 353.27, subdivision
1.13 1; 353.29, by adding a subdivision; 353.31, subdivision 1b, by adding a
1.14 subdivision; 353.33, subdivisions 3b, 7, by adding a subdivision; 353.651, by
1.15 adding a subdivision; 353.656, subdivision 5a, by adding a subdivision; 353.657,
1.16 subdivision 3a, by adding a subdivision; 353.665, subdivision 3; 353A.02,
1.17 subdivisions 14, 23; 353A.05, subdivisions 1, 2; 353A.08, subdivisions 1, 3;
1.18 353A.081, subdivision 2; 353A.09, subdivision 1; 353A.10, subdivisions 2,
1.19 3; 353E.01, subdivisions 3, 5; 353E.04, by adding a subdivision; 353E.06, by
1.20 adding a subdivision; 353E.07, by adding a subdivision; 354.07, subdivision 4;
1.21 354.33, subdivision 5; 354.35, by adding a subdivision; 354.42, subdivision 1a;
1.22 354.44, by adding a subdivision; 354.46, by adding a subdivision; 354.48, by
1.23 adding a subdivision; 354.55, subdivision 13; 354.70, subdivisions 5, 6; 356.215,
1.24 subdivisions 1, 11; 356.351, subdivision 2; 490.123, subdivisions 1, 3; 490.124,
1.25 by adding a subdivision; proposing coding for new law in Minnesota Statutes,
1.26 chapter 356; repealing Minnesota Statutes 2008, sections 11A.041; 11A.18;
1.27 11A.181; 352.119, subdivisions 2, 3, 4; 352B.26, subdivisions 1, 3; 353.271;
1.28 353A.02, subdivision 20; 353A.09, subdivisions 2, 3; 354.05, subdivision 26;
1.29 354.55, subdivision 14; 354.63; 356.41; 356.431, subdivision 2; 422A.01,
1.30 subdivision 13; 422A.06, subdivision 4; 490.123, subdivisions 1c, 1e.

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

1.33 Section 1. Minnesota Statutes 2008, section 3A.02, subdivision 3, is amended to read:

1.34 Subd. 3. **Appropriation.** The amounts required for payment of retirement
1.35 allowances provided by this section are appropriated annually to the director from the

2.1 ~~participation of the legislators retirement plan in the Minnesota postretirement investment~~
2.2 ~~fund or from the general fund as provided in section 3A.115.~~ The retirement allowance
2.3 must be paid monthly to the recipients entitled to those retirement allowances.

2.4 Sec. 2. Minnesota Statutes 2008, section 3A.02, is amended by adding a subdivision to
2.5 read:

2.6 Subd. 6. **Postretirement adjustment eligibility.** A retirement allowance under this
2.7 section is eligible for postretirement adjustments under section 356.415.

2.8 Sec. 3. Minnesota Statutes 2008, section 3A.03, is amended by adding a subdivision to
2.9 read:

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

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

2.16 Sec. 4. Minnesota Statutes 2008, section 3A.04, is amended by adding a subdivision to
2.17 read:

2.18 Subd. 2a. **Postretirement adjustment eligibility.** A survivor benefit under this
2.19 section is eligible for postretirement adjustments under section 356.415.

2.20 Sec. 5. Minnesota Statutes 2008, section 3A.115, is amended to read:

2.21 **3A.115 RETIREMENT ALLOWANCE APPROPRIATION;**
2.22 **POSTRETIREMENT ADJUSTMENT.**

2.23 (a) The amount necessary to fund the retirement allowance granted under this
2.24 chapter to a former legislator ~~upon retirement~~ retiring after June 30, 2003, is appropriated
2.25 from the general fund to the director to pay pension obligations due to the retiree.

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

3.1 (c) Retirement allowances payable to retired legislators and their survivors under
3.2 this chapter must be adjusted ~~in the same manner, at the same times, and in the same~~
3.3 ~~amounts as are benefits payable from the Minnesota postretirement investment fund to~~
3.4 ~~retirees of a participating public pension fund~~ as provided in sections 3A.02, subdivision
3.5 6, and 356.415.

3.6 Sec. 6. Minnesota Statutes 2008, section 11A.08, subdivision 1, is amended to read:

3.7 Subdivision 1. **Membership.** There is created an Investment Advisory Council
3.8 consisting of 17 members. Ten of these members ~~shall~~ must be experienced in general
3.9 investment matters. ~~They shall be appointed by the state board~~ The state board must
3.10 appoint the ten members. The other seven members ~~shall be~~ are: the commissioner of
3.11 finance; the executive director of the Minnesota State Retirement System; the executive
3.12 director of the Public Employees Retirement Association; the executive director of
3.13 the Teachers Retirement Association; a retiree currently receiving benefits from ~~the~~
3.14 ~~postretirement investment fund~~ a statewide retirement plan; and two public employees
3.15 who are active members of funds whose assets are invested by the state board. The
3.16 governor must appoint the retiree and the public employees ~~shall be appointed by the~~
3.17 ~~governor~~ for four-year terms.

3.18 Sec. 7. Minnesota Statutes 2008, section 11A.23, subdivision 1, is amended to read:

3.19 Subdivision 1. **Certification of assets not needed for immediate use.** Each
3.20 executive director administering a retirement fund or plan enumerated in subdivision 4
3.21 shall, from time to time, certify to the state board for investment those portions of the
3.22 assets of the retirement fund or plan which in the judgment of the executive director are
3.23 not required for immediate use. ~~Assets of the fund or plan required for participation in~~
3.24 ~~the Minnesota postretirement adjustment fund, the combined investment fund, or the~~
3.25 ~~supplemental investment fund shall be transferred to those funds as provided by sections~~
3.26 ~~11A.01 to 11A.25.~~

3.27 Sec. 8. Minnesota Statutes 2008, section 11A.23, subdivision 2, is amended to read:

3.28 Subd. 2. **Investment.** Retirement fund assets certified to the state board pursuant
3.29 to subdivision 1 shall be invested by the state board subject to the provisions of section
3.30 11A.24. Retirement fund assets transferred to ~~the Minnesota postretirement investment~~
3.31 ~~fund,~~ the combined investment fund or the supplemental investment fund shall be invested
3.32 by the state board as part of those funds.

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4.1 Sec. 9. Minnesota Statutes 2008, section 352.04, subdivision 1, is amended to read:

4.2 Subdivision 1. **Fund created.** ~~(a)~~ There is created a special fund to be known as the
4.3 general state employees retirement fund. In that fund, employee contributions, employer
4.4 contributions, and other amounts authorized by law must be deposited.

4.5 ~~(b) The general state employees retirement plan of the Minnesota State Retirement~~
4.6 ~~System must participate in the Minnesota postretirement investment fund. The amounts~~
4.7 ~~provided in section 352.119 must be deposited in the Minnesota postretirement investment~~
4.8 ~~fund.~~

4.9 Sec. 10. Minnesota Statutes 2008, section 352.04, subdivision 12, is amended to read:

4.10 Subd. 12. **Fund disbursement restricted.** The general state employees retirement
4.11 fund ~~and the participation in the Minnesota postretirement investment fund~~ must be
4.12 disbursed only for the purposes provided by law. The expenses of the system and any
4.13 benefits provided by law, ~~other than benefits payable from the Minnesota postretirement~~
4.14 ~~investment fund,~~ must be paid from the general state employees retirement fund. The
4.15 retirement allowances, retirement annuities, and disability benefits, as well as refunds of
4.16 any sum remaining to the credit of a deceased retired employee or a disabled employee
4.17 must be paid only from the general state employees retirement fund ~~after the needs~~
4.18 ~~have been certified and the amounts withdrawn from the participation in the Minnesota~~
4.19 ~~postretirement investment fund under section 11A.18.~~ The amounts necessary to make the
4.20 payments from the general state employees retirement fund ~~and the participation in the~~
4.21 ~~Minnesota postretirement investment fund~~ are annually appropriated from ~~these funds~~
4.22 that fund for those purposes.

4.23 Sec. 11. Minnesota Statutes 2008, section 352.061, is amended to read:

4.24 **352.061 INVESTMENT BOARD TO INVEST FUNDS.**

4.25 The director shall, from time to time, certify to the State Board of Investment any
4.26 portions of the state employees retirement fund that in the judgment of the director are
4.27 not required for immediate use. ~~Assets from the state employees retirement fund must~~
4.28 ~~be transferred to the Minnesota postretirement investment fund as provided in section~~
4.29 ~~11A.18.~~ The State Board of Investment shall invest and reinvest sums so ~~transferred, or~~
4.30 ~~certified,~~ in securities that are duly authorized legal investments under section 11A.24.

4.31 Sec. 12. Minnesota Statutes 2008, section 352.113, is amended by adding a subdivision
4.32 to read:

5.1 Subd. 13. **Postretirement adjustment eligibility.** A disability benefit under this
5.2 section is eligible for postretirement adjustments under section 356.415.

5.3 Sec. 13. Minnesota Statutes 2008, section 352.115, is amended by adding a subdivision
5.4 to read:

5.5 Subd. 14. **Postretirement adjustment eligibility.** A retirement annuity under
5.6 this section and section 352.116 is eligible for postretirement adjustments under section
5.7 356.415.

5.8 Sec. 14. Minnesota Statutes 2008, section 352.12, is amended by adding a subdivision
5.9 to read:

5.10 Subd. 2c. **Postretirement adjustment eligibility.** A survivor benefit under
5.11 subdivision 2, 2a, or 2b is eligible for postretirement adjustments under section 356.415.

5.12 Sec. 15. Minnesota Statutes 2008, section 352.75, subdivision 3, is amended to read:

5.13 Subd. 3. **Existing retired members and benefit recipients.** As of July 1, 1978,
5.14 the liability for all retirement annuities, disability benefits, survivorship annuities, and
5.15 survivor of deceased active employee benefits paid or payable by the former Metropolitan
5.16 Transit Commission-Transit Operating Division employees retirement fund is transferred
5.17 to the Minnesota State Retirement System, and is no longer the liability of the former
5.18 Metropolitan Transit Commission-Transit Operating Division employees retirement
5.19 fund. ~~The required reserves for retirement annuities, disability benefits, and optional~~
5.20 ~~joint and survivor annuities in effect on June 30, 1978, and the required reserves for the~~
5.21 ~~increase in annuities and benefits provided under subdivision 6 must be determined using~~
5.22 ~~a five percent interest assumption and the applicable Minnesota State Retirement System~~
5.23 ~~mortality table and shall be transferred by the Minnesota State Retirement System to~~
5.24 ~~the Minnesota postretirement investment fund on July 1, 1978, but shall be considered~~
5.25 ~~transferred as of June 30, 1978. The annuity or benefit amount in effect on July 1, 1978,~~
5.26 ~~including the increase granted under subdivision 6, must be used for adjustments made~~
5.27 ~~under section 11A.18. For persons receiving benefits as survivors of deceased former~~
5.28 retirement annuitants, the benefits must be considered as having commenced on the date
5.29 on which the retirement annuitant began receiving the retirement annuity.

5.30 Sec. 16. Minnesota Statutes 2008, section 352.75, subdivision 4, is amended to read:

5.31 Subd. 4. **Existing deferred retirees.** Any former member of the former
5.32 Metropolitan Transit Commission-Transit Operating Division employees retirement

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6.1 fund is entitled to a retirement annuity from the Minnesota State Retirement System if
6.2 the employee:

6.3 (1) is not an active employee of the Transit Operating Division of the former
6.4 Metropolitan Transit Commission on July 1, 1978; (2) has at least ten years of active
6.5 continuous service with the Transit Operating Division of the former Metropolitan
6.6 Transit Commission as defined by the former Metropolitan Transit Commission-Transit
6.7 Operating Division employees retirement plan document in effect on December 31, 1977;
6.8 (3) has not received a refund of contributions; (4) has not retired or begun receiving an
6.9 annuity or benefit from the former Metropolitan Transit Commission-Transit Operating
6.10 Division employees retirement fund; (5) is at least 55 years old; and (6) submits a valid
6.11 application for a retirement annuity to the executive director of the Minnesota State
6.12 Retirement System.

6.13 The person is entitled to a retirement annuity in an amount equal to the normal
6.14 old age retirement allowance calculated under the former Metropolitan Transit
6.15 Commission-Transit Operating Division employees retirement fund plan document in
6.16 effect on December 31, 1977, subject to an early retirement reduction or adjustment in
6.17 amount on account of retirement before the normal retirement age specified in that former
6.18 Metropolitan Transit Commission-Transit Operating Division employees retirement fund
6.19 plan document.

6.20 The deferred retirement annuity of any person to whom this subdivision applies
6.21 must be augmented. The required reserves applicable to the deferred retirement annuity,
6.22 determined as of the date the allowance begins to accrue using an appropriate mortality
6.23 table and an interest assumption of five percent, must be augmented by interest at the rate
6.24 of five percent per year compounded annually from January 1, 1978, to January 1, 1981,
6.25 and three percent per year compounded annually from January 1, 1981, to the first day
6.26 of the month in which the annuity begins to accrue. ~~Upon~~ After the commencement of
6.27 the retirement annuity, the ~~required reserves for the annuity must be transferred to the~~
6.28 ~~Minnesota postretirement investment fund in accordance with subdivision 2 and section~~
6.29 ~~352.119~~ is entitled to postretirement adjustments under section 356.415. On applying for
6.30 a retirement annuity under this subdivision, the person is entitled to elect a joint and
6.31 survivor optional annuity under section 352.116, subdivision 3.

6.32 Sec. 17. Minnesota Statutes 2008, section 352.911, subdivision 3, is amended to read:

6.33 Subd. 3. **Investment.** ~~The correctional employees retirement fund shall participate~~
6.34 ~~in the Minnesota postretirement investment fund and in that fund there shall be deposited~~
6.35 ~~the amounts provided in section 352.119. The balance of any assets of the fund shall~~

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7.1 must be deposited in the Minnesota combined investment funds as provided in section
7.2 11A.14, if applicable, or otherwise under section 11A.23.

7.3 Sec. 18. Minnesota Statutes 2008, section 352.911, subdivision 5, is amended to read:

7.4 Subd. 5. **Fund disbursement restricted.** The correctional employees retirement
7.5 fund ~~and its share of participation in the Minnesota postretirement investment fund shall~~
7.6 must be disbursed only for the purposes provided for in the applicable provisions in this
7.7 chapter. The proportional share of the expenses of the system and any benefits provided
7.8 in sections ~~section 352.90 to 352.951, other than benefits payable from the Minnesota~~
7.9 postretirement investment fund, shall ~~shall~~ must be paid from the correctional employees
7.10 retirement fund. The retirement allowances, retirement annuities, the disability benefits,
7.11 the survivorship benefits, and any refunds of accumulated deductions shall be paid ~~only~~
7.12 from the correctional employees retirement fund ~~after those needs have been certified by~~
7.13 the executive director and the amounts withdrawn from the share of participation in the
7.14 Minnesota postretirement fund under section 11A.18. The amounts necessary to make the
7.15 payments from the correctional employees retirement fund ~~and the participation in the~~
7.16 Minnesota postretirement investment fund are annually appropriated from ~~those funds~~
7.17 that fund for those purposes.

