

A bill for an act

relating to retirement; various retirement plans; adding two employment positions to the correctional state employees retirement plan; including certain departments of the Rice Memorial Hospital in Willmar and the Worthington Regional Hospital in privatized public employee retirement coverage; providing for the potential dissolution of the Minnesota Post Retirement Investment Fund; increasing teacher retirement plan reemployed annuitant earnings limitations; temporarily exempting Metropolitan Airports Commission police officers from reemployed annuitant earnings limits; mandating joint and survivor optional annuities rather than single life annuities as basic annuity form; making various changes in retirement plan administrative provisions; clarifying general state employee retirement plan alternative coverage elections by certain unclassified state employees retirement program participants; clarifying direct state aid for the teacher retirement associations; clarifying the handling of unclaimed retirement accounts in the individual retirement account plan; providing for a study of certain Minnesota State Colleges and Universities System tenure track faculty members; modifying the manner in which official actuarial work for public pension plans is performed; allowing pension plans greater latitude in setting salary and payroll assumptions; extending amortization target dates for various retirement plans; making the number and identity of tax-sheltered annuity vendors a mandatory bargaining item for school districts and their employees; allowing a certain firefighter relief association certain benefit increases; allowing security broker-dealers to directly hold local pension plan assets; increasing upmost flexible service pension maximum amounts for volunteer firefighters; creating a voluntary statewide volunteer firefighter retirement plan advisory board within the Public Employees Retirement Association; allowing various retirement plans to accept labor union retired member dues deduction authorizations; authorizing various prior service credit purchases; authorizing certain service credit and coverage transfers; authorizing a disability benefit application to be rescinded; authorizing a retirement coverage termination; providing an additional benefit to certain injured Minneapolis bomb squad officers; allowing certain Independent School District No. 625 school board members to make back defined contribution retirement plan contributions; revising post-2009 additional amortization state aid allocations; modifying PERA-P&F duty disability benefit amounts; authorizing a PERA prior military service credit purchase; revising the administrative duties of the board and the executive director of the Minnesota State Retirement System; increasing pension commission membership; appropriating money; amending Minnesota Statutes 2006, sections 3.85, subdivision 3; 6.67; 11A.18, subdivision

9, by adding subdivisions; 16A.055, subdivision 5; 43A.346, subdivisions 4, 5, 6, 7; 69.011, subdivision 1; 123B.02, subdivision 15; 352.03, subdivisions 4, 5; 352.12, subdivision 2; 352.22, subdivision 10; 352.931, subdivision 1; 352.97; 352.98, subdivisions 1, 2, 3, 4, 5; 352D.075, subdivision 2a; 353.01, subdivisions 10, 11a, by adding a subdivision; 353.27, by adding a subdivision; 353.30, subdivision 3; 353.33, subdivision 5; 353.64, subdivision 11; 353.656, subdivision 2; 353D.05, subdivision 2; 353D.12, subdivision 4; 353E.07, subdivision 7; 354.05, subdivision 37; 354.33, subdivision 5; 354.44, subdivision 5; 354A.12, subdivision 3a; 354A.31, subdivision 3; 354B.20, by adding a subdivision; 354B.25, subdivision 5, by adding a subdivision; 354C.165; 356.20, subdivisions 1, 2, 3, 4, 4a; 356.214, subdivisions 1, 3, by adding a subdivision; 356.215, subdivisions 1, 2, 3, 8, 11, 18; 356.24, subdivision 1; 356.41; 356.46, as amended; 356.47, subdivision 3; 356.551, subdivision 2; 356.611, subdivision 2, by adding a subdivision; 356A.06, subdivisions 1, 7, 8b; 356B.10, subdivision 3; 363A.36, subdivision 1; 383B.914, subdivision 7; 423A.02, subdivision 1b; 424A.001, subdivision 6, by adding a subdivision; 424A.02, subdivisions 3, 7, 9; 424A.05, subdivision 3; 518.003, subdivision 8; Minnesota Statutes 2007 Supplement, sections 43A.346, subdivisions 1, 2; 352.01, subdivision 2a; 352.017, subdivision 2; 352.91, subdivision 3d; 352.955, subdivisions 3, 5; 352D.02, subdivisions 1, 3; 353.01, subdivision 2b; 353.0161, subdivision 2; 353.27, subdivision 14; 353.32, subdivision 1a; 353.656, subdivision 1; 353.657, subdivision 2a; 353F.02, subdivision 4; 354.096, subdivision 2; 354.72, subdivision 2; 354A.12, subdivision 3c; 354C.12, subdivision 4; 356.96, subdivision 1; 422A.06, subdivision 8; Laws 2002, chapter 392, article 2, section 4; Laws 2006, chapter 271, article 5, section 5; proposing coding for new law in Minnesota Statutes, chapters 11A; 352; 353D; 353F; 354; 354C; 356; 423A; repealing Minnesota Statutes 2006, sections 352.96; 354.44, subdivision 6a; 354.465; 354.51, subdivision 4; 354.55, subdivisions 2, 3, 6, 12, 15; 354A.091, subdivisions 1a, 1b; 354A.12, subdivision 3a; 355.629; 356.214, subdivision 2; 356.215, subdivision 2a; Minnesota Statutes 2007 Supplement, section 354A.12, subdivisions 3b, 3c; Laws 1965, chapter 592, sections 3, as amended; 4, as amended; Laws 1967, chapter 575, sections 2, as amended; 3; 4; Laws 1969, chapter 352, section 1, subdivisions 3, 4, 5, 6; Laws 1969, chapter 526, sections 3; 4; 5, as amended; 7, as amended; Laws 1971, chapter 140, sections 2, as amended; 3, as amended; 4, as amended; 5, as amended; Laws 1971, chapter 214, section 1, subdivisions 1, 2, 3, 4, 5; Laws 1973, chapter 304, section 1, subdivisions 3, 4, 5, 6, 7, 8, 9; Laws 1973, chapter 472, section 1, as amended; Laws 1975, chapter 185, section 1; Laws 1985, chapter 261, section 37, as amended; Laws 1991, chapter 125, section 1; Laws 1993, chapter 244, article 4, section 1; Laws 2005, First Special Session chapter 8, article 1, section 23; Minnesota Rules, parts 7905.0100; 7905.0200; 7905.0300; 7905.0400; 7905.0500; 7905.0600; 7905.0700; 7905.0800; 7905.0900; 7905.1000; 7905.1100; 7905.1200; 7905.1300; 7905.1400; 7905.1500; 7905.1600; 7905.1700; 7905.1800; 7905.1900; 7905.2000; 7905.2100; 7905.2200; 7905.2300; 7905.2400; 7905.2450; 7905.2500; 7905.2560; 7905.2600; 7905.2700; 7905.2800; 7905.2900.

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

ARTICLE 1

POSTRETIREMENT PROVISIONS

Section 1. Minnesota Statutes 2006, section 11A.18, is amended by adding a subdivision to read:

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

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

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

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

EFFECTIVE DATE. This section is effective June 30, 2008.

Sec. 2. Minnesota Statutes 2006, section 11A.18, subdivision 9, is amended to read:

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

(b)(1) If the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor increases from June 30 of the preceding year to June 30 of the current year, the state board shall certify the percentage increase.

(2) The amount certified must not exceed ~~the lesser of the difference between the preretirement interest assumption and postretirement interest assumption in section 356.215, subdivision 8, paragraph (a), or 2.5 percent for the Minneapolis Employees Retirement Fund, the amount certified must not exceed 3.5 percent.~~

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

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

(2) the amount of reserves required as of the current June 30 for the annuity or benefit payable to an annuitant and benefit recipient of the participating public pension plans or funds must be determined by the actuary retained under section 356.214. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30 is eligible to receive a full postretirement adjustment. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least one full month, but less than 12 full months as of the current June 30, is eligible to receive a partial postretirement adjustment. Each fund shall report separately the amount of the reserves for those annuitants and benefit recipients who are eligible to receive a full postretirement benefit adjustment. This amount is known as "eligible reserves." Each fund shall also report separately the amount of the reserves for those annuitants and benefit recipients who are not eligible to receive a postretirement adjustment. This amount is known as "noneligible reserves." For an annuitant or benefit recipient who is eligible to receive a partial postretirement adjustment, each fund shall report separately as additional "eligible reserves" an amount that bears the same ratio to the total reserves required for the annuitant or benefit recipient as the number of full months of annuity or benefit receipt as of the current June 30 bears to 12 full months. The remainder of the annuitant's or benefit recipient's reserves must be separately reported as additional "noneligible reserves." The amount of "eligible" and "noneligible" required reserves must be certified to the board by the actuary retained under section 356.214 as soon as is practical following the current June 30;

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

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

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

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

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

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

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

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

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

(2) The state board shall add the percentage certified under paragraph (b) to any positive percentage calculated under paragraph (c). The board shall not subtract from the percentage certified under paragraph (b) any negative amount calculated under paragraph (c). The sum of these percentages ~~must be carried to five decimal places and~~ must be certified to each participating public pension fund or plan as the full postretirement adjustment percentage. The full postretirement adjustment percentage certified to each participating public pension plan or fund must not exceed five percent. ~~For the Minneapolis Employees Retirement Fund, no maximum percentage adjustment is applicable.~~

(e) A retirement annuity payable in the event of retirement before becoming eligible for Social Security benefits as provided in section 352.116, subdivision 3; 353.29, subdivision 6; or 354.35 must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity must be the annuity

amount payable until age 62 or 65, whichever applies. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

EFFECTIVE DATE. This section is effective June 30, 2008.

Sec. 3. Minnesota Statutes 2006, section 11A.18, is amended by adding a subdivision to read:

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

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

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

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

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

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

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

(2) the increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor from June 30 of the year before the person first received a postretirement adjustment to June 30 of the current year. If a person received a prorated increase under subdivision 9, paragraph (c), clause (2), the same ratio of the number of months receiving a monthly benefit to 12 months must be applied to the inflation calculation for the fiscal year used to calculate the prorated amount of lost purchasing power for that period.

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective June 30, 2008.

Sec. 4. Minnesota Statutes 2006, section 11A.18, is amended by adding a subdivision to read:

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

EFFECTIVE DATE. This section is effective June 30, 2008.

Sec. 5. Minnesota Statutes 2006, section 356.41, is amended to read:

356.41 BENEFIT ADJUSTMENTS FOR CERTAIN DISABILITY AND SURVIVOR BENEFITS.

(a) Disability benefits payable to a disabilitant, if not otherwise included in the participation in the Minnesota postretirement investment fund, and survivor benefits

payable to a survivor from any public pension plan which participates in the Minnesota postretirement investment fund must be adjusted in the same manner, at the same times and in the same amounts as are benefits payable from the Minnesota postretirement investment fund to comparable eligible benefit recipients of that public pension plan.

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

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

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

EFFECTIVE DATE. This section is effective June 30, 2008.

Sec. 6. Minnesota Statutes 2007 Supplement, section 422A.06, subdivision 8, is amended to read:

Subd. 8. **Retirement benefit fund.** (a) The retirement benefit fund consists of amounts held for payment of retirement allowances for members retired under this chapter, including any transfer amount payable under subdivision 3, paragraph (c).

(b) Unless subdivision 3, paragraph (c), applies, assets equal to the required reserves for retirement allowances under this chapter determined in accordance with the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the actuary retained under section 356.214 must be transferred from the deposit accumulation fund to the retirement benefit fund as of the last business day of the month in which the retirement allowance begins. The income from investments of these assets must be allocated to this fund and any interest charge under subdivision 3, paragraph (c), must be credited to the fund. There must be paid from this fund the retirement annuities authorized by law. A required reserve calculation for the retirement benefit fund must be made by the actuary retained under section 356.214 and must be certified to the retirement board by the actuary retained under section 356.214.

~~(c) The retirement benefit fund must be governed by the applicable laws governing the accounting and audit procedures, investment, actuarial requirements, calculation and~~

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~~payment of postretirement benefit adjustments, discharge of any deficiency in the assets of the fund when compared to the actuarially determined required reserves, and other applicable operations and procedures regarding the Minnesota postretirement investment fund in effect on June 30, 1997, established under Minnesota Statutes 1996, section 11A.18, and any legal or administrative interpretations of those laws of the State Board of Investment, the legal advisor to the Board of Investment and the executive director of the State Board of Investment in effect on June 30, 1997. If a deferred yield adjustment account is established for the Minnesota postretirement investment fund before June 30, 1997, under Minnesota Statutes 1996, section 11A.18, subdivision 5, the retirement board shall also establish and maintain a deferred yield adjustment account within this fund.~~

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

(d)(1) Annually, following June 30, the board shall use the procedures in clauses (2), (3), and (4), to determine whether a postretirement adjustment is payable and to determine the amount of any postretirement adjustment.

(2) If the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor increases from June 30 of the preceding year to June 30 of the current year, the board shall certify the percentage increase. The amount certified must not exceed the lesser of the difference between the preretirement interest assumption and postretirement interest assumption in section 356.215, subdivision 8, paragraph (a), or 3.5 percent.

(3) In addition to any percentage increase certified under paragraph (b), the board shall use the following procedures to determine if a postretirement adjustment is payable under this paragraph:

(i) the board shall determine the market value of the fund on June 30 of that year;

(ii) the amount of reserves required as of the current June 30 for the annuity or benefit payable to an annuitant and benefit recipient must be determined by the actuary retained under section 356.214. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30 is eligible to receive a full postretirement adjustment. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least one full month, but less than 12 full months as of the current June 30, is eligible to receive a partial postretirement adjustment. The amount of the reserves for those annuitants and benefit recipients who are eligible to receive a full postretirement benefit adjustment is known as "eligible reserves." The amount of the reserves for those annuitants and benefit recipients who are not eligible to receive a postretirement adjustment is known as "noneligible reserves." For an annuitant or benefit recipient who is eligible to receive a partial postretirement adjustment, additional "eligible reserves" is an amount that bears the same ratio to the total reserves required for the annuitant or benefit recipient as the number of full months of annuity or benefit receipt as of the current June 30 bears to 12 full months. The remainder of the annuitant's or benefit recipient's reserves are "noneligible reserves";

(iii) the board shall determine the percentage increase certified under clause (2) multiplied by the eligible required reserves, as adjusted for mortality gains and losses, determined under item (ii);

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

(v) the board shall subtract the amount determined under item (iv) from the market value of the fund determined under item (i);

(vi) the board shall adjust the amount determined under item (v) by the cumulative current balance determined under item (viii) and any negative balance carried forward under item (ix);

(vii) a positive amount resulting from the calculations in items (i) to (vi) is the excess market value. A negative amount is the negative balance;

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

(ix) to calculate the postretirement adjustment under this paragraph based on investment performance for a fiscal year, the board shall add together all excess market value allocated to that year and subtract from the sum all negative balances allocated to that year. If this calculation results in a negative number, the entire negative balance must

be carried forward and allocated to the next year. If the resulting amount is positive, a postretirement adjustment is payable under this paragraph. The board shall express a positive amount as a percentage of the total eligible required reserves certified to the board under item (ii).

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

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

(ii) the board shall add the percentage certified under clause (2) to any positive percentage calculated under clause (3). The board shall not subtract from the percentage certified under paragraph (b) any negative amount calculated under clause (3). The sum of these percentages must be carried to five decimal places and must be certified as the full postretirement adjustment percentage.

(e) The board shall determine the amount of the postretirement adjustment payable to each eligible annuitant and benefit recipient. The dollar amount of the postretirement adjustment must be calculated by applying the certified postretirement adjustment percentage to the amount of the monthly annuity or benefit payable to each eligible annuitant or benefit recipient eligible for a full adjustment.

The dollar amount of the partial postretirement adjustment payable to each annuitant or benefit recipient eligible for a partial adjustment must be calculated by first determining a partial percentage amount that bears the same ratio to the certified full adjustment percentage amount as the number of full months of annuity or benefit receipt as of the current June 30 bears to 12 full months. The partial percentage amount determined must then be applied to the amount of the monthly annuity or benefit payable to each annuitant or benefit recipient eligible to receive a partial postretirement adjustment. The postretirement adjustments are payable on January 1 following the calculations required under this section and must thereafter be included in the monthly annuity or benefit paid to the recipient. Any adjustments under this section must be paid automatically unless the intended recipient files a written notice with the applicable participating public pension fund or plan requesting that the adjustment not be paid.

12.1 (f) As of June 30 annually, the actuary retained under section 356.214 shall calculate
12.2 the amount of required reserves representing any mortality gains and any mortality losses
12.3 incurred during the fiscal year and report the results of those calculations to the plan.
12.4 The actuary shall report separately the amount of the reserves for annuitants and benefit
12.5 recipients who are eligible for a postretirement benefit adjustment and the amount of
12.6 reserves for annuitants and benefit recipients who are not eligible for a postretirement
12.7 benefit adjustment. If the net amount of required reserves represents a mortality gain,
12.8 the board shall sell sufficient securities or transfer sufficient available cash to equal the
12.9 amount. If the amount of required reserves represents a mortality loss, the plan shall
12.10 transfer an amount equal to the amount of the net mortality loss. The amount of the
12.11 transfers must be determined before any postretirement benefit adjustments have been
12.12 made. All transfers resulting from mortality adjustments must be completed annually
12.13 by December 31 for the preceding June 30. Interest is payable on any transfers after
12.14 December 31 based upon the preretirement interest assumption for the participating plan
12.15 or fund as specified in section 356.215, subdivision 8, stated as a monthly rate. Book
12.16 values of the assets of the fund must be determined only after all adjustments for mortality
12.17 gains and losses for the fiscal year have been made.

12.18 (g) All money necessary to meet the requirements of the certification of withdrawals
12.19 and all money necessary to pay postretirement adjustments under this section are hereby
12.20 and from time to time appropriated from the postretirement investment fund to the board.

12.21 ~~(d)~~ (h) Annually, following the calculation of any postretirement adjustment
12.22 payable from the retirement benefit fund, the board of trustees shall submit a report to
12.23 the executive director of the Legislative Commission on Pensions and Retirement and
12.24 to the commissioner of finance indicating the amount of any postretirement adjustment
12.25 and the underlying calculations on which that postretirement adjustment amount is based,
12.26 including the amount of dividends, the amount of interest, and the amount of net realized
12.27 capital gains or losses utilized in the calculations.

12.28 ~~(e)~~ (i) With respect to a former contributing member who began receiving a
12.29 retirement annuity or disability benefit under section 422A.151, paragraph (a), clause (2),
12.30 after June 30, 1997, or with respect to a survivor of a former contributing member who
12.31 began receiving a survivor benefit under section 422A.151, paragraph (a), clause (2),
12.32 after June 30, 1997, the reserves attributable to the one percent lower amount of the
12.33 cost-of-living adjustment payable to those annuity or benefit recipients annually must
12.34 be transferred back to the deposit accumulation fund to the credit of the Metropolitan
12.35 Airports Commission. The calculation of this annual reduced cost-of-living adjustment
12.36 reserve transfer must be reviewed by the actuary retained under section 356.214.

13.1 **EFFECTIVE DATE.** This section is effective June 30, 2008.

13.2 **ARTICLE 2**

13.3 **MINNESOTA POSTRETIREMENT INVESTMENT FUND DISSOLUTION**

13.4 Section 1. **[11A.181] DISSOLUTION OF MINNESOTA POSTRETIREMENT**
13.5 **INVESTMENT FUND.**

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

13.10 (1) less than 85 percent and was less than 85 percent as of June 30 of the immediately
13.11 preceding year; or

13.12 (2) less than 80 percent.

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

13.15 (1) the retirement plans shall not transfer reserves as required under sections 11A.18,
13.16 subdivision 6; 352.119, subdivision 2; 352B.26, subdivision 3; 353.271, subdivision 2;
13.17 354.63, subdivision 2; and 490.123, subdivision 1e, to the postretirement investment
13.18 fund after December 31 of the calendar year in which conditions for dissolution under
13.19 subdivision 1 occur;

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

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

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

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

13.34 (1) a postretirement increase of 2.5 percent must be applied each year, effective
13.35 January 1, to the monthly annuity or benefit of each annuitant and benefit recipient who

14.1 has been receiving an annuity or a benefit for at least 12 full months as of the prior
14.2 January 1; and

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

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

14.9 **EFFECTIVE DATE.** This section is effective June 30, 2008.

14.10 Sec. 2. **PROPOSED STATUTORY CHANGES.**

14.11 By November 30 of the year in which conditions for dissolution of the postretirement
14.12 investment fund first occur, the executive directors of the retirement systems that
14.13 participate in the postretirement investment fund must report to the Legislative
14.14 Commission on Pensions and Retirement a draft of proposed legislation that would make
14.15 changes in statute necessary to conform with dissolution of the postretirement investment
14.16 fund.

14.17 **EFFECTIVE DATE.** This section is effective June 30, 2008.

14.18 **ARTICLE 3**

14.19 **PHASED RETIREMENT OR**

14.20 **RETURN TO EMPLOYMENT PROVISIONS**

14.21 Section 1. Minnesota Statutes 2007 Supplement, section 43A.346, subdivision 1,
14.22 is amended to read:

14.23 Subdivision 1. **Definition.** For purposes of this section, "terminated state employee"
14.24 means a person ~~currently occupying~~ who occupied a civil service position in the executive
14.25 or legislative branch of state government, the Minnesota State Retirement System, the
14.26 Public Employees Retirement Association, ~~or~~ the Office of the Legislative Auditor, or a
14.27 person who was employed by the Metropolitan Council.

14.28 **EFFECTIVE DATE.** This section is effective July 1, 2008.

