

Sec. 41. ALBERT LEA SPECIAL ELECTION.

Notwithstanding the provisions of 2005 First Special Session H. F. No. 138, article 5, section 38, subdivision 3, if enacted, the Albert Lea City Council may submit the question to the voters at a special election on November 8, 2005.

Sec. 42. EFFECTIVE DATE.

Unless otherwise provided, each section of this act takes effect at the time the provision being corrected takes effect.

Presented to the governor July 15, 2005

Signed by the governor July 25, 2005, 2:00 p.m.

CHAPTER 8—H.F.No. 44

An act relating to retirement; various public pension plans; clarifying and revising various plan provisions; eliminating obsolete provisions; defining average salary; modifying the definition of allowable service to include time on strike; defining covered salary to include certain employer contributions to supplemental retirement plans; specifying itemized detail of plan administrative expenses in annual financial reporting; excluding police officers of the University of Minnesota from the public employees police and fire fund; clarifying collection procedures relating to charter schools; adding a uniform nonassignment and legal process exemption provision; providing for various member and employer contribution rate increases; adding employees of Bridges Medical Services, Hutchinson Area Health Care, and Northfield Hospital to privatization coverage; extending date for filing special law approval with the secretary of state for the RenVilla Nursing Home; requiring the privatization periodic filing of updated copies of articles of incorporation and bylaws; modifying a higher education individual retirement account plan investment option provision; implementing the recommendations of the Volunteer Firefighter Relief Association working group of the state auditor; modifying the trigger date for filing financial reports; revising the per firefighter financing requirements for monthly benefit service pensions; modifying the options for crediting interest on deferred service pensions; clarifying the deferred service pension options available to defined contribution plans; providing for the crediting of service during military service leaves; requiring the amortization of experience losses; clarifying the compliance requirements for the qualification for fire state aid; modifying a limit on mutual fund investments; clarifying corporate stock and exchange traded funds investment authority; modifying the municipal representation requirements on relief association governing boards; clarifying exemptions from process and taxation; providing that certain laws do not apply to the consolidation of specified volunteer firefighter relief associations; providing an ad hoc postretirement adjustment to Eveleth police and fire trust fund benefit recipients; authorizing the Maplewood Firefighters Relief Association to transfer assets to the Oakdale Firefighters Relief Association to cover service credits earned by certain individuals; appropriating money; amending Minnesota Statutes 2004, sections 3A.13; 69.011, subdivision 2b, by adding a subdivision; 69.021, subdivisions 5, 11; 69.051, subdivisions 1, 1a; 69.33; 69.77, subdivision 4; 69.771; 69.772, subdivisions 3, 4; 69.773, subdivisions 4, 5; 69.775; 352.01,

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subdivisions 2a, 4, 5, 12, 13, 21, 23, by adding a subdivision; 352.021, subdivisions 1, 2, 3, 4; 352.04, subdivisions 1, 12; 352.041, subdivisions 1, 2, 3, 5; 352.115, subdivisions 2, 3; 352.15, subdivisions 1, 3, 4; 352.22, subdivision 10; 352.87, subdivision 3; 352.91, by adding a subdivision; 352.93, subdivision 1; 352B.01, subdivisions 1, 2, 3, 11; 352B.02, subdivision 1e; 352B.071; 352C.021, by adding a subdivision; 352D.01; 352D.015, subdivisions 3, 4; 352D.03; 352D.05, subdivision 4; 352D.085, subdivision 1; 352D.09, subdivision 5; 352D.12; 353.01, subdivisions 6, 10, 14, 32, 33, by adding a subdivision; 353.025; 353.026; 353.027; 353.028; 353.14; 353.15, subdivisions 1, 3; 353.27, subdivisions 2, 3, 3a, 11, by adding a subdivision; 353.271; 353.28, subdivisions 5, 6; 353.29, subdivision 3; 353.31, subdivision 1c; 353.32, subdivision 9; 353.33, subdivisions 3, 12; 353.64, by adding a subdivision; 353.65, subdivisions 2, 3; 353.651, subdivision 3; 353.656, subdivision 1; 353B.02, subdivision 10; 353F.02, subdivision 4; 354.05, subdivisions 7, 35, by adding a subdivision; 354.091; 354.094, subdivision 1; 354.10, subdivisions 1, 3, 4; 354.33, subdivision 5; 354.39; 354.41, subdivision 2; 354.42, by adding a subdivision; 354.44, subdivisions 2, 6; 354A.011, subdivisions 3a, 24, by adding a subdivision; 354A.021, subdivision 5, by adding a subdivision; 354A.097, subdivision 1; 354A.31, subdivisions 4, 4a, 5; 354B.21, subdivisions 2, 3; 354B.25, subdivision 2; 356.20, subdivision 4; 356.215, subdivision 8; 356.216; 356.47, subdivision 3; 356.551; 356.611, subdivision 1; 356A.06, subdivision 7; 383B.46, subdivision 2; 383B.47; 383B.48; 383B.49; 422A.01, subdivisions 6, 11, by adding subdivisions; 422A.06, subdivision 7; 422A.10, subdivisions 1, 2; 422A.15, subdivision 1; 422A.16, subdivision 9; 422A.22, subdivisions 1, 3, 4, 6; 422A.231; 422A.24; 423B.01, by adding a subdivision; 423B.05, subdivision 3; 423B.09, subdivision 1, by adding a subdivision; 423B.10, subdivision 1; 423B.17; 423C.01, by adding a subdivision; 423C.05, subdivision 2; 423C.09; 424A.02, subdivisions 3, 4, 7; 424A.04, subdivision 1; 424B.10, subdivision 1; 471A.10; 490.121, subdivisions 4, 20, 21, by adding a subdivision; 490.126, subdivision 5; Laws 1999, chapter 222, article 16, section 16, as amended; Laws 2000, chapter 461, article 4, section 4, as amended; Laws 2004, chapter 267, article 12, section 4; proposing coding for new law in Minnesota Statutes, chapters 356; 383B; 423C; 424A; repealing Minnesota Statutes 2004, sections 352.119, subdivision 1; 352.15, subdivision 1a; 352C.031, subdivision 3; 353.15, subdivision 2; 353.29, subdivision 2; 353.34, subdivision 3b; 353.36, subdivisions 2, 2a, 2b, 2c; 353.46, subdivision 4; 353.651, subdivision 2; 353.663; 353.74; 353.75; 354.10, subdivision 2; 354.59; 422A.22, subdivisions 2, 5; 422A.221.

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

2005 OMNIBUS RETIREMENT BILL

ARTICLE 1

COVERED SALARY; AVERAGE SALARY

Section 1. Minnesota Statutes 2004, section 352.01, subdivision 13, is amended to read:

Subd. 13. **SALARY.** (a) Subject to the limitations of section 356.611, "salary" means wages, or other periodic compensation, paid to an employee before deductions

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for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs.

(b) "Salary" does not include:

(1) lump sum sick leave payments;

(2) severance payments;

(3) lump sum annual leave payments and overtime payments made at the time of separation from state service;

(4) payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to an employee with single coverage;

(5) payments made as an employer-paid fringe benefit;

(6) workers' compensation payments;

(7) employer contributions to a deferred compensation or tax sheltered annuity program; and

(8) amounts contributed under a benevolent vacation and sick leave donation program.

(c) Amounts provided to an employee by the employer through a grievance proceeding or a legal settlement are salary only if the settlement is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

Sec. 2. Minnesota Statutes 2004, section 352.01, is amended by adding a subdivision to read:

Subd. 14a. AVERAGE SALARY. (a) "Average salary" means the average of the highest five successive years of salary upon which the employee has made contributions to the retirement fund by payroll deductions. Average salary must be based upon all allowable service if this service is less than five years.

(b) "Average salary" does not include the payment of accrued unused annual leave or overtime paid at time of final separation from state service if paid in a lump sum nor does it include the reduced salary, if any, paid during the period the employee is entitled to workers' compensation benefit payments for temporary disability.

(c) For an employee covered by the correctional state employees retirement plan, "average salary" means the average of the monthly salary during the employee's highest five successive years of salary as an employee covered by the general state employees retirement plan, or the correctional state employees retirement plan, or by a combination of the two. If the total of the covered service is less than five years, the determination of average salary must be based on all allowable service.

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Sec. 3. Minnesota Statutes 2004, section 352.115, subdivision 2, is amended to read:

Subd. 2. **AVERAGE SALARY NORMAL RETIREMENT ANNUITY.** The retirement annuity hereunder payable at normal retirement age or thereafter must be computed in accordance with the applicable provisions of the formula stated in subdivision 3, on the basis of the employee's average salary for the period of allowable service. This retirement annuity is known as the "normal" retirement annuity.

For each year of allowable service, "average salary" of an employee in determining a retirement annuity means the average of the highest five successive years of salary upon which the employee has made contributions to the retirement fund by payroll deductions. Average salary must be based upon all allowable service if this service is less than five years.

"Average salary" does not include the payment of accrued unused annual leave or overtime paid at time of final separation from state service if paid in a lump sum nor does it include the reduced salary, if any, paid during the period the employee is entitled to workers' compensation benefit payments for temporary disability.

Sec. 4. Minnesota Statutes 2004, section 352.115, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT ANNUITY FORMULA.** (a) This paragraph, in conjunction with section 352.116, subdivision 1, applies to a person who became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 352.116, subdivision 1a, produces a higher annuity amount, in which case paragraph (b) will apply. The employee's average salary, as defined in section 352.01, subdivision 2 14a, multiplied by the percent specified in section 356.315, subdivision 1, per year of allowable service for the first ten years and the percent specified in section 356.315, subdivision 2, for each later year of allowable service and pro rata for completed months less than a full year shall determine the amount of the retirement annuity to which the employee is entitled.

(b) This paragraph applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with section 352.116, subdivision 1a, is higher than it is when calculated under paragraph (a), in conjunction with section 352.116, subdivision 1. The employee's average salary, as defined in section 352.01, subdivision 2 14a, multiplied by the percent specified in section 356.315, subdivision 2, for each year of allowable service and pro rata for months less than a full year shall determine the amount of the retirement annuity to which the employee is entitled.

Sec. 5. Minnesota Statutes 2004, section 352.87, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT ANNUITY FORMULA.** A person specified in subdivision 1 will have is entitled to receive a retirement annuity applicable for

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allowable service credit under this section calculated by multiplying the employee's average salary, as defined in section ~~352.115~~ 352.01, subdivision ~~2~~ 14a, by the percent specified in section 356.315, subdivision 2a, for each year or portions of a year of allowable service credit. No reduction for retirement prior ~~to~~ before the normal retirement age, as specified in section 352.01, subdivision 25, applies to service to which this section applies.

Sec. 6. Minnesota Statutes 2004, section 352.93, subdivision 1, is amended to read:

Subdivision 1. **BASIS OF ANNUITY; WHEN TO APPLY.** After separation from state service, an employee covered under section 352.91 who has reached age 55 years and has credit for at least three years of covered correctional service or a combination of covered correctional service and regular Minnesota general employees state retirement System plan service is entitled upon application to a retirement annuity under this section, based only on covered correctional employees' service. Application may be made no earlier than 60 days before the date the employee is eligible to retire by reason of both age and service requirements.

In this section, "average salary" means the average of the monthly salary during the employee's highest five successive years of salary as an employee covered by the Minnesota State Retirement System. Average salary must be based upon all allowable service if this service is less than five years.

Sec. 7. Minnesota Statutes 2004, section 352B.01, subdivision 11, is amended to read:

Subd. 11. **AVERAGE MONTHLY SALARY.** (a) Subject to the limitations of section 356.611, "average monthly salary" means the average of the highest monthly salaries for five years of service as a member upon which contributions were deducted from pay under section 352B.02, or upon which appropriate contributions or payments were made to the fund to receive allowable service and salary credit as specified under the applicable law. Average monthly salary must be based upon all allowable service if this service is less than five years.

(b) "Average monthly salary" means the salary of the member as defined in section 352.01, subdivision 13. "Average monthly salary" does not include any lump-sum annual leave payments and overtime payments made at the time of separation from state service, any amounts of severance pay, or any reduced salary paid during the period the person is entitled to workers' compensation benefit payments for temporary disability.

(c) A member on leave of absence receiving temporary workers' compensation payments and a reduced salary or no salary from the employer who is entitled to allowable service credit for the period of absence may make payment to the fund for the difference between salary received, if any, and the salary the member would normally receive if not on leave of absence during the period. The member shall pay an amount equal to the member and employer contribution rate under section 352B.02,

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subdivisions 1b and 1c, on the differential salary amount for the period of the leave of absence. The employing department, at its option, may pay the employer amount on behalf of the member. Payment made under this subdivision must include interest at the rate of 8.5 percent per year, and must be completed within one year of the return from the leave of absence.

Sec. 8. Minnesota Statutes 2004, section 352C.021, is amended by adding a subdivision to read:

Subd. 1a. **AVERAGE SALARY.** "Average salary," for purposes of calculating the normal retirement annuity under section 352C.031, subdivision 4, means the average of the highest five successive years of salary upon which contributions have been made under section 352C.09.

Sec. 9. Minnesota Statutes 2004, section 353.01, subdivision 10, is amended to read:

Subd. 10. **SALARY.** (a) Subject to the limitations of section 356.611, "salary" means:

(1) the periodic compensation of a public employee, before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs, and also means "wages" and includes net income from fees;

(2) for a public employee who is covered by a supplemental retirement plan under section 356.24, subdivision 1, clause (8), (9), or (10), which require all plan contributions be made by the employer, the contribution to the applicable supplemental retirement plan when the contribution is from mandatory withholdings from employees' wages; and

(3) for a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association or to which section 353.665 applies and who has elected coverage either under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation or under section 353.665, subdivision 4, the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the actual periodic compensation of the public employee after the effective date of consolidation.

(b) Salary does not mean:

(1) the fees paid to district court reporters, unused annual vacation or sick leave payments, in lump-sum or periodic payments, severance payments, reimbursement of expenses, lump-sum settlements not attached to a specific earnings period, or workers' compensation payments;

(2) employer-paid amounts used by an employee toward the cost of insurance coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans,

health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage and certain amounts determined by the executive director to be ineligible;

(3) the amount equal to that which the employing governmental subdivision would otherwise pay toward single or family insurance coverage for a covered employee when, through a contract or agreement with some but not all employees, the employer:

(i) discontinues, or for new hires does not provide, payment toward the cost of the employee's selected insurance coverages under a group plan offered by the employer;

(ii) makes the employee solely responsible for all contributions toward the cost of the employee's selected insurance coverages under a group plan offered by the employer, including any amount the employer makes toward other employees' selected insurance coverages under a group plan offered by the employer; and

(iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages;

(4) except as provided in section 353.86 or 353.87, compensation of any kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined in subdivision 35 or 36; and

(5) the amount of compensation that exceeds the limitation provided in section 356.611.

(c) Amounts provided to an employee by the employer through a grievance proceeding or a legal settlement are salary only if the settlement is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

Sec. 10. Minnesota Statutes 2004, section 353.01, is amended by adding a subdivision to read:

Subd. 17a. AVERAGE SALARY. (a) "Average salary," for purposes of calculating a retirement annuity under section 353.29, subdivision 3, means an amount equivalent to the average of the highest salary of the member, police officer, or firefighter, whichever applies, upon which employee contributions were paid for any five successive years of allowable service, based on dates of salary periods as listed on salary deduction reports. Average salary must be based upon all allowable service if this service is less than five years.

(b) "Average salary" may not include any reduced salary paid during a period in which the employee is entitled to benefit payments from workers' compensation for temporary disability, unless the average salary is higher, including this period.

Sec. 11. Minnesota Statutes 2004, section 353.29, subdivision 3, is amended to read:

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Subd. 3. **RETIREMENT ANNUITY FORMULA.** (a) This paragraph, in conjunction with section 353.30, subdivisions 1, 1a, 1b, and 1c, applies to any member who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 353.30, subdivision 5, produces a higher annuity amount, in which case paragraph (b) will apply. The average salary as defined in section 353.01, subdivision 2 17a, multiplied by the percent specified in section 356.315, subdivision 3, for each year of allowable service for the first ten years and thereafter by the percent specified in section 356.315, subdivision 4, per year of allowable service and completed months less than a full year for the "basic member," and the percent specified in section 356.315, subdivision 1, for each year of allowable service for the first ten years and thereafter by the percent specified in section 356.315, subdivision 2, per year of allowable service and completed months less than a full year for the "coordinated member," shall determine the amount of the "normal" retirement annuity.

(b) This paragraph applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member whose annuity amount, when calculated under this paragraph and in conjunction with section 353.30, subdivision 5, is higher than it is when calculated under paragraph (a), in conjunction with section 353.30, subdivisions 1, 1a, 1b, and 1c. The average salary, as defined in section 353.01, subdivision 2 17a, multiplied by the percent specified in section 356.315, subdivision 4, for each year of allowable service and completed months less than a full year for a basic member and the percent specified in section 356.315, subdivision 2, per year of allowable service and completed months less than a full year for a coordinated member, shall determine the amount of the normal retirement annuity.

Sec. 12. Minnesota Statutes 2004, section 353.33, subdivision 3, is amended to read:

Subd. 3. **COMPUTATION OF BENEFITS.** This disability benefit is an amount equal to the normal annuity payable to a member who has reached normal retirement age with the same number of years of allowable service and the same average salary, as provided in section 353.01, subdivision 17a, and section 353.29, subdivisions 2 and subdivision 3.

A basic member shall receive a supplementary monthly benefit of \$25 to age 65 or the five-year anniversary of the effective date of the disability benefit, whichever is later.

If the disability benefits under this subdivision exceed the average salary as defined in section 353.29 353.01, subdivision 2 17a, the disability benefits must be reduced to an amount equal to said the average salary.

Sec. 13. Minnesota Statutes 2004, section 353.651, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT ANNUITY FORMULA.** The average salary as defined in section 353.01, subdivision 2 17a, multiplied by the percent specified in

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section 356.315, subdivision 6, per year of allowable service determines the amount of the normal retirement annuity. If the member has earned allowable service for performing services other than those of a police officer or firefighter, the annuity representing such that service is must be computed under sections 353.29 and 353.30.

Sec. 14. Minnesota Statutes 2004, section 353.656, subdivision 1, is amended to read:

Subdivision 1. **IN LINE OF DUTY; COMPUTATION OF BENEFITS.** A member of the police and fire plan who becomes disabled and physically unfit to perform duties as a police officer, firefighter, or paramedic as defined under section 353.64, subdivision 10, as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, which has or is expected to render the member physically or mentally unable to perform the duties as a police officer, firefighter, or paramedic as defined under section 353.64, subdivision 10, for a period of at least one year, shall receive disability benefits during the period of such disability. The benefits must be in an amount equal to 60 percent of the "average salary" as defined in section ~~353.654~~ 353.01, subdivision ~~2~~ 17a, plus an additional percent specified in section 356.315, subdivision 6, of that average salary for each year of service in excess of 20 years. If the disability under this subdivision occurs before the member has at least five years of allowable service credit in the police and fire plan, the disability benefit must be computed on the "average salary" from which deductions were made for contribution to the police and fire fund.

Sec. 15. Minnesota Statutes 2004, section 353B.02, subdivision 10, is amended to read:

Subd. 10. **SALARY.** (a) "Salary" under this chapter is subject to the limitations of section 356.611.

(b) "Salary" for benefit computation and contribution purposes means the salary of a first class or first grade firefighter or patrol officer, whichever applies, for the former members of the following consolidating relief associations:

- (1) Anoka Police Relief Association;
- (2) Austin Firefighters Relief Association;
- (3) Austin Police Relief Association;
- (4) Columbia Heights Fire Department Relief Association, Paid Division;
- (5) Fairmont Police Benefit Association;
- (6) Faribault Fire Department Relief Association;
- (7) Mankato Fire Department Relief Association;
- (8) Minneapolis Fire Department Relief Association;
- (9) Minneapolis Police Relief Association;

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- (10) Richfield Fire Department Relief Association;
- (11) Rochester Fire Department Relief Association;
- (12) Rochester Police Relief Association;
- (13) St. Cloud Fire Department Relief Association;
- (14) St. Cloud Police Relief Association;
- (15) St. Paul Fire Department Relief Association;
- (16) South St. Paul Firefighters Relief Association;
- (17) West St. Paul Firefighters Relief Association;
- (18) West St. Paul Police Relief Association; and
- (19) Winona Fire Department Relief Association.

~~(b)~~ (c) "Salary" for benefit computation purposes means the salary of a first grade patrol officer for the second month of the previous fiscal year and for contribution purposes means the current salary of a first grade patrol officer, for the former members of the following consolidating relief associations:

- (1) Bloomington Police Relief Association;
- (2) Crystal Police Relief Association;
- (3) Fridley Police Pension Association;
- (4) Richfield Police Relief Association;
- (5) St. Louis Park Police Relief Association; and
- (6) Winona Police Relief Association.

~~(e)~~ (d) "Salary" for benefit computation purposes means the final salary and for contribution purposes means the current salary for the former members of the following consolidating relief associations:

- (1) Albert Lea Firefighters Relief Association;
- (2) Albert Lea Police Relief Association;
- (3) Buhl Police Relief Association;
- (4) Chisholm Firefighters Relief Association;
- (5) Crookston Fire Department Relief Association;
- (6) Crookston Police Relief Association;
- (7) Faribault Police Benefit Association;
- (8) Red Wing Police Relief Association; and
- (9) Virginia Fire Department Relief Association.

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~~(d)~~ (e) "Salary" for benefit computation purposes means the average earnings or salary for the final six months of employment before retirement and for contribution purposes means the current salary for the former members of the following consolidating relief associations:

- (1) Chisholm Police Relief Association;
- (2) Hibbing Firefighters Relief Association; and
- (3) Hibbing Police Relief Association.

~~(e)~~ (f) "Salary" for benefit computation purposes means the greater of the final salary at retirement or the highest salary of a patrol officer and for contribution purposes means the greater of the current salary or the current highest salary of a patrol officer for the former members of the following consolidating relief associations:

- (1) Brainerd Police Benefit Association; and
- (2) New Ulm Police Relief Association.

~~(f)~~ (g) "Salary" for benefit computation and contribution purposes means the following for the former members of the consolidating relief associations as indicated:

(1) salary of a top grade patrol officer, including longevity pay and education incentive pay in an amount not to exceed \$235 per month, Columbia Heights Police Relief Association;

(2) maximum pay of a firefighter, including overtime payments for a regular workweek of a firefighter mandated by the federal Fair Labor Standards Act of 1938, as amended, Duluth Firefighters Relief Association;

(3) salary of a first class patrol officer with 16 years of service, Duluth Police Pension Association;

(4) base salary for the rank currently held, plus longevity pay, pay for eligibility for next higher rank and pay for first aid care, Mankato Police Benefit Association;

(5) average annual salary for highest three paid years for benefit computation purposes and current salary for contribution purposes, Red Wing Fire Department Relief Association;

(6) pay of the highest grade full-time firefighter, St. Louis Park Fire Department Relief Association;

(7) maximum monthly pay of a patrol officer, St. Paul Police Relief Association;

(8) prevailing base pay of rank held at retirement for benefit computation purposes and current salary for contribution purposes, South St. Paul Police Relief Association; and

(9) prevailing pay for rank held for at least six months before retirement for benefit computation purposes and current salary for contribution purposes, Virginia Police Relief Association.

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Sec. 16. Minnesota Statutes 2004, section 354.05, is amended by adding a subdivision to read:

Subd. 13a. **AVERAGE SALARY.** (a) "Average salary," for the purpose of determining the member's retirement annuity, means the average salary upon which contributions were made for the highest five successive years of formula service credit.

(b) "Average salary" may not include any more than the equivalent of 60 monthly salary payments.

(c) "Average salary" must be based upon all years of formula service credit if this service credit is less than five years.

Sec. 17. Minnesota Statutes 2004, section 354.05, subdivision 35, is amended to read:

Subd. 35. **SALARY.** (a) Subject to the limitations of section 356.611, "salary" means the periodic compensation, upon which member contributions are required before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs.

(b) "Salary" does not mean:

- (1) lump sum annual leave payments;
- (2) lump sum wellness and sick leave payments;

(3) employer-paid amounts used by an employee toward the cost of insurance coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage and certain amounts determined by the executive director to be ineligible;

(4) any form of payment made in lieu of any other employer-paid fringe benefit or expense;

(5) any form of severance payments;

(6) workers' compensation payments;

(7) disability insurance payments, including self-insured disability payments;

(8) payments to school principals and all other administrators for services that are in addition to the normal work year contract if these additional services are performed on an extended duty day, Saturday, Sunday, holiday, annual leave day, sick leave day, or any other nonduty day;

(9) payments under section 356.24, subdivision 1, clause (4); and

(10) payments made under section 122A.40, subdivision 12, except for payments for sick leave that are accumulated under the provisions of a uniform school district policy that applies equally to all similarly situated persons in the district.

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(c) Amounts provided to an employee by the employer through a grievance proceeding or a legal settlement are salary only if the settlement is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

Sec. 18. Minnesota Statutes 2004, section 354.44, subdivision 6, is amended to read:

Subd. 6. COMPUTATION OF FORMULA PROGRAM RETIREMENT ANNUITY. (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in paragraph (b) or (d) on the basis of each member's average salary under section 354.05, subdivision 13a, for the period of the member's formula service credit.

For all years of formula service credit, "average salary," for the purpose of determining the member's retirement annuity, means the average salary upon which contributions were made and upon which payments were made to increase the salary limitation provided in Minnesota Statutes 1971, section 354.511, for the highest five successive years of formula service credit provided, however, that such "average salary" shall not include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of formula service credit if this service credit is less than five years.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in paragraph (a) section 354.05, subdivision 13a, multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	the percent specified in section 356.315, subdivision 1, per year	the percent specified in section 356.315, subdivision 3, per year
Each year of service thereafter	the percent specified in section 356.315, subdivision 2, per year	the percent specified in section 356.315, subdivision 4, per year

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

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(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). The average salary, as defined in paragraph (a) section 354.05, subdivision 13a, multiplied by the percent specified by section 356.315, subdivision 4, for each year of service for a basic member and by the percent specified in section 356.315, subdivision 2, for each year of service for a coordinated member shall determine the amount of the retirement annuity to which the member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

(f) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

Sec. 19. Minnesota Statutes 2004, section 354A.011, is amended by adding a subdivision to read:

Subd. 7a. AVERAGE SALARY. "Average salary," for purposes of computing a normal coordinated program retirement annuity under section 354A.31, subdivision 4

New language is indicated by underline, deletions by ~~strikeout~~.

or 4a, means an amount equal to the average salary upon which contributions were made for the highest five successive years of service credit but may not, in any event, include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of service credit if this service credit is less than five years.

Sec. 20. Minnesota Statutes 2004, section 354A.011, subdivision 24, is amended to read:

Subd. 24. **SALARY; COVERED SALARY.** (a) Subject to the limitations of section 356.611, "salary" or "covered salary" means the entire compensation, upon which member contributions are required and made, that is paid to a teacher before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs.

(b) "Salary" does not mean:

- (1) lump sum annual leave payments;
- (2) lump sum wellness and sick leave payments;

(3) employer-paid amounts used by an employee toward the cost of insurance coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage, and certain amounts determined by the executive secretary or director to be ineligible;

(4) any form of payment that is made in lieu of any other employer-paid fringe benefit or expense;

(5) any form of severance payments;

(6) workers' compensation payments;

(7) disability insurance payments, including self-insured disability payments;

(8) payments to school principals and all other administrators for services that are in addition to the normal work year contract if these additional services are performed on an extended duty day, Saturday, Sunday, holiday, annual leave day, sick leave day, or any other nonduty day;

(9) payments under section 356.24, subdivision 1, clause (4)(ii); and

(10) payments made under section 122A.40, subdivision 12, except for payments for sick leave that are accumulated under the provisions of a uniform school district policy that applies equally to all similarly situated persons in the district.

(c) Amounts provided to an employee by the employer through a grievance proceeding or a legal settlement are salary only if the settlement is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 21. Minnesota Statutes 2004, section 354A.31, subdivision 4, is amended to read:

Subd. 4. **COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; MINNEAPOLIS AND ST. PAUL FUNDS.** (a) This subdivision applies to the coordinated programs of the Minneapolis Teachers Retirement Fund Association and the St. Paul Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity ~~shall be~~ is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage. Average salary for purposes of this section shall mean an amount equal to the average salary upon which contributions were made for the highest five successive years of service credit, but which shall not in any event include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of service credit if this service credit is less than five years.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) will apply. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1, per year for each year of coordinated service for the first ten years and the percent specified in section 356.315, subdivision 2, for each year of coordinated service thereafter.

(d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 2, for each year of coordinated service.

Sec. 22. Minnesota Statutes 2004, section 354A.31, subdivision 4a, is amended to read:

Subd. 4a. **COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; DULUTH FUND.** (a) This subdivision applies to the new law coordinated program of the Duluth Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage. Average salary for purposes of this section means an amount equal to the average salary upon which contributions were made for the highest five successive years of service credit, but may not in any event include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of service credit if this service credit is less than five years.