7.18 Sec. 19. Minnesota Statutes 2008, section 352.93, is amended by adding a subdivision
7.19 to read:

7.20 Subd. 7. **Postretirement adjustment eligibility.** A retirement annuity under this
7.21 section is eligible for postretirement adjustments under section 356.415.

7.22 Sec. 20. Minnesota Statutes 2008, section 352.931, is amended by adding a subdivision
7.23 to read:

7.24 Subd. 6. **Postretirement adjustment eligibility.** A survivor benefit under this
7.25 section is eligible for postretirement adjustments under section 356.415.

7.26 Sec. 21. Minnesota Statutes 2008, section 352.95, is amended by adding a subdivision
7.27 to read:

7.28 Subd. 8. **Postretirement adjustment eligibility.** A disability benefit under this
7.29 section is eligible for postretirement adjustments under section 356.415.

7.30 Sec. 22. Minnesota Statutes 2008, section 352B.02, subdivision 1d, is amended to read:

8.1 Subd. 1d. **Fund revenue and expenses.** The amounts provided for in this section
8.2 must be credited to the State Patrol retirement fund. All money received must be deposited
8.3 by the commissioner of finance in the State Patrol retirement fund. The fund must be used
8.4 to pay the administrative expenses of the retirement fund, and the benefits and annuities
8.5 provided in this chapter. ~~Appropriate amounts shall be transferred to or withdrawn from~~
8.6 ~~the Minnesota postretirement investment fund as provided in section 352B.26.~~

8.7 Sec. 23. Minnesota Statutes 2008, section 352B.08, is amended by adding a
8.8 subdivision to read:

8.9 Subd. 4. **Postretirement adjustment eligibility.** A retirement annuity under this
8.10 section is eligible for postretirement adjustments under section 356.415.

8.11 Sec. 24. Minnesota Statutes 2008, section 352B.10, is amended by adding a
8.12 subdivision to read:

8.13 Subd. 6. **Postretirement adjustment eligibility.** A disability benefit under this
8.14 section is eligible for postretirement adjustments under section 356.415.

8.15 Sec. 25. Minnesota Statutes 2008, section 352B.11, is amended by adding a subdivision
8.16 to read:

8.17 Subd. 2e. **Postretirement adjustment eligibility.** A survivor benefit under
8.18 subdivision 2, 2b, or 2c is eligible for postretirement adjustments under section 356.415.

8.19 Sec. 26. Minnesota Statutes 2008, section 352C.10, is amended to read:

8.20 **352C.10 BENEFIT ADJUSTMENTS.**

8.21 Retirement allowances payable to retired constitutional officers and surviving spouse
8.22 benefits payable must be adjusted ~~in the same manner, at the same times and in the same~~
8.23 ~~amounts as are benefits payable from the Minnesota postretirement investment fund to~~
8.24 ~~retirees of a participating public pension fund~~ under section 356.451.

8.25 Sec. 27. Minnesota Statutes 2008, section 352D.06, subdivision 1, is amended to read:

8.26 Subdivision 1. **Annuity; reserves.** When a participant attains at least age 55,
8.27 terminates from covered service, and applies for a retirement annuity, the cash value of the
8.28 participant's shares ~~shall~~ must be transferred to the ~~Minnesota postretirement investment~~
8.29 general state employees retirement fund and must be used to provide an annuity for the
8.30 retired employee based upon the participant's age when the benefit begins to accrue
8.31 according to the reserve basis used by the general state employees retirement plan in

9.1 determining pensions and reserves. The annuity under this subdivision is eligible for
9.2 postretirement adjustments under section 356.415.

9.3 Sec. 28. Minnesota Statutes 2008, section 352D.065, is amended by adding a
9.4 subdivision to read:

9.5 Subd. 3a. **Postretirement adjustment eligibility.** A disability benefit under this
9.6 section is eligible for postretirement adjustments under section 356.415.

9.7 Sec. 29. Minnesota Statutes 2008, section 352D.075, is amended by adding a
9.8 subdivision to read:

9.9 Subd. 2b. **Postretirement adjustment eligibility.** A survivor benefit under this
9.10 section is eligible for postretirement adjustments under section 356.415.

9.11 Sec. 30. Minnesota Statutes 2008, section 353.06, is amended to read:

9.12 **353.06 STATE BOARD OF INVESTMENT TO INVEST FUNDS.**

9.13 The executive director shall from time to time certify to the State Board of
9.14 Investment for investment such portions of the retirement fund as in its judgment may not
9.15 be required for immediate use. ~~Assets from the public employees retirement fund shall~~
9.16 ~~be transferred to the Minnesota postretirement investment fund as provided in section~~
9.17 ~~11A.18.~~ The State Board of Investment shall thereupon invest and reinvest the sum so
9.18 certified, or transferred, in such securities as are duly authorized as legal investments for
9.19 state employees retirement fund and shall have authority to sell, convey, and exchange
9.20 such securities and invest and reinvest the securities when it deems it desirable to do so
9.21 and shall sell securities upon request of the board of trustees when such funds are needed
9.22 for its purposes. All of the provisions regarding accounting procedures and restrictions
9.23 and conditions for the purchase and sale of securities ~~for the state employees retirement~~
9.24 ~~fund shall~~ under chapter 11A must apply to the accounting, purchase and sale of securities
9.25 for the public employees retirement fund.

9.26 Sec. 31. Minnesota Statutes 2008, section 353.27, subdivision 1, is amended to read:

9.27 Subdivision 1. **Income; disbursements.** There is a special fund known as the
9.28 "public employees retirement fund," the "retirement fund," or the "fund," which shall
9.29 include all the assets of the association. This fund shall be credited with all contributions,
9.30 all interest and all other income authorized by law. From this fund there is appropriated
9.31 the payments authorized by this chapter in the amounts and at such time provided herein,

10.1 including the expenses of administering the fund, ~~and including the proper share of the~~
10.2 ~~Minnesota postretirement investment fund.~~

10.3 Sec. 32. Minnesota Statutes 2008, section 353.29, is amended by adding a subdivision
10.4 to read:

10.5 Subd. 9. **Postretirement adjustment eligibility.** An annuity under this section or
10.6 section 353.30 is eligible for postretirement adjustments under section 356.415.

10.7 Sec. 33. Minnesota Statutes 2008, section 353.31, subdivision 1b, is amended to read:

10.8 Subd. 1b. **Joint and survivor option.** (a) Prior to payment of a surviving spouse
10.9 benefit under subdivision 1, the surviving spouse may elect to receive the 100 percent
10.10 joint and survivor optional annuity under section 353.32, subdivision 1a, rather than a
10.11 surviving spouse benefit.

10.12 (b) If there is a dependent child or children, and the 100 percent joint and survivor
10.13 optional annuity for the surviving spouse, when added to the dependent children's benefit
10.14 under subdivisions 1 and 1a, exceeds an amount equal to 70 percent of the member's
10.15 specified average monthly salary, the 100 percent joint and survivor annuity under section
10.16 353.32, subdivision 1a, must be reduced by the amount necessary so that the total family
10.17 benefit does not exceed the 70 percent maximum family benefit amount under subdivision
10.18 1a.

10.19 (c) The 100 percent joint and survivor optional annuity must be restored to the
10.20 surviving spouse, plus applicable postretirement ~~fund~~ adjustments under Minnesota
10.21 Statutes 2008, section 356.41, through January 1, 2009, and thereafter under section
10.22 356.415, as the dependent child or children become no longer dependent under section
10.23 353.01, subdivision 15.

10.24 Sec. 34. Minnesota Statutes 2008, section 353.31, is amended by adding a subdivision
10.25 to read:

10.26 Subd. 12. **Postretirement adjustment eligibility.** A survivor benefit under
10.27 subdivision 1 or 1b or section 353.32, subdivision 1a, 1b, or 1c is eligible for
10.28 postretirement adjustments under section 356.415.

10.29 Sec. 35. Minnesota Statutes 2008, section 353.33, subdivision 3b, is amended to read:

10.30 Subd. 3b. **Optional annuity election.** A disabled member may elect to receive the
10.31 normal disability benefit or an optional annuity under section 353.30, subdivision 3. The
10.32 election of an optional annuity must be made prior to the commencement of payment of

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11.1 the disability benefit. The optional annuity must begin to accrue on the same date as
11.2 provided for the disability benefit.

11.3 (1) If a person who is not the spouse of a member is named as beneficiary of the
11.4 joint and survivor optional annuity, the person is eligible to receive the annuity only
11.5 if the spouse, on the disability application form prescribed by the executive director,
11.6 permanently waives the surviving spouse benefits under sections 353.31, subdivision 1,
11.7 and 353.32, subdivision 1a. If the spouse of the member refuses to permanently waive
11.8 the surviving spouse coverage, the selection of a person other than the spouse of the
11.9 member as a joint annuitant is invalid.

11.10 (2) If the spouse of the member permanently waives survivor coverage, the
11.11 dependent children, if any, continue to be eligible for survivor benefits under section
11.12 353.31, subdivision 1, including the minimum benefit in section 353.31, subdivision 1a.
11.13 The designated optional annuity beneficiary may draw the monthly benefit; however, the
11.14 amount payable to the dependent child or children and joint annuitant must not exceed
11.15 the 70 percent maximum family benefit under section 353.31, subdivision 1a. If the
11.16 maximum is exceeded, the benefit of the joint annuitant must be reduced to the amount
11.17 necessary so that the total family benefit does not exceed the 70 percent maximum family
11.18 benefit amount.

11.19 (3) If the spouse is named as the beneficiary of the joint and survivor optional
11.20 annuity, the spouse may draw the monthly benefits; however, the amount payable to
11.21 the dependent child or children and the joint annuitant must not exceed the 70 percent
11.22 maximum family benefit under section 353.31, subdivision 1a. If the maximum is
11.23 exceeded, each dependent child will receive ten percent of the member's specified
11.24 average monthly salary, and the benefit to the joint annuitant must be reduced to the
11.25 amount necessary so that the total family benefit does not exceed the 70 percent maximum
11.26 family benefit amount. The joint and survivor optional annuity must be restored to the
11.27 surviving spouse, plus applicable postretirement adjustments under Minnesota Statutes
11.28 2008, section 356.41 or section 356.415, as the dependent child or children become no
11.29 longer dependent under section 353.01, subdivision 15.

11.30 Sec. 36. Minnesota Statutes 2008, section 353.33, subdivision 7, is amended to read:

11.31 Subd. 7. **Partial reemployment.** If, following a work or non-work-related injury
11.32 or illness, a disabled person who remains totally and permanently disabled as defined
11.33 in section 353.01, subdivision 19, has income from employment that is not substantial
11.34 gainful activity and the rate of earnings from that employment are less than the salary
11.35 rate at the date of disability or the salary rate currently paid for positions similar to the

12.1 employment position held by the disabled person immediately before becoming disabled,
12.2 whichever is greater, the executive director shall continue the disability benefit in an
12.3 amount that, when added to the earnings and any workers' compensation benefit, does not
12.4 exceed the salary rate at the date of disability or the salary currently paid for positions
12.5 similar to the employment position held by the disabled person immediately before
12.6 becoming disabled, whichever is higher. The disability benefit under this subdivision may
12.7 not exceed the disability benefit originally allowed, plus any postretirement adjustments
12.8 payable after December 31, 1988, in accordance with Minnesota Statutes 2008, section
12.9 11A.18, subdivision 10, or Minnesota Statutes 2008, section 356.41, through January 1,
12.10 2009, and thereafter as provided in section 356.415. No deductions for the retirement fund
12.11 may be taken from the salary of a disabled person who is receiving a disability benefit
12.12 as provided in this subdivision.

12.13 Sec. 37. Minnesota Statutes 2008, section 353.33, is amended by adding a subdivision
12.14 to read:

12.15 Subd. 13. **Postretirement adjustment eligibility.** A disability benefit under this
12.16 section is eligible for postretirement adjustments under section 356.415.

12.17 Sec. 38. Minnesota Statutes 2008, section 353.651, is amended by adding a subdivision
12.18 to read:

12.19 Subd. 5. **Postretirement adjustment eligibility.** An annuity under this section is
12.20 eligible for postretirement adjustments under section 356.415.

12.21 Sec. 39. Minnesota Statutes 2008, section 353.656, subdivision 5a, is amended to read:

12.22 Subd. 5a. **Cessation of disability benefit.** (a) The association shall cease the
12.23 payment of any disability benefit the first of the month following the reinstatement of a
12.24 member to full time or less than full-time service in a position covered by the police
12.25 and fire fund.

12.26 (b) A disability benefit paid to a disabled member of the police and fire plan, that
12.27 was granted under laws in effect after June 30, 2007, terminates at the end of the month in
12.28 which the member:

12.29 (1) reaches normal retirement age;

12.30 (2) if the disability benefit is payable for a 60-month period as determined under
12.31 subdivisions 1 and 3, as applicable, the first of the month following the expiration of
12.32 the 60-month period; or

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13.1 (3) if the disabled member so chooses, the end of the month in which the member
13.2 has elected to convert to an early retirement annuity under section 353.651, subdivision 4.

13.3 (c) If the police and fire plan member continues to be disabled when the disability
13.4 benefit terminates under this subdivision, the member is deemed to be retired. The
13.5 individual is entitled to receive a normal retirement annuity or an early retirement annuity
13.6 under section 353.651, whichever is applicable, as further specified in paragraph (d)
13.7 or (e). If the individual did not previously elect an optional annuity under subdivision
13.8 1a, paragraph (a), the individual may elect an optional annuity under subdivision 1a,
13.9 paragraph (b).

13.10 (d) A member of the police and fire plan who is receiving a disability benefit under
13.11 this section may, upon application, elect to receive an early retirement annuity under
13.12 section 353.651, subdivision 4, at any time after attaining age 50, but must convert to a
13.13 retirement annuity no later than the end of the month in which the disabled member attains
13.14 normal retirement age. An early retirement annuity elected under this subdivision must be
13.15 calculated on the disabled member's accrued years of service and average salary as defined
13.16 in section 353.01, subdivision 17a, and when elected, the member is deemed to be retired.

13.17 (e) When an individual's benefit is recalculated as a retirement annuity under this
13.18 section, the annuity must be based on clause (1) or clause (2), whichever provides the
13.19 greater amount:

13.20 (1) the benefit amount at the time of reclassification, including all prior adjustments
13.21 provided under Minnesota Statutes 2008, section 11A.18, through January 1, 2009, and
13.22 thereafter as provided in section 356.415; or

13.23 (2) a benefit amount computed on the member's actual years of accrued allowable
13.24 service credit and the law in effect at the time the disability benefit first accrued, plus any
13.25 increases that would have applied since that date under section Minnesota Statutes 2008,
13.26 11A.18, through January 1, 2009, and thereafter as provided in section 356.415.