14.29 Sec. 2. Minnesota Statutes 2007 Supplement, section 43A.346, subdivision 2, is
14.30 amended to read:

Subd. 2. **Eligibility.** (a) This section applies to a terminated state or Metropolitan Council employee who:

(1) for at least the five years immediately preceding separation under clause (2), ~~has been~~ was regularly scheduled to work 1,044 or more hours per year in a position covered by a pension plan administered by the Minnesota State Retirement System or the Public Employees Retirement Association;

(2) ~~terminates~~ terminated state or Metropolitan Council employment;

(3) at the time of termination under clause (2), ~~meets~~ met the age and service requirements necessary to receive an unreduced retirement annuity from the plan and ~~satisfies~~ satisfied requirements for the commencement of the retirement annuity or, for ~~an a terminated~~ employee under the unclassified employees retirement plan, ~~meets~~ met the age and service requirements necessary to receive an unreduced retirement annuity from the plan and ~~satisfies~~ satisfied requirements for the commencement of the retirement annuity or ~~elects~~ elected a lump-sum payment; and

(4) agrees to accept a postretirement option position with the same or a different appointing authority, working a reduced schedule that is both (i) a reduction of at least 25 percent from the employee's number of previously regularly scheduled work hours; and (ii) 1,044 hours or less in state or Metropolitan Council service.

(b) For purposes of this section, an unreduced retirement annuity includes a retirement annuity computed under a provision of law which permits retirement, without application of an earlier retirement reduction factor, whenever age plus years of allowable service total at least 90.

(c) For purposes of this section, as it applies to staff of the Public Employees Retirement Association who are at least age 62, the length of separation requirement and termination of service requirement prohibiting return to work agreements under section 353.01, subdivisions 11a and 28, are not applicable.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 3. Minnesota Statutes 2006, section 43A.346, subdivision 4, is amended to read:

Subd. 4. **Annuity reduction not applicable.** Notwithstanding any law to the contrary, ~~when an eligible state employee in a postretirement option position under this section commences receipt of the annuity,~~ the provisions of section 352.115, subdivision 10, or 353.37 governing annuities of reemployed annuitants, shall not apply for the duration of a terminated state employee's employment in the a postretirement option position.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 4. Minnesota Statutes 2006, section 43A.346, subdivision 5, is amended to read:

Subd. 5. **Appointing authority discretion.** The appointing authority has sole discretion to determine if and the extent to which a postretirement option position under this section is available to a terminated state employee. Any offer of such a position must be made in writing to the ~~employee~~ person by the appointing authority on a form prescribed by the Department of Employee Relations and the Minnesota State Retirement System or the Public Employees Retirement Association. If the person is under age 62, an offer of a postretirement option position and any related verbal offer or agreement must not be made until at least 30 days after the person terminated employment. The appointing authority may not require a person to waive any rights under a collective bargaining agreement or unrepresented employee compensation plan as a condition of participation.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 5. Minnesota Statutes 2006, section 43A.346, subdivision 6, is amended to read:

Subd. 6. **Duration.** Postretirement option employment shall be for an initial period not to exceed one year. During that period, the appointing authority may not modify the conditions specified in the written offer without the ~~employee's agreement~~ person's consent, except as required by law or by the collective bargaining agreement or compensation plan applicable to the ~~employee~~ person. At the end of the initial period, the appointing authority has sole discretion to determine if the offer of a postretirement option position will be renewed, renewed with modifications, or terminated. If the person is under age 62, an offer of renewal and any related verbal offer or agreement must not be made until at least 30 days after termination of the person's previous postretirement option employment. Postretirement option employment may be renewed for periods of up to one year, not to exceed a total duration of five years. No person shall be employed in one or a combination of postretirement option positions under this section for a total of more than five years.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 6. Minnesota Statutes 2006, section 43A.346, subdivision 7, is amended to read:

Subd. 7. **Copy to fund.** The appointing authority shall provide the Minnesota State Retirement System or the Public Employees Retirement Association with a copy of

17.1 the offer, the terminated state employee's acceptance of the terms, and any subsequent
17.2 renewal agreement.

17.3 **EFFECTIVE DATE.** This section is effective July 1, 2008.

17.4 Sec. 7. Minnesota Statutes 2006, section 354.05, subdivision 37, is amended to read:

17.5 Subd. 37. **Termination of teaching service.** "Termination of teaching service"
17.6 means the withdrawal of a member from active teaching service by resignation or the
17.7 termination of the member's teaching contract by the employer. A member is not
17.8 considered to have terminated teaching service, if before the age of 62, and before the
17.9 effective date of the termination or retirement, the member has entered into a contract to
17.10 resume teaching service with an employing unit covered by the provisions of this chapter.
17.11 A contract to return to work after retirement for an active member who has attained age
17.12 62 must comply with the provisions of section 354.444.

17.13 **EFFECTIVE DATE.** This section is effective July 1, 2008.

17.14 Sec. 8. Minnesota Statutes 2006, section 354.44, subdivision 5, is amended to read:

17.15 Subd. 5. **Resumption of teaching service after retirement.** (a) Any person who
17.16 retired under the provisions of this chapter and has thereafter resumed teaching in any
17.17 employer unit to which this chapter applies is eligible to continue to receive payments in
17.18 accordance with the annuity except that all or a portion of the annuity payments must be
17.19 ~~reduced~~ deferred during the calendar year immediately following any calendar year in
17.20 which the person's ~~income~~ salary from the teaching service is in an amount greater than ~~the~~
17.21 ~~annual maximum earnings allowable for that age for the continued receipt of full benefit~~
17.22 ~~amounts monthly under the federal old age, survivors and disability insurance program~~
17.23 ~~as set by the secretary of health and human services under United States Code, title 42,~~
17.24 ~~section 403~~ \$46,000. The amount of the ~~reduction must be~~ annuity deferral is one-half of
17.25 the salary amount in excess of ~~the applicable reemployment income maximum specified in~~
17.26 ~~this subdivision~~ \$46,000 and must be deducted from the annuity payable for the calendar
17.27 year immediately following the calendar year in which the excess amount was earned. ~~If~~
17.28 ~~the person has not yet reached the minimum age for the receipt of Social Security benefits,~~
17.29 ~~the maximum earnings for the person must be equal to the annual maximum earnings~~
17.30 ~~allowable for the minimum age for the receipt of Social Security benefits.~~

17.31 (b) If the person is retired for only a fractional part of the calendar year during
17.32 the initial year of retirement, the maximum reemployment ~~income~~ salary exempt from
17.33 triggering a deferral as specified in this subdivision must be prorated for that calendar year.

(c) After a person has reached the Social Security ~~full~~ normal retirement age, no ~~reemployment income maximum~~ deferral requirement is applicable regardless of the amount of ~~income~~ salary.

(d) The amount of the retirement annuity ~~reduction~~ deferral must be handled or disposed of as provided in section 356.47.

(e) For the purpose of this subdivision, ~~income~~ salary from teaching service includes, but is not limited to:

(1) all income for services performed as a consultant or an independent contractor for an employer unit covered by the provisions of this chapter; and

(2) the greater of either the income received or an amount based on the rate paid with respect to an administrative position, consultant, or independent contractor in an employer unit with approximately the same number of pupils and at the same level as the position occupied by the person who resumes teaching service.

EFFECTIVE DATE. This section is effective January 1, 2008.

Sec. 9. **[354.444] RETURN TO WORK AGREEMENT.**

Subdivision 1. **Authorization.** Notwithstanding any other provisions in this chapter, an eligible person as specified in subdivision 2 is authorized to commence receipt of a retirement annuity from the association and enter into an agreement to return to work. This provision must be administered in accordance with the federal Internal Revenue Code and applicable rulings.

Subd. 2. **Eligibility.** An eligible person is a person who:
(1) is a teacher as defined by section 354.05, subdivision 2, who is at least age 62;
(2) enters into a written agreement with the employing unit to return to work; and
(3) retires under the provisions of section 354.44 and begins to draw an annuity from the Teachers Retirement Association.

Subd. 3. **Work agreement.** Participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employing unit and the employee. The employing unit may require up to a one-year notice of intent to participate in the program as a condition of participation. The employing unit shall determine the time of year the employee shall work. Unless otherwise specified in this section, the employing unit may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section.

Subd. 4. **Exclusion.** For purposes of this section, "employing unit" does not include the Minnesota State Colleges and Universities system.

Subd. 5. **No service credit or contribution.** Notwithstanding any law to the contrary, an eligible person under this section may not, based on employment to which this section applies, contribute to or earn further service credit in the Teachers Retirement Association.

Subd. 6. **Annuity application procedure.** A participant in the program specified in this section must apply for a retirement annuity under the application procedure specified in section 354.44, subdivisions 3 and 4. A copy of the written agreement with the employing unit must be included with the person's retirement annuity application. This written agreement must include the termination date and reemployment date. The filing of the initial executed agreement must occur before reemployment under the agreement commences. The reemployment date must be after the member's accrual date.

Subd. 7. **Annuity treatment.** For purposes of the annuity deferral under section 354.44, subdivision 5, an eligible person under this section is a reemployed annuitant.

Subd. 8. **Continuing rights.** A person who returns to work under this section is a member of the appropriate bargaining unit and is covered by the appropriate collective bargaining contract. Except as provided in this section, the person's coverage is subject to any part of the contract limiting rights of part-time employees.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 10. Minnesota Statutes 2006, section 354A.31, subdivision 3, is amended to read:

Subd. 3. **Resumption of teaching after commencement of a retirement annuity.**

(a) Any person who retired and is receiving a coordinated program retirement annuity under the provisions of sections 354A.31 to 354A.41 or any person receiving a basic program retirement annuity under the governing sections in the articles of incorporation or bylaws and who has resumed teaching service for the school district in which the teachers retirement fund association exists is entitled to continue to receive retirement annuity payments, except that all or a portion of the annuity payments must be reduced ~~deferred~~ during the calendar year immediately following the calendar year in which the person's ~~income~~ salary from the teaching service is in an amount greater than ~~the annual maximum earnings allowable for that age for the continued receipt of full benefit amounts monthly under the federal old age, survivors, and disability insurance program as set by the secretary of health and human services under United States Code, title 42, section 403~~ \$46,000. The amount of the ~~reduction must be~~ annuity deferral is one-third the salary amount in excess of ~~the applicable reemployment income maximum specified in this subdivision~~ \$46,000 and must be deducted from the annuity payable for the calendar year immediately following the calendar year in which the excess amount was earned. ~~If the~~

~~person has not yet reached the minimum age for the receipt of Social Security benefits, the maximum earnings for the person must be equal to the annual maximum earnings allowable for the minimum age for the receipt of Social Security benefits.~~

(b) If the person is retired for only a fractional part of the calendar year during the initial year of retirement, the maximum reemployment ~~income~~ salary exempt from triggering a deferral as specified in this subdivision must be prorated for that calendar year.

(c) After a person has reached the Social Security normal retirement age of 70, no ~~reemployment income maximum deferral requirement~~ is applicable regardless of the amount of any compensation received for teaching service for the school district in which the teachers retirement fund association exists.

(d) The amount of the retirement annuity ~~reduction~~ deferral must be handled or disposed of as provided in section 356.47.

(e) For the purpose of this subdivision, ~~income~~ salary from teaching service includes: (i) all income for services performed as a consultant or independent contractor; or income resulting from working with the school district in any capacity; and (ii) the greater of either the income received or an amount based on the rate paid with respect to an administrative position, consultant, or independent contractor in the school district in which the teachers retirement fund association exists and at the same level as the position occupied by the person who resumes teaching service.

(f) On or before February 15 of each year, each applicable employing unit shall report to the teachers retirement fund association the amount of postretirement ~~income~~ salary as defined in this subdivision, earned as a teacher, consultant, or independent contractor during the previous calendar year by each retiree of the teachers retirement fund association for teaching service performed after retirement. The report must be in a format approved by the executive secretary or director.

EFFECTIVE DATE. This section is effective January 1, 2008.

Sec. 11. PERA POLICE AND FIRE; TEMPORARY EXEMPTION FROM REEMPLOYED ANNUITANT EARNINGS LIMITATIONS.

Notwithstanding any provision of Minnesota Statutes, section 353.37, to the contrary, a person who is receiving a retirement annuity from the public employees police and fire plan and who is employed as a sworn peace officer by the Metropolitan Airports Commission is exempt from the limitation on reemployed annuitant exempt earnings under Minnesota Statutes, section 353.37, for the period January 1, 2008, until December 31, 2009.

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

Sec. 12. BYLAW REVISION AUTHORIZATION.

Consistent with Minnesota Statutes, sections 354A.12, subdivisions 3 and 4, and 354A.31, subdivision 3, the St. Paul Teachers Retirement Fund Association and the Duluth Teachers Retirement Fund Association are authorized to revise their bylaws or articles of incorporation to specify that a person receiving a basic program retirement annuity or an old law coordinated program annuity under the governing sections in the articles of incorporation or bylaws who has resumed teaching service for the school district is entitled to continue receiving retirement annuity payments, except that all or a portion of the annuity payments must be deferred during the calendar year immediately following the calendar year in which the person's salary from the reemployment exceeds \$46,000. The amount of the annuity deferral is one-third of the salary amount in excess of \$46,000. After a person has reached Social Security normal retirement age, the deferral requirement no longer applies. Any deferral amounts must be treated as specified in Minnesota Statutes, section 356.47.

EFFECTIVE DATE. This section is effective July 1, 2008.

ARTICLE 4

MANDATORY JOINT AND SURVIVOR BENEFIT FORM

Section 1. Minnesota Statutes 2006, section 352.12, subdivision 2, is amended to read:

Subd. 2. **Surviving spouse benefit.** (a) If an employee or former employee has credit for at least three years allowable service and dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund with interest under subdivision 1, an annuity equal to the joint and 100 percent survivor annuity which the employee or former employee could have qualified for on the date of death.

(b) If the employee was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If the employee was under age 55 and has credit for at least three years of allowable service credit on the date of death but did not yet qualify for retirement, the

surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1 or 1a, to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(d) The surviving spouse eligible for benefits under paragraph (a) may apply for the annuity at any time after the date on which the employee or former employee would have attained the required age for retirement based on the allowable service earned. The surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for the annuity at any time after the employee's death. The annuity must be computed under sections 352.115, subdivisions 1, 2, and 3, and 352.116, subdivisions 1, 1a, and 3. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision. The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse, or upon expiration of a term certain benefit payment to a surviving spouse under subdivision 2a. An amount equal to the excess, if any, of the accumulated contributions credited to the account of the deceased employee in excess of the total of the benefits paid and payable to the surviving spouse must be paid to the deceased employee's or former employee's last designated beneficiary or, if none, as specified under subdivision 1.

(e) Any employee or former employee may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

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

Sec. 2. Minnesota Statutes 2006, section 352.931, subdivision 1, is amended to read:

Subdivision 1. **Surviving spouse benefit.** (a) If the correctional employee was at least age 50, has credit for at least three years of allowable service, and dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund under section 352.12, subdivision 1, an annuity for life equal to the joint and 100 percent survivor annuity which the employee could have qualified for had the employee terminated service on the date of death. The election may be made at any time after the date of death of the employee. The surviving spouse benefit begins to accrue as of the first of the month next following the date on which the application for the benefit was filed.

(b) If the employee was under age 50, dies, and had credit for at least three years of allowable service credit on the date of death but did not yet qualify for retirement, the

surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the early retirement reduction under section 352.93, subdivision 2a, to age 50, and one-half of the early retirement reduction from age 50 to the age payment begins. The surviving spouse eligible for surviving spouse benefits under this paragraph may apply for the annuity at any time after the employee's death. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision.

(c) The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse. Any employee may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

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

Sec. 3. Minnesota Statutes 2006, section 353.30, subdivision 3, is amended to read:

Subd. 3. **Optional retirement annuity forms.** The board of trustees shall establish optional annuities which shall take the form of a joint and survivor annuity. Except as provided in subdivision 3a, the optional annuity forms shall be actuarially equivalent to the forms provided in section 353.29 and subdivisions 1, 1a, 1b, 1c, and 5. In establishing those optional forms, the board shall obtain the written recommendation of the actuary retained under section 356.214. The recommendations shall be a part of the permanent records of the board. A member or former member may select an optional form of annuity, subject to the provisions of section 356.46, in lieu of accepting any other form of annuity which might otherwise be available.

EFFECTIVE DATE. This section is effective January 1, 2009.

Sec. 4. Minnesota Statutes 2007 Supplement, section 353.32, subdivision 1a, is amended to read:

Subd. 1a. **Surviving spouse optional annuity.** (a) If a member or former member who has credit for not less than three years of allowable service and dies before the annuity or disability benefit begins to accrue under section 353.29, subdivision 7, or 353.33, subdivision 2, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive, instead of a refund with interest under subdivision 1, or surviving spouse benefits otherwise payable under section 353.31, an annuity equal

to a 100 percent joint and survivor annuity computed consistent with section 353.30, subdivision 1a, 1c, or 5, whichever is applicable.

(b) If a member first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity computed using section 353.30, subdivision 1b, except that the early retirement reduction under that provision will be applied from age 62 back to age 55 and one-half of the early retirement reduction from age 55 back to the age payment begins.

(c) If a member who was under age 55 and has credit for at least three years of allowable service dies, but did not qualify for retirement on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity computed using section 353.30, subdivision 1c or 5, as applicable, except that the early retirement reduction specified in the applicable subdivision will be applied to age 55 and one-half of the early retirement reduction from age 55 back to the age payment begins.

(d) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse optional annuity if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under subdivision 1, if provided for in a marriage dissolution decree, but not a monthly surviving spouse optional annuity, despite the terms of a marriage dissolution decree filed with the association.

(e) The surviving spouse eligible for surviving spouse benefits under paragraph (a) may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. The surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity any time after the member's death.

(f) Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision.

(g) An amount equal to any excess of the accumulated contributions that were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the surviving spouse's estate.

(h) A member may specify in writing, with the signed consent of the spouse, that this subdivision does not apply and that payment may be made only to the designated beneficiary as otherwise provided by this chapter. The waiver of a surviving spouse

25.1 annuity under this section does not make a dependent child eligible for benefits under
25.2 subdivision 1c.

25.3 (i) If the deceased member or former member first became a public employee or a
25.4 member of a public pension plan listed in section 356.30, subdivision 3, on or after July
25.5 1, 1989, a survivor annuity computed under paragraph (a) or (c) must be computed as
25.6 specified in section 353.30, subdivision 5, except for the revised early retirement reduction
25.7 specified in paragraph (c), if paragraph (c) is the applicable provision.

25.8 (j) For any survivor annuity determined under this subdivision, the payment is to be
25.9 based on the total allowable service that the member had accrued as of the date of death
25.10 and the age of the member and surviving spouse on that date.

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

25.12 Sec. 5. Minnesota Statutes 2007 Supplement, section 353.657, subdivision 2a, is
25.13 amended to read:

25.14 Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former
25.15 member who has attained the age of at least 50 years and has credit for not less than
25.16 three years allowable service or who has credit for at least 30 years of allowable service,
25.17 regardless of age attained, dies before the annuity or disability benefit becomes payable,
25.18 notwithstanding any designation of beneficiary to the contrary, the surviving spouse may
25.19 elect to receive a death while eligible survivor benefit.

25.20 (b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision
25.21 20, a former spouse of the member, if any, is entitled to a portion of the death while
25.22 eligible survivor benefit if stipulated under the terms of a marriage dissolution decree
25.23 filed with the association. If there is no surviving spouse or child or children, a former
25.24 spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision
25.25 1, if provided for in a marriage dissolution decree but not a death while eligible survivor
25.26 benefit despite the terms of a marriage dissolution decree filed with the association.

25.27 (c) The benefit may be elected instead of a refund with interest under section 353.32,
25.28 subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and
25.29 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity
25.30 which the member could have qualified for on the date of death, computed as provided in
25.31 sections 353.651, subdivisions 2 and 3, and 353.30, subdivision 3.

25.32 (d) The surviving spouse may apply for the annuity at any time after the date
25.33 on which the deceased employee would have attained the required age for retirement
25.34 based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71,
25.35 subdivision 2, apply to a deferred annuity payable under this subdivision.

(e) No payment accrues beyond the end of the month in which entitlement to such annuity has terminated. An amount equal to the excess, if any, of the accumulated contributions which were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of such deceased member.

(f) Any member may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to the designated beneficiary, as otherwise provided by this chapter.

(g) For a member who is employed as a full-time firefighter by the Department of Military Affairs of the state of Minnesota, allowable service as a full-time state Military Affairs Department firefighter credited by the Minnesota State Retirement System may be used in meeting the minimum allowable service requirement of this subdivision.

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

Sec. 6. Minnesota Statutes 2006, section 353E.07, subdivision 7, is amended to read:

Subd. 7. **Election that section does not apply.** A member may specify in writing, with the signed consent of the spouse, that this section does not apply and that payment must be made only to the designated beneficiary, as otherwise provided by this chapter.

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

Sec. 7. Minnesota Statutes 2006, section 356.46, as amended by Laws 2007, chapter 134, article 2, section 44, is amended to read:

356.46 APPLICATION FOR RETIREMENT ANNUITY; PROCEDURE FOR ELECTING ANNUITY FORM; MANDATORY JOINT AND SURVIVOR OPTIONAL ANNUITY FORM.

Subdivision 1. **Definitions.** As used in this section, each of the following terms shall have the meaning given.

(a) "Annuity form" means the payment procedure and duration of a retirement annuity or disability benefit available to a member of a public pension ~~fund~~ and plan, based on the period over which a retirement annuity or disability benefit is payable, determined by the number of persons to whom the retirement annuity or disability benefit is payable, and the amount of the retirement annuity or disability benefit which is payable to each person.