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(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1, per year for each year of coordinated service for the first ten years and the percent specified in section 356.315, subdivision 2, for each subsequent year of coordinated service.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 2, for each year of coordinated service.

Sec. 23. Minnesota Statutes 2004, section 356.611, subdivision 1, is amended to read:

Subdivision 1. **STATE SALARY LIMITATIONS.** (a) Notwithstanding any provision of law, bylaws, articles of incorporation, retirement and disability allowance plan agreements, or retirement plan contracts to the contrary, the covered salary for pension purposes for a plan participant of a covered retirement fund enumerated in section 356.30, subdivision 3, may not exceed 95 110 percent of the salary established for the governor under section 15A.082 at the time the person received the salary.

(b) This section does not apply to a salary paid:

(1) to the governor or to a judge;

(2) to an employee or an elected official who is not subject to the limit as specified under section 43A.17, subdivision 9;

(3) to an employee of a political subdivision in a position that is excluded from the limit as specified under section 43A.17, subdivision 9;

~~(3)~~ (4) to a state employee as defined under section 43A.02, subdivision 21;

(4) ~~(5)~~ to an employee of Gillette Hospital who is covered by the general state employees retirement plan of the Minnesota State Retirement System;

~~(5)~~ (6) to an employee of the Minnesota Crop Improvement Council; or

~~(6)~~ (7) to an employee of the Minnesota Historical Society;

~~(8)~~ to an employee of the Southern Minnesota Municipal Power Association; or

~~(9)~~ to the director of the Duluth Port Authority.

(c) The limited covered salary determined under this section must be used in determining employee and employer contributions and in determining retirement

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annuities and other benefits under the respective covered retirement fund and under this chapter.

Sec. 24. Minnesota Statutes 2004, section 422A.01, is amended by adding a subdivision to read:

Subd. 4a. AVERAGE SALARY. (a) "Average salary" means the arithmetic average annual salary, wages, or compensation of the member from the city for any five calendar years out of the last ten calendar years of service, except as provided for in section 422A.16, which may include the year in which the employee retires, as selected by the employee.

(b) A member with more than five calendar years of service, but less than ten calendar years, may select any five calendar years of service to determine the average salary. A member with less than five years of service with the city shall use all earnings to determine the average salary.

Sec. 25. Minnesota Statutes 2004, section 422A.01, is amended by adding a subdivision to read:

Subd. 13a. COVERED SALARY. "Salary" is subject to the limitations of section 356.611.

Sec. 26. Minnesota Statutes 2004, section 422A.15, subdivision 1, is amended to read:

Subdivision 1. **FORMULA PENSION AND ANNUITY.** Except as otherwise provided in subdivision 3, each contributing member who, at the time of retirement, fulfills the conditions necessary to enable the member to retire, shall be entitled to receive what shall be known as a "formula pension and annuity" equal to two percent for each year of allowable service for the first ten years and thereafter 2.5 percent per year of allowable service of the arithmetic average annual salary, wages or compensation of the member from the city for any five calendar years out of the last ten calendar years of service except as provided for in section 422A.16, which may include the year in which the employee retires, as selected by the employee, multiplied by the years of service credited by the retirement fund. The formula pension and annuity shall must be computed on the single life plan but subject to the option selections provided for in section 422A.17.

In order to be entitled to the formula pension and annuity herein provided for, the retiring employee at the time of cessation of employment and of actual retirement shall must have attained the age of 60 years or have been employed by the city not less than 30 years, or meet the qualifications provided for in section 422A.16, and in addition thereto have contributed to the retirement fund at the percentage rate prescribed by the retirement law applicable when the salary, wages or compensation was paid on all salaries, wages, or compensation received from the city or from an applicable employing unit. The years of service to be applied in the formula pension and annuity shall must be found and determined by the retirement board, except that no credit shall may be allowed for any year in which a back charge is owing at time of retirement and

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the earnings from any year in which a back charge is owing shall may not be used in determining the average annual salary.

Sec. 27. Minnesota Statutes 2004, section 422A.16, subdivision 9, is amended to read:

Subd. 9. **INCOMPETENCY OR DEATH OF MEMBER.** Any member of the contributing class who becomes permanently separated from the service of the city under subdivision 8, may, by an instrument in writing, filed with the municipal employees retirement board within 30 days after such the separation becomes permanent, elect to allow the member contributions to such the fund to the date of separation to remain on deposit in such the fund, and in such the event the member shall be is entitled to receive a retirement allowance at age 65, provided the member, or someone acting in the member's behalf if the member be incompetent, shall must make a written application for such the retirement allowance in the same manner provided for in section 422A.17 and in accordance with the provisions of section 422A.15, subdivision 1, except for determining average annual salary. A member with more than five calendar years of service but less than ten calendar years may select any five calendar years of service to determine the average annual salary. A member with less than five years of service with the city shall use all earnings to determine the average annual salary.

If the contributing member dies before reaching the age of 65 years, or having attained the age of 65 years without having made the election provided for herein, the net accumulated amount of deductions from the member's salary, pay or compensation, plus interest, to the member's credit on date of death shall be paid is payable to such the person or persons as have been nominated by written designation filed with the retirement board, in such the form as that the retirement board shall require requires.

If the employee fails to make a designation, or if the person or persons designated by such the employee predeceases such the employee, the net accumulated credit to such the employee's account on date of death shall be paid is payable to such the employee's estate.

The provisions of subdivisions 4, 5, and 6 shall also apply to any member qualifying for benefits under this subdivision, except for purposes of this subdivision the age referred to in subdivision 4 shall be is 65 years.

Sec. 28. Minnesota Statutes 2004, section 423B.01, is amended by adding a subdivision to read:

Subd. 22. **COVERED SALARY.** "Salary" is subject to the limitations of section 356.611.

Sec. 29. Minnesota Statutes 2004, section 423C.01, is amended by adding a subdivision to read:

Subd. 29. **COVERED SALARY.** "Salary" is subject to the limitations of section 356.611.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 30. Minnesota Statutes 2004, section 490.121, subdivision 21, is amended to read:

Subd. 21. **FINAL AVERAGE COMPENSATION.** "Final average compensation" means the total amount of salary payable to a judge in the highest five years out of the last ten years ~~prior to before the event of maturity of benefits~~ termination of judicial service, divided by five; ~~provided, however, that if the number of years of service by the judge equals or exceeds ten. If the number of years of service by the judge is less than ten, but more than five, the highest five shall years of salary must be counted, and. If the number of years of service by the judge is less than five, the aggregate salary in such for the period shall of service must be divided by the number of months in such the period and multiplied by 12:~~

Sec. 31. Minnesota Statutes 2004, section 490.121, is amended by adding a subdivision to read:

Subd. 21a. **COVERED SALARY LIMITATION.** "Final average compensation" is subject to the limitations of section 356.611.

Sec. 32. **REPEALER.**

Minnesota Statutes 2004, sections 352C.031, subdivision 3; 353.29, subdivision 2; and 353.651, subdivision 2, are repealed.

Sec. 33. **EFFECTIVE DATE.**

This article is effective on the day following final enactment except that section 23 applies retroactively from April 28, 1994.

ARTICLE 2

ALLOWABLE SERVICE CREDIT

Section 1. **[356.195] SERVICE CREDIT PURCHASE PROCEDURES FOR STRIKE PERIODS.**

Subdivision 1. **COVERED PLANS.** This section applies to all defined benefit plans specified in section 356.30, subdivision 3.

Subd. 2. **PURCHASE PROCEDURE FOR STRIKE PERIODS.** (a) An employee covered by a plan specified in subdivision 1 may purchase allowable service credit in the applicable plan for any period of time during which the employee was on a public employee strike without pay, not to exceed a period of one year, if the employee makes a payment in lieu of salary deductions as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) If payment is received by the applicable pension plan executive director within one year from the end of the strike, the payment amount is equal to the applicable employee and employer contribution rates specified in law for the applicable plan during the strike period, applied to the employee's rate of salary in effect at the conclusion of the strike for the period of the strike without pay, plus compound interest at a monthly rate of 0.71 percent from the last day of the strike period until the date payment is received.

(c) If payment is received by the applicable pension fund director after one year and before five years from the end of the strike, the payment amount is the amount determined under section 356.551.

(d) Payments may not be made more than five years after the end of the strike.

Sec. 2. Minnesota Statutes 2004, section 490.121, subdivision 4, is amended to read:

Subd. 4. **ALLOWABLE SERVICE.** (a) "Allowable service" means any calendar month, subject to the service credit limit in subdivision 22, served as a judge at any time, or served as a referee in probate for all referees in probate who were in office prior to January 1, 1974.

(b) "Allowable service" also means a period of authorized leave of absence for which the judge has made a payment in lieu of contributions, not in an amount in excess of the service credit limit under subdivision 22. To obtain the service credit, the judge shall pay an amount equal to the normal cost of the judges retirement plan on the date of return from the leave of absence, as determined in the most recent actuarial report for the plan filed with the Legislative Commission on Pensions and Retirement, multiplied by the judge's average monthly salary rate during the authorized leave of absence and multiplied by the number of months of the authorized leave of absence, plus annual compound interest at the rate of 8.5 percent from the date of the termination of the leave to the date on which payment is made. The payment must be made within one year of the date on which the authorized leave of absence terminated. Service credit for an authorized leave of absence is in addition to a uniformed service leave under section 490.1211.

Sec. 3. Laws 1999, chapter 222, article 16, section 16, as amended by Laws 2002, chapter 392, article 7, section 1, and Laws 2003, First Special Session chapter 12, article 6, section 2, and Laws 2004, chapter 267, article 17, section 6, is amended to read:

Sec. 16. **REPEALER.**

(a) Sections 2 to 6 and 8 to 13 are repealed on May 16, 2004.

(b) Sections 1 and 7 are repealed on May 16, 2006 2007.

Sec. 4. Laws 2000, chapter 461, article 4, section 4, as amended by Laws 2003, First Special Session chapter 12, article 6, section 3, and Laws 2004, chapter 267, article 17, section 7, is amended to read:

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Sec. 4. EFFECTIVE DATE; SUNSET REPEALER.

(a) Sections 1, 2, and 3 are effective on the day following final enactment.

(b) Sections 1, 2, and 3, are repealed on May 16, 2006 2007.

Sec. 5. METRO TRANSIT STRIKE PROVISION.

Notwithstanding the payment deadline specified in Minnesota Statutes, section 356.195, subdivision 2, paragraph (b), a Metro Transit employee covered by the general state employees retirement plan of the Minnesota State Retirement System who was on strike on or after January 1, 2004, and before the effective date of this section, is authorized to make a payment under that paragraph on or before one year after the effective date of this section.

Sec. 6. CROSBY-IRONTON PUBLIC SCHOOL STRIKE PROVISION.

Notwithstanding the payment deadline specified in Minnesota Statutes, section 356.195, subdivision 2, paragraph (b), a Crosby-Ironton public school teacher covered by the Teachers Retirement Association who was on strike during a period that included April 1, 2005, and before the effective date of this section, is authorized to make a payment under that paragraph on or before one year after the effective date of this section.

Sec. 7. UNIVERSITY OF MINNESOTA STRIKE PROVISION.

Notwithstanding the payment deadline specified in Minnesota Statutes, section 356.195, subdivision 2, paragraph (b), a University of Minnesota employee covered by the Minnesota State Retirement System who was on strike on or after October 21, 2003, and before the effective date of this section, is authorized to make a payment under that paragraph on or before one year after the effective date of this section.

Sec. 8. EFFECTIVE DATE.

(a) Sections 1 and 3 to 7 are effective the day following final enactment.

(b) Section 2 is effective retroactively from January 1, 2005, and applies to any person who was in active service as a judge on or after that date and applies to an authorized leave of absence that occurred before or after that date. For a person for whom section 2 is retroactive, the equivalent contribution payment must be made on or before July 1, 2006.

ARTICLE 3**ACTUARIAL FINANCIAL REPORTING AND OTHER****GENERALLY APPLICABLE ADMINISTRATIVE CHANGES**

Section 1. Minnesota Statutes 2004, section 352.01, subdivision 12, is amended to read:

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Subd. 12. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date at a specified age with each actuarial present value based on the appropriate mortality table adopted by the board of directors based on the experience of the fund as recommended by the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 8.

Sec. 2. Minnesota Statutes 2004, section 353.01, subdivision 14, is amended to read:

Subd. 14. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 8.

Sec. 3. Minnesota Statutes 2004, section 354.05, subdivision 7, is amended to read:

Subd. 7. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the board of trustees based on the experience of the association as recommended by the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 8.

Sec. 4. Minnesota Statutes 2004, section 354.094, subdivision 1, is amended to read:

Subdivision 1. **SERVICE CREDIT CONTRIBUTIONS.** (a) Upon granting any extended leave of absence under section 122A.46 or 136F.43, the employing unit granting the leave must certify the leave to the association on a form specified by the executive director. A member granted an extended leave of absence under section 122A.46 or 136F.43 may pay employee contributions and receive allowable service credit toward annuities and other benefits under this chapter, for each year of the leave, provided that the member and the employing board make the required employer contribution in any proportion they may agree upon, during the period of the leave. The employer may enter into an agreement with the exclusive bargaining representative of

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the teachers in the district under which, for an individual teacher, all or a portion of the employee's contribution is paid by the employer. Any such agreement must include a sunset of eligibility to qualify for the payment and must not be a part of the collective bargaining agreement. The leave period must not exceed five years. A member may not receive more than five years of allowable service credit under this section. The employee and employer contributions must be based upon the rates of contribution prescribed by section 354.42 for the salary received during the year immediately preceding the extended leave.

(b) Employee contribution payments for the years for which a member is receiving service credit while on extended leave must be made on or before the later of June 30 of each fiscal year for which service credit is to be received or ~~within 30 days after first notification of the amount due, if requested by the member, is given by the association. If payment is to be made by a transfer of pretax assets authorized under section 356.441, payment is authorized after June 30 of the fiscal year providing that authorization for the asset transfer has been received by the applicable third party administrator by June 30, and the payment must include interest at a rate of .708 percent per month from June 30 through the end of the month in which payment is received.~~ No payment is permitted after the following September 30. ~~Payments received after June 30 must include interest at an annual rate of 8.5 percent from June 30 through the end of the month in which payment is received.~~

(c) Notwithstanding the provisions of any agreements to the contrary, employee and employer contributions may not be made to receive allowable service credit if the member does not have full reinstatement rights as provided in section 122A.46 or 136F.43, both during and at the end of the extended leave.

(d) Any school district paying the employee's retirement contributions under this section shall forward to the applicable retirement association or retirement fund a copy of the agreement executed by the school district and the employee.

Sec. 5. Minnesota Statutes 2004, section 354A.011, subdivision 3a, is amended to read:

Subd. 3a. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the appropriate board of trustees based on the experience of that retirement fund association as recommended by the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 8.

Sec. 6. Minnesota Statutes 2004, section 356.20, subdivision 4, is amended to read:

Subd. 4. **CONTENTS OF FINANCIAL REPORT.** (a) The financial report required by this section must contain financial statements and disclosures that indicate

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the financial operations and position of the retirement plan and fund. The report must conform with generally accepted governmental accounting principles, applied on a consistent basis. The report must be audited. The report must include, as part of its exhibits or its footnotes, an actuarial disclosure item based on the actuarial valuation calculations prepared by the ~~commission retained~~ actuary retained under section 356.214 or by the actuary retained by the retirement fund or plan, if applicable whichever applies, according to applicable actuarial requirements enumerated in section 356.215, and specified in the most recent standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement. The accrued assets, the accrued liabilities, including accrued reserves, and the unfunded actuarial accrued liability of the fund or plan must be disclosed. The disclosure item must contain a declaration by the actuary retained by the ~~Legislative Commission on Pensions and Retirement~~ under section 356.214 or the actuary retained by the fund or plan, whichever applies, specifying that the required reserves for any retirement, disability, or survivor benefits provided under a benefit formula are computed in accordance with the entry age actuarial cost method and in accordance with the most recent applicable standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

(b) Assets of the fund or plan contained in the disclosure item must include the following statement of the actuarial value of current assets as defined in section 356.215, subdivision 1:

	Value at cost	Value at market
Cash, cash equivalents, and short-term securities
Accounts receivable
Accrued investment income
Fixed income investments
Equity investments other than real estate
Real estate investments
Equipment
<u>Equity Participation in the Minne-</u> <u>sota postretirement investment</u> <u>fund or the retirement benefit</u> <u>fund</u>
Other
Total assets		
Value at cost	
Value at market	
<u>Actuarial value of current assets</u>	

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(c) The unfunded actuarial accrued liability of the fund or plan contained in the disclosure item must include the following measures of unfunded actuarial accrued liability, using the actuarial value of current assets:

(1) the unfunded actuarial accrued liability, determined by subtracting the current assets and the present value of future normal costs from the total current and expected future benefit obligations; and

(2) the unfunded pension benefit obligation, determined by subtracting the current assets from the actuarial present value of credited projected benefits.

If the current assets of the fund or plan exceed the actuarial accrued liabilities, the excess must be disclosed and indicated as a surplus.

(d) The pension benefit obligations schedule included in the disclosure must contain the following information on the benefit obligations:

(1) the pension benefit obligation, determined as the actuarial present value of credited projected benefits on account of service rendered to date, separately identified as follows:

- (i) for annuitants;
retirement annuities;
disability benefits;
surviving spouse and child benefits;
- (ii) for former members without vested rights;
- (iii) for deferred annuitants' benefits, including any augmentation;
- (iv) for active employees; accumulated employee contributions, including allocated investment income; employer-financed benefits vested; employer-financed benefits nonvested; total pension benefit obligation; and

(2) if there are additional benefits not appropriately covered by the foregoing items of benefit obligations, a separate identification of the obligation.

(e) The report must contain an itemized exhibit describing the administrative expenses of the plan, including, but not limited to, the following items, classified on a consistent basis from year to year, and with any further meaningful detail:

- (1) personnel expenses;
- (2) communication-related expenses;
- (3) office building and maintenance expenses;

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(4) professional services fees; and

(5) other expenses.

(f) The report must contain an itemized exhibit describing the investment expenses of the plan, including, but not limited to, the following items, classified on a consistent basis from year to year, and with any further meaningful detail:

(1) internal investment-related expenses; and

(2) external investment-related expenses.

(g) Any additional statements or exhibits or more detailed or subdivided itemization of a disclosure item that will enable the management of the fund to portray a true interpretation of the fund's financial condition must be included in the additional statements or exhibits.

Sec. 7. Minnesota Statutes 2004, section 356.47, subdivision 3, is amended to read:

Subd. 3. **PAYMENT.** (a) Upon the retired member attaining the age of 65 years or upon the first day of the month next following the month occurring one year after the termination of the reemployment that gave rise to the limitation, whichever is later, and the filing of a written application, the retired member is entitled to the payment, in a lump sum, of the value of the person's amount under subdivision 2, plus interest at the compound annual rate of six percent from the date that the amount was deducted from the retirement annuity to the date of payment.

(b) The written application must be on a form prescribed by the chief administrative officer of the applicable retirement plan.

(c) If the retired member dies before the payment provided for in paragraph (a) is made, the amount is payable, upon written application, to the deceased person's surviving spouse, or if none, to the deceased person's designated beneficiary, or if none, to the deceased person's estate.

(d) In lieu of the direct payment of the person's amount under subdivision 2, on or after the payment date under paragraph (a), if the federal Internal Revenue Code so permits, the retired member may elect to have all or any portion of the payment amount under this section paid in the form of a direct rollover to an eligible retirement plan as defined in section 402(c) of the federal Internal Revenue Code that is specified by the retired member. If the retired member dies with a balance remaining payable under this section, the surviving spouse of the retired member, or if none, the deceased person's designated beneficiary, or if none, the administrator of the deceased person's estate may elect a direct rollover under this paragraph.

Sec. 8. Minnesota Statutes 2004, section 422A.01, subdivision 6, is amended to read:

Subd. 6. **PRESENT WORTH OR PRESENT VALUE.** "Present worth" or "present value" means that the present amount of money if increased at the applicable

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postretirement or preretirement interest rate assumption specified in section 356.215, subdivision 8, and based on the mortality table adopted by the board of trustees based on the experience of the fund as recommended by the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.214, and approved under section 356.215, subdivision 18, will at retirement equal the actuarial accrued liability of the annuity already earned.

Sec. 9. Minnesota Statutes 2004, section 490.121, subdivision 20, is amended to read:

Subd. 20. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the board of ~~trustees~~ directors of the Minnesota State Retirement System based on the experience of the fund as recommended by the ~~commission-retained~~ actuary retained under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 8.

Sec. 10. **EFFECTIVE DATE.**

(a) Sections 1 to 5, 8, and 9 are effective July 1, 2005.

(b) Section 6 is effective the day following final enactment and applies to annual financial reporting occurring on or after June 30, 2005.

(c) Section 4 is effective the day following final enactment.

(d) Section 7 is effective July 1, 2005, and applies to retired members with an amount in a reemployed annuitant's account on or after that date.

ARTICLE 4

MEMBERSHIP INCLUSIONS

AND EXCLUSIONS

Section 1. Minnesota Statutes 2004, section 69.011, is amended by adding a subdivision to read:

Subd. 2c. **INELIGIBILITY OF CERTAIN POLICE OFFICERS.** A police officer employed by the University of Minnesota who is required by the Board of Regents to be a member of the University of Minnesota faculty retirement plan is not eligible to be included in any police state-aid certification under this section.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 2. Minnesota Statutes 2004, section 352.01, subdivision 2a, is amended to read:

Subd. 2a. **INCLUDED EMPLOYEES.** (a) "State employee" includes:

- (1) employees of the Minnesota Historical Society;
- (2) employees of the State Horticultural Society;
- (3) employees of the Disabled American Veterans, Department of Minnesota, Veterans of Foreign Wars, Department of Minnesota, if employed before July 1, 1963;
- (4) employees of the Minnesota Crop Improvement Association;
- (5) employees of the adjutant general who are paid from federal funds and who are not covered by any federal civilian employees retirement system;
- (6) employees of the Minnesota State Colleges and Universities employed under the university or college activities program;
- (7) currently contributing employees covered by the system who are temporarily employed by the legislature during a legislative session or any currently contributing employee employed for any special service as defined in subdivision 2b, clause (8);
- (8) employees of the Armory Building Commission;
- (9) employees of the legislature appointed without a limit on the duration of their employment and persons employed or designated by the legislature or by a legislative committee or commission or other competent authority to conduct a special inquiry, investigation, examination, or installation;
- (10) trainees who are employed on a full-time established training program performing the duties of the classified position for which they will be eligible to receive immediate appointment at the completion of the training period;
- (11) employees of the Minnesota Safety Council;
- (12) any employees on authorized leave of absence from the Transit Operating Division of the former Metropolitan Transit Commission who are employed by the labor organization which is the exclusive bargaining agent representing employees of the Transit Operating Division;
- (13) employees of the Metropolitan Council, Metropolitan Parks and Open Space Commission, Metropolitan Sports Facilities Commission, Metropolitan Mosquito Control Commission, or Metropolitan Radio Board unless excluded or covered by another public pension fund or plan under section 473.415, subdivision 3;
- (14) judges of the Tax Court;
- (15) personnel employed on June 30, 1992, by the University of Minnesota in the management, operation, or maintenance of its heating plant facilities, whose employment transfers to an employer assuming operation of the heating plant facilities, so long as the person is employed at the University of Minnesota heating plant by that

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employer or by its successor organization; and

(16) seasonal help in the classified service employed by the Department of Revenue; and

(17) persons employed by the Department of Commerce as a peace officer in the Insurance Fraud Prevention Division under section 45.0135 who have attained the mandatory retirement age specified in section 43A.34, subdivision 4.

(b) Employees specified in paragraph (a), clause (15), are included employees under paragraph (a) if employer and employee contributions are made in a timely manner in the amounts required by section 352.04. Employee contributions must be deducted from salary. Employer contributions are the sole obligation of the employer assuming operation of the University of Minnesota heating plant facilities or any successor organizations to that employer.

Sec. 3. Minnesota Statutes 2004, section 352.91, is amended by adding a subdivision to read:

Subd. 4a. PROCESS FOR EVALUATING AND RECOMMENDING POTENTIAL EMPLOYMENT POSITIONS FOR MEMBERSHIP INCLUSION. (a) The Department of Corrections and the Department of Human Services must establish a procedure for evaluating periodic requests by department employees for qualification for recommendation by the commissioner for inclusion of the employment position in the correctional facility or human services facility in the correctional retirement plan and for periodically determining employment positions that no longer qualify for continued correctional retirement plan coverage.

(b) The procedure must provide for an evaluation of the extent of the employee's working time spent in direct contact with patients or inmates, the extent of the physical hazard that the employee is routinely subjected to in the course of employment, and the extent of intervention routinely expected of the employee in the event of a facility incident. The percentage of routine direct contact with inmates or patients may not be less than 75 percent.

(c) The applicable commissioner shall notify the employee of the determination of the appropriateness of recommending the employment position for inclusion in the correctional retirement plan, if the evaluation procedure results in a finding that the employee:

(1) routinely spends 75 percent of the employee's time in direct contact with inmates or patients; and

(2) is regularly engaged in the rehabilitation, treatment, custody, or supervision of inmates or patients.

(d) After providing the affected employee an opportunity to dispute or clarify any evaluation determinations; if the commissioner determines that the employment position is appropriate for inclusion in the correctional retirement plan, the commissioner shall forward that recommendation and supporting documentation to the chair

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of the Legislative Commission on Pensions and Retirement, the chair of the State and Local Governmental Operations Committee of the senate, the chair of the Governmental Operations and Veterans Affairs Policy Committee of the house of representatives, and the executive director of the Legislative Commission on Pensions and Retirement in the form of the appropriate proposed legislation. The recommendation must be forwarded to the legislature before January 15 for the recommendation to be considered in that year's legislative session.

Sec. 4. Minnesota Statutes 2004, section 352B.01, subdivision 2, is amended to read:

Subd. 2. **MEMBER.** "Member" means:

(1) a State Patrol member currently employed after June 30, 1943, under section 299D.03 by the state, who is a peace officer under section 626.84, and whose salary or compensation is paid out of state funds;

(2) a conservation officer employed under section 97A.201, currently employed by the state, whose salary or compensation is paid out of state funds;

(3) a crime bureau officer who was employed by the crime bureau and was a member of the Highway Patrolmen's retirement fund on July 1, 1978, whether or not that person has the power of arrest by warrant after that date, or who is employed as police personnel, with powers of arrest by warrant under section 299C.04, and who is currently employed by the state, and whose salary or compensation is paid out of state funds;

(4) a person who is employed by the state in the Department of Public Safety in a data processing management position with salary or compensation paid from state funds, who was a crime bureau officer covered by the State Patrol retirement plan on August 15, 1987, and who was initially hired in the data processing management position within the department during September 1987, or January 1988, with membership continuing for the duration of the person's employment in that position, whether or not the person has the power of arrest by warrant after August 15, 1987;

(5) a public safety employee defined as a peace officer in section 626.84, subdivision 1, paragraph (c), and employed with the Division of Alcohol and Gambling Enforcement under section 299L.01; and

(6) a Fugitive Apprehension Unit officer after October 31, 2000, employed by the Office of Special Investigations of the Department of Corrections who is a peace officer under section 626.84; and

(7) an employee of the Department of Commerce defined as a peace officer in section 626.84, subdivision 1, paragraph (c), who is employed by the Division of Insurance Fraud Prevention under section 45.0135 after January 1, 2005, and who has not attained the mandatory retirement age specified in section 43A.34, subdivision 4.

Sec. 5. Minnesota Statutes 2004, section 353.01, subdivision 6, is amended to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 6. **GOVERNMENTAL SUBDIVISION.** (a) "Governmental subdivision" means a county, city, town, school district within this state, or a department or unit of state government, or any public body whose revenues are derived from taxation, fees, assessments or from other sources.

(b) Governmental subdivision also means the Public Employees Retirement Association, the League of Minnesota Cities, the Association of Metropolitan Municipalities, public hospitals owned or operated by, or an integral part of, a governmental subdivision or governmental subdivisions, the Association of Minnesota Counties, the Metropolitan Intercounty Association, the Minnesota Municipal Utilities Association, the Metropolitan Airports Commission, the University of Minnesota with respect to police officers covered by the public employees police and fire retirement plan, the Minneapolis Employees Retirement Fund for employment initially commenced after June 30, 1979, the Range Association of Municipalities and Schools, soil and water conservation districts, economic development authorities created or operating under sections 469.090 to 469.108, the Port Authority of the city of St. Paul, the Spring Lake Park Fire Department, incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning Center, and the Dakota County Agricultural Society.

(c) Governmental subdivision does not mean any municipal housing and redevelopment authority organized under the provisions of sections 469.001 to 469.047; or any port authority organized under sections 469.048 to 469.089 other than the Port Authority of the city of St. Paul; or any hospital district organized or reorganized prior to July 1, 1975, under sections 447.31 to 447.37 or the successor of the district, nor the Minneapolis Community Development Agency.