13.27 Sec. 40. Minnesota Statutes 2008, section 353.656, is amended by adding a subdivision
13.28 to read:

13.29 Subd. 14. **Postretirement adjustment eligibility.** A disability benefit under this
13.30 section is eligible for postretirement adjustments under section 356.415.

13.31 Sec. 41. Minnesota Statutes 2008, section 353.657, subdivision 3a, is amended to read:

13.32 Subd. 3a. **Maximum and minimum family benefits.** (a) The maximum monthly
13.33 benefit per family must not exceed the following percentages of the member's average
13.34 monthly salary as specified in subdivision 3:

14.1 (1) 80 percent, if the member's death was a line of duty death; or
14.2 (2) 70 percent, if the member's death was not a line of duty death or occurred while
14.3 the member was receiving a disability benefit that accrued before July 1, 2007.

14.4 (b) The minimum monthly benefit per family, including the joint and survivor
14.5 optional annuity under subdivision 2a, and section 353.656, subdivision 1a, must not be
14.6 less than the following percentage of the member's average monthly salary as specified in
14.7 subdivision 3:

14.8 (1) 60 percent, if the death was a line of duty death; or
14.9 (2) 50 percent, if the death was not a line of duty death or occurred while the member
14.10 was receiving a disability benefit that accrued before July 1, 2007.

14.11 (c) If the maximum under paragraph (a) is exceeded, the monthly benefit of the
14.12 joint annuitant must be reduced to the amount necessary so that the total family benefit
14.13 does not exceed the applicable maximum. The joint and survivor optional annuity must
14.14 be restored, plus applicable postretirement adjustments under Minnesota Statutes 2008,
14.15 section 356.41 or section 356.415, as the dependent child or children become no longer
14.16 dependent under section 353.01, subdivision 15.

14.17 Sec. 42. Minnesota Statutes 2008, section 353.657, is amended by adding a subdivision
14.18 to read:

14.19 Subd. 5. **Postretirement adjustment eligibility.** A survivor benefit under this
14.20 section is eligible for postretirement adjustments under section 356.415.

14.21 Sec. 43. Minnesota Statutes 2008, section 353.665, subdivision 3, is amended to read:

14.22 Subd. 3. **Transfer of assets.** Unless the municipality has elected to retain the
14.23 consolidation account under subdivision 1, paragraph (b), the assets of the former local
14.24 police or fire consolidation account must be transferred and upon transfer, the actuarial
14.25 value of the assets of a former local police or fire consolidation account less an amount
14.26 equal to the residual assets as determined under subdivision 7, paragraph (f), are the
14.27 assets of the public employees police and fire fund as of July 1, 1999. ~~The participation~~
14.28 ~~of a consolidation account in the Minnesota postretirement investment fund becomes~~
14.29 ~~part of the participation of the public employees police and fire fund in the Minnesota~~
14.30 ~~postretirement investment fund.~~ The remaining assets, excluding the amounts for
14.31 distribution under subdivision 7, paragraph (f), become an asset of the public employees
14.32 police and fire fund. The public employees police and fire fund also must be credited as an
14.33 asset with the amount of receivable assets under subdivision 7, paragraph (e).

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15.1 Sec. 44. Minnesota Statutes 2008, section 353A.02, subdivision 14, is amended to read:

15.2 Subd. 14. **Ineligible investments.** "Ineligible investments" means any investment
15.3 security or other asset held by the relief association at or after the initiation of the
15.4 consolidation procedure which does not comply with the applicable requirements or
15.5 limitations of sections 11A.09, ~~11A.18~~, 11A.23, and 11A.24.

15.6 Sec. 45. Minnesota Statutes 2008, section 353A.02, subdivision 23, is amended to read:

15.7 Subd. 23. **Postretirement adjustment.** "Postretirement adjustment" means any
15.8 periodic or regular procedure for modifying the amount of a retirement annuity, service
15.9 pension, disability benefit, or survivor benefit after the start of that annuity, pension,
15.10 or benefit, including but not limited to modifications of amounts ~~from the Minnesota~~
15.11 ~~postretirement investment fund~~ under section ~~11A.18~~, ~~subdivision 9~~ 356.415, or any
15.12 benefit escalation or benefit amount modification based on changes in the salaries payable
15.13 to active police officers or salaried firefighters or changes in a cost-of-living index as
15.14 provided for in the existing relief association benefit plan.

15.15 Sec. 46. Minnesota Statutes 2008, section 353A.05, subdivision 1, is amended to read:

15.16 Subdivision 1. **Commission actions.** (a) Upon initiation of consolidation as
15.17 provided in section 353A.04, the executive director of the commission shall direct the
15.18 actuary retained under section 356.214 to undertake the preparation of the actuarial
15.19 calculations necessary to complete the consolidation.

15.20 (b) These actuarial calculations shall include for each active member, each deferred
15.21 former member, each retired member, and each current beneficiary the computation of the
15.22 present value of future benefits, the future normal costs, if any, and the actuarial accrued
15.23 liability on the basis of the existing relief association benefit plan and on the basis of the
15.24 public employees police and fire fund benefit plan. These actuarial calculations shall also
15.25 include for the total active, deferred, retired, and benefit recipient membership the sum
15.26 of the present value of future benefits, the future normal costs, if any, and the actuarial
15.27 accrued liability on the basis of the existing relief association benefit plan, on the basis of
15.28 the public employees police and fire fund benefit plan, and on the basis of the benefit plan
15.29 which produced the largest present value of future benefits for each person. The actuarial
15.30 calculations shall be prepared using the entry age actuarial cost method for all components
15.31 of the benefit plan and using the actuarial assumptions applicable to the fund for the
15.32 most recent actuarial valuation prepared under section 356.215, except that the actuarial
15.33 calculations on the basis of the existing relief association benefit plan shall be prepared
15.34 using an interest rate actuarial assumption during the postretirement period which is in

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16.1 the same amount as the interest rate actuarial assumption applicable to the preretirement
16.2 period. The actuarial calculations shall include the computation of the present value of the
16.3 initial postretirement adjustment anticipated by the executive director of the state board as
16.4 payable after the effective date of the consolidation ~~from the Minnesota postretirement~~
16.5 ~~investment fund~~ under section ~~11A.18~~ 356.415.

16.6 (c) The chief administrative officer of the relief association shall, upon request,
16.7 provide in a timely manner to the executive director of the commission and to the actuary
16.8 retained under section 356.214 the most current available information or documents,
16.9 whichever applies, regarding the demographics of the active, deferred, retired, and
16.10 benefit recipient membership of the relief association, the financial condition of the relief
16.11 association, and the existing benefit plan of the relief association.

16.12 (d) Upon completion of the actuarial calculations required by this subdivision, the
16.13 actuary retained under section 356.214 shall issue a report in the form of an appropriate
16.14 summary of the actuarial calculations and shall provide a copy of that report to the
16.15 executive director of the commission, the executive director of the Public Employees
16.16 Retirement Association, the chief administrative officer of the relief association, the chief
16.17 administrative officer of the municipality in which the relief association is located, and
16.18 the state auditor.

16.19 Sec. 47. Minnesota Statutes 2008, section 353A.05, subdivision 2, is amended to read:

16.20 Subd. 2. **State board actions.** (a) Upon approval of consolidation by the
16.21 membership as provided in section 353A.04, the executive director of the state board
16.22 shall review the existing investment portfolio of the relief association for compliance
16.23 with the requirements and limitations set forth in sections 11A.09, 11A.14, ~~11A.18~~,
16.24 11A.23, and 11A.24 and for appropriateness for retention in the light of the established
16.25 investment objectives of the state board. The executive director of the state board, using
16.26 any reporting service retained by the state board, shall determine the approximate market
16.27 value of the existing assets of the relief association upon the effective date of consolidation
16.28 and the transfer of assets from the relief association to the individual relief association
16.29 consolidation accounts at market value.

16.30 (b) The state board may require that the relief association liquidate any investment
16.31 security or other item of value which is determined to be ineligible or inappropriate for
16.32 retention by the state board. The liquidation shall occur before the effective date of
16.33 consolidation and transfer of assets.

16.34 (c) If requested to do so by the chief administrative officer of the relief association
16.35 or of the municipality, the state board shall provide advice on the means and procedures

17.1 available to liquidate investment securities and other assets determined to be ineligible or
17.2 inappropriate.

17.3 Sec. 48. Minnesota Statutes 2008, section 353A.08, subdivision 1, is amended to read:

17.4 Subdivision 1. **Election of coverage by current retirees.** (a) A person who is
17.5 receiving a service pension, disability benefit, or survivor benefit is eligible to elect benefit
17.6 coverage provided under the relevant provisions of the public employees police and fire
17.7 fund benefit plan or to retain benefit coverage provided under the relief association benefit
17.8 plan in effect on the effective date of the consolidation. The relevant provisions of the
17.9 public employees police and fire fund benefit plan for the person electing that benefit
17.10 coverage are limited to ~~participation in the Minnesota postretirement investment fund for~~
17.11 any future postretirement adjustments under section 356.415 based on the amount of
17.12 the benefit or pension payable on December 31, if December 31 is the effective date of
17.13 consolidation, or on the December 1 following the effective date of the consolidation, if
17.14 other than December 31. The survivor benefit payable on behalf of any service pension
17.15 or disability benefit recipient who elects benefit coverage under the public employees
17.16 police and fire fund benefit plan must be calculated under the relief association benefit
17.17 plan and is subject to ~~participation in the Minnesota postretirement investment fund for~~
17.18 any future postretirement adjustments under section 356.415 based on the amount of the
17.19 survivor benefit payable.

17.20 (b) A survivor benefit calculated under the relief association benefit plan which is first
17.21 payable after June 30, 1997, to the surviving spouse of a retired member of a consolidation
17.22 account who, before July 1, 1997, chose to ~~participate in the Minnesota postretirement~~
17.23 ~~investment fund~~ adjustments as provided under ~~this subdivision~~ section 356.415 must be
17.24 increased on the effective date of the survivor benefit on an actuarial equivalent basis to
17.25 reflect the change in the postretirement interest rate actuarial assumption under section
17.26 356.215, subdivision 8, from five percent to six percent under a calculation procedure and
17.27 tables adopted by the board and approved by the actuary retained under section 356.214.

17.28 (c) By electing the public employees police and fire fund benefit plan, a current
17.29 service pension or disability benefit recipient who, as of the first January 1 occurring after
17.30 the effective date of consolidation, has been receiving the pension or benefit for at least
17.31 seven months, or any survivor benefit recipient who, as of the first January 1 occurring
17.32 after the effective date of consolidation, has been receiving the benefit on the person's own
17.33 behalf or in combination with a prior applicable service pension or disability benefit for at
17.34 least seven months is eligible to receive a partial adjustment payable ~~from the Minnesota~~
17.35 ~~postretirement investment fund~~ under section ~~11A.18, subdivision 9~~ 356.415.

18.1 (d) The election by any pension or benefit recipient must be made on or before
18.2 the deadline established by the board of the Public Employees Retirement Association
18.3 in a manner that recognizes the number of persons eligible to make the election and the
18.4 anticipated time required to conduct any required benefit counseling.

18.5 Sec. 49. Minnesota Statutes 2008, section 353A.08, subdivision 3, is amended to read:

18.6 Subd. 3. **Election of coverage by active members.** (a) A person who is an active
18.7 member of a police or fire relief association, other than a volunteer firefighter, has the
18.8 option to elect benefit coverage under the relevant provisions of the public employees
18.9 police and fire fund or to retain benefit coverage provided by the relief association benefit
18.10 plan in effect on the effective date of consolidation. The relevant provisions of the public
18.11 employee police and fire fund benefit plan for the person electing that benefit coverage
18.12 are the relevant provisions of the public employee police and fire fund benefit plan
18.13 applicable to retirement annuities, disability benefits, and survivor benefits, including
18.14 ~~participation in the Minnesota postretirement investment fund~~ adjustments under section
18.15 356.415, but excluding any provisions governing the purchase of credit for prior service
18.16 or making payments in lieu of member contribution deductions applicable to any period
18.17 which occurred before the effective date of consolidation.

18.18 (b) An active member is eligible to make an election at one of the following times:

18.19 (1) within six months of the effective date of consolidation;

18.20 (2) between the date on which the active member attains the age of 49 years and six
18.21 months and the date on which the active member attains the age of 50 years; or

18.22 (3) on the date on which the active member terminates active employment for
18.23 purposes of receiving a service pension or disability benefits, or within 90 days of the
18.24 date the member terminates active employment and defers receipt of a service pension,
18.25 whichever applies.

18.26 Sec. 50. Minnesota Statutes 2008, section 353A.081, subdivision 2, is amended to read:

18.27 Subd. 2. **Election of coverage.** (a) Individuals eligible under subdivision 1 may
18.28 elect, on a form prescribed by the executive director of the Public Employees Retirement
18.29 Association, to have survivor benefits calculated under the relevant provisions of the
18.30 public employees police and fire fund benefit plan or to have survivor benefits calculated
18.31 under the relief association benefit plan. The relevant provisions of the public employee
18.32 police and fire fund benefit plan for the person electing that benefit coverage are the
18.33 relevant provisions of the public employee police and fire fund benefit plan applicable

19.1 to survivor benefits, including ~~participation in the Minnesota~~ postretirement investment
19.2 ~~fund~~ adjustments under section 356.415.

19.3 (b) If the election results in an increased benefit amount to the surviving spouse
19.4 eligible under subdivision 1, or to eligible children if there is no surviving spouse, the
19.5 increased benefit accrues as of the date on which the survivor benefits payable to the
19.6 survivors from the consolidation account were first paid. The back payment of any
19.7 increase in prior benefit amounts, plus any postretirement adjustments payable under
19.8 section ~~356.41~~ 356.415, or any increase payable under the local relief association bylaws
19.9 is payable as soon as practicable after the effective date of the election.