(b) "Joint and survivor optional annuity" means an optional annuity form which provides a retirement annuity or disability benefit to a retired member or disabilitant

and the spouse of the member or disabilitant on a joint basis during the lifetime of the retired member or disabilitant and all or a portion of the original retirement annuity or disability benefit amount to the surviving spouse in the event of the death of the retired member or disabilitant.

(c) "Optional annuity form" means an annuity form which is elected by a member and is not provided automatically as the standard annuity form of the public pension plan.

(d) "Public pension plan" means a public pension plan as defined under section 356.63, paragraph (b).

(e) "Retirement annuity" means a series of monthly payments to which a former or retired member of a public pension ~~fund~~ plan is entitled due to attaining a specified age and acquiring credit for a specified period of service, which includes a retirement annuity, retirement allowance, or service pension.

(f) "Disability benefit" means a series of monthly payments to which a former or disabled member of a public pension ~~fund~~ plan is entitled due to a physical or mental inability to engage in specified employment.

Subd. 2. **Provision of information on annuity forms.** (a) Every public pension plan which provides for an annuity form other than a single life ~~retirement~~ annuity as an option which can be elected by an active, disabled, or retiring member shall provide as a part of, or accompanying the annuity application form, a written statement summarizing the ~~optional~~ annuity forms which are available, a general indication of the consequences of selecting one annuity form over another, a calculation of the actuarial reduction in the amount of the retirement annuity which would be required for each optional annuity form, and the procedure to be followed to obtain more information from the public pension ~~fund~~ plan administration concerning the ~~optional~~ all annuity forms provided by the plan. If the public pension plan offers joint and survivor optional annuity forms, the annuity application and accompanying information must include a statement informing the member and the member's spouse that, notwithstanding any law to the contrary, unless the spouse waives any rights to an optional annuity by a notarized statement on the annuity application or other form provided by the pension plan administration, the public pension plan administration shall assume that the member selected the 50 percent joint and survivor optional annuity form.

(b) In lieu of the notarized statement requirement referred to in paragraph (a), the pension plan administration may accept a statement which has been verified, including electronic verification, by administrators of the pension plan.

Subd. 3. **Requirement of notice to member's spouse.** (a) ~~Except as specified in paragraph (c), if a~~ Every public pension plan administration that provides optional

28.1 ~~retirement annuity forms which include~~ for a joint and survivor optional retirement or
28.2 disability annuity form potentially applicable to the surviving spouse of a member, ~~the~~
28.3 ~~executive director of the public pension plan~~ shall send a copy of the written statement
28.4 required by subdivision 2 to the spouse of the member before the member's ~~election~~
28.5 selection of a retirement annuity the form of retirement or disability benefit.

28.6 (b) Following the ~~election~~ selection of a retirement or disability annuity by the
28.7 member, a copy of the completed ~~retirement~~ annuity application and ~~retirement~~ annuity
28.8 beneficiary form, if applicable, must be sent by the executive director of the public
28.9 pension plan to the spouse of the retiring or disabled member. A signed acknowledgment
28.10 must be required from the spouse confirming receipt of a copy of the completed ~~retirement~~
28.11 annuity application and ~~retirement~~ annuity beneficiary form, unless the spouse's signature
28.12 ~~confirming~~ acknowledging the receipt annuity form selected is on the annuity application
28.13 or other form as designated by the plan. If the ~~required signed acknowledgment is public~~
28.14 pension plan administration has not received from the spouse within 30 days, a signed
28.15 acknowledgment, because the annuity application or other form as designated by the public
28.16 pension plan administration did not include the spouse's signature, the executive director
28.17 of the public pension plan must ~~send another copy of the completed retirement annuity~~
28.18 application notify the member and retirement annuity beneficiary form, if applicable, to
28.19 the member's spouse that the 50 percent joint and survivor annuity form, or a higher joint
28.20 and survivor form if selected, shall be paid if the spouse does not acknowledge the annuity
28.21 form selected by the member by responding to the second notice sent to the spouse within
28.22 30 days. The second notice must be sent by certified mail with restricted delivery.

28.23 (c) If a public pension plan administration receives notice that the provisions of
28.24 this section have not been complied with, or if a member selects a benefit form without
28.25 the valid consent of the member's spouse, the executive director of the public pension
28.26 plan shall suspend the payment of monthly benefits and shall take all actions necessary
28.27 to comply with this subdivision.

28.28 (d) For the Teachers Retirement Association, the statement to the spouse that is
28.29 required under paragraph (a) must be sent before or upon the member's election of an
28.30 annuity.

28.31 Subd. 4. Plan exclusions. This section does not apply to:

28.32 (1) any volunteer fire relief association to which sections 69.771 to 69.776 apply; and

28.33 (2) any plan under which the applicable surviving spouse would receive automatic
28.34 surviving spouse coverage if a joint and survivor annuity were not elected.

Subd. 5. **Disabilitant survivor treatment.** This section should not be interpreted as prohibiting payment of a survivor annuity to the spouse of a deceased disabilitant, in lieu of any other annuity, if laws specific to the plan provide for a higher surviving spouse annuity.

Subd. 6. **Limitations due to marriage dissolution.** The requirement to pay a 50 percent joint and survivor annuity is void if there is a court order to the contrary.

Subd. 7. **Liability waiver.** The pension fund and plan, its employees, and any agent working on behalf of the plan administration are not liable for harm caused by any act of fraud committed by the retiring member or current or previous spouse, or any information withheld from, or incorrect information supplied to the plan administration.

EFFECTIVE DATE. This section is effective January 1, 2009, and applies to annuities that are elected and commence on or after that date.

ARTICLE 5

ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2007 Supplement, 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 Minnesota Crop Improvement Association;

(4) employees of the adjutant general who are paid from federal funds and who are not covered by any federal civilian employees retirement system;

(5) employees of the Minnesota State Colleges and Universities employed under the university or college activities program;

(6) 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);

(7) 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;

(8) 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;

(9) employees of the Minnesota Safety Council;

(10) 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;

(11) 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;

(12) judges of the Tax Court;

(13) 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 employer or by its successor organization;

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

(15) 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;

(16) employees of the University of Minnesota unless excluded under subdivision 2b, clause (3); ~~and~~

(17) employees of the Middle Management Association whose employment began after July 1, 2007, and to whom section 352.029 does not apply; and

(18) employees of the Minnesota Government Engineers Council to whom section 352.029 does not apply.

(b) Employees specified in paragraph (a), clause (13), 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. 2. Minnesota Statutes 2007 Supplement, section 352.017, subdivision 2, is amended to read:

Subd. 2. Purchase procedure. (a) An employee covered by a plan specified in this chapter may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c),

whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the ~~end of~~ date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee ~~wants~~ is eligible for allowable service credit. ~~Payments made under this paragraph~~ The payment must include compound interest at a monthly rate of 0.71 percent from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

~~(c) If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.~~

EFFECTIVE DATE. This section is effective retroactively from July 1, 2007.

Sec. 3. Minnesota Statutes 2006, section 352.03, subdivision 4, is amended to read:

Subd. 4. **Duties and powers of board of directors.** (a) The board shall:

(1) elect a chair;

(2) appoint an executive director;

(3) establish rules to administer this chapter and chapters 3A, 352B, 352C, 352D, and 490 and transact the business of the system, subject to the limitations of law;

(4) consider and dispose of, or take any other action the board of directors deems appropriate concerning denials of applications for annuities or disability benefits under this chapter, and complaints of employees and others pertaining to the retirement of employees and the operation of the system;

~~(5) advise the director on any matters relating to the system and carrying out functions and purposes of this chapter. The board's advice shall control, and~~

32.1 ~~(6)~~ (5) oversee the administration of the state deferred compensation plan established
32.2 in section 352.96; and

32.3 (6) oversee the administration of the health care savings plan established in section
32.4 352.98.

32.5 ~~The director and assistant director must be in the unclassified service but appointees~~
32.6 ~~may be selected from civil service lists if desired. The salary of the executive director~~
32.7 ~~must be as provided by section 15A.0815. The salary of the assistant director must be set~~
32.8 ~~in accordance with section 43A.18, subdivision 3.~~

32.9 (b) The board shall advise the director on any matters relating to the system and
32.10 carrying out functions and purposes of this chapter. The board's advice shall control.

32.11 **EFFECTIVE DATE.** This section is effective the day after final enactment.

32.12 Sec. 4. Minnesota Statutes 2006, section 352.03, subdivision 5, is amended to read:

32.13 Subd. 5. **Executive director; assistant director.** (a) The executive director, in this
32.14 chapter called the director, of the system must be appointed by the board on the basis of
32.15 fitness, experience in the retirement field, and leadership ability. The director must have
32.16 had at least five years' experience on the administrative staff of a major retirement system.

32.17 (b) The executive director and assistant director must be in the unclassified service
32.18 but appointees may be selected from civil service lists if desired. The salary of the
32.19 executive director must be as provided by section 15A.0815. The salary of the assistant
32.20 director must be set in accordance with section 43A.18, subdivision 3.

32.21 **EFFECTIVE DATE.** This section is effective the day after final enactment.

32.22 Sec. 5. Minnesota Statutes 2006, section 352.22, subdivision 10, is amended to read:

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

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

Sec. 6. Minnesota Statutes 2007 Supplement, section 352.955, subdivision 3, is amended to read:

Subd. 3. **Payment of additional equivalent contributions; post-June 30, 2007, coverage transfers.** (a) An eligible employee who ~~was~~ is transferred to plan coverage after June 30, 2007, and who elects to transfer past service credit under this section must pay an additional member contribution for that prior service period. The additional member contribution is ~~(1) the difference between the member contribution rate or rates for the general state employees retirement plan of the Minnesota State Retirement System for the period of employment covered by the service credit to be transferred and the member contribution rate or rates for the correctional state employees retirement plan for the most recent 12 month period of employment covered by the service credit to be transferred, plus annual compound interest at the rate of 8.5 percent, and (2) the amount computed under paragraph (b), plus the greater of the amount computed under paragraph (c), or 40 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer. The unfunded actuarial accrued liability attributable to the past service credit transfer is the present value of the benefit obtained by the transfer of the service credit to the correctional state employees retirement plan reduced by the amount of the asset transfer under subdivision 4, by the amount of the member contribution equivalent payment under clause (1), and by the amount of the employer contribution equivalent payment under paragraph (c), clause (1).~~

(b) The executive director shall compute, for the most recent 12 months of service credit eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a monthly rate of 0.71 percent.

(c) The executive director shall compute, for any service credit being transferred on behalf of the eligible employee and not included under paragraph (b), the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a monthly rate of 0.71 percent.

(d) The executive director shall compute an amount using the process specified in paragraph (b), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(e) The executive director shall compute an amount using the process specified in paragraph (c), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(f) The additional equivalent member contribution under this subdivision must be paid in a lump sum. Payment must accompany the election to transfer the prior service credit. No transfer election or additional equivalent member contribution payment may be made by a person or accepted by the executive director after the one year anniversary date of the effective date of the retirement coverage transfer, or the date on which the eligible employee terminates state employment, whichever is earlier.

~~(e)~~ (g) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under ~~subdivision 2~~ paragraph (a), the applicable department shall pay an additional equivalent employer contribution amount. The additional employer contribution is ~~(1) the difference between the employer contribution rate or rates for the general state employees retirement plan for the period of employment covered by the service credit to be transferred and the employer contribution rate or rates for the correctional state employees retirement plan for the period of employment covered by the service credit to be transferred, plus annual compound interest at the rate of 8.5 percent, and (2) the amount computed under paragraph (d), plus the greater of the amount computed under paragraph (e), or 60 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer calculated as provided in paragraph (a), clause (2).~~

(h) The unfunded actuarial accrued liability attributable to the past service credit transfer is the present value of the benefit obtained by the transfer of the service credit to the correctional state employees retirement plan reduced by the amount of the asset transfer under subdivision 4, by the amount of the member contribution equivalent payment computed under paragraph (b), and by the amount of the employer contribution equivalent payment computed under paragraph (d).

~~(d)~~ (i) The additional equivalent employer contribution under this subdivision must be paid in a lump sum and must be paid within 30 days of the date on which the executive director of the Minnesota State Retirement System certifies to the applicable department that the employee paid the additional equivalent member contribution.

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

Sec. 7. Minnesota Statutes 2007 Supplement, section 352.955, subdivision 5, is amended to read:

Subd. 5. **Effect of the asset transfer.** Upon the transfer of assets under subdivision 4, the service credit in the general state employees retirement plan of the Minnesota State Retirement System related to the period being transferred is forfeited and may not be reinstated. The transferred service credit and the transferred assets must be credited to the correctional state employees retirement plan and fund, respectively.

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

Sec. 8. Minnesota Statutes 2006, section 352.98, subdivision 1, is amended to read:

Subdivision 1. **Plan created.** This section must be administered by the executive director of the system with the advice and consent of the board of directors. ~~The Minnesota State Retirement System~~ executive director shall establish a plan or plans, known as health care savings plans, through which public employers and employees an officer or employee of the state or of a political subdivision, including officers or employees covered by a plan or fund specified in chapter 353D, 354B, 354D, 424A, or section 356.20, subdivision 2, may save to cover health care costs. For purposes of this section, a volunteer firefighter is an employee. ~~The Minnesota State Retirement System~~ executive director shall make available one or more trusts, including a governmental trust or governmental trusts, authorized under the Internal Revenue Code to be eligible for tax-preferred or tax-free treatment through which employers and employees can save to cover health care costs.

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

Sec. 9. Minnesota Statutes 2006, section 352.98, subdivision 2, is amended to read:

Subd. 2. **Contracting authorized.** ~~The Minnesota State Retirement System is authorized to~~ executive director shall administer the plan and to contract with public and private entities to provide investment services, record keeping, benefit payments, and other functions necessary for the administration of the plan. If allowed by the Minnesota State Board of Investment, the Minnesota State Board of Investment supplemental investment funds may be offered as investment options under the health care savings plan or plans.

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

Sec. 10. Minnesota Statutes 2006, section 352.98, subdivision 3, is amended to read:

Subd. 3. **Contributions.** (a) Contributions to the plan must be ~~determined through~~ defined in a personnel policy or in a collective bargaining agreement of a public employer ~~with the exclusive representative of the covered employees in an appropriate unit or political subdivision.~~ The Minnesota State Retirement System executive director may

offer different types of trusts permitted under the Internal Revenue Code to best meet the needs of different ~~employee~~ employer units.

(b) Contributions to the plan by or on behalf of the ~~employee~~ participant must be held in trust for reimbursement of ~~employee and dependent~~ eligible health-related expenses for participants and their dependents following retirement termination from public employment or during active employment. The ~~Minnesota State Retirement System~~ executive director shall maintain a separate account of the contributions made by or on behalf of each participant and the earnings thereon. The ~~Minnesota State Retirement System~~ executive director shall make available a limited range of investment options, and each ~~employee~~ participant may direct the investment of the accumulations in the ~~employee's~~ participant's account among the investment options made available by the ~~Minnesota State Retirement System~~ executive director. ~~At the request of a participating employer and employee group, the Minnesota State Retirement System may determine how the assets of the affected employer and employee group should be invested.~~

(c) This section does not obligate a public employer to meet and negotiate in good faith with the exclusive bargaining representative of any public employee group regarding an employer contribution to a postretirement or active employee health care savings plan authorized by this section and section 356.24, subdivision 1, clause (7). It is not the intent of the legislature to authorize the state to incur new funding obligations for the costs of retiree health care or the costs of administering retiree health care plans or accounts.

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

Sec. 11. Minnesota Statutes 2006, section 352.98, subdivision 4, is amended to read:

Subd. 4. **Reimbursement for health-related expenses.** The ~~Minnesota State Retirement System~~ executive director shall reimburse ~~employees~~ participants at least quarterly for ~~submitted~~ eligible health-related expenses, as ~~required~~ allowable by federal and state law, until the ~~employee~~ participant exhausts the accumulation in the ~~employee's~~ participant's account. If ~~an employee~~ a participant dies prior to exhausting the ~~employee's~~ participant's account balance, the ~~employee's~~ participant's spouse or dependents are eligible to be reimbursed for health care expenses from the account until the account balance is exhausted. If an account balance remains after the death of a participant and all of the participant's legal dependents, the remainder of the account must be paid to the ~~employee's~~ participant's beneficiaries or, if none, to the ~~employee's~~ participant's estate.

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

37.1 Sec. 12. Minnesota Statutes 2006, section 352.98, subdivision 5, is amended to read:

37.2 Subd. 5. **Fees.** The ~~Minnesota state retirement plan~~ executive director is authorized
37.3 to charge uniform fees to participants to cover the ongoing cost of operating the plan.
37.4 Any fees not needed must revert to participant accounts or be used to reduce plan fees
37.5 the following year.

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

37.7 Sec. 13. Minnesota Statutes 2006, section 352D.075, subdivision 2a, is amended to
37.8 read:

37.9 Subd. 2a. **Surviving spouse coverage term certain.** In lieu of the annuity under
37.10 subdivision 2, clause (2) or (3), or in lieu of a distribution under subdivision 2, clause (1),
37.11 the surviving spouse of a deceased participant may elect to receive survivor coverage in
37.12 the form of a term certain annuity of ~~five, six~~ ten, 15, or 20 years, based on the value of
37.13 the remaining shares. The monthly term certain annuity must be calculated under section
37.14 352D.06, subdivision 1.

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

37.16 Sec. 14. Minnesota Statutes 2007 Supplement, section 353.01, subdivision 2b, is
37.17 amended to read:

37.18 Subd. 2b. **Excluded employees.** The following public employees are not eligible
37.19 to participate as members of the association with retirement coverage by the public
37.20 employees retirement plan, the local government correctional employees retirement plan
37.21 under chapter 353E, or the public employees police and fire retirement plan:

37.22 (1) public officers, other than county sheriffs, who are elected to a governing body,
37.23 or persons who are appointed to fill a vacancy in an elective office of a governing body,
37.24 whose term of office commences on or after July 1, 2002, for the service to be rendered
37.25 in that elective position;

37.26 (2) election officers or election judges;

37.27 (3) patient and inmate personnel who perform services for a governmental
37.28 subdivision;

37.29 (4) except as otherwise specified in subdivision 12a, employees who are hired for
37.30 a temporary position as defined under subdivision 12a, and employees who resign from
37.31 a nontemporary position and accept a temporary position within 30 days in the same
37.32 governmental subdivision;

(5) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster;

(6) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota State Retirement System, the Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, the Minneapolis Employees Retirement Fund, or any police or firefighters relief association governed by section 69.77 that has not consolidated with the Public Employees Retirement Association, or any local police or firefighters consolidation account who have not elected the type of benefit coverage provided by the public employees police and fire fund under sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4, 5, or 6, who have not elected public employees police and fire plan benefit coverage. This clause must not be construed to prevent a person from being a member of and contributing to the Public Employees Retirement Association and also belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

(7) persons who are members of a religious order and are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended through January 1, 1987, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(8) employees of a governmental subdivision who have not reached the age of 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time basis at an accredited school, college, or university in an undergraduate, graduate, or professional-technical program, or a public or charter high school;

(9) resident physicians, medical interns, and pharmacist residents and pharmacist interns who are serving in a degree or residency program in public hospitals or clinics;

(10) students who are serving in an internship or residency program sponsored by an accredited educational institution;

(11) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(12) except for employees of Hennepin County or Hennepin Healthcare System, Inc., foreign citizens working for a governmental subdivision with a work permit of less than three years, or an H-1b visa valid for less than three years of employment. Upon notice to the association that the work permit or visa extends beyond the three-year period, the foreign citizens must be reported for membership from the date of the extension;

(13) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988, to October 1, 1988;

(14) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the Public Employees Retirement Association and participants in the public employees retirement fund or the public employees police and fire fund, whichever applies, on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel;

(15) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties; provided that a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the Public Employees Retirement Association and a participant in the public employees retirement fund or the public employees police and fire fund, whichever applies, on the basis of compensation received from public employment activities other than those as a volunteer firefighter;

(16) pipefitters and associated trades personnel employed by Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters local 455 pension plan who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section 12;

(17) electrical workers, plumbers, carpenters, and associated trades personnel employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who have retirement coverage under a collective bargaining agreement by the Electrical Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the Carpenters Local 87 pension plan who were either first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000, chapter 461, article 7, section 5;

(18) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters, allied tradesworkers, and plasterers employed by the city of St. Paul or

Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan, the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(19) plumbers employed by the Metropolitan Airports Commission, with coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(20) employees who are hired after June 30, 2002, to fill seasonal positions under subdivision 12b which are limited in duration by the employer to 185 consecutive calendar days or less in each year of employment with the governmental subdivision;

(21) persons who are provided supported employment or work-study positions by a governmental subdivision and who participate in an employment or industries program maintained for the benefit of these persons where the governmental subdivision limits the position's duration to three years or less, including persons participating in a federal or state subsidized on-the-job training, work experience, senior citizen, youth, or unemployment relief program where the training or work experience is not provided as a part of, or for, future permanent public employment;

(22) independent contractors and the employees of independent contractors; and

(23) reemployed annuitants of the association during the course of that reemployment.

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

Sec. 15. Minnesota Statutes 2006, 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 an agreement between the parties establishes that the contribution ~~is from~~ will either

41.1 result in a mandatory ~~withholdings from~~ reduction of employees' wages through payroll
41.2 withholdings, or be made in lieu of an amount that would otherwise be paid as wages; and

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

41.13 (b) Salary does not mean:

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

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

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

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

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

41.33 (iii) provides increased salary rates for employees who do not have any
41.34 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; and

(6) amounts paid by a federal or state grant for which the grant specifically prohibits grant proceeds from being used to make pension plan contributions, unless the contributions to the plan are made from sources other than the federal or state grant.