Sec. 6. Minnesota Statutes 2004, section 353.64, is amended by adding a subdivision to read:

Subd. 6a. **UNIVERSITY OF MINNESOTA POLICE OFFICERS; INCLUSIONS AND EXCLUSIONS.** (a) Unless paragraph (b) applies, a person who is employed as a peace officer by the University of Minnesota at any campus or facility of the university, who is required by the university to be and is licensed as a peace officer by the Minnesota Peace Officer Standards and Training Board under sections 626.84 to 626.863, and who has the full power of arrest is a member of the public employees police and fire retirement plan.

(b) A police officer employed by the University of Minnesota who is required by the Board of Regents to contribute to the University of Minnesota faculty retirement plan is not eligible to be a member of the public employees police and fire retirement plan.

Sec. 7. Minnesota Statutes 2004, section 354B.21, subdivision 2, is amended to read:

Subd. 2. **COVERAGE; ELECTION.** (a) An eligible person is entitled to elect coverage by the plan. If the eligible person does not make a timely election of coverage

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by the plan; the person has the coverage specified in subdivision 3.

(b) For eligible persons who were employed by the former state university system or the former community college system before May 1, 1995, the person has the retirement coverage that the person had for employment immediately before May 1, 1995.

(e) (b) For all other eligible persons, the election of coverage must be made within 90 days of May 10, 1995, or 90 days of receiving notice from the employer of the options available under this section, whichever occurs later unless otherwise specified in this section, the eligible person is authorized to elect prospective Teachers Retirement Association plan coverage rather than coverage by the plan established by this chapter. The election of prospective Teachers Retirement Association plan coverage shall be made within one year of commencing eligible Minnesota State Colleges and Universities system employment. If an election is not made within the specified election period due to a termination of Minnesota State Colleges and Universities system employment, an election may be made within 90 days of returning to eligible Minnesota State Colleges and Universities system employment. All elections are irrevocable. Prior to making an election the eligible person shall be covered by the plan indicated as default coverage under subdivision 3.

(c) A purchase of service credit in the Teachers Retirement Association plan for any period or periods of Minnesota State Colleges and Universities system employment occurring prior to the election under paragraph (b) is prohibited.

Sec. 8. Minnesota Statutes 2004, section 354B.21, subdivision 3, is amended to read:

Subd. 3. **DEFAULT COVERAGE.** (a) Prior to making an election under subdivision 2, or if an eligible person fails to elect coverage by the plan under subdivision 2 or if the person fails to make a timely election, the following retirement coverage applies:

(1) for employees of the board who are employed in faculty positions in the technical colleges, in the state universities or in the community colleges, the retirement coverage is by the plan established by this chapter;

(2) for employees of the board who are employed in faculty positions in the technical colleges, the retirement coverage is by the plan established by this chapter unless on June 30, 1997, the employee was a member of the Teachers Retirement Association established under chapter 354 and then the retirement coverage is by the Teachers Retirement Association, or, unless the employee was a member of a first class city teacher retirement fund established under chapter 354A on June 30, 1995, and then the retirement coverage is by the Duluth Teachers Retirement Fund Association if the person was a member of that plan on June 30, 1995, or the Minneapolis Teachers Retirement Fund Association if the person was a member of that plan on June 30, 1995, or the St. Paul Teachers Retirement Fund Association if the person was a member of that plan on June 30, 1995; and

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(3) for employees of the board who are employed in eligible unclassified administrative positions, the retirement coverage is by the plan established by this chapter.

(b) If an employee fails to correctly certify prior membership in the Teachers Retirement Association to the Minnesota State colleges and Universities system, the system shall not pay interest on employee contributions, employer contributions, and additional employer contributions to the Teachers Retirement Association under section 354.52, subdivision 4.

Sec. 9. **EFFECTIVE DATE.**

(a) Sections 1, 3, 5, and 6 are effective July 1, 2005.

(b) Sections 2 and 4 are effective retroactively from January 1, 2005.

(c) Sections 7 and 8 are effective the day following final enactment.

ARTICLE 5

RETIREMENT CONTRIBUTIONS

Section 1. Minnesota Statutes 2004, section 353.27, subdivision 2, is amended to read:

Subd. 2. **EMPLOYEE CONTRIBUTION.** (a) The employee contribution is the following applicable percentage of the total salary amount for a "basic member" and for a "coordinated member":

	Basic Program	Coordinated Program
Before January 1, 2002	8.75	4.75
Effective January 1, 2002		
Effective before January 1, 2006	9.10	5.10
Effective January 1, 2006	9.10	5.50
Effective January 1, 2007	9.10	5.75
Effective January 1, 2008	9.10	6.00 plus any contribution rate adjustment under subdivision 3b

(b) These contributions must be made by deduction from salary as defined in section 353.01, subdivision 10, in the manner provided in subdivision 4. ~~Where If any~~ portion of a member's salary is paid from other than public funds, such the member's

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employee contribution must be based on the total salary received by the member from all sources.

Sec. 2. Minnesota Statutes 2004, section 353.27, subdivision 3, is amended to read:

Subd. 3. **EMPLOYER CONTRIBUTION.** (a) The employer contribution is the following applicable percentage of the total salary amount for "basic members" and for "coordinated members":

	Basic Program	Coordinated Program
<u>Before January 1, 2002</u>	8.75	4.75
<u>Effective January 1, 2002</u>		
<u>Effective before January 1, 2006</u>	9.10	5.10
<u>Effective January 1, 2006</u>	9.10	5.50
<u>Effective January 1, 2007</u>	9.10	5.75
<u>Effective January 1, 2008</u>	9.10	6.00 plus any contribution rate adjustment under subdivision 3b

(b) This contribution must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

Sec. 3. Minnesota Statutes 2004, section 353.27, subdivision 3a, is amended to read:

Subd. 3a. **ADDITIONAL EMPLOYER CONTRIBUTION.** (a) An additional employer contribution must be made equal to ~~(1) 2.68 percent of the following applicable percentage of the total salary of each amount for "basic member members"; and (2) .43 percent of the total salary of each for "coordinated member members";~~

	Basic Program	Coordinated Program
<u>Effective before January 1, 2006</u>	2.68	.43
<u>Effective January 1, 2006</u>	2.68	.50
<u>Effective January 1, 2009</u>	2.68	.75
<u>Effective January 1, 2010</u>	2.68	1.00

These contributions must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(b) The coordinated program contribution rates set forth in paragraph (a) effective for January 1, 2009, or January 1, 2010, must not be implemented if, following receipt of the July 1, 2008, or July 1, 2009, annual actuarial valuation reports under section 356.215, respectively, the actuarially required contributions are equal to or less than the total rates under this section in effect as of January 1, 2008.

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(c) This subdivision is repealed once the actuarial value of the assets of the plan equal or exceed the actuarial accrued liability of the plan as determined by the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.215. The repeal is effective on the first day of the first full pay period occurring after March 31 of the calendar year following the issuance of the actuarial valuation upon which the repeal is based.

Sec. 4. Minnesota Statutes 2004, section 353.27, is amended by adding a subdivision to read:

Subd. 3b. **CHANGE IN EMPLOYEE AND EMPLOYER CONTRIBUTIONS IN CERTAIN INSTANCES.** (a) For purposes of this section, a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement. For purposes of this section, a contribution deficiency exists if the total of the employee contributions under subdivision 2, the employer contributions under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision is less than the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) Employee and employer contributions under subdivisions 2 and 3 must be adjusted:

(1) if, after July 1, 2010, the regular actuarial valuations of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicate that there is a contribution sufficiency under paragraph (a) equal to or greater than 0.5 percent of covered payroll for two consecutive years, the coordinated program employee and employer contribution rates must be decreased as determined under paragraph (c) to a level such that the sufficiency equals no more than 0.25 percent of covered payroll based on the most recent actuarial valuation; or

(2) if, after July 1, 2010, the regular actuarial valuations of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicate that there is a deficiency equal to or greater than 0.5 percent of covered payroll for two consecutive years, the coordinated program employee and employer contribution rates must be increased as determined under paragraph (c) to a level such that no deficiency exists based on the most recent actuarial valuation.

(c) The contribution rate increase or decrease must be determined by the executive director of the Public Employees Retirement Association, must be reported to the chair

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and the executive director of the Legislative Commission on Pensions and Retirement on or before the next February 1, and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination by the executive director that a contribution deficiency or sufficiency has existed for two consecutive fiscal years based on the most recent actuarial valuations under section 356.215. If the actuarially required contribution exceeds or is less than the total support provided by the combined employee and employer contribution rates by more than 0.5 percent of covered payroll, the coordinated program employee and employer contribution rates must be adjusted incrementally over one or more years to a level such that there remains a contribution sufficiency of no more than 0.25 percent of covered payroll.

(d) No incremental adjustment may exceed 0.25 percent for either the coordinated program employee and employer contribution rates per year in which any adjustment is implemented. A contribution rate adjustment under this subdivision must not be made until at least two years have passed since fully implementing a previous adjustment under this subdivision.

Sec. 5. Minnesota Statutes 2004, section 353.28, subdivision 5, is amended to read:

Subd. 5. **INTEREST CHARGES CHARGEABLE ON AMOUNTS DUE.** Any amount due under this section or section 353.27, subdivision 4, is payable with interest at an annual compound rate of 8.5 percent compounded annually from the date due until the date payment is received by the association, with a minimum interest charge of \$10. Interest for past due payments of excess police state aid under section 69.031, subdivision 5, must be charged at an annual rate of 8.5 percent compounded annually.

Sec. 6. Minnesota Statutes 2004, section 353.28, subdivision 6, is amended to read:

Subd. 6. **FAILURE TO PAY COLLECTION OF UNPAID AMOUNTS.** (a) If the a governmental subdivision which receives the direct proceeds of property taxation fails to pay amounts an amount due under chapters chapter 353, 353A, 353B, 353C, and or 353D or fails to make payments of excess police state aid to the public employees police and fire fund under section 69.031, subdivision 5, the executive director shall certify those amounts the amount to the governmental subdivision for payment. If the governmental subdivision fails to remit the sum so due in a timely fashion, the executive director shall certify amounts the amount to the applicable county auditor for collection. The county auditor shall collect such amounts the amount out of the revenue of the governmental subdivision, or shall add them the amount to the levy of the governmental subdivision and make payment directly to the association. This tax shall must be levied, collected, and apportioned in the manner that other taxes are levied, collected, and apportioned.

(b) If a governmental subdivision which is not funded directly from the proceeds of property taxation fails to pay an amount due under this chapter, the executive

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director shall certify the amount to the governmental subdivision for payment. If the governmental subdivision fails to pay the amount for a period of 60 days after certification, the executive director shall certify the amount to the commissioner of finance, who shall deduct the amount from any subsequent state-aid payment or state appropriation amount applicable to the governmental subdivision.

Sec. 7. Minnesota Statutes 2004, section 353.65, subdivision 2, is amended to read:

Subd. 2. **EMPLOYEE CONTRIBUTION RATE.** (a) The employee contribution is an amount equal to 6.2 the percent of the total salary of the member specified in paragraph (b). This contribution must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

(b) For calendar year 2006, the employee contribution rate is 7.0 percent. For calendar year 2007, the employee contribution rate is 7.8 percent. For calendar year 2008, the employee contribution rate is 8.6 percent. For calendar year 2009 and thereafter, the employee contribution rate is 9.4 percent.

Sec. 8. Minnesota Statutes 2004, section 353.65, subdivision 3, is amended to read:

Subd. 3. **EMPLOYER CONTRIBUTION RATE.** (a) The employer contribution shall be an amount equal to 9.3 the percent of the total salary of every member as specified in paragraph (b). This contribution shall be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(b) For calendar year 2006, the employer contribution rate is 10.5 percent. For calendar year 2007, the employer contribution rate is 11.7 percent. For calendar year 2008, the employer contribution rate is 12.9 percent. For calendar year 2009 and thereafter, the employer contribution rate is 14.1 percent.

Sec. 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION; INTEREST ON SERVICE CREDIT PURCHASE PAYMENT RETURN.

If a former employee of the Minneapolis Community Development Agency made a prior service credit purchase payment under Minnesota Statutes 2002, section 356.55, in an amount that is greater than the actually required payment amount because of the use of an inaccurate salary figure or other similar reporting or clerical error, the general employees retirement plan of the Public Employees Retirement Association may pay interest on the overage amount at an annual compound rate of six percent per year.

Sec. 10. RETURN OF PRIOR SERVICE CREDIT PURCHASE PAYMENT FOR CERTAIN MINNEAPOLIS CITY EMPLOYEES.

(a) An eligible person, upon written application, may receive a return of a prior service credit purchase payment under Minnesota Statutes 2002, section 356.55, plus interest on the amount at an annual compound rate of six percent per year. The return

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amount and interest must be made in an institution-to-institution transfer to a federal tax qualified retirement plan or account and may not be paid directly to an individual.

(b) An eligible person is a person who was an employee of the Minneapolis Community Development Agency and made a payment for the purchase of prior service credit under Laws 2003, chapter 127, article 12, section 31, subdivision 4, and Minnesota Statutes 2002, section 356.55, in an erroneous amount because of an inaccurate salary figure supplied by the employing agency.

Sec. 11. EFFECTIVE DATE.

(a) Sections 5 and 6 are effective retroactive to July 1, 2005.

(b) Sections 9 and 10 are effective the day following final enactment.

(c) Section 10 expires June 30, 2005.

ARTICLE 6

PENSION BENEFITS UPON PRIVATIZATION

Section 1. Minnesota Statutes 2004, section 353F.02, subdivision 4, is amended to read:

Subd. 4. **MEDICAL FACILITY.** "Medical facility" means:

- (1) Bridges Medical Services;
- (2) the Fair Oaks Lodge, Wadena;
- (2) (3) the Glencoe Area Health Center;
- (3) (4) the Hutchinson Area Health Care;
- (5) the Kanabec Hospital;
- (4) (6) the Luverne Public Hospital;
- (7) the Northfield Hospital;
- (5) (8) the RenVilla Nursing Home;
- (6) (9) the Renville County Hospital in Olivia;
- (7) (10) the St. Peter Community Healthcare Center; and
- (8) (11) the Waconia-Ridgeview Medical Center.

Sec. 2. Minnesota Statutes 2004, section 471A.10, is amended to read:

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471A.10 PUBLIC EMPLOYEE LAWS; SALE OR LEASE OF EXISTING FACILITY.

(a) Unless expressly provided therein, and except as provided in this section, no state law, charter provision, or ordinance of a municipality relating to public employees shall apply to a person solely by reason of that person's employment by a private vendor in connection with services rendered under a service contract.

(b) A private vendor purchasing or leasing existing related facilities from a municipality or operating or maintaining the facility shall recognize all exclusive bargaining representatives and existing labor agreements and those agreements shall remain in force until they expire by their terms. Persons who are not who were employed by a municipality in a related facility at the time of and who were members of the Public Employees Retirement Association general plan due to that employment are not permitted to remain as active members of the plan following a lease or purchase of the facility by the a private vendor are not "public employees" within the meaning of the Public Employees Retirement Act, chapter 353. Persons employed by a municipality in a related facility at the time of a lease or purchase of the facility by a private vendor shall continue to be considered to be "public employees" within the meaning of the Public Employees Retirement Act, chapter 353, but may elect to terminate their participation in the Public Employees Retirement Association as provided in this section. Each such employee may exercise the election annually on the anniversary of the person's initial employment by the municipality. An employee electing to terminate participation in the association is entitled to benefits that the employee would be entitled to if terminating public employment and may participate in a retirement program established by the private vendor.

Sec. 3. Laws 2004, chapter 267, article 12, section 4, is amended to read:

Sec. 4. EFFECTIVE DATE.

(a) Section 1, relating to the Fair Oaks Lodge, Wadena, is effective upon the latter of:

(1) the day after the governing body of Todd County and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

(2) the day after the governing body of Wadena County and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(b) Section 1, relating to the RenVilla Nursing Home, is effective upon the latter of:

(1) the day after the governing body of the city of Renville and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, except that the certificate of approval must be filed before January 1, 2006; and

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(2) the first day of the month next following certification to the governing body of the city of Renville by the executive director of the Public Employees Retirement Association that the actuarial accrued liability of the special benefit coverage proposed for extension to the privatized RenVilla Nursing Home employees under section 1 does not exceed the actuarial gain otherwise to be accrued by the Public Employees Retirement Association, as calculated by the consulting actuary retained by the Legislative Commission on Pensions and Retirement, or the actuary retained under Minnesota Statutes, section 356.214, whichever is applicable.

(c) The cost of the actuarial calculations must be borne by the city of Renville or the purchaser of the RenVilla Nursing Home.

(d) Section 1, relating to the St. Peter Community Healthcare Center, is effective upon the latter of:

(1) the day after the governing body of the city of St. Peter and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

(2) the first day of the month next following certification to the governing body of the city of St. Peter by the executive director of the Public Employees Retirement Association that the actuarial accrued liability of the special benefit coverage proposed for extension to the privatized St. Peter Community Healthcare Center employees under section 1 does not exceed the actuarial gain otherwise to be accrued by the Public Employees Retirement Association, as calculated by the consulting actuary retained by the Legislative Commission on Pensions and Retirement, or the actuary retained under Minnesota Statutes, section 356.214, whichever is applicable.

(e) The cost of the actuarial calculations must be borne by the city of St. Peter or the purchaser of the St. Peter Community Healthcare Center.

(f) If the required actions under paragraphs (b) and (c) occur, section 1 applies retroactively to the RenVilla Nursing Home as of the date of privatization.

(g) If the required actions under paragraph (a) occur, section 1 applies retroactively to Fair Oaks Lodge, Wadena, as of January 1, 2004.

(h) Sections 2 and 3 are effective on the day following final enactment.

Sec. 4. **EFFECTIVE DATE.**

(a) Section 1, relating to Bridges Medical Services, is effective upon the later of:

(1) the day after the governing body of the city of Ada and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

(2) the first day of the month next following certification to the governing body of the city of Ada by the executive director of the Public Employees Retirement Association that the actuarial accrued liability of the special benefit coverage proposed for extension to the privatized Bridges Medical Services employees under section 1

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does not exceed the actuarial gain otherwise to be accrued by the Public Employees Retirement Association, as calculated by the consulting actuary retained under Minnesota Statutes, section 356.214.

(b) Section 1, relating to the Hutchinson Area Health Care, is effective upon the later of:

(1) the day after the governing body of the city of Hutchinson and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

(2) the first day of the month next following certification to the governing body of the city of Hutchinson by the executive director of the Public Employees Retirement Association that the actuarial accrued liability of the special benefit coverage proposed for extension to the privatized Hutchinson Area Health Care employees under section 1 does not exceed the actuarial gain otherwise to be accrued by the Public Employees Retirement Association, as calculated by the consulting actuary retained by the Legislative Commission on Pensions and Retirement.

(c) Section 1, relating to the Northfield Hospital, is effective upon the later of:

(1) the day after the governing body of the city of Northfield and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

(2) the first day of the month next following certification to the governing body of the city of Northfield by the executive director of the Public Employees Retirement Association that the actuarial accrued liability of the special benefit coverage proposed for extension to the privatized Northfield Hospital employees under section 1 does not exceed the actuarial gain otherwise to be accrued by the Public Employees Retirement Association, as calculated by the consulting actuary retained by the Legislative Commission on Pensions and Retirement.

(d) The cost of the actuarial calculations must be borne by the facility, the city in which the facility is located, or the purchaser of the facility.

(e) If the required actions in paragraphs (a), (b), or (c) and (d) occur, section 1 applies retroactively to the date of privatization.

(f) Section 3 is effective the day following final enactment.

(g) Section 2 is effective the day following final enactment and applies to privatizations occurring on or after the effective date.

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ARTICLE 7

FIRST CLASS CITY TEACHER

RETIREMENT FUND ASSOCIATIONS

Section 1. Minnesota Statutes 2004, section 354A.021, is amended by adding a subdivision to read:

Subd. 9. UPDATED ARTICLES OF INCORPORATION AND BYLAWS; FILING. (a) On or before July 1, 2006, and within six months of the date of the approval of any amendment to the articles of incorporation or bylaws, the chief administrative officer of each first class city teacher retirement fund association shall prepare and publish an updated compilation of the articles of incorporation and the bylaws of the association.

(b) The chief administrative officer of the first class city teacher retirement fund association must certify the accuracy and the completeness of the compilation.

(c) The compilation of the articles of incorporation and bylaws of a first class city teacher retirement fund association must contain an index.

(d) The compilation must be made available to association members and other interested parties. The association may charge a fee for a copy that reflects the price of printing or otherwise producing the copy. Two copies of the compilation must be filed, without charge, by each retirement fund association with the Legislation Commission on Pensions and Retirement, the Legislative Reference Library, the state auditor, the commissioner of education, the chancellor of the Minnesota State Colleges and Universities system, and the superintendent of the applicable school district.

(e) A first class city teacher retirement fund association may contract with the revisor of statutes for the preparation of the compilation.

(f) If a first class city teacher retirement fund association makes an updated copy of its articles of incorporation and bylaws available on its Web site, the retirement fund association is not obligated to file a hard copy of the documents under paragraph (d) for the applicable filing period.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective July 1, 2005.

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ARTICLE 8

MINNESOTA STATE COLLEGES AND UNIVERSITIES
INDIVIDUAL RETIREMENT ACCOUNT PLAN CHANGES

Section 1. Minnesota Statutes 2004, section 354B.25, subdivision 2, is amended to read:

Subd. 2. **INVESTMENT OPTIONS.** (a) The plan administrator shall arrange for the purchase of investment products.

(b) The investment products must be purchased with contributions under section 354B.23 or with money or assets otherwise provided by law by authority of the board.

(c) Various investment accounts offered through the Minnesota supplemental investment fund established under section 11A.17 and administered by the State Board of Investment is one of the may be included as investment products for the individual retirement account plan. Direct access must also be provided to lower expense and no-load mutual funds, as those terms are defined by the federal Securities and Exchange Commission, including stock funds, bond funds, and balanced funds. Other investment products or combination of investment products which may be included are:

- (1) savings accounts at federally insured financial institutions;
- (2) life insurance contracts, fixed and variable annuity contracts from companies that are subject to regulation by the commerce commissioner;
- (3) investment options from open-ended investment companies registered under the federal Investment Company Act of 1940, United States Code, title 15, sections 80a-1 to 80a-64;
- (4) investment options from a firm that is a registered investment advisor under the federal Investment Advisers Act of 1940, United States Code, title 15, sections 80b-1 to 80b-21; and
- (5) investment options of a bank as defined in United States Code, title 15, section 80b-2, subsection (a), paragraph 2, or a bank holding company as defined in the Bank Holding Company Act of 1956, United States Code, title 12, section 1841, subsection (a), paragraph (1).

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

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ARTICLE 9

VOLUNTEER FIREFIGHTER RELIEF

ASSOCIATION CHANGES

Section 1. Minnesota Statutes 2004, section 69.051, subdivision 1, is amended to read:

Subdivision 1. **FINANCIAL REPORT AND AUDIT.** The board of each salaried firefighters relief association, police relief association, and volunteer firefighters relief association as defined in section 424A.001, subdivision 4, with assets of at least \$200,000 or liabilities of at least \$200,000 in the prior year or in any previous year, according to the ~~most recent~~ applicable actuarial valuation or financial report if no valuation is required, shall:

(1) prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year on a form prescribed by the state auditor. The financial report ~~shall~~ must contain financial statements and disclosures which present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing and funding provisions of this chapter and any other applicable laws. The financial report ~~shall~~ must be countersigned by the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is a firefighters relief association which is directly associated with a municipal fire department or is a police relief association, or countersigned by the secretary of the independent nonprofit firefighting corporation and by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the volunteer firefighter relief association is a subsidiary of an independent nonprofit firefighting corporation;

(2) file the financial report in its office for public inspection and present it to the city council after the close of the fiscal year. One copy of the financial report ~~shall~~ must be furnished to the state auditor after the close of the fiscal year; and

(3) submit to the state auditor audited financial statements which have been attested to by a certified public accountant, public accountant, or the state auditor within 180 days after the close of the fiscal year. The state auditor may accept this report in lieu of the report required in clause (2).

Sec. 2. Minnesota Statutes 2004, section 69.051, subdivision 1a, is amended to read:

Subd. 1a. **FINANCIAL STATEMENT.** (a) The board of each volunteer firefighters relief association, as defined in section 424A.001, subdivision 4, with assets of less than \$200,000 and liabilities less than \$200,000, according to the most

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recent financial report, shall that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show the sources and amounts of all money received; all disbursements, accounts payable and accounts receivable; the amount of money remaining in the treasury; total assets including a listing of all investments; the accrued liabilities; and all items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement required under paragraph (a) must be certified by an independent public accountant or auditor or by the auditor or accountant who regularly examines or audits the financial transactions of the municipality. In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment upon any exceptions to the report. The independent accountant or auditor ~~shall~~ must have at least five years of public accounting, auditing, or similar experience, and ~~shall~~ must not be an active, inactive, or retired member of the relief association or the fire or police department.

(c) The detailed statement required under paragraph (a) must be countersigned by the municipal clerk or clerk-treasurer of the municipality, or, where applicable, by the secretary of the independent nonprofit firefighting corporation and by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation.

(d) The volunteer firefighters' relief association board must file the detailed statement required under paragraph (a) in the relief association office for public inspection and present it to the city council within 45 days after the close of the fiscal year, and must submit a copy of the detailed statement to the state auditor within 90 days of the close of the fiscal year.

Sec. 3. Minnesota Statutes 2004, section 69.771, is amended to read:

69.771 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION FINANCING GUIDELINES ACT; APPLICATION.

Subdivision 1. **COVERED RELIEF ASSOCIATIONS.** The applicable provisions of sections 69.771 to 69.776 ~~shall~~ apply to any firefighters' relief association other than a relief association enumerated in section 69.77, subdivision 1a, which is organized under any laws of this state, which is composed of volunteer firefighters or is composed partially of volunteer firefighters and partially of salaried firefighters with retirement coverage provided by the public employees police and fire fund and which, in either case, operates subject to the service pension minimum requirements for entitlement and maximums contained in section 424A.02, or subject to a special law

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modifying those requirements or maximums.

Subd. 2. AUTHORIZED EMPLOYER SUPPORT FOR A RELIEF ASSOCIATION. Notwithstanding any law to the contrary, a municipality may lawfully contribute public funds, including the transfer of any applicable fire state aid, or may levy property taxes for the support of a firefighters' relief association specified in subdivision 1, however organized, which provides retirement coverage or pays a service pension to retired firefighter or a retirement benefit to a disabled firefighter or a surviving dependent of either an active or retired firefighter for the operation and maintenance of the relief association only if the municipality and the relief association both comply with the applicable provisions of sections 69.771 to 69.776.

Subd. 3. REMEDY FOR NONCOMPLIANCE; DETERMINATION. Any (a) A municipality in which there exists a firefighters' relief association as specified in subdivision 1 which does not comply with the applicable provisions of sections 69.771 to 69.776 or the provisions of any applicable special law relating to the funding or financing of the association shall does not qualify initially to receive, or be and is not entitled subsequently to retain, fire state aid pursuant to under sections 69.011 to 69.051 until the reason for the disqualification specified by the state auditor is remedied, whereupon the municipality or relief association, if otherwise qualified, shall be entitled to again receive fire state aid for the year occurring immediately subsequent to the year in which the disqualification is remedied.

(b) The state auditor shall determine if a municipality to which a firefighters' relief association is directly associated or a firefighters' relief association fails to comply with the provisions of sections 69.771 to 69.776 or the funding or financing provisions of any applicable special law based upon the information contained in the annual financial report of the firefighters' relief association required pursuant to under section 69.051, the actuarial valuation of the relief association, if applicable, the relief association officers' financial requirements of the relief association and minimum municipal obligation determination documentation under section 69.772, subdivisions 3 and 4; 69.773, subdivisions 4 and 5; or 69.774, subdivision 2, if requested to be filed by the state auditor, the applicable municipal or nonprofit firefighting corporation budget, if requested to be filed by the state auditor, and any other relevant documents or reports obtained by the state auditor.