19.10 Sec. 51. Minnesota Statutes 2008, section 353A.09, subdivision 1, is amended to read:

19.11 Subdivision 1. **Establishment of consolidation accounts.** (a) The board of trustees
19.12 of the Public Employees Retirement Association shall establish a separate consolidation
19.13 account for each local relief association of a municipality that consolidates with the Public
19.14 Employees Retirement Association. The association shall credit to the consolidation
19.15 account the assets of the individual consolidating local relief association upon transfer,
19.16 member contributions received after consolidation under subdivision 4, municipal
19.17 contributions received after consolidation under subdivision 5, and a proportionate share
19.18 of any investment income earned after consolidation. From the consolidation account,
19.19 the association shall pay ~~for the transfer of any required reserves to the Minnesota~~
19.20 ~~postretirement investment fund on account of persons electing the type of benefit coverage~~
19.21 ~~provided by the public employees police and fire fund under subdivisions 2 and 3 and~~
19.22 ~~section 353.271, subdivision 2~~, the pension and benefit amounts on account of persons
19.23 electing coverage by the relief association benefit plan under section 353A.08, the benefit
19.24 amounts ~~not payable from the Minnesota postretirement investment fund~~ on account of
19.25 persons electing the type of benefit coverage provided by the public employees police and
19.26 fire fund under section 353A.08, and any direct administrative expenses related to the
19.27 consolidation account, and the proportional share of the general administrative expenses
19.28 of the association.

19.29 (b) Except as otherwise provided for in this section, the liabilities and the assets
19.30 of a consolidation account must be considered for all purposes to be separate from the
19.31 balance of the public employees police and fire fund. The consolidation account must be
19.32 subject to separate accounting, a separate actuarial valuation, and must be reported as a
19.33 separate exhibit in any annual financial report or actuarial valuation report of the public
19.34 employees police and fire consolidation fund, whichever applies. The executive director

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20.1 of the public employees retirement association shall maintain separate accounting records
20.2 and balances for each consolidation account.

20.3 Sec. 52. Minnesota Statutes 2008, section 353A.10, subdivision 2, is amended to read:

20.4 Subd. 2. **Collection of late contributions.** In the event of a refusal by a
20.5 municipality in which was located a local police or firefighters relief association which
20.6 has consolidated with the fund to pay to the fund any amount or amounts due under
20.7 section 353A.09, subdivisions ~~2~~4 to 6, the executive director of the public employees
20.8 retirement association may notify the Department of Revenue, the Department of Finance,
20.9 and the state auditor of the refusal and commence the necessary procedure to collect the
20.10 amount or amounts due from the amount of any state aid under sections 69.011 to 69.051,
20.11 amortization state aid under section 423A.02, or supplemental amortization state aid under
20.12 Laws 1984, chapter 564, section 48, as amended by Laws 1986, chapter 359, section 20,
20.13 which is payable to the municipality or to certify the amount or amounts due to the county
20.14 auditor for inclusion in the next tax levy of the municipality or for collection from other
20.15 revenue available to the municipality, or both.

20.16 Sec. 53. Minnesota Statutes 2008, section 353A.10, subdivision 3, is amended to read:

20.17 Subd. 3. **Levy and bonding authority.** A municipality in which was located a local
20.18 police or firefighters relief association that has consolidated with the fund may issue
20.19 general obligation bonds of the municipality to defray all or a portion of the principal
20.20 amounts specified in section 353A.09, subdivisions ~~2~~4 to 6, or certify to the county
20.21 auditor a levy in the amount necessary to defray all or a portion of the principal amount
20.22 specified in section 353A.09, subdivisions ~~2~~4 to 6, or the annual amount specified in
20.23 section 353A.09, subdivisions ~~2~~4 to 6. The municipality may pledge the full faith, credit,
20.24 and taxing power of the municipality for the payment of the principal of and interest on the
20.25 general obligation bonds. Any municipal bond may be issued without an election under
20.26 section 475.58 and may not be included in the net debt of the municipality for purposes of
20.27 any charter or statutory debt limitation, nor may any tax levy for the payment of bond
20.28 principal or interest be subject to any limitation concerning rate or amount established
20.29 by charter or law.

20.30 Sec. 54. Minnesota Statutes 2008, section 353E.01, subdivision 3, is amended to read:

20.31 Subd. 3. **Investment.** ~~(a) The public employees local government correctional~~
20.32 ~~service retirement fund participates in the Minnesota postretirement investment fund.~~
20.33 ~~(b) The amounts provided in section 353.271 must be deposited in that fund.~~

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21.1 ~~(e) The balance of any~~ Assets of the public employees local government correctional
21.2 service retirement fund must be deposited in the Minnesota combined investment fund as
21.3 provided in section 11A.14, if applicable, or otherwise invested under section 11A.23.

21.4 Sec. 55. Minnesota Statutes 2008, section 353E.01, subdivision 5, is amended to read:

21.5 Subd. 5. **Fund disbursement restricted.** (a) The public employees local
21.6 government correctional service retirement fund ~~and its share of participation in the~~
21.7 ~~Minnesota postretirement investment fund~~ may be disbursed only for the purposes
21.8 provided for in this chapter.

21.9 (b) The proportional share of the necessary and reasonable administrative expenses
21.10 of the association and any benefits provided in this chapter, ~~other than benefits payable~~
21.11 ~~from the Minnesota postretirement investment fund,~~ must be paid from the public
21.12 employees local government correctional service retirement fund. Retirement annuities,
21.13 disability benefits, survivorship benefits, and any refunds of accumulated deductions may
21.14 be paid only from the correctional service retirement fund after those needs have been
21.15 certified by the executive director ~~and any applicable amounts withdrawn from the share~~
21.16 ~~of participation in the Minnesota postretirement fund under section 11A.18.~~

21.17 (c) The amounts necessary to make the payments from the public employees local
21.18 government correctional service retirement fund ~~and its participation in the Minnesota~~
21.19 ~~postretirement investment fund~~ are annually appropriated from those funds for those
21.20 purposes.

21.21 Sec. 56. Minnesota Statutes 2008, section 353E.04, is amended by adding a subdivision
21.22 to read:

21.23 Subd. 7. **Postretirement adjustment eligibility.** An annuity under this section is
21.24 eligible for postretirement adjustments under section 356.415.

21.25 Sec. 57. Minnesota Statutes 2008, section 353E.06, is amended by adding a subdivision
21.26 to read:

21.27 Subd. 9. **Postretirement adjustment eligibility.** A disability benefit under this
21.28 section is eligible for postretirement adjustments under section 356.415.

21.29 Sec. 58. Minnesota Statutes 2008, section 353E.07, is amended by adding a subdivision
21.30 to read:

21.31 Subd. 8. **Postretirement adjustment eligibility.** A survivor benefit under this
21.32 section is eligible for postretirement adjustments under section 356.415.

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22.1 Sec. 59. Minnesota Statutes 2008, section 354.07, subdivision 4, is amended to read:

22.2 Subd. 4. **Certification of funds to State Board of Investment.** It shall be the
22.3 duty of the board from time to time to certify to the State Board of Investment for
22.4 investment as much of the funds in its hands as shall not be needed for current purposes.
22.5 ~~Such funds that are certified as to investment in the postretirement investment fund shall~~
22.6 ~~include the amount as required for the total reserves needed for the purposes described in~~
22.7 ~~section 354.63.~~ The State Board of Investment shall thereupon transfer such assets to the
22.8 ~~appropriate fund provided herein, in accordance with the procedure set forth in section~~
22.9 ~~354.63, or~~ invest and reinvest an amount equal to the sum so certified in such securities
22.10 as are now or may hereafter be duly authorized legal investments for state employees
22.11 retirement fund and all such securities so transferred or purchased shall be deposited with
22.12 the commissioner of finance. All interest from these investments shall be credited to the
22.13 ~~appropriate funds~~ teachers retirement fund and used for current purposes or investments,
22.14 except as hereinafter provided. The State Board of Investment shall have authority to sell,
22.15 convey, and exchange such securities and invest and reinvest the funds when it deems it
22.16 desirable to do so, and shall sell securities upon request of the officers of the association
22.17 when such officers determine funds are needed for its purposes. All of the provisions
22.18 regarding accounting procedures and restrictions and conditions for the purchase and sale
22.19 of securities ~~for the state employees retirement fund shall~~ under chapter 11A must apply to
22.20 the accounting, purchase and sale of securities for the Teachers' Retirement Association.

22.21 Sec. 60. Minnesota Statutes 2008, section 354.33, subdivision 5, is amended to read:

22.22 Subd. 5. **Retirees not eligible for federal benefits.** When any person retires after
22.23 July 1, 1973, who (1) has ten or more years of allowable service, and (2) does not have any
22.24 retroactive Social Security coverage by reason of the person's position in the retirement
22.25 system, and (3) does not qualify for federal old age and survivor primary benefits at the
22.26 time of retirement, the annuity must be computed under section 354.44, subdivision 2, of
22.27 the law in effect on June 30, 1969, except that accumulations after June 30, 1957, must be
22.28 calculated using the ~~same~~ most recent mortality table approved under section 356.215,
22.29 subdivision 18, and ~~interest assumption as are used to transfer the required reserves to the~~
22.30 ~~Minnesota postretirement investment fund~~ using the applicable postretirement interest rate
22.31 assumption specified in section 356.215, subdivision 8.

22.32 Sec. 61. Minnesota Statutes 2008, section 354.35, is amended by adding a subdivision
22.33 to read:

23.1 Subd. 3. **Postretirement adjustment eligibility.** An annuity under this section is
23.2 eligible for postretirement adjustments under section 356.415.

23.3 Sec. 62. Minnesota Statutes 2008, section 354.42, subdivision 1a, is amended to read:

23.4 **Subd. 1a. Teachers retirement fund.** (a) Within the Teachers Retirement
23.5 Association and the state treasury is created a special retirement fund, which must include
23.6 all the assets of the Teachers Retirement Association and all revenue of the association.
23.7 The fund is the continuation of the fund established under Laws 1931, chapter 406, section
23.8 2, notwithstanding the repeal of Minnesota Statutes 1973, section 354.42, subdivision 1,
23.9 by Laws 1974, chapter 289, section 59.

23.10 (b) The teachers retirement fund must be credited with all employee and employer
23.11 contributions, all investment revenue and gains, and all other income authorized by law.

23.12 (c) From the teachers retirement fund is appropriated the payments of annuities
23.13 and benefits authorized by this chapter, ~~the transfers to the Minnesota postretirement~~
23.14 ~~investment fund,~~ and the reasonable and necessary expenses of administering the fund
23.15 and the association.

23.16 Sec. 63. Minnesota Statutes 2008, section 354.44, is amended by adding a subdivision
23.17 to read:

23.18 Subd. 7a. **Postretirement adjustment eligibility.** (a) A retirement annuity under
23.19 subdivision 2 or 6 is eligible for postretirement adjustments under section 356.415.

23.20 (b) Retirement annuities payable from the teachers retirement plan must not be in
23.21 an amount less than the amount originally determined on the date of retirement and as
23.22 adjusted on each succeeding January 1 under Minnesota Statutes 2008, section 11A.18,
23.23 before January 1, 2010, and under section 356.415 after December 31, 2009.

23.24 Sec. 64. Minnesota Statutes 2008, section 354.46, is amended by adding a subdivision
23.25 to read:

23.26 Subd. 7. **Postretirement adjustment eligibility.** A survivor benefit under
23.27 subdivision 1, 2, 2a, or 2b, is eligible for postretirement adjustments under section 356.415.

23.28 Sec. 65. Minnesota Statutes 2008, section 354.48, is amended by adding a subdivision
23.29 to read:

23.30 Subd. 11. **Postretirement adjustment eligibility.** A disability benefit under this
23.31 section is eligible for postretirement adjustments under section 356.415.

S.F. No. 777, as introduced - 86th Legislative Session (2009-2010) [09-2157]

24.1 Sec. 66. Minnesota Statutes 2008, section 354.55, subdivision 13, is amended to read:

24.2 Subd. 13. **Pre-1969 law retirements.** Any person who ceased teaching service
24.3 prior to July 1, 1968, who has ten years or more of allowable service and left accumulated
24.4 deductions in the fund for the purpose of receiving when eligible a retirement annuity,
24.5 and retires shall have the annuity computed in accordance with the law in effect on June
24.6 30, 1969, except that the portion of the annuity based on accumulations after June 30,
24.7 1957, under Minnesota Statutes 1967, section 354.44, subdivision 2, and accumulations
24.8 under Minnesota Statutes 1967, section 354.33, subdivision 1, ~~shall~~ must be calculated
24.9 using the mortality table established by the board under section 354.07, subdivision 1,
24.10 and approved under section 356.215, subdivision 18, and the postretirement interest rate
24.11 assumption specified in section 356.215, to transfer the required reserves to the Minnesota
24.12 postretirement investment fund subdivision 8.

24.13 Sec. 67. Minnesota Statutes 2008, section 354.70, subdivision 5, is amended to read:

24.14 Subd. 5. **Transfer of assets.** (a) On or before June 30, 2006, the chief administrative
24.15 officer of the Minneapolis Teachers Retirement Fund Association shall transfer to the
24.16 Teachers Retirement Association the entire assets of the special retirement fund of the
24.17 Minneapolis Teachers Retirement Fund Association. The transfer of the assets of the
24.18 Minneapolis Teachers Retirement Fund Association special retirement fund must include
24.19 any accounts receivable that are determined by the executive director of the State Board of
24.20 Investment as reasonably capable of being collected. Legal title to account receivables that
24.21 are determined by the executive director of the State Board of Investment as not reasonably
24.22 capable of being collected transfers to Special School District No. 1, Minneapolis, as of
24.23 the date of the determination of the executive director of the State Board of Investment.
24.24 If the account receivables transferred to Special School District No. 1, Minneapolis,
24.25 are subsequently recovered by the school district, the superintendent of Special School
24.26 District No. 1, Minneapolis, shall transfer the recovered amount to the executive director
24.27 of the Teachers Retirement Association, in cash, for deposit in the teachers retirement
24.28 fund, less the reasonable expenses of the school district related to the recovery.

24.29 (b) As of June 30, 2006, assets of the special retirement fund of the Minneapolis
24.30 Teachers Retirement Fund Association are assets of the Teachers Retirement Association
24.31 to be invested by the State Board of Investment pursuant to the provisions of section
24.32 354.07, subdivision 4. The Teachers Retirement Association is the successor in interest to
24.33 all claims which the Minneapolis Teachers Retirement Fund Association may have or may
24.34 assert against any person and is the successor in interest to all claims which could have

25.1 been asserted against the former Minneapolis Teachers Retirement Fund Association,
25.2 subject to the following exceptions and qualifications:

25.3 (1) the Teachers Retirement Association is not liable for any claim against the
25.4 Minneapolis Teachers Retirement Fund Association, its former board or board members,
25.5 which is founded upon a claim of breach of fiduciary duty, where the act or acts
25.6 constituting the claimed breach were not done in good faith;

25.7 (2) the Teachers Retirement Association may assert any applicable defense to any
25.8 claim in any judicial or administrative proceeding that the former Minneapolis Teachers
25.9 Retirement Fund Association or its board would otherwise have been entitled to assert;

25.10 (3) the Teachers Retirement Association may assert any applicable defense that the
25.11 Teachers Retirement Association may assert in its capacity as a statewide agency; and

25.12 (4) the Teachers Retirement Association shall indemnify any former fiduciary of the
25.13 Minneapolis Teachers Retirement Fund Association consistent with the provisions of the
25.14 Public Pension Fiduciary Responsibility Act, in section 356A.11.