(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.

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

Sec. 16. Minnesota Statutes 2006, section 353.01, subdivision 11a, is amended to read:

Subd. 11a. **Termination of public service.** (a) "Termination of public service" occurs (1) when a member resigns or is dismissed from public service by the employing governmental subdivision and the employee does not, within 30 days of the date the employment relationship ended, return to an employment position in the same governmental subdivision; or (2) when the employer-employee relationship is severed due to the expiration of a layoff under subdivision 12 or 12c.

(b) The termination of public service must be recorded in the association records upon receipt of an appropriate notice from the governmental subdivision.

(c) A termination of public service does not occur if, prior to termination of service, the member has an agreement, verbal or written, to return to a governmental subdivision as an employee, independent contractor, or employee of an independent contractor.

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

Sec. 17. Minnesota Statutes 2006, section 353.01, is amended by adding a subdivision to read:

Subd. 16b. **Uncredited military service credit purchase.** (a) A public employee who has at least three years of allowable service with the Public Employees Retirement Association or the public employees police and fire plan and who performed service in the United States armed forces before becoming a public employee, or who failed to obtain service credit for a military leave of absence under subdivision 16, paragraph (h), 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 356.551 if the public employee has not purchased service credit from any other Minnesota defined benefit public employee pension plan for the same period of service.

(b) A public employee who desires to purchase service credit under paragraph (a) must apply with the executive director to make the purchase. The application must include all necessary documentation of the public employee's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require.

(c) Allowable service credit for the purchase period must be granted by the Public Employees Retirement Association or the public employees police and fire plan, whichever applies, to the purchasing public employee upon receipt of the purchase payment amount. Payment must be made before the effective date of retirement of the public employee.

(d) This subdivision is repealed July 1, 2013.

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

Sec. 18. Minnesota Statutes 2007 Supplement, section 353.0161, subdivision 2, is amended to read:

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

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

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

44.5 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2007.

44.6 Sec. 19. Minnesota Statutes 2006, section 353.27, is amended by adding a subdivision
44.7 to read:

44.8 Subd. 7c. **Limitation on additional plan coverage.** No deductions for any plan
44.9 under this chapter or chapter 353E may be taken from the salary of a person who is
44.10 employed by a governmental subdivision under section 353.01, subdivision 6, and who is
44.11 receiving disability benefit payments from any plan under this chapter or chapter 353E
44.12 unless the person waives the right to further disability benefit payments.

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

44.14 Sec. 20. Minnesota Statutes 2007 Supplement, section 353.27, subdivision 14, is
44.15 amended to read:

44.16 Subd. 14. **Treatment of periods before initial coverage date.** (a) If an entity is
44.17 determined to be a governmental subdivision due to receipt of a written notice of eligibility
44.18 from the association, that employer and its employees are subject to the requirements
44.19 of subdivision 12, effective retroactively to the date that the executive director of
44.20 the association determines that the entity first met the definition of a governmental
44.21 subdivision, if that date predates the notice of eligibility.

44.22 (b) If the retroactive time period under paragraph (a) exceeds three years, an
44.23 employee is authorized to purchase service credit in the applicable Public Employees
44.24 Retirement Association plan for the portion of the period in excess of three years, by
44.25 making payment under section 356.551. Notwithstanding section 356.551, subdivision 2,
44.26 regarding time limits on purchases, payment may be made anytime before termination of
44.27 public service.

44.28 (c) This subdivision does not apply if the applicable employment under paragraph
44.29 (a) included coverage by any public or private defined benefit or defined contribution
44.30 retirement plan, other than a volunteer firefighters relief association. If this paragraph
44.31 applies, an individual is prohibited from purchasing service credit for any period or
44.32 periods specified in paragraph (a).

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

Sec. 21. Minnesota Statutes 2006, section 353.33, subdivision 5, is amended to read:

Subd. 5. **Benefits paid under workers' compensation law.** (a) Disability benefits paid shall be coordinated with any amounts, other than those amounts excluded under paragraph (b), received or receivable under workers' compensation law, such as temporary total, permanent total, temporary partial, permanent partial, or economic recovery compensation benefits, in either periodic or lump sum payments from the employer under applicable workers' compensation laws, after deduction of amount of attorney fees, authorized under applicable workers' compensation laws, paid by a disabilitant. If the total of the single life annuity actuarial equivalent disability benefit and the workers' compensation benefit exceeds: (1) the salary the disabled member received as of the date of the disability or (2) the salary currently payable for the same employment position or an employment position substantially similar to the one the person held as of the date of the disability, whichever is greater, the disability benefit must be reduced to that amount which, when added to the workers' compensation benefits, does not exceed the greater of the salaries described in clauses (1) and (2).

(b) Permanent partial disability payments provided for in section 176.101, subdivision 2a, and retraining payments provided for in section 176.102, subdivision 11, must not be offset from disability payments due under paragraph (a) if the amounts of the permanent partial or retraining payments are reported to the executive director in a manner specified by the executive director.

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

Sec. 22. Minnesota Statutes 2006, section 353.64, subdivision 11, is amended to read:

Subd. 11. **Pension coverage for certain tribal police officers exercising state arrest powers.** (a) The governing body of a tribal police department which is exercising state arrest powers under section 626.90, 626.91, 626.92, or 626.93 may request by resolution to the executive director that its police officers be considered public employees under section 353.01, subdivision 2, be considered a police officer under section 353.64, subdivision 1, and become members of the public employees police and fire retirement plan and that the tribal police department be considered a governmental subdivision under section 353.01, subdivision 6.

~~(b) The executive director of the association must approve the request by a tribal police department under paragraph (a) if a ruling made by the federal Internal Revenue Service provides that:~~

~~(1) the tribal police department is an agency or instrumentality of the state of Minnesota for purposes of enforcing state law; and~~

~~(2) contributions made by the tribal police department to a retirement plan on behalf of employees of the tribal police department are contributions to a governmental plan within the meaning of section 414(d) of the federal Internal Revenue Code.~~

~~(e)~~ (b) Following the approval of the request by the executive director, the head of the police department or that person's designee must immediately report for membership in the police and fire fund a person who is employed as a full-time or part-time police officer in a position that meets the conditions in sections 353.01, subdivision 2a, and 353.64, subdivisions 1 and 2. The police department head or that person's designee must deduct the employee contributions from the salary of each eligible police officer as required by section 353.65, subdivision 2, and make the employer contributions required by section 353.65, subdivision 3. The head of the police department or that person's designee must meet the reporting requirements in section 353.65, subdivision 4.

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

Sec. 23. Minnesota Statutes 2006, section 353.656, subdivision 2, is amended to read:

Subd. 2. **Benefits paid under workers' compensation law.** (a) If a member, as described in subdivision 1, is injured under circumstances which entitle the member to receive benefits under the workers' compensation law, the member shall receive the same benefits as provided in subdivision 1, with disability benefits paid reimbursed and future benefits reduced by all periodic or lump sum amounts, other than those amounts excluded under paragraph (b), paid to the member under the workers' compensation law, after deduction of amount of attorney fees, authorized under applicable workers' compensation laws, paid by a disabilitant if the total of the single life annuity actuarial equivalent disability benefit and the workers' compensation benefit exceeds: (1) the salary the disabled member received as of the date of the disability or (2) the salary currently payable for the same employment position or an employment position substantially similar to the one the person held as of the date of the disability, whichever is greater. The disability benefit must be reduced to that amount which, when added to the workers' compensation benefits, does not exceed the greater of the salaries described in clauses (1) and (2).

(b) Permanent partial disability payments provided for in section 176.101, subdivision 2a, and retraining payments provided for in section 176.102, subdivision 11, must not be offset from disability payments due under paragraph (a) if the amounts of the permanent partial or retraining payments are reported to the executive director in a manner specified by the executive director.

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

Sec. 24. Minnesota Statutes 2006, section 353D.05, subdivision 2, is amended to read:

Subd. 2. **Investment options.** (a) A participant may elect to purchase shares in the income share account, the growth share account, the international share account, the money market account, the bond market account, the fixed interest account, or the common stock index account established by section 11A.17, or a combination of those accounts. The participant may elect to purchase shares in a combination of those accounts by specifying the percentage of the total contributions to be used to purchase shares in each of the accounts.

(b) A participant or a former participant may indicate in writing a choice of options for subsequent purchases of shares. After a choice is made, until the participant or former participant makes a different written indication, the executive director of the association shall purchase shares in the supplemental investment account or accounts specified by the participant. If no initial option is indicated by a participant or the specifications made by the participant exceeds 100 percent to be invested in more than one account, the executive director shall invest all contributions made by or on behalf of a participant in the income share account. If the specifications are less than 100 percent, the executive director shall invest the remaining percentage in the income share account. ~~A choice of investment options is effective the first of the month following the date of receipt of the signed written choice of options.~~

(c) Shares in the fixed interest account attributable to any guaranteed investment contract as of July 1, 1994, may not be withdrawn from the fund or transferred to another account until the guaranteed investment contract has expired, unless the participant qualifies for a benefit payment under section 353D.07.

(d) A participant or former participant may also change the investment options selected for all or a portion of the individual's previously purchased shares in accounts, subject to the provisions of paragraph (c) concerning the fixed interest account. ~~A change under this paragraph is effective the first of the month following the date of receipt of a signed written choice of options.~~

(e) The change or selection of an investment option or the transfer of all or a portion of the deceased or former participant's shares in the income share, growth share, common stock index, bond market, international share, money market, or fixed interest accounts must not be made following death of the participant or former participant.

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

Sec. 25. **[353D.071] FEDERAL COMPLIANCE.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Designated beneficiary" means the person designated as the beneficiary under section 353D.07, subdivision 5, and who is the designated beneficiary under section 401(a)(9) of the Internal Revenue Code and section 1.401(a)(9)-1, Q&A-4 of the Treasury regulations.

(c) "Distribution calendar year" means a calendar year for which a minimum distribution is required. For distributions beginning before the member's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the member's required beginning date. For distributions beginning after the member's death, the first distribution calendar year is the calendar year in which distributions are required to begin under subdivision 2, paragraph (c). The required minimum distribution for the member's first distribution calendar year shall be made on or before the member's required beginning date.

(d) "Member's account balance" means the account balance as of the last valuation date in the valuation calendar year increased by the amount of any contributions made and allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(e) "Required beginning date" means the later of April 1 of the calendar year following the calendar year that the member attains age 70 years, six months, or April 1 of the calendar year following the calendar year in which the member terminates employment.

(f) "Valuation calendar year" means the calendar year immediately preceding the distribution calendar year.

Subd. 2. **Required minimum distributions.** (a) The provisions of this subdivision shall apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year and will take precedence over any inconsistent provisions of the plan. All distributions required under this section will be determined and made in accordance with the treasury regulations under section 401(a)(9) of the Internal Revenue Code, including regulations providing special rules for governmental plans, as defined under section 414(d) of the Internal Revenue Code, that comply with a reasonable good faith interpretation of the minimum distribution requirements.

(b) The member's entire interest will be distributed to the member in a lump sum no later than the member's required beginning date.

(c) If the member dies before the required minimum distribution is made, the member's entire interest will be distributed in a lump sum no later than as follows:

(1) if the member's surviving spouse is the member's sole designated beneficiary, the distribution must be made by December 31 of the calendar year immediately following the calendar year in which the member died, or by December 31 of the calendar year in which the member would have attained age 70 years, six months, whichever is later;

(2) if the member's surviving spouse is not the member's sole beneficiary, or if there is no designated beneficiary as of September 30 of the year following the year of the member's death, the member's entire interest shall be distributed by December 31 of the calendar year containing the fifth anniversary of the member's death as directed under section 353D.07, subdivision 5; or

(3) if the member's surviving spouse is the member's sole designated beneficiary and the surviving spouse dies after the member, but before the account balance is distributed to the surviving spouse, paragraph (c), clause (2), shall apply as if the surviving spouse were the member.

(d) For purposes of paragraph (c), unless clause (3) applies, distributions are considered to be made on the member's required beginning date. If paragraph (c), clause (3), applies, distributions are considered to begin on the date distributions are required to be made to the surviving spouse under paragraph (c), clause (1).

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

Sec. 26. Minnesota Statutes 2007 Supplement, section 353F.02, subdivision 4, is amended to read:

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

(1) Bridges Medical Services;

(2) the City of Cannon Falls Hospital;

(3) Clearwater County Memorial Hospital doing business as Clearwater Health Services in Bagley;

(4) the Dassel Lakeside Community Home;

(5) the Fair Oaks Lodge, Wadena;

(6) the Glencoe Area Health Center;

(7) the Hutchinson Area Health Care;

(8) ~~the Kanabec Hospital;~~

~~(9)~~ the Lakefield Nursing Home;

- 50.1 ~~(10)~~ (9) the Lakeview Nursing Home in Gaylord;
50.2 ~~(11)~~ (10) the Luverne Public Hospital;
50.3 ~~(12) the Northfield Hospital;~~
50.4 ~~(13)~~ (11) the Oakland Park Nursing Home;
50.5 ~~(14)~~ (12) the RenVilla Nursing Home;
50.6 ~~(15) the Renville County Hospital in Olivia;~~
50.7 ~~(16)~~ (13) the St. Peter Community Healthcare Center; and
50.8 ~~(17)~~ (14) the Waconia-Ridgeview Medical Center.

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

50.10 Sec. 27. **[353F.025] CERTIFICATION AND DECERTIFICATION OF MEDICAL**
50.11 **FACILITIES AND OTHER PUBLIC EMPLOYING UNITS.**

50.12 Subdivision 1. **Eligibility determination.** (a) The chief clerical officer of a
50.13 governmental subdivision may submit a resolution from the governing body to the
50.14 executive director of the Public Employees Retirement Association which supports
50.15 providing coverage under this chapter for employees of that governmental subdivision
50.16 who are privatized, and which states that the governing body will pay for actuarial
50.17 calculations, as further specified in paragraph (c).

50.18 (b) The governing body must also provide a copy of any applicable purchase or
50.19 lease agreement and any other information requested by the executive director to allow the
50.20 executive director to verify that under the proposed employer change, the new employer
50.21 does not qualify as a governmental subdivision under section 353.01, subdivision 6,
50.22 making the employees ineligible for continued coverage as active members of the general
50.23 employees retirement plan of the Public Employees Retirement Association.

50.24 (c) Following receipt of a resolution and a determination by the executive director
50.25 that the new employer is not a governmental subdivision, the executive director shall
50.26 direct the consulting actuary retained under section 356.214 to determine whether the
50.27 general employees retirement plan of the Public Employees Retirement Association is
50.28 expected to receive a net gain if privatization occurs, by determining whether the actuarial
50.29 liability of the special benefit coverage provided under this chapter, if extended to the
50.30 applicable employees under the privatization, is less than the actuarial gain otherwise to
50.31 accrue to the plan. The date of the actuarial calculations used to make this determination
50.32 must be within one year of the effective date, as defined in section 353F.02, subdivision 3.

50.33 Subd. 2. **Recommendation to legislature.** (a) If the actuarial calculations under
50.34 subdivision 1, paragraph (c), indicate that a net gain to the general employees retirement
50.35 plan of the Public Employees Retirement Association is expected due to the privatization,

51.1 the executive director shall forward a recommendation and supporting documentation to
51.2 the chair of the Legislative Commission on Pensions and Retirement, the chair of the
51.3 Governmental Operations, Reform, Technology and Elections Committee of the house of
51.4 representatives, the chair of the State and Local Government Operations and Oversight
51.5 Committee of the senate, and the executive director of the Legislative Commission on
51.6 Pensions and Retirement. The recommendation must be in the form of an addition to
51.7 the definition of "medical facility" under section 353F.02, subdivision 4, or to "other
51.8 public employing unit" under section 353F.02, subdivision 5, whichever is applicable.
51.9 The recommendation must be forwarded to the legislature before January 15 for the
51.10 recommendation to be considered in that year's legislative session.

51.11 (b) If a medical facility or other public employing unit listed under section 353F.02,
51.12 subdivision 4 or 5, fails to privatize within one year of the final enactment date of the
51.13 legislation adding the entity to the applicable definition, its inclusion under this chapter
51.14 is voided, and the executive director shall include in the proposed legislation under
51.15 paragraph (a) a recommendation that the applicable entity be stricken from the definition.

51.16 Subd. 3. **Date of application.** For any privatization added to this chapter after the
51.17 effective date of this section, the first date of coverage is the effective date as defined in
51.18 section 353F.02, subdivision 3.

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

51.20 Sec. 28. Minnesota Statutes 2007 Supplement, section 354.096, subdivision 2, is
51.21 amended to read:

51.22 Subd. 2. **Payment.** ~~(a) Notwithstanding any laws to the contrary, a member who~~
51.23 ~~is granted a family leave under United States Code, title 42, section 12631, may receive~~
51.24 ~~allowable service credit for the leave by making payment of the employee, employer, and~~
51.25 ~~additional employer contributions at the rates under section 354.42, during the leave~~
51.26 ~~period as applied to the member's average full-time monthly salary rate on the date the~~
51.27 ~~leave commenced under section 354.72.~~

51.28 ~~(b) If payment is made after the leave terminates, section 354.72 applies.~~

51.29 **EFFECTIVE DATE.** This section is effective July 1, 2008.

51.30 Sec. 29. Minnesota Statutes 2006, section 354.33, subdivision 5, is amended to read:

51.31 Subd. 5. **Retirees not eligible for federal benefits.** ~~Notwithstanding the provisions~~
51.32 ~~of section 354.55, subdivision 3,~~ When any person retires after July 1, 1973, who (1)
51.33 has ten or more years of allowable service, and (2) does not have any retroactive Social

Security coverage by reason of the person's position in the retirement system, and (3) does not qualify for federal old age and survivor primary benefits at the time of retirement, the annuity 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, 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.

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

Sec. 30. Minnesota Statutes 2007 Supplement, section 354.72, subdivision 2, is amended to read:

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

(b) If payment is received by the executive director ~~within one year from the end~~ by June 30 of the fiscal year of the strike period or authorized leave included under section 354.093, 354.095, or 354.096, ~~or~~ payment must equal the total employee and employer contribution rates, including amortization contribution rates if applicable, multiplied by the member's average monthly salary rate on the date the leave or strike period commenced, or for an extended leave under section 354.094, on the salary received during the year immediately preceding the initial year of the leave, multiplied by the months and portions of a month of the leave or strike period for which the teacher seeks allowable service credit.

(c) If payment is made after June 30 and before the following June 30 for a strike period or for leaves of absence under section 354.093, 354.095, or 354.096, or for an extended leave of absence under section 354.094, the payment must equal the total employee and employer contributions, including amortization contributions if applicable, given the contribution rates in section 354.42, multiplied by the member's average monthly salary rate on the commencement of the leave or period of strike, multiplied by the months and portions of a month of the leave of absence or period of strike for which the teacher seeks allowable service credit. Payments made under this paragraph must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from the last day of the leave period or strike period, or from June 30 for an extended leave of absence under section 354.094, until the last day of the month in which payment is received.

~~(e)~~ (d) If payment is received by the executive director after the applicable last permitted date under paragraph ~~(b)~~ (c), the payment amount is the amount determined under section 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under this section may be made anytime before the effective date of retirement.

EFFECTIVE DATE. This section is effective retroactively from July 1, 2007.

Sec. 31. Minnesota Statutes 2006, 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~~ Beginning one year after the ~~termination of the~~ reemployment withholding period ends relating to 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.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2008.

Sec. 32. Minnesota Statutes 2006, section 356.551, subdivision 2, is amended to read:

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

54.1 actuarial present value, on the date of payment, as calculated by the chief administrative
54.2 officer of the pension plan and reviewed by the actuary retained under section 356.214,
54.3 of the amount of the additional retirement annuity obtained by the acquisition of the
54.4 additional service credit in this section.

54.5 (b) Calculation of this amount must be made using the preretirement interest rate
54.6 applicable to the public pension plan specified in section 356.215, subdivision 8, and
54.7 the mortality table adopted for the public pension plan. The calculation must assume
54.8 continuous future service in the public pension plan until, and retirement at, the age at
54.9 which the minimum requirements of the fund for normal retirement or retirement with an
54.10 annuity unreduced for retirement at an early age, including section 356.30, are met with
54.11 the additional service credit purchased. The calculation must also assume a full-time
54.12 equivalent salary, or actual salary, whichever is greater, and a future salary history that
54.13 includes annual salary increases at the applicable salary increase rate for the plan specified
54.14 in section 356.215, subdivision 4d.

54.15 ~~(c) The prior service credit purchase amount may not be less than the amount~~
54.16 ~~determined by applying the current employee or member contribution rate, the employer~~
54.17 ~~contribution rate, and the additional employer contribution rate, if any, to the person's~~
54.18 ~~current annual salary and multiplying that result by the number of whole and fraction~~
54.19 ~~years of service to be purchased.~~

54.20 (c) The prior service credit purchase amount may not be less than the amount
54.21 determined by applying, for each year or fraction of a year being purchased, the sum of the
54.22 employee contribution rate, the employer contribution rate, and the additional employer
54.23 contribution rate, if any, applicable during that period, to the person's annual salary during
54.24 that period, or fractional portion of a year's salary, if applicable, plus interest at the annual
54.25 rate of 8.5 percent compounded annually from the end of the year in which contributions
54.26 would otherwise have been made to the date on which the payment is received.