(c) The municipality or nonprofit firefighting corporation and the associated relief association are not eligible to receive or to retain fire state aid if:

(1) the relief association fails to prepare or to file the financial report or financial statement under section 69.051;

(2) the relief association treasurer is not bonded in the manner and in the amount required by section 69.051, subdivision 2;

(3) the relief association officers fail to determine or improperly determine the accrued liability and the annual accruing liability of the relief association under section 69.772, subdivisions 2, 2a, and 3, paragraph (c), clause (2), if applicable;

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(4) if applicable, the relief association officers fail to obtain and file a required actuarial valuation or the officers file an actuarial valuation that does not contain the special fund actuarial liability calculated under the entry age normal actuarial cost method, the special fund current assets, the special fund unfunded actuarial accrued liability, the special fund normal cost under the entry age normal actuarial cost method, the amortization requirement for the special fund unfunded actuarial accrued liability by the applicable target date, a summary of the applicable benefit plan, a summary of the membership of the relief association, a summary of the actuarial assumptions used in preparing the valuation, and a signed statement by the actuary attesting to its results and certifying to the qualifications of the actuary as an approved actuary under section 356.215, subdivision 1, paragraph (c);

(5) the municipality failed to provide a municipal contribution, or the nonprofit firefighting corporation failed to provide a corporate contribution, in the amount equal to the minimum municipal obligation if the relief association is governed under section 69.772, or the amount necessary, when added to the fire state aid actually received in the plan year in question, to at least equal in total the calculated annual financial requirements of the special fund of the relief association if the relief association is governed under section 69.773, and, if the municipal or corporate contribution is deficient, the municipality failed to include the minimum municipal obligation certified under section 69.772, subdivision 3, or 69.773, subdivision 5, in its budget and tax levy or the nonprofit firefighting corporation failed to include the minimum corporate obligation certified under section 69.774, subdivision 2, in the corporate budget;

(6) the relief association did not receive municipal ratification for the most recent plan amendment when municipal ratification was required under section 69.772, subdivision 6; 69.773, subdivision 6; or 424A.02, subdivision 10;

(7) the relief association invested special fund assets in an investment security that is not authorized under section 69.775;

(8) the relief association had an administrative expense that is not authorized under section 69.80 or 424A.05, subdivision 3, or the municipality had an expenditure that is not authorized under section 424A.08;

(9) the relief association officers fail to provide a complete and accurate public pension plan investment portfolio and performance disclosure under section 356.219;

(10) the relief association fails to obtain the acknowledgment from a broker of the statement of investment restrictions under section 356A.06, subdivision 8b;

(11) the relief association officers permitted to occur a prohibited transaction under section 356A.06, subdivision 9, or 424A.001, subdivision 7, or failed to undertake correction of a prohibited transaction that did occur; or

(12) the relief association pays a defined benefit service pension in an amount that is in excess of the applicable service pension maximum under section 424A.02, subdivision 3.

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Sec. 4. Minnesota Statutes 2004, section 69.772, subdivision 3, is amended to read:

Subd. 3. **FINANCIAL REQUIREMENTS OF RELIEF ASSOCIATION; MINIMUM OBLIGATION OF MUNICIPALITY.** (a) During the month of July, the officers of the relief association shall determine the overall funding balance of the special fund for the current calendar year, the financial requirements of the special fund for the following calendar year and the minimum obligation of the municipality with respect to the special fund for the following calendar year in accordance with the requirements of this subdivision.

(1) (b) The overall funding balance of the special fund for the current calendar year shall must be determined in the following manner:

(a) (1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the current year shall must be calculated pursuant to under subdivisions 2 and 2a, if applicable.

(b) (2) The total present assets of the special fund projected to December 31 of the current year, including receipts by and disbursements from the special fund anticipated to occur on or before December 31 shall, must be calculated. To the extent possible, for those assets for which a market value is readily ascertainable, the current market value as of the date of the calculation for those assets shall must be utilized in making this calculation. For any asset for which no market value is readily ascertainable, the cost value or the book value, whichever is applicable, shall must be utilized in making this calculation.

(e) (3) The amount of the total present assets of the special fund calculated pursuant to under clause (b) shall (2) must be subtracted from the amount of the total accrued liability of the special fund calculated pursuant to under clause (a) (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the special fund shall be is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the special fund shall be is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund shall be is considered to be fully funded.

(2) (c) The financial requirements of the special fund for the following calendar year shall must be determined in the following manner:

(a) (1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the calendar year next following the current calendar year shall must be calculated pursuant to under subdivisions 2 and 2a, if applicable.

(b) (2) The increase in the total accrued liability of the special fund for the following calendar year over the total accrued liability of the special fund for the current year shall must be calculated.

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(e) (3) The amount of anticipated future administrative expenses of the special fund ~~shall~~ must be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent prior calendar year by the factor of 1.035.

(d) (4) If the special fund is fully funded, the financial ~~requirement~~ requirements of the special fund for the following calendar year ~~shall be~~ are the figure which represents the increase in the total accrued liability of the special fund as amounts calculated pursuant to subclause (b) under clauses (2) and (3).

(e) (5) If the special fund has a deficit from full funding, the financial requirements of the special fund for the following calendar year ~~shall be~~ are the financial requirements of the special fund calculated as though the special fund were fully funded pursuant to subclause (d) under clause (4) plus an amount equal to one-tenth of the original amount of the deficit from full funding of the special fund as determined pursuant to this section for the calendar year 1971 until that deficit from full funding is fully retired; and plus an amount equal to one-tenth of the increase in the deficit from full funding of the special fund under clause (2) resulting either from an increase in the amount of the service pension accruing after December 31, 1971 occurring in the last ten years or from a net annual investment loss occurring during the last ten years until each increase in the deficit from full funding is fully retired. The annual amortization contribution under this clause may not exceed the amount of the deficit from full funding.

(f) (6) If the special fund has a surplus over full funding, the financial requirements of the special fund for the following calendar year ~~shall be~~ are the financial requirements of the special fund calculated as though the special fund were fully funded pursuant to subclause (d) under clause (4) reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the special fund.

(g) (d) The minimum obligation of the municipality with respect to the special fund ~~shall be~~ is the financial requirements of the special fund reduced by the amount of any fire state aid payable pursuant to under sections 69.011 to 69.051 reasonably anticipated to be received by the municipality for transmittal to the special fund during the following calendar year, an amount of interest on the assets of the special fund projected to the beginning of the following calendar year calculated at the rate of five percent per annum, and the amount of any anticipated contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

Sec. 5. Minnesota Statutes 2004, section 69.772, subdivision 4, is amended to read:

Subd. 4. **CERTIFICATION OF FINANCIAL REQUIREMENTS AND MINIMUM MUNICIPAL OBLIGATION; LEVY.** (a) The officers of the relief

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association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined pursuant to under subdivision 3 to the governing body of the municipality on or before August 1 of each year. The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section 69.051.

(b) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue.

(c) The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied pursuant to under this section shall must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

(d) If the municipality does not include the full amount of the minimum municipal obligations in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the certified minimum municipal obligation on the taxable property of the municipality.

(e) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 69.771, subdivision 3, paragraph (c), clause (5), the state auditor may request a copy of the certifications under this subdivision from the relief association or from the city. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

Sec. 6. Minnesota Statutes 2004, section 69.773, subdivision 4, is amended to read:

Subd. 4. **FINANCIAL REQUIREMENTS OF SPECIAL FUND.** Prior to (a) On or before August 1 of each year, the officers of the relief association shall determine the financial requirements of the special fund of the relief association in accordance with the requirements of this subdivision.

(b) The financial requirements of the relief association ~~shall~~ must be based on the most recent actuarial valuation of the special fund prepared in accordance with subdivision 2. If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation, the financial requirements ~~shall~~ must be determined by adding the figures calculated pursuant to under paragraph (d), clauses (a) (1), (b) (2), and (c) (3). If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation, the financial requirements ~~shall~~ must be an amount equal to the figure calculated pursuant to under

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paragraph (d), clauses (a) (1) and (b) (2), reduced by an amount equal to one-tenth of the amount of any assets in excess of the actuarial accrued liability of the relief association.

(c) The determination of whether or not the relief association has an unfunded actuarial accrued liability ~~shall~~ must be based on the current market value of assets for which a market value is readily ascertainable and the cost or book value, whichever is applicable, for assets for which no market value is readily ascertainable.

(a) (d) The components of the financial requirements of the relief association are the following:

(1) The normal level cost requirement for the following year, expressed as a dollar amount, ~~shall be~~ is the figure for the normal level cost of the relief association as reported in the actuarial valuation.

(b) (2) The amount of anticipated future administrative expenses of the special fund ~~shall~~ must be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent prior calendar year by the factor of 1.035.

(e) (3) The amortization contribution requirement to retire the current unfunded actuarial accrued liability by the established date for full funding ~~shall be~~ is the figure for the amortization contribution as reported in the actuarial valuation. If there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the special fund, a change in the bylaws of the relief association governing the service pensions, retirement benefits, or both, payable from the special fund, or a change in the actuarial cost method used to value all or a portion of the special fund which change or changes, which by themselves, without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability of the special fund ~~since December 31, 1970~~, the established date for full funding ~~shall be~~ is the December 31, 1990 occurring ten years later. If there has been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the special fund, a change in the bylaws of the relief association governing the service pensions, retirement benefits, or both payable from the special fund or a change in the actuarial cost method used to value all or a portion of the special fund and the change or changes, by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability of the special fund ~~since December 31, 1970~~, but prior to January 1, 1979 within the past 20 years, the established date for full funding shall be December 31, 1998, and if there has been a change since December 31, 1978, the established date for full funding shall must be determined using the following procedure:

(i) the unfunded actuarial accrued liability of the special fund attributable to experience losses that have occurred since the most recent prior actuarial valuation must be determined and the level annual dollar contribution needed to amortize the experience loss over a period of ten years ending on the December 31 occurring ten years later must be calculated;

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(ii) the unfunded actuarial accrued liability of the special fund shall must be determined in accordance with the provisions governing service pensions, retirement benefits, and actuarial assumptions in effect before an applicable change;

(~~ii~~) (iii) the level annual dollar contribution needed to amortize this unfunded actuarial accrued liability amount by the date for full funding in effect ~~prior to~~ before the change shall must be calculated using the interest assumption specified in section 356.215, subdivision 8, in effect before any applicable change;

(~~iii~~) (iv) the unfunded actuarial accrued liability of the special fund shall must be determined in accordance with any new provisions governing service pensions, retirement benefits, and actuarial assumptions and the remaining provisions governing service pensions, retirement benefits, and actuarial assumptions in effect before an applicable change;

(~~iv~~) (v) the level annual dollar contribution needed to amortize the difference between the unfunded actuarial accrued liability amount calculated pursuant to subclause (~~i~~) under item (ii) and the unfunded actuarial accrued liability amount calculated pursuant to subclause (~~iii~~) under item (iv) over a period of 20 years starting December 31 of the year in which the change is effective shall must be calculated using the interest assumption specified in section 356.215, subdivision 8, in effect after any applicable change;

(~~v~~) (vi) the annual amortization contribution calculated pursuant to subclause (iv) shall under item (v) must be added to the annual amortization contribution calculated pursuant to subclause (~~ii~~) under items (i) and (iii);

(~~vi~~) (vii) the period in which the unfunded actuarial accrued liability amount determined in subclause (~~iii~~) item (iv) will be amortized by the total annual amortization contribution computed pursuant to subclause (v) shall under item (vi) must be calculated using the interest assumption specified in section 356.215, subdivision 8, in effect after any applicable change, rounded to the nearest integral number of years, but which shall must not exceed a period of 20 years from the end of the year in which the determination of the date for full funding using this procedure is made and which shall must not be less than the period of years beginning in the year in which the determination of the date for full funding using this procedure is made and ending by the date for full funding in effect before the change;

(~~vii~~) (viii) the period determined pursuant to subclause (vi) shall under item (vii) must be added to the date as of which the actuarial valuation was prepared and the resulting date shall be is the new date for full funding.

Sec. 7. Minnesota Statutes 2004, section 69.773, subdivision 5, is amended to read:

Subd. 5. **MINIMUM MUNICIPAL OBLIGATION.** (a) The officers of the relief association shall determine the minimum obligation of the municipality with respect to the special fund of the relief association for the following calendar year prior to on or before August 1 of each year in accordance with the requirements of this subdivision.

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(b) The minimum obligation of the municipality with respect to the special fund shall be is an amount equal to the financial requirements of the special fund of the relief association determined pursuant to under subdivision 4, reduced by the estimated amount of any fire state aid payable pursuant to under sections 69.011 to 69.051 reasonably anticipated to be received by the municipality for transmittal to the special fund of the relief association during the following year and the amount of any anticipated contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(c) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined pursuant to under subdivision 4 and this subdivision to the governing body of the municipality by August 1 of each year. The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section 69.051.

(d) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue. The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law or charter upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied pursuant to under this section shall must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

(e) If the municipality does not include the full amount of the minimum municipal obligation in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the minimum municipal obligation on the taxable property of the municipality.

(f) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 69.771, subdivision 3, paragraph (c), clause (5), the state auditor may request from the relief association or from the city a copy of the certifications under this subdivision. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

Sec. 8. Minnesota Statutes 2004, section 69.775, is amended to read:

69.775 INVESTMENTS.

(a) The special fund assets of the a relief associations association governed by sections 69.771 to 69.776 must be invested in securities that are authorized investments

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under section 356A.06, subdivision 6 or 7.

(b) Notwithstanding the foregoing, up to 75 percent of the market value of the assets of the special fund, not including any money market mutual funds, may be invested in open-end investment companies registered under the federal Investment Company Act of 1940, if the portfolio investments of the investment companies comply with the type of securities authorized for investment under section 356A.06, subdivision 7.

(c) Securities held by the associations before June 2, 1989, that do not meet the requirements of this section may be retained after that date if they were proper investments for the association on that date.

(d) The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify special fund assets for investment by the State Board of Investment under section 11A.17.

(e) The governing board of the association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.

(f) The governing board of the association may select and appoint a qualified private firm to measure management performance and return on investment, and the firm shall use the formula or formulas developed by the state board under section 11A.04, clause (11).

Sec. 9. Minnesota Statutes 2004, section 356A.06, subdivision 7, is amended to read:

Subd. 7. EXPANDED LIST OF AUTHORIZED INVESTMENT SECURITIES. (a) **AUTHORITY.** Except to the extent otherwise authorized by law or bylaws, a covered pension plan not described by subdivision 6, paragraph (a), may invest its assets only in accordance with this subdivision.

(b) **SECURITIES GENERALLY.** The covered pension plan has the authority to purchase, sell, lend, or exchange the securities specified in paragraphs (c) to ~~(g)~~ (h), including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned as units in commingled trusts that own the securities described in paragraphs (c) to ~~(g)~~ (h).

(c) **GOVERNMENT OBLIGATIONS.** The covered pension plan may invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which funds may be invested under this paragraph include guaranteed or insured issues of (1) the United States, its agencies, its instrumentalities, or organizations created and regulated by an act of Congress; (2)

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Canada and its provinces, provided the principal and interest is payable in United States dollars; (3) the states and their municipalities, political subdivisions, agencies, or instrumentalities; (4) the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or any other United States government sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars.

(d) **CORPORATE OBLIGATIONS.** The covered pension plan may invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof if they conform to the following provisions:

(1) the principal and interest of obligations of corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof must be payable in United States dollars; and

(2) obligations must be rated among the top four quality categories by a nationally recognized rating agency.

(e) **OTHER OBLIGATIONS.** (1) The covered pension plan may invest funds in bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage participation certificates and pools, asset backed securities, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions:

(i) bankers acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency;

(ii) certificates of deposit are limited to those issued by (A) United States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies; or (B) credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration;

(iii) commercial paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency;

(iv) mortgage participation or pass through certificates evidencing interests in pools of first mortgages or trust deeds on improved real estate located in the United States where the loan to value ratio for each loan as calculated in accordance with section 61A.28, subdivision 3, does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3;

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(v) collateral for repurchase agreements and reverse repurchase agreements is limited to letters of credit and securities authorized in this section;

(vi) guaranteed investment contracts are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply with the requirements of this subdivision;

(vii) savings accounts are limited to those fully insured by federal agencies; and

(viii) asset backed securities must be rated in the top four quality categories by a nationally recognized rating agency.

(2) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates of deposit and collateralization agreements executed by the covered pension plan under clause (1), item (ii).

(3) In addition to investments authorized by clause (1), item (iv), the covered pension plan may purchase from the Minnesota Housing Finance Agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The covered pension plan may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The covered pension plan may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the covered pension plan comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The covered pension plan may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

(f) **CORPORATE STOCKS.** The covered pension plan may invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or the states thereof, any corporation organized under the laws of the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange an exchange regulated by an agency of the United States or of the Canadian national government, if they conform to the following provisions:

(1) the aggregate value of corporate stock investments, as adjusted for realized profits and losses, must not exceed 85 percent of the market or book value, whichever is less, of a fund, less the aggregate value of investments according to subdivision 6 paragraph (h);

(2) investments must not exceed five percent of the total outstanding shares of any one corporation.

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(g) **EXCHANGE TRADED FUNDS.** The covered pension plan may invest funds in exchange traded funds, subject to the maximums, the requirements, and the limitations set forth in paragraph (d), (e), (f), or (h), whichever applies.

(h) **OTHER INVESTMENTS.** (1) In addition to the investments authorized in paragraphs (b) to (f) (g), and subject to the provisions in clause (2), the covered pension plan may invest funds in:

- (i) venture capital investment businesses through participation in limited partnerships and corporations;
- (ii) real estate ownership interests or loans secured by mortgages or deeds of trust through investment in limited partnerships, bank sponsored collective funds, trusts, and insurance company commingled accounts, including separate accounts;
- (iii) regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940;

(iv) resource investments through limited partnerships, private placements, and corporations; and

(v) international securities.

(2) The investments authorized in clause (1) must conform to the following provisions:

(i) the aggregate value of all investments made according to clause (1) may not exceed 35 percent of the market value of the fund for which the covered pension plan is investing;

(ii) there must be at least four unrelated owners of the investment other than the state ~~bead~~ covered pension plan for investments made under clause (1), item (i), (ii), (iii), or (iv);

(iii) covered pension plan participation in an investment vehicle is limited to 20 percent thereof for investments made under clause (1), item (i), (ii), (iii), or (iv); and

(iv) covered pension plan participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The covered pension plan may not engage in any activity as a limited partner which creates general liability.

Sec. 10. Minnesota Statutes 2004, section 424A.02, subdivision 3, is amended to read:

Subd. 3. FLEXIBLE SERVICE PENSION MAXIMUMS. (a) Annually on or before August 1 as part of the certification of the financial requirements and minimum municipal obligation determined under section 69.772, subdivision 4, or 69.773, subdivision 5, as applicable, the secretary or some other official of the relief association designated in the bylaws of each relief association shall calculate and

certify to the governing body of the applicable qualified municipality the average amount of available financing per active covered firefighter for the most recent three-year period. The amount of available financing shall include any amounts of fire state aid received or receivable by the relief association, any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief association calculated under section 69.772, subdivision 2; 69.773, subdivisions 2 and 4; or 69.774, subdivision 2, if any.

(b) The maximum service pension which the relief association has authority to provide for in its bylaws for payment to a member retiring after the calculation date when the minimum age and service requirements specified in subdivision 1 are met must be determined using the table in paragraph (c) or (d), whichever applies.

(c) For a relief association where the governing bylaws provide for a monthly service pension to a retiring member, the maximum monthly service pension amount per month for each year of service credited that may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter:

Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
\$...	\$.25
42 41	.50
84 81	1.00
126 122	1.50
168 162	2.00
209 203	2.50
252 243	3.00
294 284	3.50
335 324	4.00
378 365	4.50
420 405	5.00
503 486	6.00
587 567	7.00
672 648	8.00
755 729	9.00
839 810	10.00
923 891	11.00
1007 972	12.00
1090 1053	13.00

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1175	<u>1134</u>	14.00
1259	<u>1215</u>	15.00
1342	<u>1296</u>	16.00
1427	<u>1377</u>	17.00
1510	<u>1458</u>	18.00
1594	<u>1539</u>	19.00
1677	<u>1620</u>	20.00
1762	<u>1701</u>	21.00
1845	<u>1782</u>	22.00
1888	<u>1823</u>	22.50
1929	<u>1863</u>	23.00
2014	<u>1944</u>	24.00
2098	<u>2025</u>	25.00
2183	<u>2106</u>	26.00
2267	<u>2187</u>	27.00
2351	<u>2268</u>	28.00
2436	<u>2349</u>	29.00
2520	<u>2430</u>	30.00
2604	<u>2511</u>	31.00
2689	<u>2592</u>	32.00
2773	<u>2673</u>	33.00
2857	<u>2754</u>	34.00
2942	<u>2834</u>	35.00
3026	<u>2916</u>	36.00
3110	<u>2997</u>	37.00
3194	<u>3078</u>	38.00
3278	<u>3159</u>	39.00
3362	<u>3240</u>	40.00
3446	<u>3321</u>	41.00
3530	<u>3402</u>	42.00
3614	<u>3483</u>	43.00
3698	<u>3564</u>	44.00
3782	<u>3645</u>	45.00
3866	<u>3726</u>	46.00
3950	<u>3807</u>	47.00
4034	<u>3888</u>	48.00
4118	<u>3969</u>	49.00
4202	<u>4050</u>	50.00
4286	<u>4131</u>	51.00
4370	<u>4212</u>	52.00

Effective beginning December 31, 2003:

4454	<u>4293</u>	53.00
4538	<u>4374</u>	54.00

New language is indicated by underline, deletions by ~~strikeout~~.

4622 4455	55.00
4706 <u>4536</u>	56.00

(d) For a relief association in which the governing bylaws provide for a lump sum service pension to a retiring member, the maximum lump sum service pension amount for each year of service credited that may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter for the applicable specified period:

Minimum Average Amount of Available Financing per Firefighter	Maximum Lump Sum Service Pension Amount Payable for Each Year of Service
\$..	\$10
11	20
16	30
23	40
27	50
32	60
43	80
54	100
65	120
77	140
86	160
97	180
108	200
131	240
151	280
173	320
194	360
216	400
239	440
259	480
281	520
302	560
324	600
347	640
367	680
389	720
410	760
432	800
486	900
540	1000
594	1100

New language is indicated by underline, deletions by ~~strikeout~~.

648	1200
702	1300
756	1400
810	1500
864	1600
918	1700
972	1800
1026	1900
1080	2000
1134	2100
1188	2200
1242	2300
1296	2400
1350	2500
1404	2600
1458	2700
1512	2800
1566	2900
1620	3000
1672	3100
1726	3200
1753	3250
1780	3300
1820	3375
1834	3400
1888	3500
1942	3600
1996	3700
2023	3750
2050	3800
2104	3900
2158	4000
2212	4100
2265	4200
2319	4300
2373	4400
2427	4500
2481	4600
2535	4700
2589	4800
2643	4900
2697	5000
2751	5100
2805	5200

New language is indicated by underline, deletions by ~~strikeout~~.

2859	5300
2913	5400
2967	5500
3021	5600
3075	5700
3129	5800
3183	5900
3237	6000
3291	6100
3345	6200
3399	6300
3453	6400
3507	6500
3561	6600
3615	6700
3669	6800
3723	6900
3777	7000

~~Effective beginning December 31, 2003:~~

3831	7100
3885	7200
3939	7300
3993	7400
4047	7500

(e) For a relief association in which the governing bylaws provide for a monthly benefit service pension as an alternative form of service pension payment to a lump sum service pension, the maximum service pension amount for each pension payment type must be determined using the applicable table contained in this subdivision.

(f) If a relief association establishes a service pension in compliance with the applicable maximum contained in paragraph (c) or (d) and the minimum average amount of available financing per active covered firefighter is subsequently reduced because of a reduction in fire state aid or because of an increase in the number of active firefighters, the relief association may continue to provide the prior service pension amount specified in its bylaws, but may not increase the service pension amount until the minimum average amount of available financing per firefighter under the table in paragraph (c) or (d), whichever applies, permits.

(g) No relief association is authorized to provide a service pension in an amount greater than the largest applicable flexible service pension maximum amount even if the amount of available financing per firefighter is greater than the financing amount associated with the largest applicable flexible service pension maximum.

Sec. 11. Minnesota Statutes 2004, section 424A.02, subdivision 4, is amended to read:

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Subd. 4. DEFINED CONTRIBUTION LUMP SUM SERVICE PENSIONS.

(a) If the bylaws governing the relief association so provide exclusively, the relief association may pay a defined contribution lump sum service pension in lieu of any defined benefit service pension governed by subdivision 2.

(b) An individual account for each firefighter who is a member of the relief association shall be established. To each individual active member account shall be credited a right to an equal share of: (a) (1) any amounts of fire state aid received by the relief association; (b) (2) any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid; and (c) (3) any amounts equal to the share of the assets of the special fund to the credit of: (i) any former member who terminated active service with the fire department to which the relief association is associated prior to before meeting the minimum service requirement provided for in subdivision 1 and has not returned to active service with the fire department for a period no shorter than five years; or (ii) any retired member who retired prior to before obtaining a full nonforfeitable interest in the amounts credited to the individual member account pursuant to under subdivision 2 and any applicable provision of the bylaws of the relief association. In addition, any interest or investment income earned return on the assets of the special fund shall be credited in proportion to the share of the assets of the special fund to the credit of each individual active member account through the date on which the investment return is recognized by and credited to the special fund.

(c) At the time of retirement pursuant to under subdivision 1 and any applicable provision of the bylaws of the relief association, a retiring member shall be entitled to that portion of the assets of the special fund to the credit of the member in the individual member account which is nonforfeitable pursuant to under subdivision 2 and any applicable provision of the bylaws of the relief association based on the number of years of service to the credit of the retiring member.

Sec. 12. Minnesota Statutes 2004, section 424A.02, subdivision 7, is amended to read:

Subd. 7. DEFERRED SERVICE PENSIONS. (a) A member of a relief association to which this section applies is entitled to a deferred service pension if the member:

(1) has completed the lesser of the minimum period of active service with the fire department specified in the bylaws or 20 years of active service with the fire department;

(2) has completed at least five years of active membership in the relief association; and

(3) separates from active service and membership before reaching age 50 or the minimum age for retirement and commencement of a service pension specified in the bylaws governing the relief association if that age is greater than age 50.

(b) The deferred service pension starts is payable when the former member reaches age 50, or the minimum age specified in the bylaws governing the relief

association if that age is greater than age 50, and when the former member makes a valid written application.

(c) A relief association that provides a lump sum service pension governed by subdivision 3 may, when its governing bylaws so provide, pay interest on the deferred lump sum service pension during the period of deferral. If provided for in the bylaws, interest must be paid in one of the following manners:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association or if the deferred benefit amount is invested in a separate investment vehicle held by the relief association;

(2) at the an interest rate of up to five percent, compounded annually, as set by the board of directors and approved as provided in subdivision 10; or

(3) at a rate equal to the actual time weighted total rate of return investment performance of the special fund as reported by the Office of the State Auditor under section 356.219, up to five percent, compounded annually, and applied consistently for all deferred service pensioners.

(d) A relief association may not use the method provided for in paragraph (e), clause (3), until it has modified its bylaws to be consistent with that clause.

(d) Interest under paragraph (c), clause (2) or (3), is payable from the first day of the month next following the date on which the municipality has approved the deferred service pension interest rate established by the board of trustees or from the first day of the month next following the date on which the member separated from active fire department service and relief association membership, whichever is later, to the last day of the month immediately before the month in which the deferred member becomes eligible to begin receipt of the service pension and applies for the deferred service pension.

(e) A relief association that provides a defined contribution service pension may, if its governing bylaws so provide, credit interest or additional investment performance on the deferred lump sum service pension during the period of deferral. If provided for in the bylaws, the interest must be paid in one of the manners specified in paragraph (c) or alternatively the relief association may credit any investment return on the assets of the special fund of the defined contribution volunteer firefighter relief association in proportion to the share of the assets of the special fund to the credit of each individual deferred member account through the date on which the investment return is recognized by and credited to the special fund.

(f) For a deferred service pension that is transferred to a separate account established and maintained by the relief association or separate investment vehicle held by the relief association, the deferred member bears the full investment risk subsequent to transfer and in calculating the accrued liability of the volunteer firefighters relief association that pays a lump sum service pension, the accrued liability for deferred service pensions is equal to the separate relief association account balance or the fair

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market value of the separate investment vehicle held by the relief association.

(f) (g) The deferred service pension is governed by and must be calculated under the general statute, special law, relief association articles of incorporation, and relief association bylaw provisions applicable on the date on which the member separated from active service with the fire department and active membership in the relief association.

Sec. 13. [424A.021] CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED SERVICE.

Subdivision 1. AUTHORIZATION. Subject to restrictions stated in this section, a volunteer firefighter who is absent from firefighting service due to service in the uniformed services, as defined in United States Code, title 38, section 4303(13), may obtain service credit if the relief association is a defined benefit plan or an allocation of any fire state aid, any municipal contributions, and any investment return received by the relief association if the relief association is a defined contribution plan for the period of the uniformed service, not to exceed five years, unless a longer period is required under United States Code, title 38, section 4312.

Subd. 2. LIMITATIONS. (a) To be eligible for service credit or an investment return allocation under this section, the volunteer firefighter must return to firefighting service with coverage by the same relief association or by the successor to that relief association upon discharge from service in the uniformed service within the time frame required in United States Code, title 38, section 4312(e).

(b) Service credit or an investment return allocation is not authorized if the firefighter separates from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions.