25.15 (c) From the assets of the former Minneapolis Teachers Retirement Fund Association
25.16 transferred to the Teachers Retirement Association, an amount equal to the percentage
25.17 figure that represents the ratio between the market value of the Minnesota postretirement
25.18 investment fund as of June 30, 2006, and the required reserves of the Minnesota
25.19 postretirement investment fund as of June 30, 2006, applied to the present value of
25.20 future benefits payable to annuitants of the former Minneapolis Teachers Retirement
25.21 Fund Association as of June 30, 2006, including any postretirement adjustment from the
25.22 Minnesota postretirement investment fund expected to be payable on January 1, 2007,
25.23 must be transferred to the Minnesota postretirement investment fund. The executive
25.24 director of the State Board of Investment shall estimate this ratio at the time of the
25.25 transfer. By January 1, 2007, after all necessary financial information becomes available
25.26 to determine the actual funded ratio of the Minnesota postretirement investment fund, the
25.27 postretirement investment fund must refund to the Teachers Retirement Association any
25.28 excess assets or the Teachers Retirement Association must contribute any deficiency to
25.29 the Minnesota postretirement investment fund with interest under Minnesota Statutes
25.30 2008, section 11A.18, subdivision 6. The balance of the assets of the former Minneapolis
25.31 Teachers Retirement Fund Association after the transfer to the Minnesota postretirement
25.32 investment fund must be credited to the Teachers Retirement Association.

25.33 (d) If the assets transferred by the Minneapolis Teachers Retirement Fund
25.34 Association to the Teachers Retirement Association are insufficient to meet its obligation
25.35 to the Minnesota postretirement investment fund, additional assets must be transferred by
25.36 the executive director of the Teachers Retirement Association to meet the amount required.

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26.1 Sec. 68. Minnesota Statutes 2008, section 354.70, subdivision 6, is amended to read:

26.2 Subd. 6. **Benefit calculation.** (a) For every deferred, inactive, disabled, and retired
26.3 member of the Minneapolis Teachers Retirement Fund Association transferred under
26.4 subdivision 1, and the survivors of these members, annuities or benefits earned before
26.5 the date of the transfer, other than future postretirement adjustments, must be calculated
26.6 and paid by the Teachers Retirement Association under the laws, articles of incorporation,
26.7 and bylaws of the former Minneapolis Teachers Retirement Fund Association that were
26.8 in effect relative to the person on the date of the person's termination of active service
26.9 covered by the former Minneapolis Teachers Retirement Fund Association.

26.10 (b) Former Minneapolis Teachers Retirement Fund Association members who
26.11 retired before July 1, 2006, must receive postretirement adjustments after December 31,
26.12 2006, only as provided in Minnesota Statutes 2008, section 11A.18 or section 356.415. All
26.13 other benefit recipients of the former Minneapolis Teachers Retirement Fund Association
26.14 must receive postretirement adjustments after December 31, 2006, only as provided in
26.15 section ~~356.41~~ 356.415.

26.16 (c) This consolidation does not impair or diminish benefits for an active, deferred,
26.17 or retired member or a survivor of an active, deferred, or retired member under the
26.18 former Minneapolis Teachers Retirement Fund Association in existence at the time of the
26.19 consolidation, except that any future guaranteed or investment-related postretirement
26.20 adjustments must be paid after July 1, 2006, in accordance with paragraph (b), and all
26.21 benefits based on service on or after July 1, 2006, must be determined only by laws
26.22 governing the Teachers Retirement Association.

26.23 Sec. 69. Minnesota Statutes 2008, section 356.215, subdivision 1, is amended to read:

26.24 Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to
26.25 356.23, each of the terms in the following paragraphs has the meaning given.

26.26 (b) "Actuarial valuation" means a set of calculations prepared by an actuary retained
26.27 under section 356.214 if so required under section 3.85, or otherwise, by an approved
26.28 actuary, to determine the normal cost and the accrued actuarial liabilities of a benefit
26.29 plan, according to the entry age actuarial cost method and based upon stated assumptions
26.30 including, but not limited to rates of interest, mortality, salary increase, disability,
26.31 withdrawal, and retirement and to determine the payment necessary to amortize over a
26.32 stated period any unfunded accrued actuarial liability disclosed as a result of the actuarial
26.33 valuation of the benefit plan.

26.34 (c) "Approved actuary" means a person who is regularly engaged in the business of
26.35 providing actuarial services and who is a fellow in the Society of Actuaries.

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27.1 (d) "Entry age actuarial cost method" means an actuarial cost method under which
27.2 the actuarial present value of the projected benefits of each individual currently covered
27.3 by the benefit plan and included in the actuarial valuation is allocated on a level basis over
27.4 the service of the individual, if the benefit plan is governed by section 69.773, or over the
27.5 earnings of the individual, if the benefit plan is governed by any other law, between the
27.6 entry age and the assumed exit age, with the portion of the actuarial present value which is
27.7 allocated to the valuation year to be the normal cost and the portion of the actuarial present
27.8 value not provided for at the valuation date by the actuarial present value of future normal
27.9 costs to be the actuarial accrued liability, with aggregation in the calculation process to be
27.10 the sum of the calculated result for each covered individual and with recognition given to
27.11 any different benefit formulas which may apply to various periods of service.

27.12 (e) "Experience study" means a report providing experience data and an actuarial
27.13 analysis of the adequacy of the actuarial assumptions on which actuarial valuations are
27.14 based.

27.15 (f) "Actuarial value of assets" means:

27.16 (1) For the July 1, 2009, actuarial valuation, the market value of all assets as of
27.17 ~~the preceding~~ June 30, 2009, reduced by:

27.18 ~~(1)~~ (i) 20 percent of the difference between the actual net change in the market
27.19 value of the active fund assets between the June 30 that occurred three years earlier,
27.20 2006, and the June 30 that occurred four years earlier, 2005, and the computed increase
27.21 in the market value of the active fund assets over that fiscal year period if the assets had
27.22 ~~increased at the percentage preretirement interest rate assumption used in the actuarial~~
27.23 ~~valuation for the July 1 that occurred four years earlier~~ earned a rate of return on assets
27.24 equal to 8.5 percent annually;

27.25 ~~(2)~~ (ii) 40 percent of the difference between the actual net change in the market
27.26 value of the active fund assets between the June 30 that occurred two years earlier, 2007,
27.27 and the June 30 that occurred three years earlier, 2006, and the computed increase in
27.28 the market value of the active fund assets over that fiscal year period if the assets had
27.29 ~~increased at the percentage preretirement interest rate assumption used in the actuarial~~
27.30 ~~valuation for the July 1 that occurred three years earlier~~ earned a rate of return on assets
27.31 equal to 8.5 percent annually;

27.32 ~~(3)~~ (iii) 60 percent of the difference between the actual net change in the active
27.33 fund market value of assets between the June 30 that occurred one year earlier, 2008,
27.34 and the June 30 that occurred two years earlier, 2007, and the computed increase in the
27.35 active fund market value of assets over that fiscal year period if the assets had ~~increased~~
27.36 ~~at the percentage preretirement interest rate assumption used in the actuarial valuation~~

28.1 ~~for the July 1 that occurred two years earlier~~ earned a rate of return on assets equal to
28.2 8.5 percent annually; and

28.3 ~~(4) (iv) 80 percent of the difference between the actual net change in the market~~
28.4 ~~value of the active fund assets between the immediately prior June 30, 2009, and the June~~
28.5 ~~30 that occurred one year earlier, 2008, and the computed increase in the market value~~
28.6 ~~of the active fund assets over that fiscal year period if the assets had increased at the~~
28.7 ~~percentage preretirement interest rate assumption used in the actuarial valuation for the~~
28.8 ~~July 1 that occurred one year earlier.~~ earned a rate of return on assets equal to 8.5 percent
28.9 annually; and

28.10 (v) 80 percent of the difference between the actual net change in the market value of
28.11 the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008,
28.12 and the computed increase in the market value of assets over that fiscal year period if the
28.13 assets had increased at 8.5 percent annually.

28.14 (2) For the July 1, 2010, actuarial valuation, the market value of all assets as of
28.15 June 30, 2010, reduced by:

28.16 (i) 20 percent of the difference between the actual net change in the market value
28.17 of the active fund assets between June 30, 2007, and June 30, 2006, and the computed
28.18 increase in the market value of the active fund assets over that fiscal year period if the
28.19 assets had earned a rate of return on assets equal to 8.5 percent annually;

28.20 (ii) 40 percent of the difference between the actual net change in the market value
28.21 of the active fund assets between June 30, 2008, and June 30, 2007, and the computed
28.22 increase in the market value of the active fund assets over that fiscal year period if the
28.23 assets had earned a rate of return on assets equal to 8.5 percent annually;

28.24 (iii) 60 percent of the difference between the actual net change in the market value
28.25 of the active fund assets between June 30, 2009, and June 30, 2008, and the computed
28.26 increase in the market value of the active fund assets over that fiscal year period if the
28.27 assets had earned a rate of return on assets equal to 8.5 percent annually;

28.28 (iv) 80 percent of the difference between the actual net change in the market value of
28.29 total assets between June 30, 2010, and June 30, 2009, and the computed increase in the
28.30 market value of total assets over that fiscal year period if the assets had earned a rate of
28.31 return on assets equal to 8.5 percent annually; and

28.32 (v) 60 percent of the difference between the actual net change in the market value of
28.33 the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008,
28.34 and the computed increase in the market value of assets over that fiscal year period if the
28.35 assets had increased at 8.5 percent annually.

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29.1 (3) For the July 1, 2011, actuarial valuation, the market value of all assets as of
29.2 June 30, 2011, reduced by:

29.3 (i) 20 percent of the difference between the actual net change in the market value
29.4 of the active fund assets between June 30, 2008, and June 30, 2007, and the computed
29.5 increase in the market value of the active fund assets over that fiscal year period if the
29.6 assets had earned a rate of return on assets equal to 8.5 percent annually;

29.7 (ii) 40 percent of the difference between the actual net change in the market value of
29.8 the active fund assets between June 30, 2009, and the June 30, 2008, and the computed
29.9 increase in the market value of the active fund assets over that fiscal year period if the
29.10 assets had earned a rate of return on assets equal to 8.5 percent annually;

29.11 (iii) 60 percent of the difference between the actual net change in the market value
29.12 of the total assets between June 30, 2010, and June 30, 2009, and the computed increase in
29.13 the market value of the total assets over that fiscal year period if the assets had earned a
29.14 rate of return on assets equal to 8.5 percent annually;

29.15 (iv) 80 percent of the difference between the actual net change in the market value of
29.16 total assets between June 30, 2011, and June 30, 2010, and the computed increase in the
29.17 market value of total assets over that fiscal year period if the assets had earned a rate of
29.18 return on assets equal to 8.5 percent annually; and

29.19 (v) 40 percent of the difference between the actual net change in the market value of
29.20 the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008,
29.21 and the computed increase in the market value of assets over that fiscal year period if the
29.22 assets had increased at 8.5 percent annually.

29.23 (4) For the July 1, 2012, actuarial valuation, the market value of all assets as of
29.24 June 30, 2012, reduced by:

29.25 (i) 20 percent of the difference between the actual net change in the market value
29.26 of the active fund assets between June 30, 2009, and June 30, 2008, and the computed
29.27 increase in the market value of the active fund assets over that fiscal year period if the
29.28 assets had earned a rate of return on assets equal to 8.5 percent annually;

29.29 (ii) 40 percent of the difference between the actual net change in the market value of
29.30 total assets between June 30, 2010, and June 30, 2009, and the computed increase in the
29.31 market value of total assets over that fiscal year period if the assets had earned a rate of
29.32 return on assets equal to 8.5 percent annually;

29.33 (iii) 60 percent of the difference between the actual net change in the market value
29.34 of total assets between June 30, 2011, and June 30, 2010, and the computed increase in the
29.35 market value of total assets over that fiscal year period if the assets had earned a rate of
29.36 return on assets equal to 8.5 percent annually;

30.1 (iv) 80 percent of the difference between the actual net change in the market value of
30.2 total assets between June 30, 2012, and June 30, 2011, and the computed increase in the
30.3 market value of total assets over that fiscal year period if the assets had earned a rate of
30.4 return on assets equal to 8.5 percent annually; and

30.5 (v) 20 percent of the difference between the actual net change in the market value of
30.6 the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008,
30.7 and the computed increase in the market value of assets over that fiscal year period if the
30.8 assets had increased at 8.5 percent annually.

30.9 (5) For the July 1, 2013, and following actuarial valuations, the market value of all
30.10 assets as of the preceding June 30, reduced by:

30.11 (i) 20 percent of the difference between the actual net change in the market value
30.12 of total assets between the June 30 that occurred three years earlier and the June 30 that
30.13 occurred four years earlier and the computed increase in the market value of total assets
30.14 over that fiscal year period if the assets had earned a rate of return on assets equal to
30.15 8.5 percent annually;

30.16 (ii) 40 percent of the difference between the actual net change in the market value
30.17 of total assets between the June 30 that occurred two years earlier and the June 30 that
30.18 occurred three years earlier and the computed increase in the market value of total assets
30.19 over that fiscal year period if the assets had earned a rate of return on assets equal to
30.20 8.5 percent annually;

30.21 (iii) 60 percent of the difference between the actual net change in the market value
30.22 of total assets between the June 30 that occurred one year earlier and the June 30 that
30.23 occurred two years earlier and the computed increase in the market value of total assets
30.24 over that fiscal year period if the assets had earned a rate of return on assets equal to
30.25 8.5 percent annually; and

30.26 (iv) 80 percent of the difference between the actual net change in the market value of
30.27 total assets between the most recent June 30 and the June 30 that occurred one year earlier
30.28 and the computed increase in the market value of total assets over that fiscal year period if
30.29 the assets had earned a rate of return on assets equal to 8.5 percent annually.

30.30 (6) Notwithstanding the calculations in clauses (1) to (5), the actuarial value of
30.31 assets is the lesser of the amount calculated in clauses (1) to (5), or 120 percent of the
30.32 market value of assets as of the June 30 immediately preceding the valuation date.

30.33 (7) Notwithstanding the calculations in clauses (1) to (6), the actuarial value of
30.34 assets is the greater of the amount calculated in clause (6), or 80 percent of the market
30.35 value of assets as of the June 30 immediately preceding the valuation date.

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31.1 (g) "Unfunded actuarial accrued liability" means the total current and expected
31.2 future benefit obligations, reduced by the sum of the actuarial value of assets and the
31.3 present value of future normal costs.