54.27 (d) Unless otherwise provided by statutes governing a specific plan, payment must
54.28 be made in one lump sum within one year of the prior service credit authorization or prior
54.29 to the member's effective date of retirement, whichever is earlier. Payment of the amount
54.30 calculated under this section must be made by the applicable eligible person.

54.31 (e) However, the current employer or the prior employer may, at its discretion, pay
54.32 all or any portion of the payment amount that exceeds an amount equal to the employee
54.33 contribution rates in effect during the period or periods of prior service applied to the
54.34 actual salary rates in effect during the period or periods of prior service, plus interest at the
54.35 rate of 8.5 percent a year compounded annually from the date on which the contributions
54.36 would otherwise have been made to the date on which the payment is made. If the

55.1 employer agrees to payments under this subdivision, the purchaser must make the
55.2 employee payments required under this subdivision within 90 days of the prior service
55.3 credit authorization. If that employee payment is made, the employer payment under this
55.4 subdivision must be remitted to the chief administrative officer of the public pension plan
55.5 within 60 days of receipt by the chief administrative officer of the employee payments
55.6 specified under this subdivision.

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

55.8 Sec. 33. Minnesota Statutes 2006, section 356.611, subdivision 2, is amended to read:

55.9 Subd. 2. **Federal compensation limits.** (a) For members of a covered pension plan
55.10 enumerated in section 356.30, subdivision 3, and of the plan established under chapter
55.11 353D, compensation in excess of the limitation specified in section 401(a)(17) of the
55.12 Internal Revenue Code, as amended, for changes in the cost of living under section
55.13 401(a)(17)(B) of the Internal Revenue Code, may not be included for contribution and
55.14 benefit computation purposes.

55.15 (b) Notwithstanding paragraph (a), for members specified in paragraph (a) who first
55.16 contributed to a ~~covered~~ plan specified in that paragraph before July 1, 1995, the annual
55.17 compensation limit specified in Internal Revenue Code 401(a)(17) on June 30, 1993,
55.18 applies if that provides a greater allowable annual compensation.

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

55.20 Sec. 34. Minnesota Statutes 2006, section 356.611, is amended by adding a subdivision
55.21 to read:

55.22 Subd. 3a. **Maximum annual addition limitation.** The annual additions on behalf
55.23 of a member to the plan established under chapter 352D or 353D for any limitation year
55.24 beginning after December 31, 2001, shall not exceed the lesser of one hundred percent
55.25 of the member's compensation, as defined for purposes of section 415(c) of the Internal
55.26 Revenue Code; or \$40,000, as adjusted by the United States secretary of the treasury under
55.27 section 415(d) of the Internal Revenue Code.

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

55.29 Sec. 35. Laws 2002, chapter 392, article 2, section 4, is amended to read:

55.30 Sec. 4. **EFFECTIVE DATE.**

55.31 (a) Sections 1, 2, and 3 are effective retroactive to July 1, 2001.

56.1 (b) The authority to obtain credit for allowable service under section 1, clause (11);
56.2 and section 2, paragraph (a), clause (8); and section 3, clause (9), expires 12 months
56.3 after the date of enactment.

56.4 **EFFECTIVE DATE.** This section is effective retroactively without interruption
56.5 from July 1, 2002.

56.6 Sec. 36. Laws 2006, chapter 271, article 5, section 5, is amended to read:

56.7 Sec. 5. **EFFECTIVE DATE.**

56.8 (a) Sections 1, 3, and 4 are effective the day following final enactment and section 3
56.9 has effect retroactively from July 25, 2005.

56.10 (b) Section 2 with respect to the Cannon Falls Hospital District is effective upon the
56.11 latter of:

56.12 (1) the day after the governing body of the Cannon Falls Hospital District and its
56.13 chief clerical officer meet the requirements under Minnesota Statutes, section 645.021,
56.14 subdivisions 2 and 3; and

56.15 (2) the first day of the month following certification to the Cannon Falls Hospital
56.16 District by the executive director of the Public Employees Retirement Association that the
56.17 actuarial accrued liability of the special benefit coverage proposed for extension to the
56.18 privatized City of Cannon Falls Hospital employees under section 1 does not exceed the
56.19 actuarial gain otherwise to be accrued by the Public Employees Retirement Association, as
56.20 calculated by the consulting actuary retained under Minnesota Statutes, section 356.214.
56.21 The cost of the actuarial calculations must be borne by the current employer or by the
56.22 entity which is the employer following the privatization.

56.23 (c) Section 2, with respect to Clearwater County Memorial Hospital, is effective
56.24 upon the latter of:

56.25 (1) the day after the governing body of Clearwater County and its chief clerical
56.26 officer meet the requirements under Minnesota Statutes, section 645.021, subdivisions 2
56.27 and 3, except that the certificate of approval must be filed before January 1, 2009; and

56.28 (2) the first day of the month following certification to Clearwater County by the
56.29 executive director of the Public Employees Retirement Association that the actuarial
56.30 accrued liability of the special benefit coverage proposed for extension to the privatized
56.31 Clearwater Health Services employees under section 2 does not exceed the actuarial gain
56.32 otherwise to be accrued by the Public Employees Retirement Association, as calculated by
56.33 the consulting actuary retained under Minnesota Statutes, section 356.214. The cost of
56.34 the actuarial calculations must be borne by the current employer or by the entity which is
56.35 the employer following the privatization.

(d) Section 2 with respect to the Dassel Lakeside Community Home is effective upon the latter of:

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

(2) the first day of the month next following certification to the Dassel City Council 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 Dassel Lakeside Community Home employees under section 2 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. The cost of the actuarial calculations must be borne by the city of Dassel or by the entity which is the employer following the privatization.

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

Sec. 37. **REPEALER.**

(a) Minnesota Statutes 2006, sections 354.44, subdivision 6a; 354.465; 354.51, subdivision 4; and 354.55, subdivisions 2, 3, 6, 12, and 15, are repealed effective July 1, 2008.

(b) Minnesota Statutes 2006, sections 354A.091, subdivisions 1a and 1b; and 355.629, are repealed effective July 1, 2008.

(c) Laws 2005, First Special Session chapter 8, article 1, section 23, is repealed retroactively from July 26, 2005.

ARTICLE 6

MSRS-CORRECTIONAL PLAN COVERAGE EXPANSION

Section 1. Minnesota Statutes 2007 Supplement, section 352.91, subdivision 3d, is amended to read:

Subd. 3d. **Other correctional personnel.** (a) "Covered correctional service" means service by a state employee in one of the employment positions at a correctional facility or at the Minnesota Security Hospital specified in paragraph (b) if at least 75 percent of the employee's working time is spent in direct contact with inmates or patients and the fact of this direct contact is certified to the executive director by the appropriate commissioner.

(b) The employment positions are as follows:

(1) baker;

- 58.1 (2) central services administrative specialist, intermediate;
- 58.2 (3) central services administrative specialist, principal;
- 58.3 (4) chaplain;
- 58.4 (5) chief cook;
- 58.5 (6) cook;
- 58.6 (7) cook coordinator;
- 58.7 (8) corrections program therapist 1;
- 58.8 (9) corrections program therapist 2;
- 58.9 (10) corrections program therapist 3;
- 58.10 (11) corrections program therapist 4;
- 58.11 (12) corrections inmate program coordinator;
- 58.12 (13) corrections transitions program coordinator;
- 58.13 (14) corrections security caseworker;
- 58.14 (15) corrections security caseworker career;
- 58.15 (16) corrections teaching assistant;
- 58.16 (17) delivery van driver;
- 58.17 (18) dentist;
- 58.18 (19) electrician supervisor;
- 58.19 (20) general maintenance worker lead;
- 58.20 (21) general repair worker;
- 58.21 (22) library/information research services specialist;
- 58.22 (23) library/information research services specialist senior;
- 58.23 (24) library technician;
- 58.24 (25) painter lead;
- 58.25 (26) plant maintenance engineer lead;
- 58.26 (27) plumber supervisor;
- 58.27 (28) psychologist 1;
- 58.28 (29) psychologist 3;
- 58.29 (30) recreation therapist;
- 58.30 (31) recreation therapist coordinator;
- 58.31 (32) recreation program assistant;
- 58.32 (33) recreation therapist senior;
- 58.33 (34) sports medicine specialist;
- 58.34 (35) work therapy assistant;
- 58.35 (36) work therapy program coordinator; and
- 58.36 (37) work therapy technician.

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

59.2 Sec. 2. **COVERAGE TRANSFER DATES.**

59.3 (a) The coverage transfer under Minnesota Statutes, section 352.91, subdivision 3d,
59.4 paragraph (b), clause (20), also covers employment in that position after December 11,
59.5 2007, for purposes of Minnesota Statutes, section 352.955, subdivisions 1, 3, 4, 5, and 6.

59.6 (b) The coverage change under Minnesota Statutes, section 352.91, subdivision 3d,
59.7 paragraph (b), clause (25), is prospective only.

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

59.9 **ARTICLE 7**

59.10 **MSRS-UNCLASSIFIED RETIREMENT PROGRAM CHANGES**

59.11 Section 1. Minnesota Statutes 2007 Supplement, section 352D.02, subdivision 1,
59.12 is amended to read:

59.13 Subdivision 1. **Coverage.** (a) Except as specified in paragraph (b), employees
59.14 enumerated in paragraph (c), ~~clauses (2), (3), (4), (6) to (14), and (16) to (18)~~, if they are
59.15 an elected official or in the unclassified service of the state or Metropolitan Council and
59.16 are eligible for coverage under the general state employees retirement plan under chapter
59.17 352, are participants in the unclassified program under this chapter unless the employee
59.18 gives notice to the executive director of the Minnesota State Retirement System within
59.19 one year following the commencement of employment in the unclassified service that the
59.20 employee desires coverage under the general state employees retirement plan. For the
59.21 purposes of this chapter, an employee who does not file notice with the executive director
59.22 is deemed to have exercised the option to participate in the unclassified program.

59.23 (b) ~~Persons referenced in paragraph (c), clause (5), are participants in the unclassified~~
59.24 ~~program under this chapter unless the person was eligible to elect different coverage under~~
59.25 ~~section 3A.07 and elected retirement coverage by the applicable alternative retirement~~
59.26 ~~plan.~~ Persons referenced in paragraph (c), clause (15), are participants in the unclassified
59.27 program under this chapter for judicial employment in excess of the service credit limit in
59.28 section 490.121, subdivision 22, and are not eligible for the choice of coverage specified
59.29 in paragraph (a).

59.30 (c) Enumerated employees ~~and referenced persons~~ are:

59.31 (1) the governor, the lieutenant governor, the secretary of state, the state auditor,
59.32 and the attorney general;

60.1 (2) an employee in the Office of the Governor, Lieutenant Governor, Secretary
60.2 of State, State Auditor, Attorney General;

60.3 (3) an employee of the State Board of Investment;

60.4 (4) the head of a department, division, or agency created by statute in the unclassified
60.5 service, an acting department head subsequently appointed to the position, or an employee
60.6 enumerated in section 15A.0815 or 15A.083, subdivision 4;

60.7 (5) a member of the legislature;

60.8 (6) a full-time unclassified employee of the legislature or a commission or agency of
60.9 the legislature who is appointed without a limit on the duration of the employment or a
60.10 temporary legislative employee having shares in the supplemental retirement fund as a
60.11 result of former employment covered by this chapter, whether or not eligible for coverage
60.12 under the Minnesota State Retirement System;

60.13 (7) a person who is employed in a position established under section 43A.08,
60.14 subdivision 1, clause (3), or in a position authorized under a statute creating or establishing
60.15 a department or agency of the state, which is at the deputy or assistant head of department
60.16 or agency or director level;

60.17 (8) the regional administrator, or executive director of the Metropolitan Council,
60.18 general counsel, division directors, operations managers, and other positions as designated
60.19 by the council, all of which may not exceed 27 positions at the council and the chair;

60.20 (9) the executive director, associate executive director, and not to exceed nine
60.21 positions of the Minnesota Office of Higher Education in the unclassified service, as
60.22 designated by the Minnesota Office of Higher Education before January 1, 1992, or
60.23 subsequently redesignated with the approval of the board of directors of the Minnesota
60.24 State Retirement System, unless the person has elected coverage by the individual
60.25 retirement account plan under chapter 354B;

60.26 (10) the clerk of the appellate courts appointed under article VI, section 2, of the
60.27 Constitution of the state of Minnesota, the state court administrator and judicial district
60.28 administrators;

60.29 (11) the chief executive officers of correctional facilities operated by the Department
60.30 of Corrections and of hospitals and nursing homes operated by the Department of Human
60.31 Services;

60.32 (12) an employee whose principal employment is at the state ceremonial house;

60.33 (13) an employee of the Agricultural Utilization Research Institute;

60.34 (14) an employee of the State Lottery who is covered by the managerial plan
60.35 established under section 43A.18, subdivision 3;

61.1 (15) a judge who has exceeded the service credit limit in section 490.121,
61.2 subdivision 22;

61.3 (16) an employee of Minnesota Technology Incorporated;

61.4 (17) a person employed by the Minnesota State Colleges and Universities as faculty
61.5 or in an eligible unclassified administrative position as defined in section 354B.20,
61.6 subdivision 6, who was employed by the former state university or the former community
61.7 college system before May 1, 1995, and elected unclassified program coverage prior to
61.8 May 1, 1995; and

61.9 (18) a person employed by the Minnesota State Colleges and Universities who
61.10 was employed in state service before July 1, 1995, who subsequently is employed in an
61.11 eligible unclassified administrative position as defined in section 354B.20, subdivision
61.12 6, and who elects coverage by the unclassified program.

61.13 **EFFECTIVE DATE.** This section is effective January 6, 2009.

61.14 Sec. 2. Minnesota Statutes 2007 Supplement, section 352D.02, subdivision 3, is
61.15 amended to read:

61.16 Subd. 3. **Transfer to general plan.** (a) An employee, other than a judge as
61.17 specified in subdivision 1, paragraph (c), clause (15), credited with ~~employee~~ shares in the
61.18 unclassified program, after acquiring credit for ten years of allowable service and not later
61.19 than one month following the termination of covered employment, may elect to terminate
61.20 participation in the unclassified program and be covered by the general plan by filing a
61.21 written election with the executive director. The executive director shall then redeem the
61.22 employee's total shares and shall credit to the employee's account in the general plan the
61.23 amount of contributions that would have been so credited had the employee been covered
61.24 by the general plan during the employee's entire covered employment or elective state
61.25 service. The balance of money so redeemed and not credited to the employee's account
61.26 shall be transferred to the general plan retirement fund, except that (1) the employee
61.27 contribution paid to the unclassified program must be compared to (2) the employee
61.28 contributions that would have been paid to the general plan for the comparable period, if
61.29 the individual had been covered by that plan. If clause (1) is greater than clause (2), the
61.30 difference must be refunded to the employee as provided in section 352.22. If clause (2) is
61.31 greater than clause (1), the difference must be paid by the employee within six months
61.32 of electing general plan coverage or before the effective date of the annuity, whichever
61.33 is sooner.

61.34 (b) An election under paragraph (a) to transfer coverage to the general plan is
61.35 irrevocable during any period of covered employment.

62.1 **EFFECTIVE DATE.** This section is effective January 6, 2009.

62.2 **ARTICLE 8**

62.3 **PERA BENEFITS FOLLOWING PRIVATIZATIONS**

62.4 Section 1. Minnesota Statutes 2007 Supplement, section 353F.02, subdivision 4,
62.5 is amended to read:

62.6 Subd. 4. **Medical facility.** "Medical facility" means:

62.7 (1) Bridges Medical Services;

62.8 (2) the City of Cannon Falls Hospital;

62.9 (3) Clearwater County Memorial Hospital doing business as Clearwater Health
62.10 Services in Bagley;

62.11 (4) the Dassel Lakeside Community Home;

62.12 (5) the Fair Oaks Lodge, Wadena;

62.13 (6) the Glencoe Area Health Center;

62.14 (7) the Hutchinson Area Health Care;

62.15 (8) the Kanabec Hospital;

62.16 (9) the Lakefield Nursing Home;

62.17 (10) the Lakeview Nursing Home in Gaylord;

62.18 (11) the Luverne Public Hospital;

62.19 (12) the Northfield Hospital;

62.20 (13) the Oakland Park Nursing Home;

62.21 (14) the RenVilla Nursing Home;

62.22 (15) the Renville County Hospital in Olivia;

62.23 (16) the Rice Memorial Hospital in Willmar, with respect to the Department of
62.24 Radiology and the Department of Radiation/Oncology;

62.25 (17) the St. Peter Community Healthcare Center; and

62.26 ~~(17)~~ (18) the Waconia-Ridgeview Medical Center; and

62.27 (19) the Worthington Regional Hospital.

62.28 Sec. 2. **EFFECTIVE DATE.**

62.29 (a) Minnesota Statutes, section 353F.02, subdivision 4, clause (16), is effective the
62.30 day after the governing body of the city of Willmar and its chief clerical officer timely
62.31 comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

62.32 (b) Minnesota Statutes, section 353F.02, subdivision 4, clause (19), is effective the
62.33 day after the governing body of the city of Worthington and its chief clerical officer timely
62.34 comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 9

RETIREMENT RELATED STATE AID PROGRAMS

Section 1. Minnesota Statutes 2006, section 354A.12, subdivision 3a, is amended to read:

Subd. 3a. **Special direct state aid to first class city teachers retirement fund associations.** (a) ~~In fiscal year 1998, The state shall pay \$4,827,000 to the St. Paul Teachers Retirement Fund Association, \$17,954,000 to the Minneapolis Teachers Retirement Fund Association, and \$486,000~~ \$346,000 to the Duluth Teachers Retirement Fund Association. ~~In each fiscal year after fiscal year 2006, these payments to the first class city teachers retirement fund associations must be, \$2,827,000 for to the St. Paul; \$12,954,000 to the Teachers Retirement Fund Association and, for the former Minneapolis Teachers Retirement Fund Association, and \$486,000 for Duluth~~ \$12,954,000 to the Teachers Retirement Association.

(b) The direct state aids under this subdivision are payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually from the general fund to the commissioner of finance.

EFFECTIVE DATE. (a) This section is effective July 1, 2009.

(b) The aid paid to the Teachers Retirement Association and to the St. Paul Teachers Retirement Fund Association under Minnesota Statutes 2006, section 354A.12, subdivision 3a, in fiscal year 2007 is ratified. \$346,000 that was payable under Minnesota Statutes 2006, section 354A.12, subdivision 3a, in fiscal year 2008, but remains unpaid as of the date of enactment, is payable to the Teachers Retirement Association and \$140,000 that was payable under Minnesota Statutes 2006, section 354A.12, subdivision 3a, in fiscal year 2008, but remains unpaid as of the date of enactment, is payable to the St. Paul Teachers Retirement Fund Association.

Sec. 2. Minnesota Statutes 2007 Supplement, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. **Termination of supplemental contributions and direct matching and state aid.** (a) The supplemental contributions payable to the Minneapolis Teachers Retirement Fund Association by Special School District No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, ~~must continue to~~ be paid to the Teachers Retirement Association and must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214, or 2037, whichever occurs

earlier. The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct state ~~aids~~ aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association terminate at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained under section 356.214, equals or exceeds the accrued liability funding ratio for the Teachers Retirement Association, as determined in the most recent actuarial report for the Teachers Retirement Association by the actuary retained under section 356.214.

~~(b) If the state direct matching, state supplemental, or state aid is terminated for a first class city teachers retirement fund association under paragraph (a), it may not again be received by that fund.~~

~~(c)~~ If the St. Paul Teachers Retirement Fund Association is funded at an amount equal to or greater than the funding ratio applicable to the Teachers Retirement Association ~~when the provisions of paragraph (b) become effective~~, then any future state aid ~~previously distributed to that association must be immediately transferred~~ under subdivision 3a is payable to the Teachers Retirement Association.

EFFECTIVE DATE. This section is effective the day following final enactment and applies retroactively to direct state aid paid or payable during fiscal years 2007 and 2008.

Sec. 3. Minnesota Statutes 2006, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** (a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:

(1) all police or salaried firefighters relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31;

(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and

(3) the municipalities that are required to make an additional municipal contribution under section 353.665, subdivision 8, for the duration of the required additional contribution.

(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.

(c) Beginning October 1, 2000, and annually thereafter, the commissioner shall allocate the state aid, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 64.5 percent to the municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4;

(2) 34.2 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Fire Department Relief Association; and

(3) 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia Fire Department Relief Association.

If there is no unfunded actuarial accrued liability in both the Minneapolis Police Relief Association and the Minneapolis Fire Department Relief Association as disclosed in the most recent actuarial valuations for the relief associations prepared under sections 356.215 and 356.216, the commissioner shall allocate that 34.2 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. If there is no unfunded actuarial accrued liability in the Virginia Fire Department Relief Association as disclosed in the most recent actuarial valuation for the relief association prepared under sections 356.215 and 356.216, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. Upon the final payment to municipalities required by section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), the commissioner shall allocate that 64.5 percent of the aid as follows: 20 percent to the St. Paul Teachers Retirement Fund

Association, 20 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation proposed under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Firefighters Relief Association, 20 percent for the city of Duluth to pay for any costs associated with the police and firefighters pensions, and 40 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. The allocation must be made by the commissioner at the same time and under the same procedures as specified in subdivision 3. With respect to the St. Paul Teachers Retirement Fund Association, annually, beginning on July 1, 2005, if the applicable teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to that retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are annually appropriated to the commissioner of revenue.

EFFECTIVE DATE. This section is effective August 1, 2008.