(c) Service credit or an investment return allocation is not authorized if the firefighter fails to provide notice to the fire department that the individual is leaving to provide service in the uniformed service, unless it is not feasible to provide that notice due to the emergency nature of the situation.

Sec. 14. Minnesota Statutes 2004, section 424A.04, subdivision 1, is amended to read:

Subdivision 1. MEMBERSHIP. (a) Every A relief association that is directly associated with a municipal fire department shall must be managed by a board of trustees consisting of nine members. Six trustees shall must be elected from the membership of the relief association and three trustees shall must be drawn from the officials of the municipalities served by the fire department to which the relief association is directly associated. The bylaws of a relief association which provides a monthly benefit service pension may provide that one of the six trustees elected from the relief association membership may be a retired member receiving a monthly pension who is elected by the membership of the relief association. The three ex officio municipal trustees shall be the mayor, the clerk, clerk-treasurer or finance director, must be one elected municipal official and one elected or appointed municipal official

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who are designated as municipal representatives by the municipal governing board annually and the chief of the municipal fire department.

(b) Every A relief association that is a subsidiary of an independent nonprofit firefighting corporation shall must be managed by a board of trustees consisting of ten nine members. Six trustees shall must be elected from the membership of the relief association, three two trustees shall must be drawn from the officials of the municipalities served by the fire department to which the relief association is directly associated, and one trustee shall be the fire chief serving with the independent nonprofit firefighting corporation. The bylaws of a relief association may provide that one of the six trustees elected from the relief association membership may be a retired member receiving a monthly pension who is elected by the membership of the relief association. The three ex officio two municipal trustees who are the elected officials shall must be elected or appointed municipal officials, selected as follows:

(1) if only one municipality contracts with the independent nonprofit firefighting corporation, the ex officio municipal trustees shall must be three elected two officials of the contracting municipality who are designated annually by the governing body of the municipality;

(2) if two municipalities contract with the independent nonprofit firefighting corporation, the ex officio trustees shall be two elected officials of the largest municipality in population and one elected official of the next largest municipality in population who are designated by the governing bodies of the applicable municipalities; or

(3) (2) if three two or more municipalities contract with the independent nonprofit corporation, the ex officio municipal trustees shall must be one elected official of from each of the three two largest municipalities in population who are designated annually by the governing bodies of the applicable municipalities.

(c) The municipal trustees for a relief association that is directly associated with a fire department operated as or by a joint powers entity must be designated annually by the joint powers board. The municipal trustees for a relief association that is directly associated with a fire department service area township must be designated by the township board.

(d) If a relief association lacks the ex officio municipal board members provided for in paragraph (a), (b), or (b) (c) because the fire department is not located in or associated with an organized municipality, joint powers entity, or township, the ex officio municipal board members must be appointed from the fire department service area by the board of commissioners of the applicable county.

(e) The term of these appointed ex officio municipal board members is three years one year or until the person's successor is qualified, whichever is later.

(d) An ex officio (f) A municipal trustee under paragraph (a), (b), or (c) shall have, or (d) has all the rights and duties accorded to any other trustee, except the right to be an officer of the relief association board of trustees.

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(e) (g) A board shall must have at least three officers, which shall be who are a president, a secretary and a treasurer. These officers shall must be elected from among the elected trustees by either the full board of trustees or by the membership, as specified in the bylaws, and. In no event shall may any trustee hold more than one officer position at any one time. The terms of the elected trustees and of the officers of the board shall must be specified in the bylaws of the relief association, but shall may not exceed three years. If the term of the elected trustees exceeds one year, the election of the various trustees elected from the membership shall initially and shall thereafter continue to must be staggered on as equal a basis as is practicable.

Sec. 15. Minnesota Statutes 2004, section 424B.10, subdivision 1, is amended to read:

Subdivision 1. **BENEFITS.** (a) Notwithstanding any provision of section 424A.02, subdivision 3, to the contrary, the service pension of the subsequent relief association as of the effective date of consolidation is either the service pension amount specified in clause (1) or the service pension amounts specified in clause (2), as provided for in the consolidated relief association's articles of incorporation or bylaws:

(1) the highest dollar amount service pension amount of any prior volunteer firefighters relief association in effect immediately before the consolidation initiation if the pension amount was implemented consistent with section 424A.02; or

(2) for service rendered by each individual volunteer firefighter before consolidation, the service pension amount under the consolidating volunteer firefighters relief association that the firefighter belonged to immediately before the consolidation if the pension amount was implemented consistent with section 424A.02 and for service rendered after the effective date of the consolidation, the highest dollar amount service pension of any of the consolidating volunteer firefighters relief associations in effect immediately before the consolidation if the pension amount was implemented consistent with section 424A.02.

(b) Any increase in the service pension amount beyond the amount implemented under paragraph (a) must conform with the requirements and limitations of sections 69.771 to 69.775 and 424A.02.

Sec. 16. **EFFECTIVE DATE.**

(a) Sections 1 to 12, 14, and 15 are effective July 1, 2005.

(b) Section 13 is effective July 1, 2005, and applies to breaks in service that end on or after that date.

New language is indicated by underline, deletions by ~~strikeout~~.

ARTICLE 10

VARIOUS CORRECTIONS

AND CLARIFICATIONS

Section 1. Minnesota Statutes 2004, section 3A.13, is amended to read:

3A.13 EXEMPTION FROM PROCESS AND TAXATION; HEALTH PREMIUM DEDUCTION.

(a) The provisions of section ~~352.15~~ shall 356.401 apply to the legislators retirement plan, chapter 3A.

(b) The executive director of the Minnesota State Retirement System must, at the request of a retired legislator who is enrolled in a health insurance plan covering state employees, deduct the person's health insurance premiums from the person's annuity and transfer the amount of the premium to a health insurance carrier covering state employees.

Sec. 2. Minnesota Statutes 2004, section 69.011, subdivision 2b, is amended to read:

Subd. 2b. **DEPARTMENTS OF NATURAL RESOURCES AND PUBLIC SAFETY.** (a) On or before July 1, 1997, the commissioner of natural resources shall certify one-half of the number of peace officers as defined in subdivision 1, clause (g), employed by the Enforcement Division during calendar year 1996 and the commissioner of public safety shall certify one-half of the number of peace officers as defined in subdivision 1, clause (g), employed by the Bureau of Criminal Apprehension, the Gambling Enforcement Division, and the State Patrol Division during calendar year 1996.

(b) On or before March 15, 1998, the commissioner of natural resources shall certify seven-tenths of the number of peace officers as defined in subdivision 1, clause (g), employed by the Enforcement Division and the commissioner of public safety shall certify seven-tenths of the number of peace officers as defined in subdivision 1, clause (g), employed by the Bureau of Criminal Apprehension, the Gambling Enforcement Division, and the State Patrol Division.

(c) On or before March 15, 1999, and annually on or before each March 15 thereafter, the commissioner of natural resources shall certify the number of peace officers as defined in subdivision 1, clause (g), employed by the Enforcement Division and the commissioner of public safety shall certify the number of peace officers as defined in subdivision 1, clause (g), employed by the Bureau of Criminal Apprehension, the Gambling Enforcement Division, and the State Patrol Division.

(d) (b) The certification must be on a form prescribed by the commissioner. Peace officers certified under this paragraph must be included in the total certifications under subdivision 2.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 3. Minnesota Statutes 2004, section 69.021, subdivision 5, is amended to read:

Subd. 5. **CALCULATION OF STATE AID.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount ~~shall~~ must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report, reduced by the amount required to pay the costs and expenses of the state auditor for audits or exams of police relief associations. The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations.

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(d) The amount for apportionment in respect to ~~peace officer state aid under paragraph (b) must be further reduced by \$1,779,000 in fiscal year 1999, \$2,077,000 in fiscal year 2000, and \$2,404,000 in fiscal year 2001. These reductions in this paragraph cancel to the general fund.~~

(e) In addition to the amount for apportionment of police state aid under paragraph (b), each year \$100,000 ~~shall~~ must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

Sec. 4. Minnesota Statutes 2004, section 69.021, subdivision 11, is amended to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 11. **EXCESS POLICE STATE-AID HOLDING ACCOUNT.** (a) The excess police state-aid holding account is established in the general fund. The excess police state-aid holding account must be administered by the commissioner.

(b) Excess police state aid determined according to subdivision 10, must be deposited in the excess police state-aid holding account.

(c) From the balance in the excess police state-aid holding account, \$900,000 is appropriated to and must be transferred annually to the ambulance service personnel longevity award and incentive suspense account established by section 144E.42, subdivision 2.

(d) If a police officer stress reduction program is created by law and money is appropriated for that program, an amount equal to that appropriation must be transferred to the administrator of that program from the balance in the excess police state-aid holding account.

(e) On October 1, 1997, and annually on each subsequent ~~October 1~~ of each year, one-half of the balance of the excess police state-aid holding account remaining after the deductions under paragraphs (c) and (d) is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

(f) Annually, the remaining balance in the excess police state-aid holding account, after the deductions under paragraphs (c), (d), and (e), cancels to the general fund.

Sec. 5. Minnesota Statutes 2004, section 69.33, is amended to read:

69.33 NAMES OF ASSOCIATIONS REPORTED TO INSURANCE COMPANIES.

The commissioner shall enclose in the annual statement blank that is sent to all fire insurance companies doing business in this state a blank form containing the names of all firefighters' relief associations in all cities of the first class and the names of the cities and require these companies, at the time of making their annual statements to the commissioner, to state on these blanks the amount of premiums received by them upon properties insured within the corporate limits of the cities named thereon during the year ending December 31st last past. Thereafter, before July first each year, the commissioner shall certify to the commissioner of finance the information thus obtained, together with the amount of the tax for the benefit of the relief association pension plans covering firefighters in cities of the first class paid in such year by these companies upon these insurance premiums.

Sec. 6. Minnesota Statutes 2004, section 69.773, subdivision 4, is amended to read:

Subd. 4. **FINANCIAL REQUIREMENTS OF SPECIAL FUND.** ~~Prior to~~ Before August 1 of each year, the officers of the relief association shall determine the financial requirements of the special fund of the relief association in accordance with the requirements of this subdivision. The financial requirements of the relief association shall must be based on the most recent actuarial valuation of the special fund

New language is indicated by underline, deletions by ~~strikeout~~.

prepared in accordance with subdivision 2. If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation, the financial requirements ~~shall~~ must be determined by adding the figures calculated pursuant to under clauses (a), (b), and (c). If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation, the financial requirements ~~shall~~ must be an amount equal to the figure calculated pursuant to under clauses (a) and (b), reduced by an amount equal to one-tenth of the amount of any assets in excess of the actuarial accrued liability of the relief association. The determination of whether or not the relief association has an unfunded actuarial accrued liability ~~shall~~ must be based on the current market value of assets for which a market value is readily ascertainable and the cost or book value, whichever is applicable, for assets for which no market value is readily ascertainable.

(a) The normal level cost requirement for the following year, expressed as a dollar amount, ~~shall be~~ is the figure for the normal level cost of the relief association as reported in the actuarial valuation.

(b) The amount of anticipated future administrative expenses of the special fund ~~shall~~ must be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent year by the factor of 1.035.

(c) The amortization contribution requirement to retire the current unfunded actuarial accrued liability by the established date for full funding ~~shall be~~ is the figure for the amortization contribution as reported in the actuarial valuation. If there has ~~not~~ been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the special fund, a change in the bylaws of the relief association governing the service pensions, retirement benefits, or both payable from the special fund or a change in the actuarial cost method used to value all or a portion of the special fund which change or changes, which by themselves without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability of the special fund since December 31, 1970, the established date for full funding shall be December 31, 1990. If there has been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the special fund, a change in the bylaws of the relief association governing the service pensions, retirement benefits, or both payable from the special fund or a change in the actuarial cost method used to value all or a portion of the special fund and the change or changes, by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability of the special fund since December 31, 1970, but prior to January 1, 1979, the established date for full funding shall be December 31, 1998, and if there has been a change since December 31, 1978, the established date for full funding ~~shall~~ must be determined using the following procedure:

(i) the unfunded actuarial accrued liability of the special fund ~~shall~~ must be determined in accordance with the provisions governing service pensions, retirement benefits, and actuarial assumptions in effect before an applicable change;

New language is indicated by underline, deletions by ~~strikeout~~.

(ii) the level annual dollar contribution needed to amortize this unfunded actuarial accrued liability amount by the date for full funding in effect ~~prior to~~ before the change shall must be calculated using the interest assumption specified in section 356.215, subdivision 8, in effect before any applicable change;

(iii) the unfunded actuarial accrued liability of the special fund shall must be determined in accordance with any new provisions governing service pensions, retirement benefits, and actuarial assumptions and the remaining provisions governing service pensions, retirement benefits, and actuarial assumptions in effect before an applicable change;

(iv) the level annual dollar contribution needed to amortize the difference between the unfunded actuarial accrued liability amount calculated ~~pursuant to~~ under subclause (i) and the unfunded actuarial accrued liability amount calculated ~~pursuant to~~ under subclause (iii) over a period of 20 years starting December 31 of the year in which the change is effective shall must be calculated using the interest assumption specified in section 356.215, subdivision 8, in effect after any applicable change;

(v) the annual amortization contribution calculated ~~pursuant to~~ under subclause (iv) shall must be added to the annual amortization contribution calculated ~~pursuant to~~ under subclause (ii);

(vi) the period in which the unfunded actuarial accrued liability amount determined in subclause (iii) will be amortized by the total annual amortization contribution computed ~~pursuant to~~ under subclause (v) shall must be calculated using the interest assumption specified in section 356.215, subdivision 8, in effect after any applicable change, rounded to the nearest integral number of years, but which shall does not exceed a period of 20 years from the end of the year in which the determination of the date for full funding using this procedure is made and which shall is not be less than the period of years beginning in the year in which the determination of the date for full funding using this procedure is made and ending by the date for full funding in effect before the change;

(vii) the period determined ~~pursuant to~~ under subclause (vi) shall must be added to the date as of which the actuarial valuation was prepared and the resulting date shall be is the new date for full funding.

Sec. 7. Minnesota Statutes 2004, section 352.01, subdivision 4, is amended to read:

Subd. 4. **ACCUMULATED CONTRIBUTIONS.** "Accumulated contributions" means the total, exclusive of interest, of (1) the sums deducted from the salary of an employee, (2) the amount of payments, including assessments, paid by the employee in lieu of salary deductions and all other payments made under Laws 1929, chapter 191, as amended, this chapter and credited to the employee's individual account in the retirement fund.

Sec. 8. Minnesota Statutes 2004, section 352.01, subdivision 5, is amended to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 5. **RETIREMENT FUND.** (a) "Retirement fund" means the general state employees retirement fund created by section 352.04, subdivision 1, with respect to the general state employees retirement plan or the correctional state employees retirement fund created by section 352.911, subdivision 1, with respect to the correctional state employees retirement plan.

(b) "The retirement fund" includes the aggregate of accumulated contributions of employees covered by the applicable plan, and all other funds paid into the state treasury or received by the director under Laws 1929, chapter 191, as amended this chapter, together with all income and profits from the money and interest on it, including contributions on the part of the federal government, the state, and state departments.

Sec. 9. Minnesota Statutes 2004, section 352.01, subdivision 21, is amended to read:

Subd. 21. **ACCRUED ANNUITIES.** (a) In this chapter and chapters 3A, 352B, 352C, and 490, "accrued annuity" means an annuity that had become payable to a retired employee in the lifetime of the employee.

(b) An annuity or benefit authorized as provided in this chapter and chapters 3A, 352B, 352C, and 490 becomes payable on the first day of each calendar month for that calendar month and is ~~to~~ must be paid on the first day of each calendar month beginning with benefits payable on and after December 1, 1977.

(c) Notwithstanding any provision to the contrary in this chapter and chapters 3A, 352B, 352C, and 490, benefit payment authorized as "payable for life" is payable for the entire month in which death occurs, and the benefit payment for the month of death is payable to the surviving spouse or other beneficiary only if the annuitant dies before negotiating the benefit check.

Sec. 10. Minnesota Statutes 2004, section 352.01, subdivision 23, is amended to read:

Subd. 23. **COVERAGE OR COVERED BY THE SYSTEM.** "Coverage" or "covered by the system" means that a state ~~employees~~ employee who ~~serve~~ serves the state of Minnesota and ~~make~~ makes the required employee contributions to the retirement fund ~~will~~ is, by reason of these contributions ~~become~~, entitled to either (1) a retirement annuity, or (2) a disability benefit, or (3) a refund of accumulated contributions, as provided in this chapter.

Sec. 11. Minnesota Statutes 2004, section 352.021, subdivision 1, is amended to read:

Subdivision 1. **ESTABLISHMENT.** (a) There is established the general state employees retirement plan of the Minnesota State Retirement System for state employees.

(b) The system general state employees retirement plan is a continuation of the State Employees Retirement Association.

New language is indicated by underline, deletions by ~~strikeout~~.

(c) Any person who was a member of the State Employees Retirement Association on June 30, 1967, is covered by the system general state employees retirement plan and is entitled to all benefits provided by the system plan upon fulfilling the age, service, contribution, and other requirements of this chapter.

Sec. 12. Minnesota Statutes 2004, section 352.021, subdivision 2, is amended to read:

Subd. 2. **STATE EMPLOYEES COVERED.** Every person who is a state employee, as defined in section 352.01, on July 1, 1967, or becomes a state employee after that date as defined in section 352.01 is covered by the system general state employees retirement plan. Acceptance of state employment or continuance in state service is deemed to be consent to have deductions made from salary for deposit to the credit of the account of the state employee in the retirement fund.

Sec. 13. Minnesota Statutes 2004, section 352.021, subdivision 3, is amended to read:

Subd. 3. **OPTIONAL EXEMPTIONS.** Any person who is appointed by the governor or lieutenant governor may request exemption from coverage by the general state employees retirement plan under this chapter if the appointee is not so covered at by the plan on the date of appointment. To qualify for this exemption, a written request must be made within 90 days from the date of entering upon the duties of the position to which the person is appointed. After making the request, a person requesting the exemption is not entitled to coverage by the general state employees retirement plan while employed in the position that entitled that person to an exemption from coverage.

Sec. 14. Minnesota Statutes 2004, section 352.021, subdivision 4, is amended to read:

Subd. 4. **REENTERING SERVICE AFTER REFUND.** When a former employee who has withdrawn accumulated contributions reenters employment in a position entitled to coverage under the system general state employees retirement plan, the employee shall must be covered by the system plan on the same basis as a new employee and is not entitled to credit for any former service. The annuity rights forfeited when taking a refund can only be restored as provided in this chapter.

Sec. 15. Minnesota Statutes 2004, section 352.04, subdivision 1, is amended to read:

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

(b) Effective July 1, 1969, The general state employees retirement plan of the Minnesota State Retirement System shall must participate in the Minnesota postretirement investment fund. ~~In that fund there shall be deposited~~ The amounts provided in section 352.119 must be deposited in the Minnesota postretirement investment fund.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 16. Minnesota Statutes 2004, section 352.04, subdivision 12, is amended to read:

Subd. 12. **FUND DISBURSEMENT RESTRICTED.** The general state employees retirement fund and the participation in the Minnesota postretirement investment fund must be disbursed only for the purposes provided by law. The expenses of the system and any benefits provided by law, other than benefits payable from the Minnesota postretirement investment fund, must be paid from the general state employees retirement fund. The retirement allowances, retirement annuities, and disability benefits, as well as refunds of any sum remaining to the credit of a deceased retired employee or a disabled employee must be paid only from the general state employees retirement fund after the needs have been certified and the amounts withdrawn from the participation in the Minnesota postretirement investment fund under section 11A.18. The amounts necessary to make the payments from the general state employees retirement fund and the participation in the Minnesota postretirement investment fund are annually appropriated from these funds for those purposes.

Sec. 17. Minnesota Statutes 2004, section 352.041, subdivision 1, is amended to read:

Subdivision 1. **ALLOWABLE SERVICE CREDIT.** ~~Any~~ (a) An employee covered by the ~~system~~ general state employees retirement plan who ~~is given a leave of absence for employment by a political subdivision of the state shall remain a member of the plan and must continue to pay member contributions into the~~ general state employees retirement fund for the period of leave.

(b) Upon payment of member contributions, the employee must be given allowable service credit as a state employee on the records of the ~~system~~ retirement plan as though the employee had received salary from the state during the leave. Payments into the retirement fund ~~shall~~ must be at the rate required in section 352.04, subdivision 2, and must be based upon the salary received from the political subdivision ~~subject to the maximum amount, if any.~~

Sec. 18. Minnesota Statutes 2004, section 352.041, subdivision 2, is amended to read:

Subd. 2. **EMPLOYEE CONTRIBUTIONS, PROCEDURE.** The officer or employee who is authorized by law to pay salaries to employees of the political subdivision ~~which is employing a state employee shall have must deduct employee contributions deducted for the~~ general state employees retirement plan under section 352.04, subdivision 2, from the salary of each employee who is on leave of absence from state service on each payroll abstract and ~~shall~~ must pay the sum to the director following the conclusion of each pay period.

Sec. 19. Minnesota Statutes 2004, section 352.041, subdivision 3, is amended to read:

Subd. 3. **EMPLOYER CONTRIBUTIONS, PROCEDURE.** The officer or employee who is authorized by law to pay salaries to employees of the political

New language is indicated by underline, deletions by ~~strikeout~~.

subdivision which is employing a state employee covered by the system shall general state employees retirement plan also must have employer contributions made to the general state employees retirement fund ~~on~~ following the conclusion of each payroll abstract in the amount required by section 352.04, subdivision 3. These contributions are to must be charged to the political subdivision as an administrative cost.

Sec. 20. Minnesota Statutes 2004, section 352.041, subdivision 5, is amended to read:

Subd. 5. EMPLOYER CONTRIBUTIONS, LEAVES OF ABSENCE; TAX LEVIES. (a) Every political subdivision which is employing a state employee covered by the system on leave of absence from state service for employment by a political subdivision of the state shall must pay into the general state employees retirement fund the amount of the employer contribution required by law for state employees covered by the system under section 352.04, subdivision 3.

(b) Employing political subdivisions, except other than school districts, may levy taxes necessary for the payment of employer contributions without limitation as to rate or amount. The levy of the taxes does not reduce the amount of other taxes to that may be levied by political subdivisions, except other than school districts, which are subject to any limitation.

Sec. 21. Minnesota Statutes 2004, section 352.15, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTION; EXCEPTIONS.** None of the money, annuities, or other benefits mentioned in this chapter is assignable either in law or in equity or subject to execution, levy, attachment, garnishment, or other legal process, except as provided in subdivision 1a or section 518.58, 518.581, or 518.611. The provisions of section 356.401 apply to the general state employees retirement plan and to the correctional state employees retirement plan.

Sec. 22. Minnesota Statutes 2004, section 352.15, subdivision 3, is amended to read:

Subd. 3. DEDUCTING HEALTH OR DENTAL INSURANCE PREMIUMS. The board may direct authorize, at its discretion, the deduction of a retiree's health or dental insurance premiums and transfer of the amounts to a health or dental insurance carrier covering state employees. The insurance carrier must certify that the retired employee has signed an authorization for the deduction and provide a computer readable roster of covered retirees and amounts. The health or dental insurance carrier must refund deductions withheld from a retiree's check in error directly to the retiree. The board shall require that the insurance carrier to reimburse the fund for the administrative expense of withholding the premium amounts. The insurance carrier shall assume liability for any failure of the system to properly withhold the premium amounts.

Sec. 23. Minnesota Statutes 2004, section 352.15, subdivision 4, is amended to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 4. **DIRECT TRANSFER OF REFUNDS.** A direct transfer of account refunds under this chapter may be made to an individual retirement savings accounts account or a qualified retirement plans plan of the person upon the receipt of an application for transfer by a former employee, on forms acceptable to the executive director.

Sec. 24. Minnesota Statutes 2004, section 352.22, subdivision 10, is amended to read:

Subd. 10. **OTHER REFUNDS.** Former employees covered by the system are entitled to apply for refunds if they are or become members of the State Patrol retirement fund, the state Teachers Retirement Association, or employees of the University of Minnesota excluded from coverage under the system by action of the Board of Regents; or ~~labor service employees, excluded from coverage under section 352.01, subdivision 2b, clause (25);~~ or employees of the adjutant general who under federal law effectually elect membership in a federal retirement system; or officers or employees of the senate or house of representatives, excluded from coverage under section 352.01, subdivision 2b, clause (8) (7). The refunds must include accumulated contributions plus interest as provided in subdivision 2. These employees may apply for a refund once 30 days or more have elapsed after their coverage ceases, even if they continue in state service but in positions not covered by this chapter.

Sec. 25. Minnesota Statutes 2004, section 352B.01, subdivision 1, is amended to read:

Subdivision 1. **SCOPE.** In this chapter, each of the terms defined in this section ~~have~~ has the meanings meaning given them to it.

Sec. 26. Minnesota Statutes 2004, section 352B.01, subdivision 2, is amended to read:

Subd. 2. **MEMBER.** "Member" means:

(1) a State Patrol member currently employed ~~after June 30, 1943,~~ under section 299D.03 by the state, who is a peace officer under section 626.84, and whose salary or compensation is paid out of state funds;

(2) a conservation officer employed under section 97A.201, currently employed by the state, whose salary or compensation is paid out of state funds;

(3) a crime bureau officer who was employed by the crime bureau and was a member of the Highway Patrolmen's retirement fund on July 1, 1978, whether or not that person has the power of arrest by warrant after that date, or who is employed as police personnel, with powers of arrest by warrant under section 299C.04, and who is currently employed by the state, and whose salary or compensation is paid out of state funds;

(4) a person who is employed by the state in the Department of Public Safety in a data processing management position with salary or compensation paid from state funds, who was a crime bureau officer covered by the State Patrol retirement plan on

New language is indicated by underline, deletions by ~~strikeout~~.

August 15, 1987, and who was initially hired in the data processing management position within the department during September 1987, or January 1988, with membership continuing for the duration of the person's employment in that position, whether or not the person has the power of arrest by warrant after August 15, 1987;

(5) a public safety employee defined as who is a peace officer in under section 626.84, subdivision 1, paragraph (c), and who is employed with by the Division of Alcohol and Gambling Enforcement under section 299L.01; and

(6) a Fugitive Apprehension Unit officer after October 31, 2000, who is employed by the Office of Special Investigations of the Department of Corrections and who is a peace officer under section 626.84.

Sec. 27. Minnesota Statutes 2004, section 352B.01, subdivision 3, is amended to read:

Subd. 3. **ALLOWABLE SERVICE.** (a) "Allowable service" means:

(1) for members defined in subdivision 2, clause (a) (1), monthly service is granted for in any month for which payments have been made to the State Patrol retirement fund, and

(2) for members defined in subdivision 2, clauses (b) (2) and (e) (3), service for which payments have been made to the State Patrol retirement fund, service for which payments were made to the State Police officers retirement fund after June 30, 1961, and all prior service which was credited to a member for service on or before June 30, 1961.

(b) Allowable service also includes any period of absence from duty by a member who, by reason of injury incurred in the performance of duty, is temporarily disabled and for which disability the state is liable under the workers' compensation law, until the date authorized by the executive director for commencement of payment of a disability benefit or return to employment.

(c) MS 2002 (Expired)

(d) Allowable service means service in a month during which a member is paid a salary from which a member contribution is deducted, deposited, and credited in the State Patrol retirement plan.

Sec. 28. Minnesota Statutes 2004, section 352B.02, subdivision 1e, is amended to read:

Subd. 1e. **AUDIT; ACTUARIAL VALUATION.** The legislative auditor shall audit the fund. Any actuarial valuation of the fund required under section 356.215 must be prepared by the actuary retained under section 356.214. Any approved actuary retained by the executive director under section 352.03, subdivision 6, may perform actuarial valuations and experience studies to supplement those performed by the ~~commission retained~~ actuary retained under section 356.214. Any supplemental actuarial valuation or experience studies shall ~~must~~ be filed with the executive director of the Legislative Commission on Pensions and Retirement.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 29. Minnesota Statutes 2004, section 352B.071, is amended to read:

352B.071 EXEMPTION FROM PROCESS.

None of the money, annuities, or other benefits provided for in this chapter is assignable either in law or in equity or be subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.6111. The provisions of section 356.401 apply to the State Patrol retirement plan.

Sec. 30. Minnesota Statutes 2004, section 352D.01, is amended to read:

352D.01 ESTABLISHMENT.

There is hereby established within the Minnesota State Retirement System a retirement program for certain public employees to be known as the Minnesota unclassified employees retirement program, which shall be. The program must be administered by the Minnesota State Retirement System.

Sec. 31. Minnesota Statutes 2004, section 352D.015, subdivision 3, is amended to read:

Subd. 3. **SUPPLEMENTAL INVESTMENT FUND.** "Supplemental investment fund" means the fund established and governed by section 11A.17.

Sec. 32. Minnesota Statutes 2004, section 352D.015, subdivision 4, is amended to read:

Subd. 4. **GENERAL FUND.** "General fund" means the general state employees retirement fund except the moneys for the unclassified program.