31.4 (h) "Pension benefit obligation" means the actuarial present value of credited
31.5 projected benefits, determined as the actuarial present value of benefits estimated to be
31.6 payable in the future as a result of employee service attributing an equal benefit amount,
31.7 including the effect of projected salary increases and any step rate benefit accrual rate
31.8 differences, to each year of credited and expected future employee service.

31.9 Sec. 70. Minnesota Statutes 2008, section 356.215, subdivision 11, is amended to read:

31.10 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating
31.11 the level normal cost, the actuarial valuation of the retirement plan must contain an
31.12 exhibit for financial reporting purposes indicating the additional annual contribution
31.13 sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit
31.14 for contribution determination purposes indicating the additional contribution sufficient
31.15 to amortize the unfunded actuarial accrued liability. For the retirement plans listed in
31.16 subdivision 8, paragraph (c), the additional contribution must be calculated on a level
31.17 percentage of covered payroll basis by the established date for full funding in effect when
31.18 the valuation is prepared, assuming annual payroll growth at the applicable percentage
31.19 rate set forth in subdivision 8, paragraph (c). For all other retirement plans, the additional
31.20 annual contribution must be calculated on a level annual dollar amount basis.

31.21 (b) For any retirement plan other than the Minneapolis Employees Retirement Fund,
31.22 the general employees retirement plan of the Public Employees Retirement Association,
31.23 and the St. Paul Teachers Retirement Fund Association, if there has not been a change in
31.24 the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a
31.25 change in the benefit plan governing annuities and benefits payable from the fund, a
31.26 change in the actuarial cost method used in calculating the actuarial accrued liability of all
31.27 or a portion of the fund, or a combination of the three, which change or changes by itself
31.28 or by themselves without inclusion of any other items of increase or decrease produce a
31.29 net increase in the unfunded actuarial accrued liability of the fund, the established date for
31.30 full funding is the first actuarial valuation date occurring after June 1, 2020.

31.31 (c) For any retirement plan other than the Minneapolis Employees Retirement
31.32 Fund and the general employees retirement plan of the Public Employees Retirement
31.33 Association, if there has been a change in any or all of the actuarial assumptions used
31.34 for calculating the actuarial accrued liability of the fund, a change in the benefit plan
31.35 governing annuities and benefits payable from the fund, a change in the actuarial cost

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32.1 method used in calculating the actuarial accrued liability of all or a portion of the fund,
32.2 or a combination of the three, and the change or changes, by itself or by themselves and
32.3 without inclusion of any other items of increase or decrease, produce a net increase in the
32.4 unfunded actuarial accrued liability in the fund, the established date for full funding must
32.5 be determined using the following procedure:

32.6 (i) the unfunded actuarial accrued liability of the fund must be determined in
32.7 accordance with the plan provisions governing annuities and retirement benefits and the
32.8 actuarial assumptions in effect before an applicable change;

32.9 (ii) the level annual dollar contribution or level percentage, whichever is applicable,
32.10 needed to amortize the unfunded actuarial accrued liability amount determined under item
32.11 (i) by the established date for full funding in effect before the change must be calculated
32.12 using the interest assumption specified in subdivision 8 in effect before the change;

32.13 (iii) the unfunded actuarial accrued liability of the fund must be determined in
32.14 accordance with any new plan provisions governing annuities and benefits payable from
32.15 the fund and any new actuarial assumptions and the remaining plan provisions governing
32.16 annuities and benefits payable from the fund and actuarial assumptions in effect before
32.17 the change;

32.18 (iv) the level annual dollar contribution or level percentage, whichever is applicable,
32.19 needed to amortize the difference between the unfunded actuarial accrued liability amount
32.20 calculated under item (i) and the unfunded actuarial accrued liability amount calculated
32.21 under item (iii) over a period of 30 years from the end of the plan year in which the
32.22 applicable change is effective must be calculated using the applicable interest assumption
32.23 specified in subdivision 8 in effect after any applicable change;

32.24 (v) the level annual dollar or level percentage amortization contribution under item
32.25 (iv) must be added to the level annual dollar amortization contribution or level percentage
32.26 calculated under item (ii);

32.27 (vi) the period in which the unfunded actuarial accrued liability amount determined
32.28 in item (iii) is amortized by the total level annual dollar or level percentage amortization
32.29 contribution computed under item (v) must be calculated using the interest assumption
32.30 specified in subdivision 8 in effect after any applicable change, rounded to the nearest
32.31 integral number of years, but not to exceed 30 years from the end of the plan year in
32.32 which the determination of the established date for full funding using the procedure set
32.33 forth in this clause is made and not to be less than the period of years beginning in the
32.34 plan year in which the determination of the established date for full funding using the
32.35 procedure set forth in this clause is made and ending by the date for full funding in effect
32.36 before the change; and

33.1 (vii) the period determined under item (vi) must be added to the date as of which
33.2 the actuarial valuation was prepared and the date obtained is the new established date
33.3 for full funding.

33.4 (d) For the Minneapolis Employees Retirement Fund, the established date for full
33.5 funding is June 30, 2020.

33.6 (e) For the general employees retirement plan of the Public Employees Retirement
33.7 Association, the established date for full funding is June 30, 2031.

33.8 (f) For the Teachers Retirement Association, the established date for full funding is
33.9 June 30, 2037.

33.10 (g) For the correctional state employees retirement plan of the Minnesota State
33.11 Retirement System, the established date for full funding is June 30, 2038.

33.12 (h) For the judges retirement plan, the established date for full funding is June
33.13 30, 2038.

33.14 (i) For the public employees police and fire retirement plan, the established date
33.15 for full funding is June 30, 2038.

33.16 (j) For the St. Paul Teachers Retirement Fund Association, the established date for
33.17 full funding is June 30 of the 25th year from the valuation date. In addition to other
33.18 requirements of this chapter, the annual actuarial valuation shall contain an exhibit
33.19 indicating the funded ratio and the deficiency or sufficiency in annual contributions when
33.20 comparing liabilities to the market value of the assets of the fund as of the close of the
33.21 most recent fiscal year.

33.22 (k) For the retirement plans for which the annual actuarial valuation indicates an
33.23 excess of valuation assets over the actuarial accrued liability, the valuation assets in
33.24 excess of the actuarial accrued liability must be recognized as a reduction in the current
33.25 contribution requirements by an amount equal to the amortization of the excess expressed
33.26 as a level percentage of pay over a 30-year period beginning anew with each annual
33.27 actuarial valuation of the plan.

33.28 ~~(l) In addition to calculating the unfunded actuarial accrued liability of the retirement~~
33.29 ~~plan for financial reporting purposes under paragraphs (a) to (j), the actuarial valuation~~
33.30 ~~of the retirement plan must also include a calculation of the unfunded actuarial accrued~~
33.31 ~~liability of the retirement plan for purposes of determining the amortization contribution~~
33.32 ~~sufficient to amortize the unfunded actuarial liability of the Minnesota Post Retirement~~
33.33 ~~Investment Fund. For this exhibit, the calculation must be the unfunded actuarial accrued~~
33.34 ~~liability net of the postretirement adjustment liability funded from the investment~~
33.35 ~~performance of the Minnesota Post Retirement Investment Fund or the retirement benefit~~
33.36 ~~fund.~~

34.1 Sec. 71. Minnesota Statutes 2008, section 356.351, subdivision 2, is amended to read:

34.2 Subd. 2. **Incentive.** (a) For an employee eligible under subdivision 1, if approved
34.3 under paragraph (b), the employer may provide an amount up to \$17,000, to an employee
34.4 who terminates service, to be used:

34.5 (1) unless the appointing authority has designated the use under clause (2) or the use
34.6 under clause (3) for the initial retirement incentive applicable to that employing entity
34.7 under Laws 2007, chapter 134, after May 26, 2007, for deposit in the employee's account
34.8 in the health care savings plan established by section 352.98;

34.9 (2) notwithstanding section 352.01, subdivision 11, or 354.05, subdivision 13,
34.10 whichever applies, if the appointing authority has designated the use under this clause
34.11 for the initial retirement incentive applicable to that employing entity under Laws 2007,
34.12 chapter 134, after May 26, 2007, for purchase of service credit for unperformed service
34.13 sufficient to enable the employee to retire under section 352.116, subdivision 1, paragraph
34.14 (b); 353.30; 354.44, subdivision 6, paragraph (b), or 354A.31, subdivision 6, paragraph
34.15 (b), whichever applies; or

34.16 (3) if the appointing authority has designated the use under this clause for the initial
34.17 retirement incentive applicable to the employing entity under Laws 2007, chapter 134,
34.18 after May 26, 2007, for purchase of a lifetime annuity or an annuity for a specific number
34.19 of years from the applicable retirement plan to provide additional benefits, as provided in
34.20 paragraph (d).

34.21 (b) Approval to provide the incentive must be obtained from the commissioner
34.22 of finance if the eligible employee is a state employee and must be obtained from the
34.23 applicable governing board with respect to any other employing entity. An employee is
34.24 eligible for the payment under paragraph (a), clause (2), if the employee uses money from
34.25 a deferred compensation account that, combined with the payment under paragraph (a),
34.26 clause (2), would be sufficient to purchase enough service credit to qualify for retirement
34.27 under section 352.116, subdivision 1, paragraph (b); 353.30, subdivision 1a; 354.44,
34.28 subdivision 6, paragraph (b), or 354A.31, subdivision 6, paragraph (b), whichever applies.

34.29 (c) The cost to purchase service credit under paragraph (a), clause (2), must be
34.30 made in accordance with section 356.551.

34.31 (d) The annuity purchase under paragraph (a), clause (3), must be made using
34.32 annuity factors, as determined by the actuary retained under section 356.214, derived from
34.33 the applicable factors used by the applicable retirement plan ~~to transfer amounts to the~~
34.34 ~~Minnesota postretirement investment fund and~~ to calculate optional annuity forms. The
34.35 purchased annuity must be the actuarial equivalent of the incentive amount.

35.1 Sec. 72. [356.415] POSTRETIREMENT ADJUSTMENTS; STATEWIDE
35.2 RETIREMENT PLANS.

35.3 Subdivision 1. Annual postretirement adjustments. (a) Retirement annuity,
35.4 disability benefit, or survivor benefit recipients of a covered retirement plan are entitled to
35.5 a postretirement adjustment annually on January 1, as follows:

35.6 (1) a postretirement increase of 2.5 percent must be applied each year, effective
35.7 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has
35.8 been receiving an annuity or a benefit for at least 12 full months prior to the January 1
35.9 increase; and

35.10 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
35.11 benefit for at least one full month, an annual postretirement increase of 1/12 of 2.5 percent
35.12 for each month the person has been receiving an annuity or benefit must be applied,
35.13 effective January 1 following the year in which the person has been retired for less than
35.14 12 months.

35.15 (b) The increases provided by this section commence on January 1, 2010.

35.16 (c) An increase in annuity or benefit payments under this section must be made
35.17 automatically unless written notice is filed by the annuitant or benefit recipient with the
35.18 executive director of the covered retirement plan requesting that the increase not be made.

35.19 (d) The retirement annuity payable to a person who retires before becoming eligible
35.20 for Social Security benefits and who has elected the optional payment as provided in
35.21 section 353.29, subdivision 6, or 354.35 must be treated as the sum of a period certain
35.22 retirement annuity and a life retirement annuity for the purposes of any postretirement
35.23 adjustment. The period certain retirement annuity plus the life retirement annuity must be
35.24 the annuity amount payable until age 62 for section 353.29, subdivision 6, or age 62, 65,
35.25 or normal retirement age, as selected by the member at retirement, for an annuity amount
35.26 payable under section 354.35. A postretirement adjustment granted on the period certain
35.27 retirement annuity must terminate when the period certain retirement annuity terminates.

35.28 Subd. 2. Covered retirement plans. The provisions of this section apply to the
35.29 following retirement plans:

35.30 (1) the legislators retirement plan established under chapter 3A;

35.31 (2) the correctional state employees retirement plan of the Minnesota State
35.32 Retirement System established under chapter 352;

35.33 (3) the general state employees retirement plan of the Minnesota State Retirement
35.34 System established under chapter 352;

35.35 (4) the State Patrol retirement plan established under chapter 352B;

35.36 (5) the elective state officers retirement plan established under chapter 352C;

36.1 (6) the general employee retirement plan of the Public Employees Retirement
36.2 Association established under chapter 353;

36.3 (7) the public employees police and fire retirement plan of the Public Employees
36.4 Retirement Association established under chapter 353;

36.5 (8) the local government correctional employees retirement plan of the Public
36.6 Employees Retirement Association established under chapter 353E;

36.7 (9) the teachers retirement plan established under chapter 354; and

36.8 (10) the judges retirement plan established under chapter 490.

36.9 Sec. 73. Minnesota Statutes 2008, section 490.123, subdivision 1, is amended to read:

36.10 Subdivision 1. **Fund creation; revenue and authorized disbursements.** (a) There
36.11 is created a special fund to be known as the "judges' retirement fund."

36.12 (b) The judges' retirement fund must be credited with all contributions; all interest,
36.13 dividends, and other investment proceeds; and all other income authorized by this chapter
36.14 or other applicable law.

36.15 (c) From this fund there are appropriated the payments authorized by this chapter, in
36.16 the amounts and at the times provided, including the necessary and reasonable expenses of
36.17 the Minnesota State Retirement System in administering the fund ~~and the transfers to the~~
36.18 ~~Minnesota postretirement investment fund.~~

36.19 Sec. 74. Minnesota Statutes 2008, section 490.123, subdivision 3, is amended to read:

36.20 Subd. 3. **Investment.** (a) The executive director of the Minnesota State Retirement
36.21 System shall, from time to time, certify to the State Board of Investment such portions
36.22 of the judges' retirement fund as in the director's judgment may not be required for
36.23 immediate use.

36.24 ~~(b) Assets from the judges' retirement fund must be transferred to the Minnesota~~
36.25 ~~postretirement investment fund for retirement and disability benefits as provided in~~
36.26 ~~sections 11A.18 and 352.119.~~

36.27 ~~(c)~~ (b) The State Board of Investment shall thereupon invest and reinvest sums so
36.28 ~~transferred, or certified,~~ in such securities as are duly authorized legal investments for such
36.29 purposes under section 11A.24 in compliance with sections 356A.04 and 356A.06.

36.30 Sec. 75. Minnesota Statutes 2008, section 490.124, is amended by adding a subdivision
36.31 to read:

36.32 Subd. 14. **Postretirement adjustment eligibility.** A retirement annuity under
36.33 subdivision 1, 3, or 5, a disability benefit under subdivision 4, and a survivor's annuity

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37.1 under subdivision 9 or 11 are eligible for postretirement adjustments under section
37.2 356.415.