Sec. 4. **REPEALER.**

(a) Minnesota Statutes 2006, section 354A.12, subdivision 3a, is repealed effective the first day of the fiscal year next following the fiscal year in which neither the Teachers Retirement Association nor the St. Paul Teachers Retirement Fund Association has an unfunded actuarial accrued liability as determined in the actuarial valuation prepared under Minnesota Statutes, section 356.215, by the actuary retained under Minnesota Statutes, section 356.214.

(b) Minnesota Statutes 2007 Supplement, section 354A.12, subdivisions 3b and 3c, are repealed effective the first day of the fiscal year next following the fiscal year in which neither the Teachers Retirement Association nor the St. Paul Teachers Retirement Fund Association has an unfunded actuarial accrued liability as determined in the actuarial valuation prepared under Minnesota Statutes, section 356.215, by the actuary retained under Minnesota Statutes, section 356.214.

ARTICLE 10

MNSCU-IRAP AND RELATED CHANGES

Section 1. Minnesota Statutes 2006, section 354B.20, is amended by adding a subdivision to read:

Subd. 19. **Unclaimed plan account amounts.** "Unclaimed plan account amounts" means the accounts of any plan participant who has terminated employment by the Minnesota State Colleges and Universities System or who has died, or of the surviving spouse, beneficiary, or estate of the participant if the plan administrator is unable to locate the applicable recipient in accordance with Internal Revenue Service due diligence requirements.

Sec. 2. Minnesota Statutes 2006, section 354B.25, subdivision 5, is amended to read:

Subd. 5. Individual retirement account plan administrative expenses. (a) The reasonable and necessary administrative expenses of the individual retirement account plan may be charged to plan participants by the plan sponsor in the form of an annual fee, an asset-based fee, a percentage of the contributions to the plan, or a combination thereof. This amount shall be offset by interest earned on both the plan reserves and unclaimed funds account.

(b) Any administrative expense charge that is not actually needed for the administrative expenses of the individual retirement account plan must be refunded to member accounts.

(c) The Board of Trustees shall report annually, before October 1, to the advisory committee created in subdivision 1a on administrative expenses of the plan. The report must include a detailed accounting of charges for administrative expenses collected from plan participants and expenditure of the administrative expense charges. The administrative expense charges collected from plan participants must be kept in a separate account from any other funds under control of the Board of Trustees and may be used only for the necessary and reasonable administrative expenses of the plan.

Sec. 3. Minnesota Statutes 2006, section 354B.25, is amended by adding a subdivision to read:

Subd. 6. **Disposition of abandoned public pension amounts.** (a) Any unclaimed plan account amounts are presumed to be abandoned, but are not subject to the provisions of sections 345.31 to 345.60. If the account remains unclaimed after five years following the date that the plan administrator first attempts to locate the former member, surviving

spouse, or other beneficiary, the unclaimed plan account amount cancels and must be credited to the reserve account specified in paragraph (b).

(b) The board must establish a separate account to receive unclaimed plan account amounts. A portion of this reserve account and any investment earnings attributable to this reserve account are to be used to offset the reasonable and necessary expenses of the individual retirement account plan, including costs incurred in efforts to locate lost participants, surviving spouses, or other beneficiaries.

(c) If the unclaimed plan account amount exceeded \$25 and the inactive member, surviving spouse, or beneficiary, whichever is applicable, establishes a valid claim to the forfeited account, the forfeited account is to be reestablished in an amount equal to the amount originally forfeited. The board must ensure that the reserve account has sufficient assets to cover any transfers needed to reestablish accounts.

Sec. 4. Minnesota Statutes 2007 Supplement, section 354C.12, subdivision 4, is amended to read:

Subd. 4. **Administrative expenses.** (a) The Board of Trustees of the Minnesota State Colleges and Universities is authorized to pay the necessary and reasonable administrative expenses of the supplemental retirement plan and may bill participants to recover these expenses. The administrative fees or charges may be charged to participants as an annual fee, an asset-based fee, a percentage of contributions to the plan, or a contribution thereof. This amount shall be offset by interest earned on both the plan reserves and unclaimed funds account.

(b) Any recovered or assessed amounts that are not needed for the necessary and reasonable administrative expenses of the plan must be refunded to member accounts.

(c) The Board of Trustees shall report annually, before October 1, to the legislature on administrative expenses of the plan. The report must include a detailed accounting of charges for administrative expenses collected from plan participants and expenditure of the administrative expense charges. The administrative expense charges collected from plan participants must be kept in a separate account from any other funds under control of the Board of Trustees and may be used only for the necessary and reasonable administrative expenses of the plan.

Sec. 5. [354C.155] UNCLAIMED PLAN ACCOUNT AMOUNTS.

Section 354B.25, subdivision 6, applies to the supplemental retirement plan.

Sec. 6. Minnesota Statutes 2006, section 354C.165, is amended to read:

**354C.165 PROHIBITION ON LOANS OR PRETERMINATION
DISTRIBUTIONS.**

(a) ~~Except as provided in paragraph (c),~~ No participant may obtain a loan ~~or any distribution~~ from the plan before the participant terminates the employment that gave rise to plan coverage.

(b) No amounts to the credit of the plan are assignable either in law or in equity, or are subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518A.53.

(c) MS 2002 [Expired]

(d) Except for a participant in a phased retirement program that is part of an approved collective bargaining agreement, no participant may obtain a distribution from the plan at a time before the participant terminates the employment that gave rise to the plan coverage.

**Sec. 7. ACTUARIAL IMPACT STUDY; MNSCU-TENURED FACULTY
RETIREMENT PLAN COVERAGE CHANGE.**

(a) The Teachers Retirement Association shall have the actuary retained under Minnesota Statutes, section 356.214, conduct a study of the likely actuarial impact on the Teachers Retirement Association of potentially permitting current tenure-track faculty members employed by the Minnesota State Colleges and Universities System who have not yet attained tenure or its equivalent to elect retroactive and prospective retirement coverage by the Teachers Retirement Association within one year of attaining tenure or its equivalent, with the retroactive coverage effected by a service credit purchase under Minnesota Statutes, section 356.551.

(b) The actuarial study must include an assessment of the likelihood that tenure-track Minnesota State Colleges and Universities System faculty members would elect retirement coverage by the Teachers Retirement Association that underlies any election assumption used in the study based on the experience of Minnesota State Colleges and Universities System faculty members employed during the most recent ten years. The Minnesota State Colleges and Universities System shall provide the Teachers Retirement Association with the data on its faculty members necessary to conduct the study.

(c) The actuarial study must assess the actuarial accrued liability that could be assumed by the Teachers Retirement Association from potential service credit purchases by Minnesota State Colleges and Universities System faculty members attaining tenure or its equivalent, the likely purchase payments related to those potential Minnesota State Colleges and Universities System faculty member service credit purchases, and the effect

on the Teachers Retirement Association normal cost rate of the potential prospective inclusion of Minnesota State Colleges and Universities System faculty members upon attaining tenure.

(d) The report required under this section must be filed with the executive director of the Legislative Commission on Pensions and Retirement on or before January 15, 2009.

EFFECTIVE DATE. This section is effective July 1, 2008.

ARTICLE 11

FINANCIAL AND ACTUARIAL REPORTING

Section 1. Minnesota Statutes 2006, section 16A.055, subdivision 5, is amended to read:

Subd. 5. **Retirement fund reporting.** ~~(a)~~ The commissioner may not require a public retirement fund to use financial or actuarial reporting practices or procedures different from those required by section 356.20 or 356.215.

~~(b) The commissioner may contract with the consulting actuary retained under section 356.214 for the preparation of quadrennial projection valuations as required under section 356.215, subdivisions 2 and 2a. The initial projection valuation under this paragraph, if any, is due on May 1, 2003, and subsequent projection valuations are due on May 1 each fourth year thereafter. The commissioner of finance shall assess the applicable statewide and major local retirement plan or plans the cost of the quadrennial projection valuation.~~

Sec. 2. Minnesota Statutes 2006, section 356.20, subdivision 1, is amended to read:

Subdivision 1. **Report required.** (a) The governing or managing board or the chief administrative officials officer of the each public pension and retirement funds plan enumerated in subdivision 2 shall annually prepare and file a financial report following the close of each fiscal year.

(b) This requirement also applies to any plan or fund which may be a successor to any organization so enumerated or to any newly formed retirement plan, fund or association operating under the control or supervision of any public employee group, governmental unit, or institution receiving a portion of its support through legislative appropriations.

(c) The report must be prepared under the supervision and at the direction of the management of each fund plan and must be signed by the presiding officer of the managing board of the fund plan and the chief administrative official of the fund plan.

H.F. No. 3082, 3rd Engrossment - 2007-2008th Legislative Session (2007-2008)

71.1 Sec. 3. Minnesota Statutes 2006, section 356.20, subdivision 2, is amended to read:

71.2 Subd. 2. **Covered public pension plans and funds.** This section applies to the
71.3 following public pension plans:

71.4 (1) the general state employees retirement plan of the Minnesota State Retirement
71.5 System;

71.6 (2) the general employees retirement plan of the Public Employees Retirement
71.7 Association;

71.8 (3) the Teachers Retirement Association;

71.9 (4) the State Patrol retirement plan;

71.10 (5) the St. Paul Teachers Retirement Fund Association;

71.11 (6) the Duluth Teachers Retirement Fund Association;

71.12 (7) the Minneapolis Employees Retirement Fund;

71.13 (8) the University of Minnesota faculty retirement plan;

71.14 (9) the University of Minnesota faculty supplemental retirement plan;

71.15 (10) the judges retirement fund;

71.16 (11) a police or firefighter's relief association specified or described in section 69.77,
71.17 subdivision 1a, ~~or~~;

71.18 (12) a volunteer firefighter relief association governed by section 69.771, subdivision
71.19 1;

71.20 ~~(12)~~ (13) the public employees police and fire plan of the Public Employees
71.21 Retirement Association;

71.22 ~~(13)~~ (14) the correctional state employees retirement plan of the Minnesota State
71.23 Retirement System; and

71.24 ~~(14)~~ (15) the local government correctional service retirement plan of the Public
71.25 Employees Retirement Association.

71.26 Sec. 4. Minnesota Statutes 2006, section 356.20, subdivision 3, is amended to read:

71.27 Subd. 3. **Filing requirement.** The financial report is a public record. A copy of the
71.28 report or a synopsis of the report containing the information required by this section must
71.29 be ~~distributed~~ made available annually to each member of the fund and to the governing
71.30 body of each governmental subdivision of the state which makes employers contributions
71.31 thereto or in whose behalf taxes are levied for the employers' contribution. A signed copy
71.32 of the report must be delivered to the executive director of the Legislative Commission
71.33 on Pensions and Retirement and to the Legislative Reference Library not later than six
71.34 months after the close of each fiscal year or one month following the completion and

delivery to the retirement fund of the actuarial valuation report of the fund by the actuary retained under section 356.214, if applicable, whichever is later.

Sec. 5. Minnesota Statutes 2006, 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 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.

(b) 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 actuary retained under section 356.214 or by the actuary retained by the retirement fund or plan, 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 actuarial value of assets, the actuarial 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 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	_____	_____
Participation in the Minnesota postretirement investment	_____	_____

73.1	fund or the retirement		
73.2	benefit fund		
73.3	Other		
73.4	Total assets		
73.5	Value at cost		
73.6	Value at market		
73.7	Actuarial value of current		
73.8	assets		

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

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

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

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

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

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

- 73.24 ~~(i) for annuitants,~~
73.25 ~~retirement annuities,~~
73.26 ~~disability benefits,~~
73.27 ~~surviving spouse and child benefits;~~
73.28 ~~(ii) for former members without vested~~
73.29 ~~rights;~~
73.30 ~~(iii) for deferred annuitants' benefits,~~
73.31 ~~including any augmentation;~~
73.32 ~~(iv) for active employees,~~
73.33 ~~accumulated employee contributions,~~
73.34 ~~including allocated investment income,~~
73.35 ~~employer-financed benefits vested,~~
73.36 ~~employer-financed benefits nonvested,~~
73.37 ~~total pension benefit obligation; and~~

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

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

- 74.4 (1) personnel expenses;
- 74.5 (2) communication-related expenses;
- 74.6 (3) office building and maintenance expenses;
- 74.7 (4) professional services fees; and
- 74.8 (5) other expenses.

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

- 74.12 (1) internal investment-related expenses; and
- 74.13 (2) external investment-related expenses.

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

74.18 Sec. 6. Minnesota Statutes 2006, section 356.20, subdivision 4a, is amended to read:

74.19 Subd. 4a. **Financial report for police or firefighters relief association.** For any
74.20 police or firefighter's relief association referred to in subdivision 2, clause (11) or (12), a
74.21 financial report that is duly filed and ~~meeting that meets~~ the requirements of section 69.051
74.22 ~~must be~~ is deemed to have met the requirements of subdivision 4.

74.23 Sec. 7. Minnesota Statutes 2006, section 356.214, subdivision 1, is amended to read:

74.24 Subdivision 1. **Joint Actuary retention.** (a) ~~The chief administrative officers of the~~
74.25 ~~Minnesota State Retirement System, the Public Employees Retirement Association, the~~
74.26 ~~Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, the~~
74.27 ~~Minneapolis Employees Retirement Fund, and the St. Paul Teachers Retirement Fund~~
74.28 ~~Association, jointly, on behalf of the state, its employees, its taxpayers, and its various~~
74.29 ~~public pension plans,~~ governing board or managing or administrative official of each
74.30 public pension plan and retirement fund or plan enumerated in paragraph (b) shall contract
74.31 with an established actuarial consulting firm to conduct annual actuarial valuations and
74.32 related services ~~for the retirement plans named in paragraph (b).~~ The principal from
74.33 the actuarial consulting firm on the contract must be an approved actuary under section
74.34 356.215, subdivision 1, paragraph (c). ~~Prior to becoming effective, the contract under this~~

75.1 ~~section is subject to a review and approval by the Legislative Commission on Pensions~~
75.2 ~~and Retirement.~~

75.3 (b) ~~The contract for~~ Actuarial services must include the preparation of actuarial
75.4 valuations and related actuarial work for the following retirement plans:

75.5 (1) the teachers retirement plan, Teachers Retirement Association;

75.6 (2) the general state employees retirement plan, Minnesota State Retirement System;

75.7 (3) the correctional employees retirement plan, Minnesota State Retirement System;

75.8 (4) the State Patrol retirement plan, Minnesota State Retirement System;

75.9 (5) the judges retirement plan, Minnesota State Retirement System;

75.10 (6) the Minneapolis employees retirement plan, Minneapolis Employees Retirement
75.11 Fund;

75.12 (7) the public employees retirement plan, Public Employees Retirement Association;

75.13 (8) the public employees police and fire plan, Public Employees Retirement
75.14 Association;

75.15 (9) the Duluth teachers retirement plan, Duluth Teachers Retirement Fund
75.16 Association;

75.17 (10) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund
75.18 Association;

75.19 (11) the legislators retirement plan, Minnesota State Retirement System;

75.20 (12) the elective state officers retirement plan, Minnesota State Retirement System;

75.21 and

75.22 (13) local government correctional service retirement plan, Public Employees
75.23 Retirement Association.

75.24 (c) ~~The contract~~ contracts must require completion of the annual actuarial valuation
75.25 calculations on a fiscal year basis, with the contents of the actuarial valuation calculations
75.26 as specified in section 356.215, and in conformity with the standards for actuarial work
75.27 adopted by the Legislative Commission on Pensions and Retirement.

75.28 ~~The contract~~ contracts must require completion of annual experience data collection
75.29 and processing and a quadrennial published experience study for the plans listed in
75.30 paragraph (b), clauses (1), (2), and (7), as provided for in the standards for actuarial work
75.31 adopted by the commission. The experience data collection, processing, and analysis
75.32 must evaluate the following:

75.33 (1) individual salary progression;

75.34 (2) the rate of return on investments based on the current asset value;

75.35 (3) payroll growth;

75.36 (4) mortality;

- 76.1 (5) retirement age;
- 76.2 (6) withdrawal; and
- 76.3 (7) disablement.

76.4 ~~The contract must include provisions for the preparation of cost analyses by the~~
76.5 ~~jointly retained actuary for proposed legislation that include changes in benefit provisions~~
76.6 ~~or funding policies prior to their consideration by the Legislative Commission on Pensions~~
76.7 ~~and Retirement.~~

76.8 (d) The actuary ~~retained by the joint retirement systems~~ shall annually prepare a
76.9 report to the governing or managing board or administrative official and the legislature,
76.10 ~~including a commentary on the actuarial valuation calculations for the plans named in~~
76.11 ~~paragraph (b) and~~ summarizing the results of the actuarial valuation calculations. The
76.12 actuary shall include with the report ~~the actuary's any~~ recommendations to the legislature
76.13 concerning the appropriateness of the support rates to achieve proper funding of the
76.14 retirement plans by the required funding dates. The actuary shall, as part of the quadrennial
76.15 experience study, include recommendations ~~to the legislature~~ on the appropriateness of the
76.16 actuarial valuation assumptions required for evaluation in the study.

76.17 (e) If the actuarial gain and loss analysis in the actuarial valuation calculations
76.18 indicates a persistent pattern of sizable gains or losses, ~~as directed by the joint retirement~~
76.19 ~~systems or as requested by the chair of the Legislative Commission on Pensions and~~
76.20 ~~Retirement,~~ the governing or managing board or administrative official shall direct the
76.21 actuary ~~shall~~ to prepare a special experience study for a plan listed in paragraph (b),
76.22 clause (3), (4), (5), (6), (8), (9), (10), (11), (12), or (13), in the manner provided for in the
76.23 standards for actuarial work adopted by the commission.

76.24 ~~(f) The term of the contract between the joint retirement systems and the actuary~~
76.25 ~~retained may not exceed five years. The joint retirement system administrative officers~~
76.26 ~~shall establish procedures for the consideration and selection of contract bidders and~~
76.27 ~~the requirements for the contents of an actuarial services contract under this section.~~
76.28 ~~The procedures and requirements must be submitted to the Legislative Commission on~~
76.29 ~~Pensions and Retirement for review and comment prior to final approval by the joint~~
76.30 ~~administrators. The contract is subject to the procurement procedures under chapter 16C.~~
76.31 ~~The consideration of bids and the selection of a consulting actuarial firm by the chief~~
76.32 ~~administrative officers must occur at a meeting that is open to the public and reasonable~~
76.33 ~~timely public notice of the date and the time of the meeting and its subject matter must~~
76.34 ~~be given.~~

~~(g) The actuarial services contract may not limit the ability of the Minnesota legislature and its standing committees and commissions to rely on the actuarial results of the work prepared under the contract.~~

~~(h) The joint retirement systems shall designate one of the retirement system executive directors as the actuarial services contract manager.~~

Sec. 8. Minnesota Statutes 2006, section 356.214, subdivision 3, is amended to read:

Subd. 3. **Reporting to commission.** A copy of the actuarial valuations, and experience studies, ~~and actuarial cost analyses~~ prepared by the actuary retained by the ~~joint retirement systems~~ under the a contract provided for in this section must be filed with the executive director of the Legislative Commission on Pensions and Retirement ~~at the same time that the document is transmitted to the actuarial services contract manager or to any other document recipient.~~

Sec. 9. Minnesota Statutes 2006, section 356.214, is amended by adding a subdivision to read:

Subd. 4. **Commission to contract with auditing actuary.** (a) The Legislative Commission on Pensions and Retirement may contract with an established actuarial consulting firm to audit or review the actuarial valuations, experience studies, and actuarial cost analyses prepared by the actuary retained by the governing or managing boards, or administrative officials of each of the plans or funds listed in subdivision 1, paragraph (b). The principal representative from the actuarial consulting firm so engaged must be an approved actuary under section 356.215, subdivision 1, paragraph (c).

(b) Any actuarial consulting firm retained under paragraph (a) will, according to a schedule determined under an agreement with the Legislative Commission on Pensions and Retirement, audit the valuation reports submitted by the actuary retained by each governing or managing board or administrative official, and provide an assessment of the reasonableness, reliability, and areas of concern or potential improvement in the specific reports reviewed, the procedures utilized by any particular reporting actuary, or general modifications to standards, procedures, or assumptions that the commission may wish to consider. Actuarial firms retained by the retirement funds must cooperate fully and make available any data or other materials necessary for the commission-retained actuary to conduct an adequate review and to render advice to the commission.

Sec. 10. Minnesota Statutes 2006, section 356.215, subdivision 1, is amended to read:

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

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

(c) "Approved actuary" means a person who is regularly engaged in the business of providing actuarial services and who ~~has at least 15 years of service to major public employee pension or retirement funds or who~~ is a fellow in the Society of Actuaries.