Sec. 33. Minnesota Statutes 2004, section 352D.03, is amended to read:

352D.03 TRANSFER OF ASSETS.

Unless an eligible employee enumerated in section 352D.02, subdivision 1 or 1a, has elected coverage under the individual retirement account plan under chapter 354B, a sum of money representing the assets credited to each employee exercising the option contained in section 352D.02, plus an equal employer contribution together with interest for the employment period at the actuarially assumed rates applicable preretirement interest actuarial assumption rate during this period, compounded annually, shall must be used for the purchase of shares on behalf of each employee in the accounts of the supplemental retirement fund established by section 11A.17. Any employer's contribution to amortize the deficit in the state employee's retirement fund shall not, however, be used for the purchase of shares.

Sec. 34. Minnesota Statutes 2004, section 352D.05, subdivision 4, is amended to read:

Subd. 4. **REPAYMENT OF REFUND.** (a) A participant in the unclassified program may repay regular refunds taken pursuant to under section 352.22, as provided in section 352.23.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) A participant in the unclassified program or an employee covered by the general plan who has withdrawn the value of the total shares may repay the refund taken and thereupon restore the service credit, rights and benefits forfeited by paying into the fund the amount refunded plus interest at an annual rate of 8.5 percent compounded annually from the date that the refund was taken until the date that the refund is repaid. If the participant had withdrawn only the employee shares as permitted under prior laws, repayment shall must be pro rata. Payment shall

(c) Except as provided in section 356.441, the repayment of a refund under this section must be made in a lump sum.

Sec. 35. Minnesota Statutes 2004, section 352D.085, subdivision 1, is amended to read:

Subdivision 1. **COMBINED SERVICE.** Except as provided in section 356.30, 356.302, or 356.303, service under the unclassified program for which the employee has been credited with employee shares may be used for the limited purpose of qualifying for benefits under sections 352.115, 352.72, subdivision 1, 352.113, 354.44, 354.45, 354.48, and 354.60; provided such. The service also may not be used to qualify for a disability benefit under section 352.113 or 354.48 if a participant was under the unclassified program at the time of the disability, and provided further that. Also, the years of service and salary paid while the participant was in the unclassified program shall may not be used in determining the amount of benefits.

Sec. 36. Minnesota Statutes 2004, section 352D.09, subdivision 5, is amended to read:

Subd. 5. **UNCLAIMED BENEFITS.** If the beneficiary, surviving spouse or estate has not made application for benefits within ten years after the date of the death of a participant, the value of the shares shall be appropriated to the general state employees retirement fund and the provisions of section 352.12, subdivision 12 shall govern. If a former participant fails to make a claim for benefits within five years after the termination of covered service or by age 70, whichever is later, the value of the shares shall be appropriated to the general state employees retirement fund and the provisions of section 352.22, subdivision 8, shall apply.

Sec. 37. Minnesota Statutes 2004, section 352D.12, is amended to read:

352D.12 TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.

(a) An employee who is a participant in the unclassified program and who has prior service credit in a covered plan under chapters 3A, chapter 352, 352C, 353, 354, 354A, and or 422A may, within the time limits specified in this section, elect to transfer to the unclassified program prior service contributions to one or more of those plans. Participants with six or more years of prior service credit in a plan governed by chapter 3A or 352C on July 1, 1998, may not transfer prior service contributions. Participants with less than six years of prior service credit in a plan governed by chapter 3A or 352C on July 1, 1998, must be contributing to the unclassified plan on or after January 5, 1999, in order to transfer prior contributions.

(b) For participants with prior service credit in a plan governed by chapter 352, 353, 354, 354A, or 422A, "prior service contributions" means the accumulated employee and equal employer contributions with interest at an annual rate of 8.5 percent compounded annually, based on fiscal year balances. For participants with less than six years of service credit as of July 1, 1998, and with prior service credit in a plan governed by chapter 3A or 352C, "prior service contributions" means an amount equal to twice the amount of the accumulated member contributions plus annual compound interest at the rate of 8.5 percent, computed on fiscal year balances.

(c) If a participant has taken a refund from a retirement plan listed in this section, the participant may repay the refund to that plan, notwithstanding any restrictions on repayment to that plan, plus 8.5 percent interest compounded annually and have the accumulated employee and equal employer contributions transferred to the unclassified program with interest at an annual rate of 8.5 percent compounded annually based on fiscal year balances. If a person repays a refund and subsequently elects to have the money transferred to the unclassified program, the repayment amount, including interest, is added to the fiscal year balance in the year which the repayment was made.

(d) A participant electing to transfer prior service contributions credited to a retirement plan governed by chapter 352, 353, 354, 354A, or 422A as provided under this section must complete the a written application for the transfer and repay any refund within one year of the commencement of the employee's participation in the unclassified program. A participant electing to transfer prior service contributions credited to a retirement plan governed by chapter 3A or 352C as provided under this section must complete the application for the transfer and repay any refund between January 5, 1999, and June 1, 1999, if the employee commenced participation in the unclassified program before January 5, 1999, or within one year of the commencement of the employee's participation in the unclassified program if the employee commenced participation in the unclassified program after January 4, 1999.

Sec. 38. Minnesota Statutes 2004, section 353.01, subdivision 32, is amended to read:

Subd. 32. **COORDINATED MEMBER.** "Coordinated member" means any a public employee, including any a public hospital employee, who is covered by any an agreement or modification made between the state and the Secretary of Health, Education and Welfare Human Services, making the provisions of the federal Old Age, Survivors and Disability Insurance Act applicable to the member if the membership eligibility criteria are met under this chapter. A coordinated member also is a former basic member who has a complete and continuous separation for at least 30 days from employment as a public employee meeting the requirements specified in subdivision 28, paragraphs (a) and (b), and who reenters public service as a public employee and meets the membership eligibility criteria under this chapter.

Sec. 39. Minnesota Statutes 2004, section 353.01, subdivision 33, is amended to read:

Subd. 33. **BASIC MEMBER.** "Basic member" means any a public employee, including any a public hospital employee, who is not covered by any agreement or

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modification made between the state and the Secretary of Health, ~~Education and Welfare~~ Human Services.

Sec. 40. Minnesota Statutes 2004, section 353.025, is amended to read:

353.025 RANGE ASSOCIATION OF MUNICIPALITIES AND SCHOOLS.

~~From and after January 1, 1982, Employees of the Range Association of Municipalities and Schools hereinafter referred to as the association, shall become~~ are coordinated members of the general employees retirement plan of the Public Employees Retirement Association unless specifically exempt under section 353.01, subdivision 2b, and. ~~The Range Association shall be deemed to be of Municipalities and Schools is a governmental subdivision for the purposes of this chapter.~~

Sec. 41. Minnesota Statutes 2004, section 353.026, is amended to read:

353.026 COVERAGE FOR CERTAIN MUNICIPAL AND SCHOOL DISTRICT EMPLOYEES.

Any person who was employed by the city of Minneapolis, Special School District No. 1, or public corporation as defined in section 422A.01, subdivision 9, on or after July 1, 1978, ~~and prior to before~~ before July 1, 1979, and who was excluded from retirement coverage by the coordinated program of the Minneapolis municipal employees retirement fund pursuant to under section 422A.09, subdivision 3, ~~shall be~~ is entitled to retirement coverage by the general employees retirement plan of the Public Employees Retirement Association unless specifically excluded pursuant to under section 353.01, subdivision 2b, from and after May 19, 1981.

Sec. 42. Minnesota Statutes 2004, section 353.027, is amended to read:

353.027 RETENTION OF COVERAGE FOR CERTAIN MUNICIPAL COURT EMPLOYEES.

Any person employed on January 1, 1975, by a municipal court established pursuant to under Minnesota Statutes 1957, section 488.03, and located in the cities of New Brighton, Roseville, Maplewood, North Saint Paul, White Bear Lake, or St. Paul ~~shall be~~ is eligible for membership in the general employees retirement plan of the Public Employees Retirement Association and shall retain retains any rights or benefits the person had attained as a member of the general employees retirement plan of the association on January 1, 1975, so long as the person remains an employee of the municipal court of Ramsey County.

Sec. 43. Minnesota Statutes 2004, section 353.028, is amended to read:

353.028 CITY MANAGERS; ELECTION; DEFERRED COMPENSATION.

Subdivision 1. **DEFINITIONS.** (a) For purposes of this section, each of the terms in this subdivision has the meaning indicated.

(b) "City manager" means (1) a person who is duly appointed to and is holding the position of city manager in a Plan B statutory city or in a home rule city operating

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under the "council-manager" form of government, or (2) a person who is appointed to and is holding the position of chief administrative officer of a home rule charter city or a statutory city pursuant to under a charter provision, ordinance, or resolution establishing such a position and prescribing its duties and responsibilities.

(c) "Governing body" means the city council of the city employing the city manager.

(d) "Election" means the election described in subdivision 2.

Subd. 2. **ELECTION.** (a) A city manager may elect to be excluded from membership in the general employees retirement plan of the Public Employees Retirement Association. The election of exclusion must be made within six months following the commencement of employment, must be made in writing on a form prescribed by the executive director, and must be approved by a resolution of adopted by the governing body of the city. The election of exclusion is not effective until it is filed with the executive director. Membership of a city manager in the association general employees retirement plan ceases on the date the written election is received by the executive director or upon a later date specified. Employee and employer contributions made on behalf of a person exercising the option to be excluded from membership under this section must be refunded in accordance with section 353.27, subdivision 7.

(b) A city manager who has elected exclusion under this subdivision may elect to revoke that action by filing a written notice with the executive director. The notice must be on a form prescribed by the executive director and must be approved by a resolution of the governing body of the city. Membership of the city manager in the association resumes prospectively from the date of the first day of the pay period for which contributions were deducted or, if pay period coverage dates are not provided, the date on which the notice of revocation or contributions are received in the office of the association, provided that the notice of revocation is received by the association within 60 days of the receipt of contributions.

(c) An election under paragraph (b) is irrevocable. Any election under paragraph (a) or (b) must include a statement that the individual will not seek authorization to purchase service credit for any period of excluded service.

Subd. 3. **DEFERRED COMPENSATION; CITY CONTRIBUTION.** If an election of exclusion is made, and if the city manager and the governing body of the city additionally agree in writing that the additional compensation is to be deferred and shall is to be contributed on behalf of the city manager to a deferred compensation program which meets the requirements of section 457 of the Internal Revenue Code of 1954 1986, as amended ~~through December 31, 1980~~, the governing body may compensate the city manager, in addition to the salary allowed under any limitation imposed on salaries by law or charter, in an amount equal to the employer contribution which would be required by section 353.27, subdivision 3, if the city manager were a member of the association general employees retirement plan.

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Subd. 4. **REFUNDS; DEFERRED ANNUITY.** A city manager who makes an election to be excluded from membership is entitled to a refund of accumulated deductions or, if otherwise qualified, a deferred annuity in the manner provided by under section 353.34, at the option of the manager.

Subd. 5. **ELECTION; OTHER EMPLOYMENT.** If a city manager who has made an election to be excluded subsequently accepts employment in another governmental subdivision or subsequently accepts employment other than as a city manager in the same city, the election ~~shall be deemed to have been~~ is rescinded on the effective date of employment.

Sec. 44. Minnesota Statutes 2004, section 353.14, is amended to read:

353.14 BENEFITS FROM OTHER FUNDS.

No annuity or benefit provided by this chapter ~~shall may~~ be affected, diminished, or impaired by any pension, benefit, or annuity which any member or survivor is entitled to receive from a tax supported public retirement plan or system authorized by any other law; ~~for based on service that is~~ different service than the service for which the member or survivor is entitled to receive benefit or annuity from a retirement plan administered by the Public Employees Retirement Association.

Sec. 45. Minnesota Statutes 2004, section 353.15, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTION; EXCEPTIONS.** No money, annuity, or benefit provided for in this chapter is assignable or subject to execution, levy, attachment, garnishment, or legal process, ~~except as provided in subdivision 2 or section 518.58, 518.581, or 518.611.~~ The provisions of section 356.401 apply to the general employees retirement plan, to the public employees police and fire retirement plan, and to the local government correctional service retirement plan.

Sec. 46. Minnesota Statutes 2004, section 353.15, subdivision 3, is amended to read:

Subd. 3. **PAYMENT TO PUBLIC BODIES.** If, in the judgment of the executive director, conditions so warrant, payment of an annuity, a retirement benefit, or a refund may be made to a public body in behalf of an annuitant, disabiltant, or survivor upon such terms as the executive director may prescribe.

Sec. 47. Minnesota Statutes 2004, section 353.27, subdivision 11, is amended to read:

Subd. 11. **EMPLOYERS; REQUIRED TO FURNISH REQUESTED INFORMATION.** (a) All governmental subdivisions shall furnish promptly such other information relative to the employment status of all employees or former employees, including, but not limited to, payroll abstracts pertaining to all past and present employees, as may be requested by the ~~association or its~~ executive director, including schedules of salaries applicable to various categories of employment.

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(b) In the event payroll abstract records have been lost or destroyed, for whatever reason or in whatever manner, so that such schedules of salaries cannot be furnished therefrom, the employing governmental subdivision, in lieu thereof, shall furnish to the association an estimate of the earnings of any employee or former employee for any period as may be requested by the association or its executive director. ~~Should~~ If the association ~~receive such schedules is provided a schedule~~ of estimated earnings, the executive director is hereby authorized to use the same as a basis for making whatever computations might be necessary for determining obligations of the employee and employer to the retirement fund. If estimates are not furnished by the employer pursuant to at the request of the association or its executive director, the association executive director may estimate the obligations of the employee and employer to the retirement fund based upon such those records as that are in its possession. Where payroll abstracts have been lost or destroyed, the governmental agency need not furnish any information pertaining to employment prior to July 1, 1963. The association shall make no estimate of any obligation of any employee, former employee, or employer covering employment prior to July 1, 1963.

Sec. 48. Minnesota Statutes 2004, section 353.271, is amended to read:

353.271 PARTICIPATION IN MINNESOTA POSTRETIREMENT INVESTMENT FUND.

Subdivision 1. **AUTHORIZATION.** The general employees retirement plan of the Public Employees Retirement Association, including the public employees police and fire fund but excluding the various local relief association consolidation accounts, is retirement plan, and the local government correctional service retirement plan are authorized to participate in the Minnesota postretirement investment fund. There ~~shall be~~ is one general participation in the Minnesota postretirement investment fund for all purposes by each plan of the Public Employees Retirement fund and one general participation in the Minnesota postretirement investment fund for all purposes by the public employees police and fire fund Association.

Subd. 2. **VALUATION OF ASSETS; ADJUSTMENT OF BENEFITS.** (4) (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 by the Legislative Commission on Pensions and Retirement 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, shall must be transferred to the Minnesota postretirement investment fund as of the last business day of the month in which the retirement annuity begins.

(2) (b) Annuity payments other than those payable from the various local relief association consolidation accounts shall must be adjusted in accordance with the provisions of section 11A.18.

(3) (c) Increases in payments pursuant to under this section or from the various local relief association consolidation accounts, if applicable, will must be made

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automatically unless the intended recipient files written notice with the executive director of the Public Employees Retirement Association requesting that the increase shall not be made.

Sec. 49. Minnesota Statutes 2004, section 353.31, subdivision 1c, is amended to read:

Subd. 1c. **COORDINATED MEMBERS.** Except for benefits provided under section 353.32, subdivisions 1 and 1a, no survivor benefits are payable to the surviving spouse or dependent children of a deceased coordinated member.

Sec. 50. Minnesota Statutes 2004, section 353.32, subdivision 9, is amended to read:

Subd. 9. **PAYMENT TO A MINOR.** If a member or former member dies having named as beneficiary a person who is a minor at the time of the application for refund, the board may make the payment ~~(a) (1) directly to the minor, (b) (2) to any a person who has legally qualified and is acting as guardian of the minor's person or property in any jurisdiction, or (c) (3) to either parent of the minor or to any an adult person with whom the minor may at the time be living, provided only that.~~ The parent or other person to whom any amount is to be paid shall have advised must advise the board in writing that the amount will be held or used in trust for the benefit of such minor. Any annuity or disability benefit payable at the time of death of an annuitant or recipient of a disability benefit, which is payable to a beneficiary who is a minor, may be paid in the same manner. Such The payment shall be is a bar to recovery by any other person or persons.

Sec. 51. Minnesota Statutes 2004, section 353.33, subdivision 12, is amended to read:

Subd. 12. **BASIC DISABILITY SURVIVOR BENEFITS.** If a basic member who is receiving a disability benefit under subdivision 3:

~~(a) (1) dies before attaining age 65 or within five years of the effective date of the disability, whichever is later, the surviving spouse shall is entitled to receive a survivor benefit under section 353.31, unless the surviving spouse elected to receive a refund under section 353.32, subdivision 1;~~

~~(b) (2) is living at age 65 or five years after the effective date of the disability, whichever is later, the basic member may continue to receive a normal disability benefit, or elect a joint and survivor optional annuity under section 353.31, subdivision 1b. The election of the joint and survivor optional annuity must occur within 90 days of attaining age 65 or of reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. The optional annuity takes effect on the first day of the month following the month in which the person attains age 65 or reaches the five-year anniversary of the effective date of the disability benefit, whichever is later;~~
or

~~(c) (3) if there is a dependent child or children under paragraph (a) or (b) clause (1) or (2), the association shall grant dependent child is entitled to a dependent child benefit under section 353.31, subdivision 1b, paragraph (b).~~

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 52. Minnesota Statutes 2004, section 354.091, is amended to read:

354.091 SERVICE CREDIT.

(a) In computing service credit, no teacher ~~shall~~ may receive credit for more than one year of teaching service for any fiscal year. ~~Commencing July 1, 1961~~ Additionally, in crediting allowable service:

(1) if a teacher teaches less than five hours in a day, service credit must be given for the fractional part of the day as the term of service performed bears to five hours;

(2) if a teacher teaches five or more hours in a day, service credit must be given for only one day;

(3) if a teacher teaches at least 170 full days in any fiscal year, service credit must be given for a full year of teaching service; and

(4) if a teacher teaches for only a fractional part of the year, service credit must be given for such fractional part of the year in the same relationship as the period of service performed bears to 170 days.

(b) A teacher ~~shall~~ must receive a full year of service credit based on the number of days in the employer's full school year if it that school year is less than 170 days. Teaching service performed before July 1, 1961, must be computed under the law in effect at the time it was performed.

(c) A teacher must not lose or gain retirement service credit as a result of the employer converting to a flexible or alternate work schedule. If the employer converts to a flexible or alternate work schedule, the forms for reporting teaching service and the procedures for determining service credit must be determined by the executive director with the approval of the board of trustees.

(d) For all services rendered on or after July 1, 2003, service credit for all members employed by the Minnesota State Colleges and Universities system must be determined:

(1) for full-time employees, by the definition of full-time employment contained in the collective bargaining agreement for those units listed in section 179A.10, subdivision 2, or contained in the applicable personnel or salary plan for those positions designated in section 179A.10, subdivision 1;

(2) for part-time employees, by the appropriate proration of full-time equivalency based on the provisions contained in the collective bargaining agreement for those units listed in section 179A.10, subdivision 2, or contained in the applicable personnel or salary plan for those positions designated in section 179A.10, subdivision 1, and the applicable procedures of the Minnesota State Colleges and Universities system; and

(3) in no case may a member receive more than one year of service credit for any fiscal year.

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Sec. 53. Minnesota Statutes 2004, section 354.10, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTION; EXCEPTIONS.** (a) The provisions of section 356.401 apply to the teachers retirement plan.

(b) The right of a teacher to take advantage of the benefits provided by this chapter, is a personal right only and is not assignable. All money to the credit of a teacher's account in the fund or any money payable to the teacher from the fund belongs to the state of Minnesota until actually paid to the teacher or a beneficiary under this chapter.

(c) The association may acknowledge a properly completed power of attorney form. ~~An assignment or attempted assignment of a teacher's interest in the fund, or of the beneficiary's interest in the fund, by a teacher or a beneficiary is void and exempt from garnishment or levy under attachment or execution, except as provided in subdivision 2 or 3, or section 518.58, 518.581, or 518.6111.~~

Sec. 54. Minnesota Statutes 2004, section 354.10, subdivision 3, is amended to read:

Subd. 3. **PAYMENT TO PUBLIC BODIES.** If, in the judgment of the executive director, conditions so warrant, payment of an annuity, a retirement benefit, or a refund may be made to a public body in behalf of an annuitant, disabilitant, or survivor upon such terms as the executive director may prescribe.

Sec. 55. Minnesota Statutes 2004, section 354.10, subdivision 4, is amended to read:

Subd. 4. **CHANGES IN DESIGNATED BENEFICIARIES.** Any (a) A beneficiary designated by a retiree or member under section 354.05, subdivision 22, may be changed or revoked by the retiree or member on a form provided by the executive director.

(b) A change or revocation made under this subdivision is valid only if the properly completed form is received by the association on or before the date of death of the retiree or the member.

(c) If a designated beneficiary dies before the retiree or member designating the beneficiary, and a new beneficiary is not designated, the retiree's or member's estate is the beneficiary.

Sec. 56. Minnesota Statutes 2004, section 354.33, subdivision 5, is amended to read:

Subd. 5. **RETIREEES NOT ELIGIBLE FOR FEDERAL BENEFITS.** Notwithstanding the provisions of section 354.55, subdivision 3, when any person retires after July 1, 1973, who (a) (1) has ten or more years of allowable service, and (b) (2) does not have any retroactive Social Security coverage by reason of the person's position in the retirement system, and (c) (3) does not qualify for federal old age and survivor

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primary benefits at the time of retirement, the annuity ~~shall~~ must be computed under section 354.44, subdivision 2, of the law in effect on June 30, 1969, except that accumulations after June 30, 1957, ~~shall must~~ be calculated using the same mortality table and interest assumption ~~as are~~ used to transfer the required reserves to the Minnesota postretirement investment fund.

Sec. 57. Minnesota Statutes 2004, section 354.39, is amended to read:

354.39 EFFECTIVE DATE; APPLICATION.

~~After July 1, 1971, any A~~ member of the Teachers Retirement Association ~~who is~~ employed in a new state university ~~and or any~~ other new institutions ~~institution of~~ higher learning not included in any agreement or modification made between the state and the federal Secretary of Health, Education and Welfare Human Services, making the provisions of the federal Old Age ~~and~~ Survivors ~~and~~ Disability Insurance Act applicable to such members, ~~shall must~~ be covered under the provisions of this chapter applicable to coordinated members.

Sec. 58. Minnesota Statutes 2004, section 354.41, subdivision 2, is amended to read:

Subd. 2. **TEACHERS.** Every teacher ~~after June 30, 1957, in the service or~~ entering the service of the state or one of its governmental subdivisions ~~subdivisions as~~ a teacher, except persons ~~specifically~~ specifically excluded, ~~shall must~~ become a member of the association by the acceptance of such employment.

Sec. 59. Minnesota Statutes 2004, section 354.42, is amended by adding a subdivision to read:

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

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

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

Sec. 60. Minnesota Statutes 2004, section 354.44, subdivision 2, is amended to read:

Subd. 2. **COMPUTATION OF MONEY PURCHASE ANNUITY.** (a) The amount of retirement annuity is an amount equal to double the annuity which could be

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purchased by the member's accumulated deductions plus interest thereon. The annuity ~~shall must~~ be determined by the member's age, sex, double the amount of accumulated deductions, double the amount of interest earned on the accumulated deductions, and the appropriate mortality tables and interest rates. To determine the amount of the annuity for a basic member, the accumulated deductions ~~prior to before~~ July 1, 1957, and the accumulated deductions ~~subsequent to after~~ July 1, 1957, shall must be considered separately.

(1) ~~(b)~~ For service rendered ~~prior to before~~ July 1, 1957, the accumulated deductions for any a member shall must be carried forward at a fixed amount which is shown credited to the member's account as of that date. That fixed amount shall must also include any payments in lieu of salary deductions which ~~are to be made in the future and are~~ were actually so made pursuant to under an agreement executed between the member and the board as authorized by section 354.50 or any other authorized payments made by the member to the fund. The annuity granted with respect to the period shall must be determined as follows:

(a) ~~(1)~~ the fixed amount of the accumulated deductions for the period including the interest credited on the amount as earned up to July 1, 1957; and

~~(b)~~ ~~(2)~~ annuity purchase rates based on the applicable mortality table established by the board and the interest rate assumption in effect ~~prior to before~~ July 1, 1957, in the case of basic members and an annuity purchase rate based on an appropriate annuity table of mortality established by the board as provided in section 354.07, subdivision 1, and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 8, in the case of coordinated members.

~~(2)~~ ~~(c)~~ For service rendered ~~subsequent to after~~ July 1, 1957, the accumulated deductions for any a member shall must consist of the amounts actually credited to the member's account by reason of salary deductions. The annuity granted with respect to the period shall must be determined by the following:

(a) ~~(1)~~ accumulated deductions for the period;

~~(b)~~ ~~(2)~~ interest credited on these accumulated deductions from July 1, 1957, to the date of retirement;

~~(e)~~ ~~(3)~~ interest credited on accumulated deductions including prior credited interest provided in paragraph ~~(1)~~ ~~(b)~~ from July 1, 1957, to the date of retirement;

~~(d)~~ ~~(4)~~ after the amount available for an annuity granted with respect to the person is determined in accordance with the provisions of this subdivision, an additional amount equal to 20 percent of the sum of clause ~~(2)~~~~(a)~~ ~~(1)~~ plus interest credited to ~~members~~ a member's account from July 1, 1957, to date of retirement is to be added. This added amount is not to be doubled as provided for other amounts determined in this subdivision; and

~~(e)~~ ~~(5)~~ the annuity purchase rate based on an appropriate annuity table of mortality established by the board as provided in section 354.07, subdivision 1, and using the

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applicable postretirement interest rate assumption specified in section 356.215, subdivision 8,

Sec. 61. Minnesota Statutes 2004, section 354A.021, subdivision 5, is amended to read:

Subd. 5. **TAX SHELTERED ANNUITY PROGRAM AND FUND.** ~~Any A~~ teachers retirement fund association may establish a tax sheltered annuity program and fund meeting the requirements of section 403(b) of the Internal Revenue Code of 1986, as amended through December 31, 1992, which shall must include all assets which were acquired for the specific purpose of being credited to the program and fund and to which ~~shall must~~ be credited all employee contributions, and employer contributions, if negotiated under a collective bargaining agreement, designated for this purpose and all interest income attributable to the assets of the program and fund.

Sec. 62. Minnesota Statutes 2004, section 354A.097, subdivision 1, is amended to read:

Subdivision 1. **SERVICE CREDIT PURCHASE AUTHORIZED.** A teacher who has at least three years of allowable service credit with the teachers retirement fund association and who performed service in the United States armed forces before becoming a teacher as defined in section 354A.011, subdivision 27, or who failed to obtain service credit for a military leave of absence period under section 354A.093, is entitled to purchase allowable service credit for the initial period of enlistment, induction, or call to active duty without any voluntary extension by making payment under section 356.55 provided 356.551 if the teacher has not purchased service credit from another Minnesota defined benefit public employee pension plan for the same period of service.

Sec. 63. Minnesota Statutes 2004, section 354A.31, subdivision 5, is amended to read:

Subd. 5. **UNREDUCED NORMAL RETIREMENT ANNUITY.** Upon retirement at normal retirement age with at least three years of service credit, a coordinated member ~~shall be is~~ entitled to a normal retirement annuity calculated pursuant to under subdivision 4 or 4a, whichever applies.

Sec. 64. **[356.401] EXEMPTION FROM PROCESS.**

Subdivision 1. **EXEMPTION; EXCEPTIONS.** None of the money, annuities, or other benefits provided for in the governing law of a covered retirement plan is assignable either in law or in equity or subject to state estate tax, or to execution, levy, attachment, garnishment, or other legal process, except as provided in subdivision 2 or section 518.58, 518.581, or 518.6111.

Subd. 2. **AUTOMATIC DEPOSITS.** (a) The chief administrative officer of a covered retirement plan may remit, through an automatic deposit system, annuity, benefit, or refund payments only to a financial institution associated with the National Automated Clearinghouse Association or a comparable successor organization that is

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trustee for a person who is eligible to receive the annuity, benefit, or refund.

(b) Upon the request of a retiree, disabilitant, survivor, or former member, the chief administrative officer of a covered retirement plan may remit the annuity, benefit, or refund check to the applicable financial institution for deposit in the person's individual account or the person's joint account. An overpayment to a joint account after the death of the annuitant or benefit recipient must be repaid to the fund of the applicable covered retirement plan by the joint tenant if the overpayment is not repaid to that fund by the financial institution associated with the National Automated Clearinghouse Association or its successor. The governing board of the covered retirement plan may prescribe the conditions under which these payments may be made.