37.3 Sec. 76. **REPEALER.**

37.4 Minnesota Statutes 2008, sections 11A.041; 11A.18; 11A.181; 352.119, subdivisions
37.5 2, 3, and 4; 352B.26, subdivisions 1 and 3; 353.271; 353A.02, subdivision 20; 353A.09,
37.6 subdivisions 2 and 3; 354.05, subdivision 26; 354.55, subdivision 14; 354.63; 356.41;
37.7 356.431, subdivision 2; 422A.01, subdivision 13; 422A.06, subdivision 4; and 490.123,
37.8 subdivisions 1c and 1e, are repealed.

37.9 Sec. 77. **EFFECTIVE DATE.**

37.10 Sections 1 to 76 are effective July 1, 2009.

11A.041 REPORT ON POSTRETIREMENT INVESTMENT FUND INVESTMENT PERFORMANCE AND ADJUSTMENT CALCULATION.

The State Board of Investment shall annually report to the Legislative Commission on Pensions and Retirement, the house of representatives Governmental Operations and Gaming Committee, and the senate Governmental Operations and Reform Committee on the investment performance investment activities, and postretirement adjustment calculations of the Minnesota postretirement investment fund established under section 11A.18. The annual report must be filed before January 1. The contents of the report must include the reporting requirements specified by the Legislative Commission on Pensions and Retirement as part of the standards adopted by the commission under section 3.85, subdivision 10. The report also may include any additional information that the State Board of Investment determines is appropriate.

11A.18 MINNESOTA POSTRETIREMENT INVESTMENT FUND.

Subdivision 1. **Establishment.** There is hereby established a postretirement investment fund for the purpose of providing an investment vehicle for the reserves for various retirement annuities and benefits payable by the participating retirement funds and plans. The postretirement investment fund shall be a continuation of the Minnesota adjustable fixed benefit fund in existence on January 1, 1980.

Subd. 2. **Assets.** The assets of the postretirement investment fund shall consist of the money representing the reserves for various retirement annuities and benefits payable by participating retirement funds and plans which have been certified to and received by the state board from the participating public retirement funds and plans.

Subd. 2a. **Composite funded ratio.** (a) Annually, following June 30, the executive director of the State Board of Investment shall determine the composite funded ratio of the postretirement investment fund. The composite funded ratio must be stated as a percentage and must be calculated using:

(1) the total fair market value of the postretirement investment fund as of June 30, calculated in accordance with generally accepted accounting principles; divided by

(2) the total reserves required as of June 30 for the annuities or benefits payable from the postretirement investment fund on that June 30 to all recipients of participating public pension plans or funds, as determined by the actuary retained under section 356.214 using the applicable assumptions in section 356.215.

(b) The executive director of the State Board of Investment shall certify the composite funded ratio to the executive directors of the plans participating in the Minnesota postretirement investment fund and to the executive director of the Legislative Commission on Pensions and Retirement by November 30 annually.

Subd. 3. **Management.** The postretirement investment fund shall be managed by the state board.

Subd. 4. **Investment.** The assets of the postretirement investment fund shall be invested by the state board subject to the provisions of section 11A.24.

Subd. 5. **Deferred yield adjustment account.** There is hereby established a deferred yield adjustment account which shall be increased by the sale or disposition of any debt securities at less than book value and shall be decreased by the sale or disposition of debt securities at more than book value. At the end of each fiscal year, a portion of the balance of this account shall be offset against the investment income for that year. The annual portion of the balance to be offset shall be proportional to the reciprocal of the average remaining life of the bonds sold, unless the amounts are offset by gains on the future sales of these securities. The amount of this account shall be included in the recognized value of assets other than corporate stocks and all other equity investments. In any fiscal year in which the gains on the sales of debt securities exceed the discounts realized on the sales of such securities, the excess shall be used to reduce the balance of the account. If the realized capital gains are sufficient to reduce the balance of the account to zero, any excess gains shall be available for the calculation of postretirement adjustments made according to subdivision 9.

Subd. 6. **Participating public retirement funds or plans; transfer of required reserves.** (a) Any public retirement fund or plan authorized by law to participate in the postretirement investment fund shall no later than the last business day of the month in which the benefit payment from the postretirement investment fund begins to accrue, certify and transfer to the state board money equal to the reserves required for those retirement annuities and benefits which are payable by the public retirement fund or plan and which are specified in law to be included in

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the participation in the fund as determined by or determined under a procedure specified by the actuary retained under section 356.214.

(b) If the exact amount of the actuarially determined required reserves is not readily calculable on the required transfer date, the initial transfer must be based on the best estimate for the teachers retirement fund and the public employees retirement fund and may be based on the best estimate for the other participating funds. Any necessary adjustments based on specific calculations of actuarially determined required reserves must be made in later transfers. If a transfer is insufficient, the later transfer from the retirement fund must include interest on the amount of the required reserve insufficiency at the preretirement interest assumption for the retirement fund as specified in section 356.215, subdivision 8, stated as a monthly rate.

Interest on the amount of a required reserve insufficiency payable by a retirement fund shall be compounded on a monthly basis. No interest shall be payable from the postretirement investment fund in the event of a required reserve oversufficiency.

(c) The state board shall confirm in writing each certification and transfer of money made by a participating public retirement fund or plan. Each participating public retirement fund or plan shall maintain adequate records to account for money transferred to or from the postretirement investment fund.

Subd. 7. Participation and financial reporting in fund. (a) Each participating public retirement fund or plan which has transferred money to the state board for investment in the postretirement investment fund shall have an undivided participation in the fund. The participation on any valuation date must be determined by adding to the participation on the prior valuation date:

(1) funds transferred in accordance with subdivision 6;

(2) the amount of required investment income on its participation as defined in subdivision 9, paragraph (c), clause (1); and

(3) the reserves for any benefit adjustment made as of the current valuation date with the result adjusted for any mortality gains or losses determined under subdivision 11.

(b) The total fair market value of the postretirement fund as of June 30 must be calculated in accordance with generally accepted accounting principles. The fair market value share of each fund participating in the postretirement investment fund must be allocated by adding to the fair market value at the beginning of the fiscal year:

(1) 100 percent of the funds transferred in accordance with subdivision 6; and

(2) a pro rata distribution of unrealized gains or losses, based on a weighted percentage of participation at the end of each month of the fiscal year.

Subd. 8. Withdrawal of money. Upon certification by the applicable executive director that a portion of the certified money representing the required reserves for various retirement annuities or benefits payable from the participating public retirement fund or plan are required for the payment of a retirement annuity or benefit, the state board shall sell sufficient securities or transfer sufficient available cash to equal the amount of money certified as required and shall order the transfer of that amount to the appropriate executive director.

Subd. 9. Calculation of postretirement adjustment. (a) Annually, following June 30, the state board shall use the procedures in paragraphs (b), (c), and (d) to determine whether a postretirement adjustment under this subdivision is payable and to determine the amount of any postretirement adjustment under this subdivision.

(b) (1) If 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 increases from June 30 of the preceding year to June 30 of the current year, the state board shall certify the percentage increase.

(2) The amount certified must not exceed 2.5 percent.

(c) If the amount calculated under paragraph (b), clause (1), is greater than the maximum amount allowable under paragraph (b), clause (2), in addition to any percentage increase certified under paragraph (b), the board shall use the following procedures to determine if a postretirement adjustment is payable under this paragraph:

(1) the state board shall determine the total fair market value of the fund on June 30 of that year;

(2) the amount of reserves required as of the current June 30 for the annuity or benefit payable to an annuitant and benefit recipient of the participating public pension plans or funds must be determined by the actuary retained under section 356.214. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30 is eligible to receive a full postretirement adjustment. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least one full month, but less than 12 full months as of the current June 30, is eligible to receive a partial postretirement adjustment. Each fund shall report separately the amount of the reserves for those annuitants and benefit recipients

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who are eligible to receive a full postretirement benefit adjustment. This amount is known as "eligible reserves." Each fund shall also report separately the amount of the reserves for those annuitants and benefit recipients who are not eligible to receive a postretirement adjustment. This amount is known as "noneligible reserves." For an annuitant or benefit recipient who is eligible to receive a partial postretirement adjustment, each fund shall report separately as additional "eligible reserves" an amount that bears the same ratio to the total reserves required for the annuitant or benefit recipient as the number of full months of annuity or benefit receipt as of the current June 30 bears to 12 full months. The remainder of the annuitant's or benefit recipient's reserves must be separately reported as additional "noneligible reserves." The amount of "eligible" and "noneligible" required reserves must be certified to the board by the actuary retained under section 356.214 as soon as is practical following the current June 30;

(3) the state board shall determine the percentage increase certified under paragraph (b) multiplied by the eligible required reserves, as adjusted for mortality gains and losses under subdivision 11, determined under clause (2);

(4) the state board shall add the amount of reserves required for the annuities or benefits payable to annuitants and benefit recipients of the participating public pension plans or funds as of the current June 30 to the amount determined under clause (3);

(5) the state board shall subtract the amount determined under clause (4) from the total fair market value of the fund determined under clause (1);

(6) the state board shall adjust the amount determined under clause (5) by the cumulative current balance determined under clause (8) and any negative balance carried forward under clause (9);

(7) a positive amount resulting from the calculations in clauses (1) to (6) is the excess market value. A negative amount is the negative balance;

(8) the state board shall allocate one-fifth of the excess market value or one-fifth of the negative balance to each of five consecutive years, beginning with the fiscal year ending the current June 30; and

(9) to calculate the postretirement adjustment under this paragraph, the state board shall add together all excess market value allocated to that year and subtract from the sum all negative balances allocated to that year. If this calculation results in a negative number, the entire negative balance must be carried forward and allocated to the next year. If the resulting amount is positive, a postretirement adjustment is payable under this paragraph. The board shall express a positive amount as a percentage of the total eligible required reserves certified to the board under clause (2). The percentage determined under this paragraph is not payable unless the amount calculated under paragraph (b), clause (1), is greater than 2.5 percent and must not exceed the difference by which the amount calculated under paragraph (b), clause (1), exceeds 2.5 percent.

(d) The state board shall determine the amount of any postretirement adjustment which is payable using the following procedure:

(1) The total "eligible" required reserves as of the first of January next following the end of the fiscal year for the annuitants and benefit recipients eligible to receive a full or partial postretirement adjustment as determined by clause (2) must be certified to the state board by the actuary retained under section 356.214. The total "eligible" required reserves must be determined by the actuary retained under section 356.214 on the assumption that all annuitants and benefit recipients eligible to receive a full or partial postretirement adjustment will be alive on the January 1 in question; and

(2) The state board shall add the percentage certified under paragraph (b) to any positive percentage calculated under paragraph (c). The board shall not subtract from the percentage certified under paragraph (b) any negative amount calculated under paragraph (c). The sum of these percentages must be certified to each participating public pension fund or plan as the full postretirement adjustment percentage. The full postretirement adjustment percentage certified to each participating public pension plan or fund must not exceed five percent.

(e) A retirement annuity payable in the event of retirement before becoming eligible for Social Security benefits as provided in section 352.116, subdivision 3; 353.29, subdivision 6; or 354.35 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 or 65, whichever applies. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

Subd. 9a. **Lost purchasing power increase.** (a) This subdivision applies for fiscal years ending June 30 in which all of the following conditions exist:

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(1) the composite funded ratio for the postretirement investment fund as of June 30 as certified by the executive director of the State Board of Investment under subdivision 2a is more than 90 percent;

(2) the State Board of Investment determines that the time-weighted total rate of return on investment of assets in the postretirement investment fund for the fiscal year ending June 30 exceeds 8.5 percent; and

(3) the postretirement adjustment percentage certified under subdivision 9, paragraph (b), is less than 2.5 percent.

(b) The lost purchasing power postretirement increase is payable the following January 1.

(c) Each participating public pension plan must annually calculate:

(1) the cumulative postretirement adjustment percentage applied to the annuity or benefit paid to each eligible annuitant and benefit recipient since the person first received a postretirement adjustment; and

(2) the 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 from June 30 of the year before the person first received a postretirement adjustment to June 30 of the current year. If a person received a prorated increase under subdivision 9, paragraph (c), clause (2), the same ratio of the number of months receiving a monthly benefit to 12 months must be applied to the inflation calculation for the fiscal year used to calculate the prorated amount of lost purchasing power for that period.

(d) If the percentage in paragraph (c), clause (2), is greater than the percentage in paragraph (c), clause (1), with respect to an eligible annuitant or benefit recipient, and the conditions in paragraph (a) exist, that person is eligible to receive an increase under this subdivision.

(e) The percentage increase payable to an eligible annuitant or benefit recipient under this subdivision may not exceed the difference between 2.5 percent and the amount certified under subdivision 9 or the amount calculated under paragraph (c), whichever is lower. The percentage increase otherwise payable under this subdivision must be reduced as provided in paragraph (f).

(f) The actuary retained under section 356.214 must determine:

(1) the reserves that would be required to pay in full the adjustments determined under paragraph (c); and

(2) the excess market value necessary to maintain the accrued liability composite funding ratio determined under subdivision 2a is at least 90 percent. If the calculated result under clause (1) is greater than the calculated result under this clause, the increase payable to each eligible annuitant or benefit recipient under this subdivision must be reduced to that portion of the full potential increase amount that equals the ratio that the calculated result under this clause bears to the calculated result under clause (1).

(g) A percentage increase certified under this subdivision must be added to the percentage certified under subdivision 9 and the total resulting percentage must be certified to each participating public pension plan as the full postretirement adjustment percentage.

Subd. 9b. Excess assets trigger. If the composite funded ratio of the postretirement investment fund determined under subdivision 2a is 115 percent or greater as of June 30 of any year, the governing bodies of the retirement plans participating in the postretirement investment fund must jointly report to the Legislative Commission on Pensions and Retirement by the next January 15. The report must evaluate and make recommendations with respect to the overall benefits and funding of the retirement funds for both active employees and benefit recipients.

Subd. 10. Payment of postretirement adjustment. Upon receiving the certification of the amount of the full postretirement adjustment from the state board, each participating public pension fund or plan shall determine the amount of the postretirement adjustment payable to each eligible annuitant and benefit recipient. The dollar amount of the postretirement adjustment shall be calculated by applying the certified postretirement adjustment percentage to the amount of the monthly annuity or benefit payable to each eligible annuitant or benefit recipient eligible for a full adjustment.

The dollar amount of the partial postretirement adjustment payable to each annuitant or benefit recipient eligible for a partial adjustment shall be calculated by first determining a partial percentage amount that bears the same ratio to the certified full adjustment percentage amount as the number of full months of annuity or benefit receipt as of the current June 30 bears to 12 full months. The partial percentage amount determined shall then be applied to the amount of the monthly annuity or benefit payable to each annuitant or benefit recipient eligible to receive a partial postretirement adjustment. The postretirement adjustments shall commence to be paid on January 1 following the calculations required pursuant to this section and shall thereafter be included in the monthly annuity or benefit paid to the recipient. Any adjustments pursuant to this

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section shall be paid automatically unless the intended recipient files a written notice with the applicable participating public pension fund or plan requesting that the adjustment not be paid.