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

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

(f) ~~"Current "~~ "Actuarial value of assets" means:

~~(1) for the July 1, 2001, actuarial valuation, the market value of all assets as of June 30, 2001, reduced by:~~

~~(i) 30 percent of the difference between the market value of all assets as of June 30, 1999, and the actuarial value of assets used in the July 1, 1999, actuarial valuation;~~

~~(ii) 60 percent of the difference between the actual net change in the market value of assets between June 30, 1999, and June 30, 2000, and the computed increase in the market value of assets between June 30, 1999, and June 30, 2000, if the assets had increased at~~

79.1 ~~the percentage preretirement interest rate assumption used in the July 1, 1999, actuarial~~
79.2 ~~valuation; and~~

79.3 ~~(iii) 80 percent of the difference between the actual net change in the market value~~
79.4 ~~of assets between June 30, 2000, and June 30, 2001, and the computed increase in~~
79.5 ~~the market value of assets between June 30, 2000, and June 30, 2001, if the assets had~~
79.6 ~~increased at the percentage preretirement interest rate assumption used in the July 1,~~
79.7 ~~2000, actuarial valuation;~~

79.8 ~~(2) for the July 1, 2002, actuarial valuation, the market value of all assets as of~~
79.9 ~~June 30, 2002, reduced by:~~

79.10 ~~(i) ten percent of the difference between the market value of all assets as of June 30,~~
79.11 ~~1999, and the actuarial value of assets used in the July 1, 1999, actuarial valuation;~~

79.12 ~~(ii) 40 percent of the difference between the actual net change in the market value of~~
79.13 ~~assets between June 30, 1999, and June 30, 2000, and the computed increase in the market~~
79.14 ~~value of assets between June 30, 1999, and June 30, 2000, if the assets had increased at~~
79.15 ~~the percentage preretirement interest rate assumption used in the July 1, 1999, actuarial~~
79.16 ~~valuation;~~

79.17 ~~(iii) 60 percent of the difference between the actual net change in the market value~~
79.18 ~~of assets between June 30, 2000, and June 30, 2001, and the computed increase in~~
79.19 ~~the market value of assets between June 30, 2000, and June 30, 2001, if the assets had~~
79.20 ~~increased at the percentage preretirement interest rate assumption used in the July 1, 2000,~~
79.21 ~~actuarial valuation; and~~

79.22 ~~(iv) 80 percent of the difference between the actual net change in the market value of~~
79.23 ~~assets between June 30, 2001, and June 30, 2002, and the computed increase in the market~~
79.24 ~~value of assets between June 30, 2001, and June 30, 2002, if the assets had increased at~~
79.25 ~~the percentage preretirement interest rate assumption used in the July 1, 2001, actuarial~~
79.26 ~~valuation; or~~

79.27 ~~(3) for any actuarial valuation after July 1, 2002, the market value of all assets~~
79.28 ~~as of the preceding June 30, reduced by:~~

79.29 ~~(i) (1) 20 percent of the difference between the actual net change in the market value~~
79.30 ~~of assets between the June 30 that occurred three years earlier and the June 30 that occurred~~
79.31 ~~four years earlier and the computed increase in the market value of assets over that~~
79.32 ~~fiscal year period if the assets had increased at the percentage preretirement interest rate~~
79.33 ~~assumption used in the actuarial valuation for the July 1 that occurred four years earlier;~~

79.34 ~~(ii) (2) 40 percent of the difference between the actual net change in the market value~~
79.35 ~~of assets between the June 30 that occurred two years earlier and the June 30 that occurred~~
79.36 ~~three years earlier and the computed increase in the market value of assets over that~~

fiscal year period if the assets had increased at the percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred three years earlier;

~~(iii)~~ (3) 60 percent of the difference between the actual net change in the market value of assets between the June 30 that occurred one year earlier and the June 30 that occurred two years earlier and the computed increase in the market value of assets over that fiscal year period if the assets had increased at the percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred two years earlier; and

~~(iv)~~ (4) 80 percent of the difference between the actual net change in the market value of assets between the immediately prior June 30 and the June 30 that occurred one year earlier and the computed increase in the market value of assets over that fiscal year period if the assets had increased at the percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred one year earlier.

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

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

Sec. 11. Minnesota Statutes 2006, section 356.215, subdivision 2, is amended to read:

Subd. 2. **Requirements.** (a) It is the policy of the legislature that it is necessary and appropriate to determine annually the financial status of tax supported retirement and pension plans for public employees. To achieve this goal:

~~(1)~~ the actuary retained under section 356.214 shall prepare annual actuarial valuations of the retirement plans enumerated in section 356.214, subdivision 1, paragraph (b), and quadrennial experience studies of the retirement plans enumerated in section 356.214, subdivision 1, paragraph (b), clauses (1), (2), and (7); ~~and~~

~~(2) the commissioner of finance may have prepared by the actuary retained by the commission, two years after each set of quadrennial experience studies, quadrennial projection valuations of at least one of the retirement plans enumerated in section 6, subdivision 1, paragraph (b), for which the commissioner determines that the analysis may be beneficial.~~

(b) The governing or managing board or administrative officials of each public pension and retirement ~~fund or~~ plan enumerated in section 356.20, subdivision 2, clauses (9), ~~(10)~~ (11), and (12), shall have prepared by an approved actuary annual actuarial valuations of their respective funds as provided in this section. This requirement also applies to any ~~fund or~~ plan that is the successor to any organization enumerated in section 356.20, subdivision 2, or to the governing or managing board or administrative officials of any newly formed retirement fund, plan, or association operating under the control or supervision of any public employee group, governmental unit, or institution receiving a portion of its support through legislative appropriations, and any local police or fire ~~fund~~ relief association to which section 356.216 applies.

Sec. 12. Minnesota Statutes 2006, section 356.215, subdivision 3, is amended to read:

Subd. 3. **Reports.** (a) The actuarial valuations required annually must be made as of the beginning of each fiscal year.

(b) Two copies of the completed valuation must be delivered to the executive director of the Legislative Commission on Pensions and Retirement, to the commissioner of finance, and to the Legislative Reference Library, ~~not later than the first day of the sixth month occurring after the end of the previous fiscal year.~~

(c) Two copies of a quadrennial experience study must be filed with the executive director of the Legislative Commission on Pensions and Retirement, with the commissioner of finance, and with the Legislative Reference Library, not later than the first day of the 11th month occurring after the end of the last fiscal year of the four-year period which the experience study covers.

(d) For actuarial valuations and experience studies prepared at the direction of the Legislative Commission on Pensions and Retirement, two copies of the document must be delivered to the governing or managing board or administrative officials of the applicable public pension and retirement fund or plan.

Sec. 13. Minnesota Statutes 2006, 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:

	preretirement	postretirement
	interest rate	interest rate
plan	assumption	assumption

82.1	general state employees retirement plan	8.5%	6.0%
82.2	correctional state employees retirement		
82.3	plan	8.5	6.0
82.4	State Patrol retirement plan	8.5	6.0
82.5	legislators retirement plan	8.5	6.0
82.6	elective state officers retirement plan	8.5	6.0
82.7	judges retirement plan	8.5	6.0
82.8	general public employees retirement		
82.9	plan	8.5	6.0
82.10	public employees police and fire		
82.11	retirement plan	8.5	6.0
82.12	local government correctional service		
82.13	retirement plan	8.5	6.0
82.14	teachers retirement plan	8.5	6.0
82.15	Minneapolis employees retirement plan	6.0	5.0
82.16	Duluth teachers retirement plan	8.5	8.5
82.17	St. Paul teachers retirement plan	8.5	8.5
82.18	Minneapolis Police Relief Association	6.0	6.0
82.19	Fairmont Police Relief Association	5.0	5.0
82.20	Minneapolis Fire Department Relief		
82.21	Association	6.0	6.0
82.22	Virginia Fire Department Relief		
82.23	Association	5.0	5.0
82.24	Bloomington Fire Department Relief		
82.25	Association	6.0	6.0
82.26	local monthly benefit volunteer		5.0
82.27	firefighters relief associations	5.0	
82.28	(b) <u>Before July 1, 2010</u> , the actuarial valuation must use the applicable following		
82.29	single rate future salary increase assumption, the applicable following modified single		
82.30	rate future salary increase assumption, or the applicable following graded rate future		
82.31	salary increase assumption:		
82.32	(1) single rate future salary increase assumption		
82.33		future salary	
82.34	plan	increase assumption	
82.35	legislators retirement plan	5.0%	
82.36	elective state officers retirement plan	5.0	
82.37		5.0	
82.38	judges retirement plan	<u>4.0</u>	
82.39	Minneapolis Police Relief Association	4.0	
82.40	Fairmont Police Relief Association	3.5	
82.41	Minneapolis Fire Department Relief		
82.42	Association	4.0	

83.1	Virginia Fire Department Relief Association	3.5
83.2	Bloomington Fire Department Relief	
83.3	Association	4.0
83.4	(2) modified single rate future salary increase assumption	
83.5		future salary
83.6	plan	increase assumption
83.7	Minneapolis employees	the prior calendar year amount
83.8	retirement plan	increased first by 1.0198 percent to
83.9		prior fiscal year date and then increased
83.10		by 4.0 percent annually for each future
83.11		year
83.12	(3) select and ultimate future salary increase assumption or graded rate future salary	
83.13	increase assumption	
83.14		future salary
83.15	plan	increase assumption
83.16	general state employees	select calculation and assumption A
83.17	retirement plan	
83.18	correctional state employees	assumption G <u>H</u>
83.19	retirement plan	
83.20	State Patrol retirement plan	assumption G
83.21	general public employees	select calculation and assumption B
83.22	retirement plan	
83.23	public employees police and fire	assumption C
83.24	fund retirement plan	
83.25	local government correctional	assumption G
83.26	service retirement plan	
83.27	teachers retirement plan	assumption D
83.28	Duluth teachers retirement plan	assumption E
83.29	St. Paul teachers retirement plan	assumption F
83.30	The select calculation is: during the ten-year	
83.31	<u>designated</u> select period, a designated	
83.32	percent <u>percentage rate</u> is multiplied by the	
83.33	result of ten <u>the designated integer</u> minus T,	
83.34	where T is the number of completed years	
83.35	of service, and is added to the applicable	
83.36	future salary increase assumption. <u>The</u>	
83.37	<u>designated select period is five years and</u>	
83.38	<u>the designated integer is five for the general</u>	
83.39	<u>state employees retirement plan and the</u>	
83.40	<u>general public employees retirement plan.</u>	
83.41	<u>The designated select period is ten years and</u>	

84.1 the designated integer is ten for all other
84.2 retirement plans covered by this clause. The
84.3 designated percent percentage rate is: (1) 0.2
84.4 percent for the correctional state employees
84.5 retirement plan, the State Patrol retirement
84.6 plan, the public employees police and fire
84.7 plan, and the local government correctional
84.8 service plan; and 0.3 (2) 0.6 percent for
84.9 the general state employees retirement
84.10 plan; and the general public employees
84.11 retirement plan; and (3) 0.3 percent for the
84.12 teachers retirement plan, the Duluth Teachers
84.13 Retirement Fund Association, and the St.
84.14 Paul Teachers Retirement Fund Association.
84.15 The select calculation for the Duluth Teachers
84.16 Retirement Fund Association is 8.00 percent
84.17 per year for service years one through seven,
84.18 7.25 percent per year for service years seven
84.19 and eight, and 6.50 percent per year for
84.20 service years eight and nine.

84.21 The ultimate future salary increase assumption is:

84.22	age	A	B	C	D	E	F	G
84.23	16	6.95%	6.95%	11.50%	8.20%	8.00%	6.90%	7.7500%
84.24	17	6.90	6.90	11.50	8.15	8.00	6.90	7.7500
84.25	18	6.85	6.85	11.50	8.10	8.00	6.90	7.7500
84.26	19	6.80	6.80	11.50	8.05	8.00	6.90	7.7500
84.27	20	6.75	6.40	11.50	6.00	6.90	6.90	7.7500
84.28	21	6.75	6.40	11.50	6.00	6.90	6.90	7.1454
84.29	22	6.75	6.40	11.00	6.00	6.90	6.90	7.0725
84.30	23	6.75	6.40	10.50	6.00	6.85	6.85	7.0544
84.31	24	6.75	6.40	10.00	6.00	6.80	6.80	7.0363
84.32	25	6.75	6.40	9.50	6.00	6.75	6.75	7.0000
84.33	26	6.75	6.36	9.20	6.00	6.70	6.70	7.0000
84.34	27	6.75	6.32	8.90	6.00	6.65	6.65	7.0000
84.35	28	6.75	6.28	8.60	6.00	6.60	6.60	7.0000
84.36	29	6.75	6.24	8.30	6.00	6.55	6.55	7.0000
84.37	30	6.75	6.20	8.00	6.00	6.50	6.50	7.0000
84.38	31	6.75	6.16	7.80	6.00	6.45	6.45	7.0000
84.39	32	6.75	6.12	7.60	6.00	6.40	6.40	7.0000

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85.1	33	6.75	6.08	7.40	6.00	6.35	6.35	7.0000	
85.2	34	6.75	6.04	7.20	6.00	6.30	6.30	7.0000	
85.3	35	6.75	6.00	7.00	6.00	6.25	6.25	7.0000	
85.4	36	6.75	5.96	6.80	6.00	6.20	6.20	6.9019	
85.5	37	6.75	5.92	6.60	6.00	6.15	6.15	6.8074	
85.6	38	6.75	5.88	6.40	5.90	6.10	6.10	6.7125	
85.7	39	6.75	5.84	6.20	5.80	6.05	6.05	6.6054	
85.8	40	6.75	5.80	6.00	5.70	6.00	6.00	6.5000	
85.9	41	6.75	5.76	5.90	5.60	5.90	5.95	6.3540	
85.10	42	6.75	5.72	5.80	5.50	5.80	5.90	6.2087	
85.11	43	6.65	5.68	5.70	5.40	5.70	5.85	6.0622	
85.12	44	6.55	5.64	5.60	5.30	5.60	5.80	5.9048	
85.13	45	6.45	5.60	5.50	5.20	5.50	5.75	5.7500	
85.14	46	6.35	5.56	5.45	5.10	5.40	5.70	5.6940	
85.15	47	6.25	5.52	5.40	5.00	5.30	5.65	5.6375	
85.16	48	6.15	5.48	5.35	5.00	5.20	5.60	5.5822	
85.17	49	6.05	5.44	5.30	5.00	5.10	5.55	5.5404	
85.18	50	5.95	5.40	5.25	5.00	5.00	5.50	5.5000	
85.19	51	5.85	5.36	5.25	5.00	5.00	5.45	5.4384	
85.20	52	5.75	5.32	5.25	5.00	5.00	5.40	5.3776	
85.21	53	5.65	5.28	5.25	5.00	5.00	5.35	5.3167	
85.22	54	5.55	5.24	5.25	5.00	5.00	5.30	5.2826	
85.23	55	5.45	5.20	5.25	5.00	5.00	5.25	5.2500	
85.24	56	5.35	5.16	5.25	5.00	5.00	5.20	5.2500	
85.25	57	5.25	5.12	5.25	5.00	5.00	5.15	5.2500	
85.26	58	5.25	5.08	5.25	5.10	5.00	5.10	5.2500	
85.27	59	5.25	5.04	5.25	5.20	5.00	5.05	5.2500	
85.28	60	5.25	5.00	5.25	5.30	5.00	5.00	5.2500	
85.29	61	5.25	5.00	5.25	5.40	5.00	5.00	5.2500	
85.30	62	5.25	5.00	5.25	5.50	5.00	5.00	5.2500	
85.31	63	5.25	5.00	5.25	5.60	5.00	5.00	5.2500	
85.32	64	5.25	5.00	5.25	5.70	5.00	5.00	5.2500	
85.33	65	5.25	5.00	5.25	5.70	5.00	5.00	5.2500	
85.34	66	5.25	5.00	5.25	5.70	5.00	5.00	5.2500	
85.35	67	5.25	5.00	5.25	5.70	5.00	5.00	5.2500	
85.36	68	5.25	5.00	5.25	5.70	5.00	5.00	5.2500	
85.37	69	5.25	5.00	5.25	5.70	5.00	5.00	5.2500	
85.38	70	5.25	5.00	5.25	5.70	5.00	5.00	5.2500	
85.39	71	5.25	5.00		5.70				
85.40	age	A	B	C	D	E	F	G	H
85.41	16	5.95%	5.95%	11.00%	7.70%	8.00%	6.90%	7.7500%	7.2500%
85.42	17	5.90	5.90	11.00	7.65	8.00	6.90	7.7500	7.2500
85.43	18	5.85	5.85	11.00	7.60	8.00	6.90	7.7500	7.2500

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86.1	<u>19</u>	<u>5.80</u>	<u>5.80</u>	<u>11.00</u>	<u>7.55</u>	<u>8.00</u>	<u>6.90</u>	<u>7.7500</u>	<u>7.2500</u>
86.2	<u>20</u>	<u>5.75</u>	<u>5.40</u>	<u>11.00</u>	<u>5.50</u>	<u>6.90</u>	<u>6.90</u>	<u>7.7500</u>	<u>7.2500</u>
86.3	<u>21</u>	<u>5.75</u>	<u>5.40</u>	<u>11.00</u>	<u>5.50</u>	<u>6.90</u>	<u>6.90</u>	<u>7.1454</u>	<u>6.6454</u>
86.4	<u>22</u>	<u>5.75</u>	<u>5.40</u>	<u>10.50</u>	<u>5.50</u>	<u>6.90</u>	<u>6.90</u>	<u>7.0725</u>	<u>6.5725</u>
86.5	<u>23</u>	<u>5.75</u>	<u>5.40</u>	<u>10.00</u>	<u>5.50</u>	<u>6.85</u>	<u>6.85</u>	<u>7.0544</u>	<u>6.5544</u>
86.6	<u>24</u>	<u>5.75</u>	<u>5.40</u>	<u>9.50</u>	<u>5.50</u>	<u>6.80</u>	<u>6.80</u>	<u>7.0363</u>	<u>6.5363</u>
86.7	<u>25</u>	<u>5.75</u>	<u>5.40</u>	<u>9.00</u>	<u>5.50</u>	<u>6.75</u>	<u>6.75</u>	<u>7.0000</u>	<u>6.5000</u>
86.8	<u>26</u>	<u>5.75</u>	<u>5.36</u>	<u>8.70</u>	<u>5.50</u>	<u>6.70</u>	<u>6.70</u>	<u>7.0000</u>	<u>6.5000</u>
86.9	<u>27</u>	<u>5.75</u>	<u>5.32</u>	<u>8.40</u>	<u>5.50</u>	<u>6.65</u>	<u>6.65</u>	<u>7.0000</u>	<u>6.5000</u>
86.10	<u>28</u>	<u>5.75</u>	<u>5.28</u>	<u>8.10</u>	<u>5.50</u>	<u>6.60</u>	<u>6.60</u>	<u>7.0000</u>	<u>6.5000</u>
86.11	<u>29</u>	<u>5.75</u>	<u>5.24</u>	<u>7.80</u>	<u>5.50</u>	<u>6.55</u>	<u>6.55</u>	<u>7.0000</u>	<u>6.5000</u>
86.12	<u>30</u>	<u>5.75</u>	<u>5.20</u>	<u>7.50</u>	<u>5.50</u>	<u>6.50</u>	<u>6.50</u>	<u>7.0000</u>	<u>6.5000</u>
86.13	<u>31</u>	<u>5.75</u>	<u>5.16</u>	<u>7.30</u>	<u>5.50</u>	<u>6.45</u>	<u>6.45</u>	<u>7.0000</u>	<u>6.5000</u>
86.14	<u>32</u>	<u>5.75</u>	<u>5.12</u>	<u>7.10</u>	<u>5.50</u>	<u>6.40</u>	<u>6.40</u>	<u>7.0000</u>	<u>6.5000</u>
86.15	<u>33</u>	<u>5.75</u>	<u>5.08</u>	<u>6.90</u>	<u>5.50</u>	<u>6.35</u>	<u>6.35</u>	<u>7.0000</u>	<u>6.5000</u>
86.16	<u>34</u>	<u>5.75</u>	<u>5.04</u>	<u>6.70</u>	<u>5.50</u>	<u>6.30</u>	<u>6.30</u>	<u>7.0000</u>	<u>6.5000</u>
86.17	<u>35</u>	<u>5.75</u>	<u>5.00</u>	<u>6.50</u>	<u>5.50</u>	<u>6.25</u>	<u>6.25</u>	<u>7.0000</u>	<u>6.5000</u>
86.18	<u>36</u>	<u>5.75</u>	<u>4.96</u>	<u>6.30</u>	<u>5.50</u>	<u>6.20</u>	<u>6.20</u>	<u>6.9019</u>	<u>6.4019</u>
86.19	<u>37</u>	<u>5.75</u>	<u>4.92</u>	<u>6.10</u>	<u>5.50</u>	<u>6.15</u>	<u>6.15</u>	<u>6.8074</u>	<u>6.3074</u>
86.20	<u>38</u>	<u>5.75</u>	<u>4.88</u>	<u>5.90</u>	<u>5.40</u>	<u>6.10</u>	<u>6.10</u>	<u>6.7125</u>	<u>6.2125</u>
86.21	<u>39</u>	<u>5.75</u>	<u>4.84</u>	<u>5.70</u>	<u>5.30</u>	<u>6.05</u>	<u>6.05</u>	<u>6.6054</u>	<u>6.1054</u>
86.22	<u>40</u>	<u>5.75</u>	<u>4.80</u>	<u>5.50</u>	<u>5.20</u>	<u>6.00</u>	<u>6.00</u>	<u>6.5000</u>	<u>6.0000</u>
86.23	<u>41</u>	<u>5.75</u>	<u>4.76</u>	<u>5.40</u>	<u>5.10</u>	<u>5.90</u>	<u>5.95</u>	<u>6.3540</u>	<u>5.8540</u>
86.24	<u>42</u>	<u>5.75</u>	<u>4.72</u>	<u>5.30</u>	<u>5.00</u>	<u>5.80</u>	<u>5.90</u>	<u>6.2087</u>	<u>5.7087</u>
86.25	<u>43</u>	<u>5.65</u>	<u>4.68</u>	<u>5.20</u>	<u>4.90</u>	<u>5.70</u>	<u>5.85</u>	<u>6.0622</u>	<u>5.5622</u>
86.26	<u>44</u>	<u>5.55</u>	<u>4.64</u>	<u>5.10</u>	<u>4.80</u>	<u>5.60</u>	<u>5.80</u>	<u>5.9048</u>	<u>5.4078</u>
86.27	<u>45</u>	<u>5.45</u>	<u>4.60</u>	<u>5.00</u>	<u>4.70</u>	<u>5.50</u>	<u>5.75</u>	<u>5.7500</u>	<u>5.2500</u>
86.28	<u>46</u>	<u>5.35</u>	<u>4.56</u>	<u>4.95</u>	<u>4.60</u>	<u>5.40</u>	<u>5.70</u>	<u>5.6940</u>	<u>5.1940</u>
86.29	<u>47</u>	<u>5.25</u>	<u>4.52</u>	<u>4.90</u>	<u>4.50</u>	<u>5.30</u>	<u>5.65</u>	<u>5.6375</u>	<u>5.1375</u>
86.30	<u>48</u>	<u>5.15</u>	<u>4.48</u>	<u>4.85</u>	<u>4.50</u>	<u>5.20</u>	<u>5.60</u>	<u>5.5822</u>	<u>5.0822</u>
86.31	<u>49</u>	<u>5.05</u>	<u>4.44</u>	<u>4.80</u>	<u>4.50</u>	<u>5.10</u>	<u>5.55</u>	<u>5.5404</u>	<u>5.0404</u>
86.32	<u>50</u>	<u>4.95</u>	<u>4.40</u>	<u>4.75</u>	<u>4.50</u>	<u>5.00</u>	<u>5.50</u>	<u>5.5000</u>	<u>5.0000</u>
86.33	<u>51</u>	<u>4.85</u>	<u>4.36</u>	<u>4.75</u>	<u>4.50</u>	<u>4.90</u>	<u>5.45</u>	<u>5.4384</u>	<u>4.9384</u>
86.34	<u>52</u>	<u>4.75</u>	<u>4.32</u>	<u>4.75</u>	<u>4.50</u>	<u>4.80</u>	<u>5.40</u>	<u>5.3776</u>	<u>4.8776</u>
86.35	<u>53</u>	<u>4.65</u>	<u>4.28</u>	<u>4.75</u>	<u>4.50</u>	<u>4.70</u>	<u>5.35</u>	<u>5.3167</u>	<u>4.8167</u>
86.36	<u>54</u>	<u>4.55</u>	<u>4.24</u>	<u>4.75</u>	<u>4.50</u>	<u>4.60</u>	<u>5.30</u>	<u>5.2826</u>	<u>4.7826</u>
86.37	<u>55</u>	<u>4.45</u>	<u>4.20</u>	<u>4.75</u>	<u>4.50</u>	<u>4.50</u>	<u>5.25</u>	<u>5.2500</u>	<u>4.7500</u>
86.38	<u>56</u>	<u>4.35</u>	<u>4.16</u>	<u>4.75</u>	<u>4.50</u>	<u>4.40</u>	<u>5.20</u>	<u>5.2500</u>	<u>4.7500</u>
86.39	<u>57</u>	<u>4.25</u>	<u>4.12</u>	<u>4.75</u>	<u>4.50</u>	<u>4.30</u>	<u>5.15</u>	<u>5.2500</u>	<u>4.7500</u>
86.40	<u>58</u>	<u>4.25</u>	<u>4.08</u>	<u>4.75</u>	<u>4.60</u>	<u>4.20</u>	<u>5.10</u>	<u>5.2500</u>	<u>4.7500</u>
86.41	<u>59</u>	<u>4.25</u>	<u>4.04</u>	<u>4.75</u>	<u>4.70</u>	<u>4.10</u>	<u>5.05</u>	<u>5.2500</u>	<u>4.7500</u>
86.42	<u>60</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>4.80</u>	<u>4.00</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
86.43	<u>61</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>4.90</u>	<u>3.90</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>