Subd. 3. COVERED RETIREMENT PLANS. The provisions of this section apply to the following retirement plans:

- (1) the legislators retirement plan, established by chapter 3A;
- (2) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;
- (3) the correctional state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;
- (4) the State Patrol retirement plan, established by chapter 352B;
- (5) the elective state officers retirement plan, established by chapter 352C;
- (6) the unclassified state employees retirement program, established by chapter 352D;
- (7) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353;
- (8) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;
- (9) the public employees defined contribution plan, established by chapter 353D;
- (10) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E;
- (11) the Teachers Retirement Association, established by chapter 354;
- (12) the Duluth Teachers Retirement Fund Association, established by chapter 354A;
- (13) the Minneapolis Teachers Retirement Fund Association, established by chapter 354A;
- (14) the St. Paul Teachers Retirement Fund Association, established by chapter 354A;

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- (15) the individual retirement account plan, established by chapter 354B;
- (16) the higher education supplemental retirement plan, established by chapter 354C;
- (17) the Minneapolis employees retirement fund, established by chapter 422A;
- (18) the Minneapolis Police Relief Association, established by chapter 423B;
- (19) the Minneapolis Firefighters Relief Association, established by chapter 423C; and
- (20) the judges retirement fund, established by sections 490.121 to 490.132.

Sec. 65. Minnesota Statutes 2004, section 356.551, is amended to read:

356.551 POST JULY 1, 2003 2004, PRIOR SERVICE CREDIT PURCHASE PAYMENT AMOUNT DETERMINATION PROCEDURE.

Subdivision 1. **APPLICATION.** (a) Unless the prior service credit purchase authorization special law or general statute provision explicitly specifies a different purchase payment amount determination procedure, and if section 356.55 has expired, this section governs the determination of the prior service credit purchase payment amount of any prior service credit purchase.

(b) The purchase payment amount determination procedure must recognize any service credit accrued to the purchaser in a pension plan enumerated in section 356.30, subdivision 3.

(c) Any service credit in a Minnesota defined benefit public employee pension plan available to be reinstated by the purchaser through the repayment of a refund of member or employee contributions previously received must be repaid in full before any purchase of prior service credit payment is made under this section.

Subd. 2. **DETERMINATION.** (a) Unless the minimum purchase amount set forth in paragraph (c) applies, the prior service credit purchase amount is an amount equal to the actuarial present value, on the date of payment, as calculated by the chief administrative officer of the pension plan and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.214, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section.

(b) Calculation of this amount must be made using the preretirement interest rate applicable to the public pension plan specified in section 356.215, subdivision 4d 8, and the mortality table adopted for the public pension plan. The calculation must assume continuous future service in the public pension plan until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including section 356.30, are met with the additional service credit purchased. The calculation must also assume a full-time equivalent salary, or actual salary, whichever is greater, and a future salary history that includes annual salary increases at the applicable salary increase rate

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for the plan specified in section 356.215, subdivision 4d.

(c) The prior service credit purchase amount may not be less than the amount determined by applying the current employee or member contribution rate, the employer contribution rate, and the additional employer contribution rate, if any, to the person's current annual salary and multiplying that result by the number of whole and fraction years of service to be purchased.

(d) Payment must be made in one lump sum within one year of the prior service credit authorization. Payment of the amount calculated under this section must be made by the applicable eligible person.

(e) However, the current employer or the prior employer may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 8.5 percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this subdivision, the purchaser must make the employee payments required under this subdivision within 290 90 days of the prior service credit authorization. If that employee payment is made, the employer payment under this subdivision must be remitted to the chief administrative officer of the public pension plan within 60 days of receipt by the chief administrative officer of the employee payments specified under this subdivision.

Subd. 3. **DOCUMENTATION.** The prospective prior service credit purchaser must provide any relevant documentation required by the chief administrative officer of the applicable public pension plan to determine eligibility for the prior service credit under this section.

Subd. 4. **PAYMENT PRECONDITION FOR CREDIT GRANT.** Service credit for the purchase period must be granted by the public pension plan to the purchaser upon receipt of the full purchase payment amount specified in subdivision 2.

Sec. 66. Minnesota Statutes 2004, section 356A.06, subdivision 7, is amended to read:

Subd. 7. **EXPANDED LIST OF AUTHORIZED INVESTMENT SECURITIES.** (a) **AUTHORITY.** Except to the extent otherwise authorized by law or bylaws, a covered pension plan not described by subdivision 6, paragraph (a), may invest its assets only in accordance with this subdivision.

(b) **SECURITIES GENERALLY.** The covered pension plan has the authority to purchase, sell, lend, or exchange the securities specified in paragraphs (c) to (g), including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned as units in commingled trusts that own the securities described in paragraphs (c) to (g).

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(c) **GOVERNMENT OBLIGATIONS.** The covered pension plan may invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which funds may be invested under this paragraph include guaranteed or insured issues of (1) the United States, its agencies, its instrumentalities, or organizations created and regulated by an act of Congress; (2) Canada and its provinces, provided the principal and interest is payable in United States dollars; (3) the states and their municipalities, political subdivisions, agencies, or instrumentalities; (4) the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or any other United States government sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars.

(d) **CORPORATE OBLIGATIONS.** The covered pension plan may invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof if they conform to the following provisions:

(1) the principal and interest of obligations of corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof must be payable in United States dollars; and

(2) obligations must be rated among the top four quality categories by a nationally recognized rating agency.

(e) **OTHER OBLIGATIONS.** (1) The covered pension plan may invest funds in bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage participation certificates and pools, asset backed securities, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions:

(i) bankers acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency;

(ii) certificates of deposit are limited to those issued by (A) United States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies; or (B) credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration;

(iii) commercial paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency;

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(iv) mortgage participation or pass through certificates evidencing interests in pools of first mortgages or trust deeds on improved real estate located in the United States where the loan to value ratio for each loan as calculated in accordance with section 61A.28, subdivision 3, does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3;

(v) collateral for repurchase agreements and reverse repurchase agreements is limited to letters of credit and securities authorized in this section;

(vi) guaranteed investment contracts are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply with the requirements of this subdivision;

(vii) savings accounts are limited to those fully insured by federal agencies; and

(viii) asset backed securities must be rated in the top four quality categories by a nationally recognized rating agency.

(2) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates of deposit and collateralization agreements executed by the covered pension plan under clause (1), item (ii).

(3) In addition to investments authorized by clause (1), item (iv), the covered pension plan may purchase from the Minnesota Housing Finance Agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The covered pension plan may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The covered pension plan may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the covered pension plan comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The covered pension plan may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

(f) **CORPORATE STOCKS.** The covered pension plan may invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or the states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange, if they conform to the following provisions:

(1) the aggregate value of corporate stock investments, as adjusted for realized profits and losses, must not exceed 85 percent of the market or book value, whichever

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is less, of a fund, less the aggregate value of investments according to subdivision 6 paragraph (g);

(2) investments must not exceed five percent of the total outstanding shares of any one corporation.

(g) **OTHER INVESTMENTS.** (1) In addition to the investments authorized in paragraphs (b) to (f), and subject to the provisions in clause (2), the covered pension plan may invest funds in:

(i) venture capital investment businesses through participation in limited partnerships and corporations;

(ii) real estate ownership interests or loans secured by mortgages or deeds of trust through investment in limited partnerships, bank sponsored collective funds, trusts, and insurance company commingled accounts, including separate accounts;

(iii) regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940;

(iv) resource investments through limited partnerships, private placements, and corporations; and

(v) international securities.

(2) The investments authorized in clause (1) must conform to the following provisions:

(i) the aggregate value of all investments made according to clause (1) may not exceed 35 percent of the market value of the fund for which the covered pension plan is investing;

(ii) there must be at least four unrelated owners of the investment other than the ~~state board~~ covered pension plan for investments made under clause (1), item (i), (ii), (iii), or (iv);

(iii) covered pension plan participation in an investment vehicle is limited to 20 percent thereof for investments made under clause (1), item (i), (ii), (iii), or (iv); and

(iv) covered pension plan participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The covered pension plan may not engage in any activity as a limited partner which creates general liability.

Sec. 67. Minnesota Statutes 2004, section 422A.01, subdivision 11, is amended to read:

Subd. 11. **EMPLOYEE.** "Employee" means ~~any~~ a person who is not exempted from the contributing class pursuant to under section 422A.09, subdivision 3, who is was employed before July 1, 1979, by and paid, in whole or in part, by the city or any of its boards, departments, or commissions, operated as a department of city

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government or independently if financed in whole or in part by city funds, including any a person who was employed by a public corporation as herein defined, and including any a person who was employed before July 1, 1979, by Special School District No. 1, and who is not a member of any other retirement system, and also including any a person who is was employed before July 1, 1973, by the county of Hennepin, who was entitled by law to elect and has elected to retain membership in the municipal Minneapolis Employees Retirement Fund and who makes any required member contributions to the fund and who remains so employed.

Sec. 68. Minnesota Statutes 2004, section 422A.06, subdivision 7, is amended to read:

Subd. 7. **DISABILITY BENEFIT FUND.** (a) The required reserves for disability allowances which become effective after December 31, 1973, shall be transferred from the deposit accumulation fund to the A disability benefit fund is established, containing the required reserves for disability allowances under this chapter. A proportionate share of income from investments shall must be allocated to this fund. There shall must be paid from this fund the disability allowances which become effective after December 31, 1973 payable under this chapter.

(b) In the event of the termination of any disability allowance for any reason other than the death of the recipient, the balance of the required reserves for the disability allowance as of the date of the termination shall must be transferred from the disability benefit fund to the deposit accumulation fund.

(c) At the end of each fiscal year, as part of the annual actuarial valuation, a determination shall must be made of the required reserves for all disability allowances being paid from the disability benefit fund. Any excess of assets over actuarial required reserves in the disability benefit fund shall must be transferred to the deposit accumulation fund. Any excess of actuarial reserves over assets in the disability benefit fund shall must be funded by a transfer of the appropriate amount of assets from the deposit accumulation fund.

Sec. 69. Minnesota Statutes 2004, section 422A.10, subdivision 1, is amended to read:

Subdivision 1. **MEMBER CONTRIBUTION RATE; DEDUCTIONS.** (a) There shall must be deducted and withheld from the basic salary, pay or compensation of each employee in the contributing class, prior to January 1, 1980 an amount equal to 7-1/4 percent, after December 31, 1979 but prior to January 1, 1981 an amount equal to 8-1/4 percent and after December 31, 1980 an amount equal to 9-1/4 percent of such salary, pay or compensation, except as hereinafter provided.

(b) The retirement board may increase the percentage rate of contribution to the retirement fund of any employee or employees for the purpose of establishing and maintaining on an actuarial basis a plan of insurance, survivors' benefits, or other type of benefit or benefits, the cost of which shall must be paid out of such extra percentage so authorized and deducted from the employee's compensation, except as hereinafter

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provided. Any plan or plans so established and placed in operation may be amended from time to time, or may be abandoned, but if abandoned, any surplus remaining from the operation of a plan ~~shall~~ must be the property of the fund, and ~~shall~~ must be credited to the reserve for loss in investment account.

Sec. 70. Minnesota Statutes 2004, section 422A.10, subdivision 2, is amended to read:

Subd. 2. **CONSENT TO DEDUCTIONS MANDATORY MEMBER CONTRIBUTIONS.** Every employee to whom ~~sections 422A.01 to 422A.25 this chapter~~ applies who ~~shall continue in the service after the passage of Laws 1919, chapter 522,~~ as well as every person to whom ~~sections 422A.01 to 422A.25~~ applies who may hereafter be appointed to a position or place, shall be ~~is~~ deemed to consent and agree to the deductions made and provided for herein, and payment with such reductions, for service, ~~shall be~~ are a full and complete discharge and acquittance of all claims and demands for all services rendered by such person during the period covered by such payment; except the person's claim to the benefits to which the person may be entitled under the provisions of ~~sections 422A.01 to 422A.25 this chapter.~~

Sec. 71. Minnesota Statutes 2004, section 422A.22, subdivision 1, is amended to read:

Subdivision 1. **RETENTION; TRANSFER.** (a) If an employee to whom ~~sections 422A.01 to 422A.25 this chapter~~ applies becomes absolutely separated from the ~~active service prior to before~~ attaining the minimum retirement age established in section 422A.13, ~~the employee is entitled to a refund of~~ the net accumulated amount of deduction from salary, pay, or compensation, made for the purpose of accumulating a fund from which to pay retirement allowances, ~~shall be returned to such employee,~~ with interest at the annual compound rate of six percent.

(b) Any contributing employee who separates from a department, board or commission of the city whose employees are covered by a fund organized under ~~sections 422A.01 to 422A.25 this chapter,~~ and becomes an employee of a department or board of the same city, whose employees are covered by a retirement fund or relief association by whatever name known, organized under any other law and supported in whole or in part by taxes on the same city, shall have has the option of:

(1) retaining their membership in the fund organized under ~~sections 422A.01 to 422A.25 this chapter,~~ regardless of the provisions of any law, rule, bylaw or other action requiring membership in any other retirement fund or relief association however organized; or

(2) transferring to the fund or association covering the employees of the department or board to which they are transferring, providing they are eligible for membership therein.

(c) Any contributing employee who elects to transfer to another fund or association as herein provided in paragraph (b), clause (2), shall must make such election within one year from the date of separation from the city service covered by

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this fund. If the contributing employee elects to transfer to another fund as ~~herein provided, the employee is entitled to a refund of the net accumulated contributions made by such employee to the fund organized under sections 422A.01 to 422A.25, shall be returned to the employee this chapter with interest at the annual compound rate of six percent.~~

Sec. 72. Minnesota Statutes 2004, section 422A.22, subdivision 3, is amended to read:

Subd. 3. **LIMITATION ON ELIGIBILITY.** No employee of the city ~~shall be is~~ eligible to be a member of, or receive benefits from, more than one retirement plan or fund of the city for the same period of service.

Sec. 73. Minnesota Statutes 2004, section 422A.22, subdivision 4, is amended to read:

Subd. 4. **DEATH-WHILE-ACTIVE REFUND.** (a) Upon the death of an active member ~~prior to before the employee's termination of active service, there shall be paid to the beneficiary or beneficiaries designated by the member on a form specified by the executive director and filed with the retirement board, are entitled to receive the net accumulated employee deductions from salary, pay, or compensation, including interest under subdivision 1, paragraph (a), compounded annually to the date of the member's death. The amount must not include any contributions made by the employee or on the employee's behalf, or any interest or investment earnings on those contributions, which were allocated to the survivor benefit fund under section 422A.06, subdivision 6.~~

(b) If the employee fails to make a designation, or if the beneficiary or beneficiaries designated by the employee predeceases the employee, ~~the benefit specified in paragraph (a) must be paid to the deceased employee's estate is entitled to the benefit specified in paragraph (a).~~

(c) A benefit payable under this subdivision is in addition to any applicable survivor benefit under section 422A.23.

Sec. 74. Minnesota Statutes 2004, section 422A.22, subdivision 6, is amended to read:

Subd. 6. **REFUND; MUNICIPAL EMPLOYEES RETIREMENT FUND.** Any A person who has received a refund from the municipal Minneapolis Employees Retirement Fund, and who is a member of a public retirement system included in section 422A.16, subdivision 8, may repay such refund with interest at a compound annual rate of 8.5 percent to the municipal Minneapolis Employees Retirement Fund. If a refund is repaid to the fund and if more than one refund has been received from the fund, all refunds must be repaid. Repayment shall must be made as provided in sections 422A.01 to 422A.25 this chapter.

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Sec. 75. Minnesota Statutes 2004, section 422A.231, is amended to read:

422A.231 COST ALLOCATION.

(a) Notwithstanding any law to the contrary, all current and future contribution requirements due to this article are payable by the participating contributing employing units other than the state of Minnesota.

(b) In each actuarial valuation of the retirement fund, the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.214 shall include an exhibit on the impact of the benefit increases contained in this article on the survivor benefit fund. The actuary shall calculate the expected change in the present value of the future benefits payable from the survivor benefit fund attributable to this article, using the actuarial method and assumptions applicable to the Minneapolis Employees Retirement Fund, from the prior actuarial valuation and shall compare that result with the actual change in the present value of future benefits payable from the survivor benefit fund attributable to this article from the prior actuarial valuation.

(c) The executive director shall assess each participating employer, other than the state of Minnesota, its proportional share of the net increase amount calculated under paragraph (b). The assessment must be made on the first business day of the following February, plus compound interest at an annual rate of six percent on the amount from the actuarial valuation date to the date of payment.

Sec. 76. Minnesota Statutes 2004, section 422A.24, is amended to read:

422A.24 ALLOWANCES NOT ASSIGNABLE OR SUBJECT TO PROCESS.

No money payable pursuant to this chapter shall be assignable either in law or equity or be subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.6111, nor shall any of the proceeds of payments due pursuant to this chapter be subject to the inheritance tax provisions of this state upon transfer to a surviving spouse or minor or dependent child of the decedent or a trust for their benefit. The provisions of section 356.401 apply to the Minneapolis employees retirement plan.

Sec. 77. Minnesota Statutes 2004, section 423B.17, is amended to read:

423B.17 PAYMENTS EXEMPT FROM PROCESS.

A payment made by the association under a provision of sections 423B.01 to 423B.18, as amended, is exempt from legal process except as provided in section 518.58, 518.581, or 518.6111. No person entitled to a payment may assign the same. The association may not recognize an assignment or pay a sum on account of an assignment. The provisions of section 356.401 apply to the Minneapolis Police Relief Association.

Sec. 78. Minnesota Statutes 2004, section 423C.09, is amended to read:

423C.09 PAYMENTS EXEMPT FROM PROCESS.

All payments made, or to be made, by the association under this chapter shall be totally exempt from garnishment, execution, or other legal process, except as provided

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in section 518.58, 518.581, or 518.6111. No person entitled to a payment shall have the right to assign the name, nor shall the association have authority to recognize any assignment or to pay any sum on account thereof. Any attempt to transfer any right or claim, or any part thereof, shall be void. The provisions of section 356.401 apply to the Minneapolis Firefighters Relief Association.

Sec. 79. Minnesota Statutes 2004, section 490.126, subdivision 5, is amended to read:

Subd. 5. **EXEMPTION FROM PROCESS; NO ASSIGNMENT.** None of the money, annuities, or other benefits provided in this chapter is assignable either in law or equity or is subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.6111. The provisions of section 356.401 apply to the judges retirement plan.

Sec. 80. REVISOR'S INSTRUCTION.

In the next edition and subsequent editions of Minnesota Statutes, the revisor of statutes shall replace the reference to "sections 422A.01 to 422A.25" with the reference to "this chapter" wherever the reference appears in Minnesota Statutes, chapter 422A.

Sec. 81. REPEALER.

(a) Minnesota Statutes 2004, section 352.119, subdivision 1, is repealed.

(b) Minnesota Statutes 2004, sections 353.34, subdivision 3b; 353.36, subdivisions 2, 2a, 2b, and 2c; 353.46, subdivision 4; 353.663; 353.74; and 353.75, are repealed.

(c) Minnesota Statutes 2004, section 354.59, is repealed.

(d) Minnesota Statutes 2004, sections 422A.22, subdivisions 2 and 5; and 422A.221, are repealed.

(e) Minnesota Statutes 2004, sections 352.15, subdivision 1a; 353.15, subdivision 2; and 354.10, subdivision 2, are repealed.

Sec. 82. EFFECTIVE DATE.

(a) Sections 1 to 73 and 75 to 81 are effective July 1, 2005.

(b) Section 74 is effective January 1, 2006.

(c) Sections 1, 21, 22, 23, 29, 45, 46, 53, 64, 76, 77, 78, 79, and 81, paragraph (e), do not apply to any cause of action that is proceeding on the date of enactment or to any cause of action for which the applicable statute of limitations has not expired as of the date of enactment.

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ARTICLE 11

LOCAL RETIREMENT PLANS

Section 1. Minnesota Statutes 2004, section 69.77, subdivision 4, is amended to read:

Subd. 4. **RELIEF ASSOCIATION FINANCIAL REQUIREMENTS; MINIMUM MUNICIPAL OBLIGATION.** (a) The officers of the relief association shall determine the financial requirements of the relief association and minimum obligation of the municipality for the following calendar year in accordance with the requirements of this subdivision. The financial requirements of the relief association and the minimum obligation of the municipality must be determined on or before the submission date established by the municipality under subdivision 5.

(b) The financial requirements of the relief association for the following calendar year must be based on the most recent actuarial valuation or survey of the special fund of the association if more than one fund is maintained by the association, or of the association, if only one fund is maintained, prepared in accordance with sections 356.215, subdivisions 4 to 15, and 356.216, as required under subdivision 10. If an actuarial estimate is prepared by the actuary of the relief association as part of obtaining a modification of the benefit plan of the relief association and the modification is implemented, the actuarial estimate must be used in calculating the subsequent financial requirements of the relief association.

(c) If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the total of the amounts calculated under clauses (1), (2), and (3), constitute the financial requirements of the relief association for the following year. If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the amount calculated under clauses (1) and (2) constitute the financial requirements of the relief association for the following year. The financial requirement elements are:

(1) the normal level cost requirement for the following year, expressed as a dollar amount, which must be determined by applying the normal level cost of the relief association as reported in the actuarial valuation or survey and expressed as a percentage of covered payroll to the estimated covered payroll of the active membership of the relief association, including any projected change in the active membership, for the following year;

(2) for the Bloomington Fire Department Relief Association, the Fairmont Police Relief Association, and the Virginia Fire Department Relief Association, to the dollar amount of normal cost determined under clause (1) must be added an amount equal to the dollar amount of the administrative expenses of the special fund of the association if more than one fund is maintained by the association, or of the association if only one fund is maintained, for the most recent year, multiplied by the factor of 1.035. The

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administrative expenses are those authorized under section 69.80. No amount of administrative expenses under this clause are to be included in the financial requirements of the Minneapolis Firefighters Relief Association or the Minneapolis Police Relief Association; and

(3) to the dollar amount of normal cost and expenses determined under clauses (1) and (2) must be added an amount equal to the level annual dollar amount which is sufficient to amortize the unfunded actuarial accrued liability by December 31, 2010, the Fairmont Police Relief Association, the Minneapolis Firefighters Relief Association, and the Virginia Fire Department Relief Association, by the date determined under section 356.216, paragraph (a), clause (2), for the Bloomington Fire Department Relief Association, and by December 31, 2020, for the Minneapolis Police Relief Association, as determined from the actuarial valuation or survey of the fund, using an interest assumption set at the applicable rate specified in section 356.215, subdivision 8. The amortization date specified in this clause applies to all local police or salaried firefighters' relief associations and that date supersedes any amortization date specified in any applicable special law.

(d) The minimum obligation of the municipality is an amount equal to the financial requirements of the relief association reduced by the estimated amount of member contributions from covered salary anticipated for the following calendar year and the estimated amounts anticipated for the following calendar year from the applicable state aid program established under sections 69.011 to 69.051 receivable by the relief association after any allocation made under section 69.031, subdivision 5, paragraph (b), clause (2), or 423A.01, subdivision 2, clause (6), from the local police and salaried firefighters' relief association amortization aid program established under section 423A.02, subdivision 1, from the supplementary amortization state-aid program established under section 423A.02, subdivision 1a, and from the additional amortization state aid under section 423A.02, subdivision 1b.

Sec. 2. Minnesota Statutes 2004, section 356.215, subdivision 8, is amended to read:

Subd. 8. **INTEREST AND SALARY ASSUMPTIONS.** (a) The actuarial valuation must use the applicable following preretirement interest assumption and the applicable following postretirement interest assumption:

plan	preretirement interest rate assumption	postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	8.5	6.0

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elective state officers retirement plan	8.5	6.0
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Minneapolis employees retirement plan	6.0	5.0
Duluth teachers retirement plan	8.5	8.5
Minneapolis teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5
Minneapolis Police Relief Association	6.0	6.0
Fairmont Police Relief Association	5.0	5.0
Minneapolis Fire Department Relief Association	6.0	6.0
Virginia Fire Department Relief Association	5.0	5.0
<u>Bloomington Fire Department Relief Association</u>	<u>6.0</u>	<u>6.0</u>
local monthly benefit volunteer firefighters relief associations	5.0	5.0

(b) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
elective state officers retirement plan	5.0
judges retirement plan	5.0

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Minneapolis Police Relief Association	4.0
Fairmont Police Relief Association	3.5
Minneapolis Fire Department Relief Association	4.0
Virginia Fire Department Relief Association	3.5
<u>Bloomington Fire Department Relief Association</u>	<u>4.0</u>

(2) modified single rate future salary increase assumption

plan	future salary increase assumption
Minneapolis employees retirement plan	the prior calendar year amount increased first by 1.0198 percent to prior fiscal year date and then increased by 4.0 percent annually for each future year

(3) select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
general state employees retirement plan	select calculation and assumption A
correctional state employees retirement plan	assumption H
State Patrol retirement plan	assumption H
general public employees retirement plan	select calculation and assumption B
public employees police and fire fund re- tirement plan	assumption C
local government correctional service re- tirement plan	assumption H
teachers retirement plan	assumption D
Duluth teachers retirement plan	assumption E
Minneapolis teachers retirement plan	assumption F
St. Paul teachers retirement plan	assumption G

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The select calculation is: during the ten-year select period, a designated percent is multiplied by the result of ten minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated percent is 0.2 percent for the correctional state employees retirement plan, the State Patrol retirement plan, the public employees police and fire plan, and the local government correctional service plan; 0.3 percent for the general state employees retirement plan, the general public employees retirement plan, the teachers retirement plan, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association; and 0.4 percent for the Minneapolis Teachers Retirement Fund Association.