Subd. 11. **Adjustment for mortality gains and losses.** As of June 30 annually, the actuary retained under section 356.214 shall calculate the amount of required reserves representing any mortality gains and any mortality losses incurred by each participating public pension fund or plan during the fiscal year and report the results of those calculations to the applicable participating public pension fund or plan. The actuary shall report separately the amount of the reserves for annuitants and benefit recipients who are eligible for a postretirement benefit adjustment and the amount of reserves for annuitants and benefit recipients who are not eligible for a postretirement benefit adjustment. If the net amount of required reserves represents a mortality gain, the participating public pension fund or plan shall certify that amount to the state board, which shall sell sufficient securities or transfer sufficient available cash to equal the amount of money certified. If the amount of required reserves represents a mortality loss, the participating public pension fund or plan shall transfer to the state board an amount equal to the amount of the net mortality loss. The amount of the transfers shall be determined before any postretirement benefit adjustments have been made. All transfers resulting from mortality adjustments shall be completed annually by December 31 for the preceding June 30. Interest shall be charged or credited on any transfers after December 31 based upon the preretirement interest assumption for the participating plan or fund as specified in section 356.215, subdivision 8, stated as a monthly rate. Book values of the assets of the fund for the purposes of subdivision 9 shall be determined only after all adjustments for mortality gains and losses for the fiscal year have been made.

Subd. 12. **Appropriation of required amounts.** All money necessary to meet the requirements of the certification of withdrawals and all money necessary to pay postretirement adjustments pursuant to this section are hereby and from time to time appropriated from the postretirement investment fund to the state board.

11A.181 DISSOLUTION OF MINNESOTA POSTRETIREMENT INVESTMENT FUND.

Subdivision 1. **Conditions for dissolution.** The postretirement investment fund established in section 11A.18 must be dissolved according to the schedule in subdivision 2 if the composite funded ratio calculated as of June 30 of that year under section 11A.18, subdivision 2a, is:

- (1) less than 85 percent and was less than 85 percent as of June 30 of the immediately preceding year; or
- (2) less than 80 percent.

Subd. 2. **Transition.** If conditions for dissolution of the postretirement investment fund under subdivision 1 apply:

(1) the retirement plans shall not transfer reserves as required under sections 11A.18, subdivision 6; 352.119, subdivision 2; 352B.26, subdivision 3; 353.271, subdivision 2; 354.63, subdivision 2; and 490.123, subdivision 1e, to the postretirement investment fund after December 31 of the calendar year in which conditions for dissolution under subdivision 1 occur;

(2) the retirement plans shall not transfer additional funds to the Minnesota postretirement investment fund as a result of the calculation by the actuary retained under section 356.214 of net mortality losses under section 11A.18, subdivision 11;

(3) the assets of the postretirement investment fund must be transferred back to each participating public retirement plan on June 30 of the year following the year in which conditions for dissolution under subdivision 1 occur. The assets to be transferred to each public retirement plan must be based on each plan's participation in the postretirement fund as determined under section 11A.18, subdivision 7, on the June 30 when the transfer back to the plan occurs; and

(4) the postretirement investment fund ceases to exist upon the transfer of all assets as required in clause (3).

Subd. 3. **Postretirement adjustments.** (a) Notwithstanding section 11A.18 or any other law to the contrary, if the postretirement investment fund is dissolved, postretirement adjustments are payable only as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant and benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the prior January 1; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, 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, effective January 1 of the year in which the person has been retired for less than 12 months.

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(b) The increases provided by this subdivision commence on the first January 1 occurring after the postretirement fund is dissolved under subdivision 2.

352.119 PARTICIPATION IN POSTRETIREMENT INVESTMENT FUND.

Subd. 2. **Valuation of assets; adjustment of benefits.** (a) The required reserves for retirement annuities or disability benefits under this chapter as determined in accordance with the appropriate mortality table adopted by the board of directors based on experience of the fund as recommended by the actuary retained under section 356.214 and using the interest assumption specified in section 356.215, subdivision 8, must be transferred to the Minnesota postretirement investment fund as of the last business day of the month in which the retirement annuity or disability benefit begins.

(b) Annuity and benefit payments must be adjusted in accordance with section 11A.18.

Subd. 3. **Increases made automatically.** Increases in benefit payments under this section will be made automatically unless the intended recipient files written notice with the system requesting that the increase not be made.

Subd. 4. **Determining applicable law.** The annuity is computed under the law in effect as of the last day for which the employee receives pay, or if on medical leave, the day the leave terminates. However, if the employee has returned to covered employment following a termination, the employee must have earned at least six months of allowable service following their return to qualify for improved benefits resulting from any law change enacted subsequent to that termination.

352B.26 PARTICIPATION IN MINNESOTA POSTRETIREMENT INVESTMENT FUND.

Subdivision 1. **Authorization.** The State Patrol retirement fund shall participate in the Minnesota postretirement investment fund. Assets required by this section must be deposited in the fund. Amounts shall be withdrawn from the fund only to pay annuities as provided. The money is annually appropriated for this purpose.

Subd. 3. **Valuation of assets; adjustment of benefits.** (a) For former members beginning receipt of annuities and qualified recipients of joint and survivor annuities and surviving spouse benefits, the required reserves must be determined in accordance with the appropriate mortality table adopted by the board of directors of the Minnesota State Retirement System based on the experience of the fund as recommended by the actuary retained under section 356.214 and using the interest assumption specified in section 356.215, subdivision 8. Assets representing the required reserves for these annuities must be transferred to the Minnesota postretirement investment fund as of the last business day of the month in which the retirement annuity begins as specified in section 11A.18.

(b) Annuity payments must be adjusted in accordance with section 11A.18.

(c) An increase in annuity payments under this section must be made automatically unless written notice is filed by the annuitant with the executive director of the Minnesota State Retirement System requesting that the increase not be made.

353.271 PARTICIPATION IN MINNESOTA POSTRETIREMENT INVESTMENT FUND.

Subdivision 1. **Authorization.** The general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, and the local government correctional service retirement plan are authorized to participate in the Minnesota postretirement investment fund. There is one general participation in the Minnesota postretirement investment fund for each plan of the Public Employees Retirement Association.

Subd. 2. **Valuation of assets; adjustment of benefits.** (a) The required reserves for retirement annuities payable as provided in this chapter other than those payable from the various local relief association consolidation accounts, as determined in accordance with the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the actuary retained under section 356.214, and approved under section 356.215, subdivision 18, and using the postretirement interest assumption specified in section 356.215, subdivision 8, must be transferred to the Minnesota postretirement investment fund as of the last business day of the month in which the retirement annuity begins.

(b) Annuity payments must be adjusted in accordance with the provisions of section 11A.18.

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(c) Increases in payments under this section must be made automatically unless the intended recipient files written notice with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

353A.02 DEFINITIONS.

Subd. 20. **Minnesota postretirement investment fund.** "Minnesota postretirement investment fund" means the postretirement adjustment mechanism and investment fund established by section 11A.18.

353A.09 EFFECT ON CONTRIBUTIONS AND FUNDING.

Subd. 2. **Initial allocation of assets upon consolidation.** As soon as is practicable following the effective date of consolidation, the executive director of the Public Employees Retirement Association shall transfer from the individual local relief association consolidation accounts to the Minnesota postretirement investment fund assets of that account equal to the required reserves for service pensions payable to persons electing coverage by the public employees police and fire fund benefit plan under section 353A.08 and any potential survivor benefit payable on account of those persons as determined in accordance with the appropriate mortality table adopted by the board of the Public Employees Retirement Association based on the experience of the consolidating relief association or consolidating relief associations as recommended by the actuary retained under section 356.214 and using the applicable interest assumption specified in section 356.215, subdivision 8. A transfer may be made only from the individual account for an electing person's municipality. The executive director may not transfer assets between individual local consolidation accounts, nor may the executive director transfer assets from the Public Employees Retirement Association to the Minnesota postretirement fund or to a local consolidation account to cover liabilities of an individual local consolidation account. If there are insufficient assets in a local consolidation account to provide for the transfer of assets to the Minnesota postretirement investment fund or to provide for benefit payments, the municipality shall immediately provide the local consolidation account with the assets necessary to make the transfer or benefit payments.

Subd. 3. **Subsequent postretirement fund transfers.** Upon the retirement of any person who was entitled to a deferred service pension as of the effective date of consolidation or who was a current active member of the relief association as of the effective date of consolidation and who elects coverage by the public employees police and fire fund benefit plan under section 353A.08, the executive director of the public employees retirement association shall transfer from that local relief association consolidation account to the Minnesota postretirement investment fund assets equal to the required reserves for that retirement annuity and any potential survivor benefit payable under section 353.271. The transfer for any person who was a current active member of the relief association as of the effective date of consolidation and elected coverage by the public employees police and fire fund benefit plan and who also has service credit as an employee of another governmental subdivision in the public employees police and fire fund shall be that amount of the total required reserves which bears the same relationship that the service as an active member of the consolidating relief association bears to the total public employees police and fire fund membership. A transfer may be made only from the individual account for an electing person's municipality. The executive director may not transfer assets between individual municipal accounts, nor may the executive director transfer assets from the public employees retirement association to the Minnesota postretirement fund or to a local consolidation account to cover liabilities of an individual local consolidation account. If there are insufficient assets in a local consolidation account to provide for the transfer of assets to the Minnesota postretirement investment fund or to provide for benefit payments, the municipality shall immediately provide the local consolidation account with the assets necessary to make the transfer or benefit payments.

354.05 DEFINITIONS.

Subd. 26. **Postretirement investment fund annuity.** "Postretirement investment fund annuity" means the payments made by the association to an annuitant after retirement in accordance with the provisions of section 354.63. It also means that the payments made by the association shall never be an amount less than the amount originally determined on the date of retirement as adjusted on each succeeding January 1 in section 11A.18.

354.55 OPTIONS TO CERTAIN MEMBERS.

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Subd. 14. **Annuity increases.** All annuities payable from the Minnesota postretirement investment fund which are in effect on June 30, 1973 shall be increased in the same ratio that the actuarially computed reserve for such annuities determined by using an interest assumption of 3-1/2 percent bears to the actuarially computed reserve for such annuities determined by using an interest assumption of five percent. The reserves upon which such increases shall be based shall be the actuarially determined reserves for all Minnesota postretirement investment fund annuities which were in effect on June 30, 1972, in accordance with the mortality assumptions then in effect and at interest assumptions of 3-1/2 percent and five percent. Such ratio of increase computed to the last full 1/100 of one percent shall be applied to all annuities payable from the Minnesota postretirement investment fund which are in effect on June 30, 1973. Increases in annuity payments pursuant to this subdivision will be made automatically unless written notice is filed by the annuitant with the Teachers Retirement Association board requesting that the increase shall not be made.

354.63 PARTICIPATION IN MINNESOTA POSTRETIREMENT INVESTMENT FUND.

Subdivision 1. **Authorization.** The Teachers Retirement Association is hereby authorized to participate in the Minnesota postretirement investment fund.

Subd. 2. **Valuation of assets; adjustment of benefits.** (1) The required reserves for retirement annuities determined under this chapter must be transferred to the Minnesota postretirement investment fund no later than the last business day of the month in which the retirement annuity begins. The required reserves shall be determined in accordance with the appropriate annuity table of mortality adopted by the board of trustees as provided in section 354.07, subdivision 1, based on the experience of the fund as recommended by the actuary retained under section 356.214 and using the interest assumption specified in section 356.215, subdivision 8.

(2) Annuity payments shall be adjusted as provided in section 11A.18. In making these adjustments, members who retire effective July 1 shall be considered to have retired effective the preceding June 30.

(3) An increase in annuity payments under this section will be made automatically unless written notice is filed by the annuitant with the executive director of the Teachers Retirement Association requesting that the increase not be made.

356.41 BENEFIT ADJUSTMENTS FOR CERTAIN DISABILITY AND SURVIVOR BENEFITS.

(a) Disability benefits payable to a disabled annuitant, if not otherwise included in the participation in the Minnesota postretirement investment fund, and survivor benefits payable to a survivor from any public pension plan which participates in the Minnesota postretirement investment fund must be adjusted in the same manner, at the same times and in the same amounts as are benefits payable from the Minnesota postretirement investment fund to comparable eligible benefit recipients of that public pension plan.

(b) If a disability benefit is not included in the participation in the Minnesota postretirement investment fund, the disability benefit is recomputed as a retirement annuity and the recipient would have been eligible for an adjustment under this section if the disability benefit was not recomputed, the recipient remains eligible for the adjustment under this section after the recomputation.

(c) For the survivor of a deceased annuitant who receives a survivor benefit calculated under a prior law rather than the second portion of a joint and survivor annuity, any period of receipt of a retirement annuity by the annuitant must be utilized in determining the period of receipt for eligibility to receive an adjustment under this section.

(d) No recipient, however, is entitled to more than one adjustment under this section or section 11A.18 applicable to one benefit during a year by reason of this section.

356.431 CONVERSION OF LUMP-SUM POSTRETIREMENT AND SUPPLEMENTAL PAYMENT TO AN INCREASED MONTHLY ANNUITY.

Subd. 2. **Transfer of required reserves to Minnesota postretirement investment fund.** Public employee retirement funds participating in the State Board of Investment postretirement

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investment fund shall transfer the required reserves for the postretirement conversion under subdivision 1 to the postretirement investment fund by January 31, 2002.

422A.01 DEFINITIONS.

Subd. 13. **Postretirement investment fund annuity.** "Postretirement investment fund annuity" means all retirement and disability payments made by the fund under the terms of this chapter as adjusted from time to time. This does not include payments, if any, from sources other than participation in the Minnesota postretirement investment fund.

422A.06 RETIREMENT FUND.

Subd. 4. **No participation in the Minnesota postretirement investment fund.** The Minneapolis Employees Retirement Fund shall not participate in the Minnesota postretirement investment fund.

490.123 JUDGES' RETIREMENT FUND.

Subd. 1c. **Additional employer contribution.** If the employer contribution under subdivision 1b and the assets of the judges retirement fund are insufficient to meet reserve transfers to the Minnesota postretirement investment fund or payments of survivor benefits in a month, the necessary amount is appropriated from the general fund to the executive director of the Minnesota State Retirement System, upon the certification of the required amount by the executive director to the commissioner of finance.

Subd. 1e. **Participation in the postretirement investment fund.** Notwithstanding any laws to the contrary, all judges and survivors receiving a benefit under this chapter shall receive that benefit from the postretirement investment fund. Required reserves for those judges not receiving benefits from the postretirement investment fund as of July 1, 2002, shall be transferred to the postretirement investment fund to pay future benefits by July 31, 2002.