The ultimate future salary increase assumption is:

age	A	B	C	D	E	F	G	H
16	6.95%	6.95%	11.50%	8.20%	8.00%	6.50%	6.90%	7.7500
17	6.90	6.90	11.50	8.15	8.00	6.50	6.90	7.7500
18	6.85	6.85	11.50	8.10	8.00	6.50	6.90	7.7500
19	6.80	6.80	11.50	8.05	8.00	6.50	6.90	7.7500
20	6.75	6.40	11.50	6.00	6.90	6.50	6.90	7.7500
21	6.75	6.40	11.50	6.00	6.90	6.50	6.90	7.1454
22	6.75	6.40	11.00	6.00	6.90	6.50	6.90	7.0725
23	6.75	6.40	10.50	6.00	6.85	6.50	6.85	7.0544
24	6.75	6.40	10.00	6.00	6.80	6.50	6.80	7.0363
25	6.75	6.40	9.50	6.00	6.75	6.50	6.75	7.0000
26	6.75	6.36	9.20	6.00	6.70	6.50	6.70	7.0000
27	6.75	6.32	8.90	6.00	6.65	6.50	6.65	7.0000
28	6.75	6.28	8.60	6.00	6.60	6.50	6.60	7.0000
29	6.75	6.24	8.30	6.00	6.55	6.50	6.55	7.0000
30	6.75	6.20	8.00	6.00	6.50	6.50	6.50	7.0000
31	6.75	6.16	7.80	6.00	6.45	6.50	6.45	7.0000
32	6.75	6.12	7.60	6.00	6.40	6.50	6.40	7.0000
33	6.75	6.08	7.40	6.00	6.35	6.50	6.35	7.0000
34	6.75	6.04	7.20	6.00	6.30	6.50	6.30	7.0000
35	6.75	6.00	7.00	6.00	6.25	6.50	6.25	7.0000
36	6.75	5.96	6.80	6.00	6.20	6.50	6.20	6.9019
37	6.75	5.92	6.60	6.00	6.15	6.50	6.15	6.8074
38	6.75	5.88	6.40	5.90	6.10	6.50	6.10	6.7125
39	6.75	5.84	6.20	5.80	6.05	6.50	6.05	6.6054
40	6.75	5.80	6.00	5.70	6.00	6.50	6.00	6.5000
41	6.75	5.76	5.90	5.60	5.90	6.50	5.95	6.3540
42	6.75	5.72	5.80	5.50	5.80	6.50	5.90	6.2087
43	6.65	5.68	5.70	5.40	5.70	6.50	5.85	6.0622
44	6.55	5.64	5.60	5.30	5.60	6.50	5.80	5.9048
45	6.45	5.60	5.50	5.20	5.50	6.50	5.75	5.7500

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46	6.35	5.56	5.45	5.10	5.40	6.40	5.70	5.6940
47	6.25	5.52	5.40	5.00	5.30	6.30	5.65	5.6375
48	6.15	5.48	5.35	5.00	5.20	6.20	5.60	5.5822
49	6.05	5.44	5.30	5.00	5.10	6.10	5.55	5.5404
50	5.95	5.40	5.25	5.00	5.00	6.00	5.50	5.5000
51	5.85	5.36	5.25	5.00	5.00	5.90	5.45	5.4384
52	5.75	5.32	5.25	5.00	5.00	5.80	5.40	5.3776
53	5.65	5.28	5.25	5.00	5.00	5.70	5.35	5.3167
54	5.55	5.24	5.25	5.00	5.00	5.60	5.30	5.2826
55	5.45	5.20	5.25	5.00	5.00	5.50	5.25	5.2500
56	5.35	5.16	5.25	5.00	5.00	5.40	5.20	5.2500
57	5.25	5.12	5.25	5.00	5.00	5.30	5.15	5.2500
58	5.25	5.08	5.25	5.10	5.00	5.20	5.10	5.2500
59	5.25	5.04	5.25	5.20	5.00	5.10	5.05	5.2500
60	5.25	5.00	5.25	5.30	5.00	5.00	5.00	5.2500
61	5.25	5.00	5.25	5.40	5.00	5.00	5.00	5.2500
62	5.25	5.00	5.25	5.50	5.00	5.00	5.00	5.2500
63	5.25	5.00	5.25	5.60	5.00	5.00	5.00	5.2500
64	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
65	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
66	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
67	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
68	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
69	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
70	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
71	5.25	5.00		5.70				

(c) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan	5.00%
correctional state employees retirement plan	5.00
State Patrol retirement plan	5.00
legislators retirement plan	5.00
elective state officers retirement plan	5.00
judges retirement plan	5.00
general public employees retirement plan	6.00
public employees police and fire retirement plan	6.00
local government correctional service retirement plan	6.00
teachers retirement plan	5.00
Duluth teachers retirement plan	5.00

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Minneapolis teachers retirement plan	5.00
St. Paul teachers retirement plan	5.00

Sec. 3. Minnesota Statutes 2004, section 356.216, is amended to read:

356.216 CONTENTS OF ACTUARIAL VALUATIONS FOR LOCAL POLICE AND FIRE FUNDS.

(a) The provisions of section 356.215 that govern the contents of actuarial valuations must apply to any local police or fire pension fund or relief association required to make an actuarial report under this section, except as follows:

(1) in calculating normal cost and other requirements, if required to be expressed as a level percentage of covered payroll, the salaries used in computing covered payroll must be the maximum rate of salary on which retirement and survivorship credits and amounts of benefits are determined and from which any member contributions are calculated and deducted;

(2) in lieu of the amortization date specified in section 356.215, subdivision 11, the appropriate amortization target date specified in section 69.77, subdivision 4, or 69.773, subdivision 4, clause (c), must be used in calculating any required amortization contribution, except that if the actuarial report for the Bloomington Fire Department Relief Association indicates an unfunded actuarial accrued liability, the unfunded obligation is to be amortized on a level dollar basis by December 31 of the year occurring 20 years later, and if subsequent actuarial valuations for the Bloomington Fire Department Relief Association determine a net actuarial experience loss incurred during the year which ended as of the day before the most recent actuarial valuation date, any unfunded liability due to that loss is to be amortized on a level dollar basis by December 31 of the year occurring 20 years later and except that the amortization date for the Minneapolis Police Relief Association is December 31, 2020;

(3) in addition to the tabulation of active members and annuitants provided for in section 356.215, subdivision 13, the member contributions for active members for the calendar year and the prospective annual retirement annuities under the benefit plan for active members must be reported;

(4) actuarial valuations required under section 69.773, subdivision 2, must be made at least every four years and actuarial valuations required under section 69.77 shall be made annually;

(5) the actuarial balance sheet showing accrued assets valued at market value if the actuarial valuation is required to be prepared at least every four years or valued as current assets under section 356.215, subdivision 1, clause (6), or paragraph (b), whichever applies, if the actuarial valuation is required to be prepared annually, actuarial accrued liabilities, and the unfunded actuarial accrued liability must include the following required reserves:

- (i) For active members
 - 1. Retirement benefits

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2. Disability benefits
3. Refund liability due to death or withdrawal
4. Survivors' benefits
 - (ii) For deferred annuitants' benefits
 - (iii) For former members without vested rights
 - (iv) For annuitants
 1. Retirement annuities
 2. Disability annuities
 3. Surviving spouses' annuities
 4. Surviving children's annuities

In addition to those required reserves, separate items must be shown for additional benefits, if any, which may not be appropriately included in the reserves listed above; and

(6) actuarial valuations are due by the first day of the seventh month after the end of the fiscal year which the actuarial valuation covers.

(b) For the Minneapolis Firefighters Relief Association or the Minneapolis Police Relief Association, the following provisions additionally apply:

(1) in calculating the actuarial balance sheet, unfunded actuarial accrued liability, and amortization contribution of the relief association, "current assets" means the value of all assets at cost, including realized capital gains and losses, plus or minus, whichever applies, the average value of total unrealized capital gains or losses for the most recent three-year period ending with the end of the plan year immediately preceding the actuarial valuation report transmission date; and

(2) in calculating the applicable portions of the actuarial valuation, an annual preretirement interest assumption of six percent, an annual postretirement interest assumption of six percent, and an annual salary increase assumption of four percent must be used.

Sec. 4. Minnesota Statutes 2004, section 383B.46, subdivision 2, is amended to read:

Subd. 2. **ESTABLISHMENT OF ACCOUNT; CONTRIBUTIONS.** The county of Hennepin shall deduct from the salary of every person who is eligible for coverage and who elected to retain or obtain coverage by the Hennepin County supplemental retirement program a sum equal to one percent of the total salary of the person. Any classified or unclassified employee who is employed in subsidized on-the-job training, work experience or public service employment as an enrollee under the federal Comprehensive Employment and Training Act shall not be included in the supplemental retirement account from and after March 30, 1978 unless the employee has as of the later of March 30, 1978 or the date of employment sufficient service credit in the public employees retirement fund or the Minneapolis municipal employees retirement fund, whichever is applicable, to meet the minimum vesting requirements for a deferred retirement annuity, or the county agrees in writing to make

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the required employer contributions on account of the individual from revenue sources other than funds provided under the federal Comprehensive Employment and Training Act, or the employee agrees in writing to make the required employer contribution in addition to the employee contribution. The deduction shall be made in the same manner as other retirement deductions are made from the salary of the person. An amount equal to the amounts deducted during each payroll period shall be contributed by the county of Hennepin. The total amount deducted and contributed shall be deposited to the credit of the supplemental retirement account in the treasury of the county of Hennepin a separate account administered by the Minnesota State Retirement System on behalf of Hennepin County. The Hennepin County supplemental retirement account is hereby established as an account separate and distinct from other funds, accounts, or assets of the county of Hennepin.

Sec. 5. Minnesota Statutes 2004, section 383B.47, is amended to read:

383B.47 PARTICIPATION IN MINNESOTA SUPPLEMENTAL INVESTMENT FUND.

With the moneys deposited to the credit of the supplemental retirement account in the treasury of the county of Hennepin, the county of Hennepin, the Minnesota State Retirement System shall purchase shares on behalf of Hennepin County in the accounts of the Minnesota supplemental investment fund as provided in section 383B.48.

Sec. 6. Minnesota Statutes 2004, section 383B.48, is amended to read:

383B.48 BUYING STATE SUPPLEMENTAL INVESTMENT FUND SHARES.

At the time a person becomes eligible for coverage and elects to obtain coverage by the Hennepin County supplemental retirement program and before November 1 of each subsequent year, A participant in the Hennepin County supplemental retirement program shall indicate in writing on a form provided by the county of Hennepin the account of the Minnesota supplemental investment fund in which the participant wishes salary deductions and county matching contributions attributable to salary deductions to be invested for the subsequent 12-month period such time as allowed by the Minnesota State Retirement System. ~~For that 12-month period,~~ The county of Hennepin Minnesota State Retirement System shall purchase with the salary deductions and county matching funds attributable to the salary deductions shares in the appropriate account of the Minnesota supplemental investment fund in accordance with the indicated preferences of the participant. However, the county of Hennepin has the authority to determine which accounts of the Minnesota supplemental investment fund will be available for participant investment. The shares purchased must stand in the name of the county of Hennepin. A record must be kept by the ~~county of Hennepin~~ Minnesota State Retirement System indicating the number of shares in each account of the Minnesota supplemental investment fund purchased with the salary deductions and county matching funds attributable to the salary deductions of each participant. The record must be known as the "participant's share account record." The participant's

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share account record must show, in addition to the number of shares in the account, any cash balance of salary deductions or county matching funds attributable to those deductions which stand uninvested in shares. At the option of the county of Hennepin, and subject to any terms and conditions established and communicated in writing by the county to a participant, the participant may designate no more often than once each calendar quarter month that prior salary deductions and county matching contributions attributable to the salary deductions, together with any interest earned, be reinvested in another account of the Minnesota supplemental investment fund made available by the county of Hennepin.

Sec. 7. Minnesota Statutes 2004, section 383B.49, is amended to read:

383B.49 SUPPLEMENTAL RETIREMENT BENEFITS; REDEMPTION OF SHARES.

When requested to do so, in writing, on forms provided by the county Minnesota State Retirement System, by a participant, surviving spouse, a guardian of a surviving child or a personal representative, whichever is applicable, the county of Hennepin Minnesota State Retirement System shall on behalf of Hennepin County redeem shares in the accounts of the Minnesota supplemental investment fund standing in a participant's share account record under the following circumstances and in accordance with the laws and regulations governing the Minnesota supplemental investment fund:

(1) A participant who is no longer employed by the county of Hennepin is entitled to receive the cash realized on the redemption of the shares to the credit of the participant's share account record of the person. The participant may request the redemption of all or a portion of the shares in the participant's share account record of the person, but may not request more than one redemption in any one calendar year. If only a portion of the shares in the participant's share account record is requested to be redeemed the person may request to redeem not less than 20 percent of the shares in any one calendar year and the redemption must be completed in no more than five years. The person may select annual redemption in a single lump sum or in monthly payments. An election is irrevocable except that a participant may request an amendment of the election to redeem all of the person's remaining shares. All requests under this paragraph are subject to application to and approval of the Hennepin County administrator, in the sole discretion of the administrator Minnesota State Retirement System upon verification by Hennepin County through the county administrator of the recipient's eligibility to redeem funds.

(2) In the event of the death of a participant leaving a surviving spouse, the surviving spouse is entitled to receive the cash realized on the redemption of all or a portion of the shares in the participant's share account record of the deceased spouse, but in no event may the spouse request more than one redemption in each calendar year. If only a portion of the shares in the participant's share account record is requested to be redeemed, the surviving spouse may request the redemption of not less than 20 percent of the shares in any one calendar year. The surviving spouse may elect

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annual redemption in a single lump sum payment or in monthly payments. Redemption must be completed in no more than five years. An election is irrevocable except that the surviving spouse may request an amendment of the election to redeem all of the participant's remaining shares. All requests under this paragraph are subject to application to and approval of the Hennepin County administrator, in the sole discretion of the administrator Minnesota State Retirement System upon verification by Hennepin County through the county administrator of the recipient's eligibility to redeem funds. Upon the death of the surviving spouse, any shares remaining in the participant's share account record must be redeemed on behalf of Hennepin County by the county of Hennepin Minnesota State Retirement System and the cash realized from the redemption distributed to the estate of the surviving spouse.

(3) In the event of the death of a participant leaving no surviving spouse, but leaving a minor surviving child or minor surviving children, the guardianship estate of the minor child is, or the guardianship estates of the minor children are, entitled to receive the cash realized on the redemption of all shares to the credit of the participant's share account record of the deceased participant. In the event of minor surviving children, the cash realized must be paid in equal shares to the guardianship estates of the minor surviving children.

(4) In the event of the death of a participant leaving no surviving spouse and no minor surviving children, the estate of the deceased participant is entitled to receive the cash realized on the redemption of all shares to the credit of the participant's share account record of the deceased participant.

Sec. 8. [383B.491] MINNESOTA STATE RETIREMENT SYSTEM BILLING AUTHORITY.

The Minnesota State Retirement System executive director is authorized to enter into an interagency agreement with Hennepin County under which the Minnesota State Retirement System would directly bill the county for the cost of the Minnesota State Retirement System's administration of the Hennepin County Supplemental Retirement Plan.

Sec. 9. Minnesota Statutes 2004, section 423B.05, subdivision 3, is amended to read:

Subd. 3. **CONTINUATION OF BOARD.** Notwithstanding the provisions of section 423A.01, subdivision 2, or any other law, the board of trustees and its successors established under subdivision 1 shall continue to govern the association until there are no more than 400 225 members of the police pension fund. The fund thereafter must become a trust fund in accordance with section 423A.01, subdivision 2.

Sec. 10. Minnesota Statutes 2004, section 423B.09, subdivision 1, is amended to read:

Subdivision 1. **MINNEAPOLIS POLICE; PERSONS ENTITLED TO RECEIVE PENSIONS.** The association shall grant pensions payable from the police

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pension fund in monthly installments to persons entitled to pensions in the manner and for the following purposes.

(a) When the actuarial value of assets of the fund according to the most recent annual actuarial valuation performed in accordance with sections 356.215 and 356.216 is less than 90 percent of the actuarial accrued liabilities, An active member or a deferred pensioner who has performed duty as a member of the police department of the city for five years or more, upon written application after retiring from duty and reaching at least age 50, is entitled to be paid monthly for life a service pension equal to eight units. For full years of service beyond five years, the service pension increases by 1.6 units for each full year, to a maximum of 40 units. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 90 percent of actuarial accrued liabilities, Active members, deferred members, and service pensioners are entitled to a service pension according to the following schedule:

5 years	8.0 units	
6 years	9.6 units	
7 years	11.2 units	
8 years	12.8 units	
9 years	14.4 units	
10 years	16.0 units	
11 years	17.6 units	
12 years	19.2 units	
13 years	20.8 units	
14 years	22.4 units	
15 years	24.0 units	
16 years	25.6 units	
17 years	27.2 units	
18 years	28.8 units	
19 years	30.4 units	
	<u>A</u>	<u>B</u>
20 years	34.0 34.5 units	35.0 units
21 years	35.6 36.1 units	36.6 units
22 years	37.2 37.7 units	38.2 units
23 years	38.8 39.3 units	39.8 units
24 years	40.4 40.9 units	41.4 units
25 years	42.0 42.5 units	43.0 units

Column A is applicable until December 31, 2005, and applies retroactively to January 1, 2005, for a service pensioner who retired before January 1, 2005. Column B applies on and after January 1, 2006.

Fractional years of service may not be used in computing pensions.

(b) An active member who after five years' service but less than 20 years' service with the police department of the city, becomes superannuated so as to be permanently

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unable to perform the person's assigned duties, is entitled to be paid monthly for life a superannuation pension equal to four units for five years of service and an additional two units for each full year of service over five years and less than 20 years.

(c) An active member who is not eligible for a service pension and who, while a member of the police department of the city, becomes diseased or sustains an injury while in the service that permanently unfits the member for the performance of police duties is entitled to be paid monthly for life a pension equal to 34 units while so disabled.

Sec. 11. Minnesota Statutes 2004, section 423B.09, is amended by adding a subdivision to read:

Subd. 7. **ADDITIONAL UNIT.** The additional half units provided to members by subdivision 1 must also be provided under the same terms and at the same time as applicable under subdivision 1 to members who selected a joint annuity option under subdivision 6 and must be in an amount that is actuarially equivalent to the service pension and the automatic survivor coverage for that additional unit.

Sec. 12. Minnesota Statutes 2004, section 423B.10, subdivision 1, is amended to read:

Subdivision 1. ENTITLEMENT; BENEFIT AMOUNT. (a) The surviving spouse of a deceased service pensioner, disability pensioner, deferred pensioner, superannuation pensioner, or active member, who was the legally married spouse of the decedent, residing with the decedent, and who was married while or before the time the decedent was on the payroll of the police department, and who, if the deceased member was a service or deferred pensioner, was legally married to the member for a period of at least one year before retirement from the police department, is entitled to a surviving spouse benefit. The surviving spouse benefit is equal to 22 22.5 units per month until December 31, 2005, and 23 units per month beginning on January 1, 2006, if the person is the surviving spouse of a deceased active member or disabilitant. The surviving spouse benefit is equal to six units per month, plus an additional one unit for each year of service to the credit of the decedent in excess of five years, to a maximum of 22 22.5 units per month until December 31, 2005, and 23 units per month beginning on January 1, 2006, if the person is the surviving spouse of a deceased service pensioner, deferred pensioner, or superannuation pensioner. The surviving spouse benefit is payable for the life of the surviving spouse.

(b) A surviving child of a deceased service pensioner, disability pensioner, deferred pensioner, superannuation pensioner, or active member, who was living while the decedent was an active member of the police department or was born within nine months after the decedent terminated active service in the police department, is entitled to a surviving child benefit. The surviving child benefit is equal to eight units per month if the person is the surviving child of a deceased active member or disabilitant. The surviving child benefit is equal to two units per month, plus an additional four-tenths of one unit per month for each year of service to the credit of the decedent

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in excess of five years, to a maximum of eight units, if the person is the surviving child of a deceased service pensioner, deferred pensioner, or superannuation pensioner. The surviving child benefit is payable until the person attains age 18, or, if in full-time attendance during the normal school year, in a school approved by the board of directors, until the person receives a bachelor's degree or attains the age of 22 years, whichever occurs first. In the event of the death of both parents leaving a surviving child or children entitled to a surviving child benefit as determined in this paragraph, the surviving child is, or the surviving children are, entitled to a surviving child benefit in such sums as determined by the board of directors to be necessary for the care and education of such surviving child or children, but not to exceed the family maximum benefit per month, to the children of any one family.

(c) The surviving spouse and surviving child benefits are subject to a family maximum benefit. The family maximum benefit is 41 units per month.

(d) A surviving spouse who is otherwise not qualified may receive a benefit if the surviving spouse was married to the decedent for a period of five years and was residing with the decedent at the time of death. The surviving spouse benefit is the same as that provided in paragraph (a), except that if the surviving spouse is younger than the decedent, the surviving spouse benefit must be actuarially equivalent to a surviving spouse benefit that would have been paid to the member's spouse had the member been married to a person of the same age or a greater age than the member's age before retirement.

(e) For any surviving spouse who began receiving survivor benefits before January 1, 2005, the half-unit increase under paragraph (a) is effective retroactive to January 1, 2005.

Sec. 13. Minnesota Statutes 2004, section 423C.05, subdivision 2, is amended to read:

Subd. 2. **SERVICE PENSION.** (a) An active A member who has performed duty for the fire department for five years or more, upon written application after retiring from duty and reaching at least age 50, is entitled to be paid monthly for life a service pension under paragraph (b).

(b) Based on the percentage that the actuarial value of assets of the special fund equal to the actuarial accrued liabilities of the special fund according to the most recent annual actuarial valuation of the relief association prepared in accordance with sections 356.215 and 356.216, The amount of the service pension is as follows:

Length of allowable service credit	Service pension payable if under 90 percent	Service pension payable if greater than 89.99 percent and less than 92.5 percent	Service pension payable if greater than 92.49 percent <u>Number of</u> <u>units</u>
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5 years	-	8.0 units	8.0 units
6 years	-	9.6 units	9.6 units
7 years	-	11.2 units	11.2 units
8 years	-	12.8 units	12.8 units
9 years	-	14.4 units	14.4 units
10 years	16.0 units	16.0 units	16.0 units
11 years	17.6 units	17.6 units	17.6 units
12 years	19.2 units	19.2 units	19.2 units
13 years	20.8 units	20.8 units	20.8 units
14 years	22.4 units	22.4 units	22.4 units
15 years	24.0 units	24.0 units	24.0 units
16 years	25.6 units	25.6 units	25.6 units
17 years	27.2 units	27.2 units	27.2 units
18 years	28.8 units	28.8 units	28.8 units
19 years	30.4 units	30.4 units	30.4 units
20 years	33.0 units	33.5 units	34.0 units
21 years	34.6 units	35.1 units	35.6 units
22 years	36.2 units	37.7 units	37.2 units
23 years	37.8 units	38.3 units	38.8 units
24 years	39.4 units	39.9 units	40.4 units
25 years	41.0 units	41.5 units	42.0 units
or more			

(c) A member entitled to a benefit under this subdivision may elect to have it paid as an optional retirement annuity pursuant to the conditions set forth in subdivision 8. A member receiving a benefit pursuant to subdivision 5 or 6 shall not simultaneously be entitled to a benefit under this subdivision.

Sec. 14. [423C.16] RECOMPUTATION OF DISABLED BENEFIT PROHIBITED.

Notwithstanding section 423A.11, the Board of Trustees of the Minneapolis Firefighters Relief Association shall not recompute the disability benefit of a member who became permanently disabled as the result of a service-related disease or injury. Any prior recomputation of a disabled member's service-related disability pension shall be revoked upon the member's request and upon the member's signed and sworn agreement to waive any right to a recomputation of the benefit in the future. Non-service-related disability pension benefits that were recomputed at full 25-year service pensions shall remain in effect.

Sec. 15. NO REDUCTION OF BENEFITS.

When a pension benefit is properly paid in accordance with the laws governing the Minneapolis Police Relief Association or the Minneapolis Firefighters Relief Association, whichever apply, to any member, the dollar amount of the pension a member received may not be reduced if the city of Minneapolis and the collective

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bargaining agent representing active police officers or firefighters enter into or are required to abide by an agreement that would otherwise require the association to reduce the dollar amount of a pension that had properly been paid to any member.

Sec. 16. AURORA, BIWABIK CITY, HOYT LAKES, AND PALO VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS; CONSOLIDATION.

(a) This section applies to consolidation of any combination of two or more of the following volunteer firefighter relief associations: Aurora, Biwabik City, Hoyt Lakes, and Palo.

(b) Notwithstanding Minnesota Statutes, section 424B.10, subdivision 1, paragraph (a), the service pension to be paid by the relief association existing after the consolidation is as follows:

(1) for the service rendered by each individual volunteer firefighter before the effective date of the consolidation, the service pension amount is the amount payable to that volunteer firefighter under the articles of incorporation or bylaws of the consolidating volunteer firefighters relief association that the firefighter was a member of immediately before the consolidation;

(2) for the service rendered after the effective date of the consolidation, the service pension amount is the highest dollar amount service pension of any of the consolidating volunteer firefighters relief associations under the articles of incorporation or bylaws in effect immediately before the consolidation; and

(3) after consolidation, increases in the amounts established in clauses (1) and (2) may be implemented if consistent with applicable requirements of Minnesota Statutes, chapters 69 and 424A.

Sec. 17. EVELETH RETIRED POLICE AND FIRE TRUST FUND; AD HOC POSTRETIREMENT ADJUSTMENT.

(a) In addition to the current pensions and other retirement benefits payable, the pensions and retirement benefits payable to retired police officers and firefighters and their surviving spouses by the Eveleth police and fire trust fund are increased by \$100 per month. Increases are retroactive from January 1, 2005.

(b) Following the January 1, 2005, effective date of the benefit increase provided under paragraph (a), every two years thereafter, to be effective no earlier than the applicable January 1, the city council of the city of Eveleth is authorized to provide permanent, uniform benefit increases, not less than \$10 per month nor to exceed \$100 per month, to any remaining retirees and survivors receiving benefits from the Eveleth police and fire trust fund. Any given benefit improvement under this paragraph is not effective unless the city council passes a resolution approving the increase.

(c) Within 30 days following the approval of a resolution under paragraph (b), the chief administrative officer of the city of Eveleth shall file a copy of the resolution with the executive director of the Legislative Commission on Pensions and Retirement, with the chair of the house Governmental Operations and Veterans Affairs Committee, and

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with the chair of the senate State and Local Government Operations Committee. Along with a copy of the resolution, the city's chief administrative officer must send a statement indicating the age of each benefit recipient and the retirement benefit or survivor benefit being received before and after the benefit increase.

Sec. 18. MAPLEWOOD AND OAKDALE VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS; TRANSFER OF ASSETS.

Notwithstanding any limitations in Minnesota Statutes, section 424A.02, subdivision 13, or any other provision of law to the contrary, if an agreement between the affected relief associations and cities is reached as provided in this section, the Maplewood Firefighters Relief Association may transfer assets from its special fund to the Oakdale Fire Department Relief Association representing the value of the accumulated service credit for the current members of the Oakdale Fire Department Relief Association who are currently eligible to receive a combined service pension for firefighter service in both associations. The transfer of the assets from the Maplewood Firefighters Relief Association to the Oakdale Fire Department Relief Association must be in an amount representing the cumulative value of the service credit earned by the members of the Oakdale Fire Department Relief Association who are currently eligible to receive a combined service pension for firefighting service in both associations for the service credit that they accrued while working for the Maplewood Fire Department. The amount of the assets, liabilities, and service credit to be transferred must be specified in a joint agreement negotiated by the secretaries of the two relief associations and ratified by the boards of trustees of both relief associations and of the cities of Maplewood and Oakdale. The agreement must specify by name or other appropriate means the firefighters affected by the liability, asset, and service credit transfer. The ratification must be expressed in the form of resolutions adopted by each entity. The agreements must specify the amount of assets to be transferred, the amount of liabilities to be transferred, and the amount of service credit each of the applicable individuals will receive in the Oakdale Fire Department Relief Association. Upon the ratification of the agreement by both relief associations and both cities, the assets, liabilities, and service credit of the applicable individuals must be transferred to the Oakdale Fire Department Relief Association, and the Maplewood Firefighters Relief Association is relieved of any obligation to the individuals. A certified copy of the ratified agreement must be filed with the state auditor and with the secretary of state.

Sec. 19. EFFECTIVE DATE; LOCAL APPROVAL.

(a) Sections 2 and 3 with respect to the Bloomington Fire Department Relief Association are effective the day after the date on which the city council of the city of Bloomington and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 4.

(b) Sections 1, 3, with respect to the Minneapolis Police Relief Association, 9, 10, 11, 12, 13, and 15 are not severable and are effective the day after the date of the approval by the city council of the city of Minneapolis and the timely completion by

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the chief clerical officer of the city of Minneapolis of compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(c) Sections 4, 5, 6, 7, and 8 are effective the day after the board of Hennepin County and its chief clerical officer complete in a timely manner their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(d) Sections 14 and 15 are effective the day after the governing body of the city of Minneapolis and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(e) Section 17 is effective the day after the date on which the city council of the city of Eveleth and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(f) Section 16 is effective with respect to a volunteer firefighters relief association listed in column A the day after the governing body of the municipality listed in column B and its chief clerical officer timely complete compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

<u>A</u>	<u>B</u>
<u>Aurora</u>	<u>city of Aurora</u>
<u>Biwabik</u>	<u>city of Biwabik</u>
<u>Hoyt Lakes</u>	<u>city of Hoyt Lakes</u>
<u>Palo</u>	<u>town of White</u>

(g) Section 18 is effective the day after the governing body of the city of Maplewood, the governing body of the city of Oakdale, the Maplewood chief clerical officer, and the Oakdale chief clerical officer complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 12

ONE PERSON AND SMALL GROUP

RETIREMENT CHANGES

Section 1. PURCHASE OF PRIOR SERVICE CREDIT.

(a) An eligible person described in paragraph (b) is entitled to purchase up to one year of allowable service credit from the Teachers Retirement Association for the 2003-2004 school year. The service credit purchase under this section must be made in accordance with Minnesota Statutes, section 356.551, except as otherwise stated in this section.

(b) An eligible person is a person who:

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- (1) is currently a member of the Teachers Retirement Association;
- (2) was born on April 2, 1949;
- (3) has been employed by Independent School District No. 11, Anoka-Hennepin, since the 1971-1972 school year;
- (4) applied for and was granted an extended leave of absence from Independent School District No. 11, Anoka-Hennepin, for the 2002-2003, 2003-2004, and 2004-2005 school years under Minnesota Statutes, section 122A.46;
- (5) was unable to make timely payment for the 2003-2004 school year under Minnesota Statutes, section 354.094, because of a problem in transferring funds from the individual's tax-sheltered annuity account; and
- (6) was not permitted by the Teachers Retirement Association to make payment after June 30, 2004, with interest.

(c) Notwithstanding Minnesota Statutes, section 356.551, payment must be made by September 1, 2005, or prior to termination of service, whichever is earlier, and the employee payment amount is an amount equal to the employee contribution rate in effect during the 2003-2004 school year applied to the eligible individual's salary in the year prior to the leave, plus .708 percent monthly interest from June 30, 2004, until the end of the month in which payment is made. If the full payment required under this paragraph is made, then notwithstanding Minnesota Statutes, section 354.094, the individual is authorized under Minnesota Statutes, section 354.094, to make the required contribution for the 2004-2005 school year, and any subsequent years of the leave. Notwithstanding payment deadlines in Minnesota Statutes, section 354.094, the employee contribution for the 2004-2005 school year must be made on or before September 30, 2005, with .708 percent monthly interest from June 30, 2005, until paid.

(d) If payment is received under paragraph (c), the executive director of the Teachers Retirement Association shall bill Independent School District No. 11, Anoka-Hennepin, for the employer contribution that would have been made on behalf of the eligible person for the 2003-2004 fiscal year under Minnesota Statutes, section 354.094. The remainder of the full actuarial value payment under Minnesota Statutes, section 356.551, is waived. If the school district fails to make payment under this paragraph within 30 days of notification of the amount due, the executive director shall notify the commissioner of the Department of Finance of that fact and the employer payment amount shall be deducted from any subsequent state aid to the school district.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

Presented to the governor July 15, 2005

Signed by the governor July 25, 2005, 2:05 p.m.

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