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87.1	<u>62</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.00</u>	<u>3.80</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.2	<u>63</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.10</u>	<u>3.70</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.3	<u>64</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.20</u>	<u>3.60</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.4	<u>65</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.20</u>	<u>3.50</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.5	<u>66</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.20</u>	<u>3.50</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.6	<u>67</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.20</u>	<u>3.50</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.7	<u>68</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.20</u>	<u>3.50</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.8	<u>69</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.20</u>	<u>3.50</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.9	<u>70</u>	<u>4.25</u>	<u>4.00</u>	<u>4.75</u>	<u>5.20</u>	<u>3.50</u>	<u>5.00</u>	<u>5.2500</u>	<u>4.7500</u>
87.10	<u>71</u>	<u>4.25</u>	<u>4.00</u>		<u>5.20</u>				

87.11 (c) Before July 2, 2010, the actuarial valuation must use the applicable following
87.12 payroll growth assumption for calculating the amortization requirement for the unfunded
87.13 actuarial accrued liability where the amortization retirement is calculated as a level
87.14 percentage of an increasing payroll:

87.15		payroll growth
87.16	plan	assumption
87.17	general state employees retirement plan	5.00 <u>4.50%</u>
87.18	correctional state employees retirement plan	5.00 <u>4.50</u>
87.19	State Patrol retirement plan	5.00 <u>4.50</u>
87.20	legislators retirement plan	5.00 <u>4.50</u>
87.21	elective state officers retirement plan	5.00
87.22	judges retirement plan	5.00 <u>4.00</u>
87.23	general public employees retirement plan	6.00 <u>4.50</u>
87.24	public employees police and fire retirement	
87.25	plan	6.00 <u>4.50</u>
87.26	local government correctional service	
87.27	retirement plan	6.00 <u>4.50</u>
87.28	teachers retirement plan	5.00 <u>4.50</u>
87.29	Duluth teachers retirement plan	5.00 <u>4.50</u>
87.30	St. Paul teachers retirement plan	5.00

87.31 (d) After July 1, 2010, the assumptions set forth in paragraphs (b) and (c) continue to
87.32 apply, unless a different salary assumption or a different payroll increase assumption:

- 87.33 (1) has been proposed by the governing board of the applicable retirement plan;
87.34 (2) is accompanied by the concurring recommendation of the actuary retained under
87.35 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the
87.36 most recent actuarial valuation report if section 356.214 does not apply; and
87.37 (3) has been approved or deemed approved under subdivision 18.

87.38 Sec. 14. Minnesota Statutes 2006, section 356.215, subdivision 11, is amended to read:

Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial reporting purposes indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit for contribution determination purposes indicating the additional contribution sufficient to amortize the unfunded actuarial accrued liability. For ~~funds governed by chapters 3A, 352, 352B, 352C, 353, 354, 354A, and 490~~ the retirement plans listed in subdivision 8, paragraph (c), the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared. ~~For funds governed by chapter 3A, sections 352.90 through 352.951, chapters 352B, 352C, sections 353.63 through 353.68, and chapters 353C, 354A, and 490, the level percent additional contribution must be calculated,~~ assuming annual payroll growth of 6.5 percent. ~~For funds governed by sections 352.01 through 352.86 and chapter 354, the level percent additional contribution must be calculated assuming an annual payroll growth of five percent. For the fund governed by sections 353.01 through 353.46, the level percent additional contribution must be calculated assuming an annual payroll growth of six percent~~ at the applicable percentage rate set forth in subdivision 8, paragraph (c). For all other ~~funds~~ retirement plans, the additional annual contribution must be calculated on a level annual dollar amount basis.

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

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

89.1 or a portion of the fund, or a combination of the three, and the change or changes, by itself
89.2 or by themselves and without inclusion of any other items of increase or decrease, produce
89.3 a net increase in the unfunded actuarial accrued liability in the fund, the established date
89.4 for full funding must be determined using the following procedure:

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

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

89.12 (iii) the unfunded actuarial accrued liability of the fund must be determined in
89.13 accordance with any new plan provisions governing annuities and benefits payable from
89.14 the fund and any new actuarial assumptions and the remaining plan provisions governing
89.15 annuities and benefits payable from the fund and actuarial assumptions in effect before
89.16 the change;

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

89.23 (v) the level annual dollar or level percentage amortization contribution under item
89.24 (iv) must be added to the level annual dollar amortization contribution or level percentage
89.25 calculated under item (ii);

89.26 (vi) the period in which the unfunded actuarial accrued liability amount determined
89.27 in item (iii) is amortized by the total level annual dollar or level percentage amortization
89.28 contribution computed under item (v) must be calculated using the interest assumption
89.29 specified in subdivision 8 in effect after any applicable change, rounded to the nearest
89.30 integral number of years, but not to exceed 30 years from the end of the plan year in
89.31 which the determination of the established date for full funding using the procedure set
89.32 forth in this clause is made and not to be less than the period of years beginning in the
89.33 plan year in which the determination of the established date for full funding using the
89.34 procedure set forth in this clause is made and ending by the date for full funding in effect
89.35 before the change; and

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

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

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

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

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

90.12 (h) For the judges retirement plan, the established date for full funding is June
90.13 30, 2038.

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

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

90.22 ~~(g)~~ (k) For the retirement plans for which the annual actuarial valuation indicates
90.23 an excess of valuation assets over the actuarial accrued liability, the valuation assets in
90.24 excess of the actuarial accrued liability must be recognized as a reduction in the current
90.25 contribution requirements by an amount equal to the amortization of the excess expressed
90.26 as a level percentage of pay over a 30-year period beginning anew with each annual
90.27 actuarial valuation of the plan.

90.28 (l) In addition to calculating the unfunded actuarial accrued liability of the retirement
90.29 plan for financial reporting purposes under paragraphs (a) to (j), the actuarial valuation
90.30 of the retirement plan must also include a calculation of the unfunded actuarial accrued
90.31 liability of the retirement plan for purposes of determining the amortization contribution
90.32 sufficient to amortize the unfunded actuarial liability of the Minnesota Post Retirement
90.33 Investment Fund. For this exhibit, the calculation must be the unfunded actuarial accrued
90.34 liability net of the postretirement adjustment liability funded from the investment
90.35 performance of the Minnesota Post Retirement Investment Fund or the retirement benefit
90.36 fund.

91.1 Sec. 15. Minnesota Statutes 2006, section 356.215, subdivision 18, is amended to read:

91.2 Subd. 18. **Establishment of actuarial assumptions.** (a) Before July 2, 2010, the
91.3 actuarial assumptions used for the preparation of actuarial valuations under this section
91.4 that are other than ~~those set forth in this section~~ preretirement interest, postretirement
91.5 interest, salary increase, and payroll increase may be changed only with the approval of
91.6 the Legislative Commission on Pensions and Retirement ~~or after a period of one year has~~
91.7 elapsed since the date on which the proposed assumption change or changes were received
91.8 by the Legislative Commission on Pensions and Retirement without commission action.

91.9 (b) After July 1, 2010, the actuarial assumptions used for the preparation of actuarial
91.10 valuations under this section that are other than postretirement interest and preretirement
91.11 interest may be changed only with the approval of the Legislative Commission on
91.12 Pensions and Retirement or after a period of one year has elapsed since the date on which
91.13 the proposed assumption change or changes were received by the Legislative Commission
91.14 on Pensions and Retirement without commission action.

91.15 ~~(b)~~ (c) A change in the applicable actuarial assumptions may be proposed by the
91.16 governing board of the applicable pension fund or relief association, by the actuary
91.17 retained by the joint retirement systems under section 356.214, ~~by the actuarial advisor to~~
91.18 ~~a pension fund governed by chapter 352, 353, 354, or 354A,~~ or by the actuary retained by
91.19 a local police or firefighters relief association governed by sections 69.77 or 69.771 to
91.20 69.776, if one is retained.

91.21 Sec. 16. Minnesota Statutes 2007 Supplement, section 356.96, subdivision 1, is
91.22 amended to read:

91.23 Subdivision 1. **Definitions.** (a) Unless the language or context clearly indicates that
91.24 a different meaning is intended, for the purpose of this section, the terms in paragraphs
91.25 (b) to (e) have the meanings given them.

91.26 (b) "Chief administrative officer" means the executive director of a covered pension
91.27 plan or the executive director's designee or representative.

91.28 (c) "Covered pension plan" means a plan enumerated in section 356.20, subdivision
91.29 2, clauses (1) to (4), (10), and ~~(12) to (14)~~ (13) to (15), but does not mean the deferred
91.30 compensation plan administered under sections 352.96 and 352.97 or to the postretirement
91.31 health care savings plan administered under section 352.98.

91.32 (d) "Governing board" means the Board of Trustees of the Public Employees
91.33 Retirement Association, the Board of Trustees of the Teachers Retirement Association, or
91.34 the Board of Directors of the Minnesota State Retirement System.

92.1 (e) "Person" includes an active, retired, deferred, or nonvested inactive participant in
92.2 a covered pension plan or a beneficiary of a participant, or an individual who has applied
92.3 to be a participant or who is or may be a survivor of a participant, or a state agency or
92.4 other governmental unit that employs active participants in a covered pension plan.

92.5 Sec. 17. **APPROPRIATION; LEGISLATIVE COMMISSION ON PENSIONS**
92.6 **AND RETIREMENT.**

92.7 \$140,000 is appropriated from the general fund to the Legislative Commission on
92.8 Pensions and Retirement in fiscal year 2009 in order to cover the costs of any contract
92.9 authorized under Minnesota Statutes, section 356.214, subdivision 4. The commissioner
92.10 of finance must include these funds in the base level funding for the commission when
92.11 preparing forecasts of general fund spending and revenue and initial budget estimates
92.12 each biennium, as long as an actuary remains under contract to the commission under
92.13 Minnesota Statutes, section 356.214, subdivision 4.

92.14 Sec. 18. **REPEALER.**

92.15 Minnesota Statutes 2006, sections 356.214, subdivision 2; and 356.215, subdivision
92.16 2a, are repealed.

92.17 Sec. 19. **EFFECTIVE DATE.**

92.18 Sections 1 to 18 are effective June 30, 2008, and apply to annual financial reports
92.19 and actuarial valuations prepared after June 1, 2008.

92.20 **ARTICLE 12**

92.21 **RETIREMENT SAVINGS PROGRAMS**

92.22 Section 1. Minnesota Statutes 2006, section 123B.02, subdivision 15, is amended to
92.23 read:

92.24 Subd. 15. **Annuity contract; payroll allocation.** At the request of an employee
92.25 and as part of the employee's compensation arrangement, the board may purchase an
92.26 individual annuity contract for an employee for retirement or other purposes and may
92.27 make payroll allocations in accordance with such arrangement for the purpose of paying
92.28 the entire premium due and to become due under such contract. The allocation must be
92.29 made in a manner which will qualify the annuity premiums, or a portion thereof, for
92.30 the benefit afforded under section 403(b) of the current Federal Internal Revenue Code
92.31 or any equivalent provision of subsequent federal income tax law. The employee shall
92.32 own such contract and the employee's rights under the contract shall be nonforfeitable

except for failure to pay premiums. Section 122A.40 shall not be applicable hereto and the board shall have no liability thereunder because of its purchase of any individual annuity contracts. This statute shall be applied in a nondiscriminatory manner to employees of the school district. The identity and number of the available vendors under section 403(b) of the Internal Revenue Code is a term and condition of employment under section 179A.03.

EFFECTIVE DATE. This section is effective August 1, 2008.

Sec. 2. Minnesota Statutes 2006, section 352.03, subdivision 4, is amended to read:

Subd. 4. **Duties and powers of board of directors.** The board shall:

(1) elect a chair;

(2) appoint an executive director;

(3) establish rules to administer this chapter and chapters 3A, 352B, 352C, 352D, and 490 and transact the business of the system, subject to the limitations of law;

(4) consider and dispose of, or take any other action the board of directors deems appropriate concerning denials of applications for annuities or disability benefits under this chapter, and complaints of employees and others pertaining to the retirement of employees and the operation of the system;

(5) advise the director on any matters relating to the system and carrying out functions and purposes of this chapter. The board's advice shall control; and

(6) oversee the administration of the state deferred compensation plan established in section ~~352.96~~ 352.965.

The director and assistant director must be in the unclassified service but appointees may be selected from civil service lists if desired. The salary of the executive director must be as provided by section 15A.0815. The salary of the assistant director must be set in accordance with section 43A.18, subdivision 3.

EFFECTIVE DATE. This section is effective August 1, 2008.

Sec. 3. **[352.965] MINNESOTA STATE DEFERRED COMPENSATION PLAN.**

Subdivision 1. **Establishment.** (a) The Minnesota state deferred compensation plan is established. For purposes of this section, "plan" means the Minnesota state deferred compensation plan, unless the context clearly indicates otherwise. The Minnesota State Retirement System shall administer the plan.

(b) The purpose of the plan is to provide a means for a public employee to contribute a portion of the employee's compensation to a tax-deferred investment account. The plan is an eligible tax-deferred compensation plan under section 457(b) of the Internal Revenue

94.1 Code, United States Code, title 26, section 457(b), and the applicable regulations under
94.2 Code of Federal Regulations, title 26, parts 1.457-3 to 1.457-10.

94.3 (c) The board of directors of the Minnesota State Retirement System is the plan
94.4 trustee and the board's executive director is the plan administrator. Fiduciary activities of
94.5 the plan must be undertaken in a manner consistent with chapter 356A.

94.6 (d) The executive director, with the approval of the board of directors, shall
94.7 adopt and amend, as required to maintain tax-qualified status, a written plan document
94.8 specifying the material terms and conditions for eligibility, benefits, applicable limitations,
94.9 and the time and form under which benefit distributions can be made. With the approval
94.10 of the board of directors, the executive director may also establish policies and procedures
94.11 necessary for the administration of the deferred compensation plan.

94.12 (e) The plan document shall include provisions that are necessary to cause the plan
94.13 to be an eligible deferred compensation plan within the meaning of section 457(b) of
94.14 the Internal Revenue Code. The plan document may provide additional administrative
94.15 and substantive provisions consistent with state law, provided those provisions will not
94.16 cause the plan to fail to be an eligible deferred compensation plan within the meaning
94.17 of section 457(b) of the Internal Revenue Code and may include provisions for certain
94.18 optional features and services.

94.19 (f) The board of directors may authorize the executive director to establish and
94.20 administer a Roth 457 plan if authorized by the Internal Revenue Code or a Roth
94.21 individual retirement account as defined under section 408A of the Internal Revenue Code.

94.22 (g) All amounts contributed to the deferred compensation plan and all earnings
94.23 on those amounts must be held in trust, in custodial accounts, or in qualifying annuity
94.24 contracts for the exclusive benefit of the plan participants and beneficiaries, as required by
94.25 section 457(g) of the Internal Revenue Code and in accordance with sections 356.001 and
94.26 356A.06, subdivision 1.

94.27 (h) The information and data maintained in the accounts of the participants and
94.28 beneficiaries are private data and shall not be disclosed to anyone other than the participant
94.29 or beneficiary pursuant to a court order or pursuant to section 356.49.

94.30 (i) The plan document is not subject to the rule adoption process under the
94.31 Administrative Procedures Act, including section 14.386, but must conform with
94.32 applicable federal and state laws.

94.33 Subd. 2. **Right to participate in the deferred compensation plan.** At the request
94.34 of an officer or employee of the state, an officer or employee of a political subdivision, or
94.35 an employee covered by a retirement fund in section 356.20, subdivision 2, the appointing
94.36 authority shall defer the payment of part of the compensation of the public officer or

95.1 employee through payroll deduction. The amount to be deferred must be as provided
95.2 in a written agreement between the officer or employee and the public employer. The
95.3 agreement must be in a form specified by the executive director of the Minnesota State
95.4 Retirement System and must be consistent with the requirements for an eligible plan under
95.5 federal and state tax laws, regulations, and rulings.

95.6 Subd. 3. **Failure to implement plan.** The public employer must complete
95.7 implementation of the deferred compensation plan within 45 days of the request as
95.8 provided in subdivision 2. If the public employer fails to implement the deferred
95.9 compensation plan, the public employer may not defer compensation under any existing
95.10 or new deferred compensation plan from the date of the request until the date on which the
95.11 deferred compensation plan provided for in this section is implemented. Upon the petition
95.12 of a public officer or employee, the executive director of the Minnesota State Retirement
95.13 System may order the public officer's or employee's public employer to implement the
95.14 deferred compensation plan provided for in this section and may enforce that order
95.15 in appropriate legal proceedings.

95.16 Subd. 4. **Plan investments.** (a) Investments under the plan may include:
95.17 (1) shares in the Minnesota supplemental investment fund established in section
95.18 11A.17 that are selected to be offered under the plan by the State Board of Investment;
95.19 (2) saving accounts in federally insured financial institutions;
95.20 (3) life insurance contracts, fixed annuity, and variable annuity contracts from
95.21 companies that are subject to regulation by the commissioner of commerce;
95.22 (4) investment options from open-end investment companies registered under the
95.23 federal Investment Company Act of 1940, United States Code, title 15, sections 80a-1
95.24 to 80a-64;
95.25 (5) investment options from a firm that is a registered investment advisor under the
95.26 Investment Advisers Act of 1940, United States Code, title 15, sections 80b-1 to 80b-21;
95.27 (6) investment options of a bank as defined in United States Code, title 15, section
95.28 80b-2, subsection (a), paragraph (2), or a bank holding company as defined in the Bank
95.29 Holding Company Act of 1956, United States Code, title 12, section 1841, subsection
95.30 (a), paragraph (1); or
95.31 (7) a combination of clause (1), (2), (3), (4), (5), or (6), as provided by the plan as
95.32 specified by the participant.

95.33 (b) All amounts contributed to the deferred compensation plan and all earnings
95.34 on those amounts must be held for the exclusive benefit of the plan participants and
95.35 beneficiaries. These amounts must be held in trust, in custodial accounts, or in qualifying
95.36 annuity contracts as required by federal law in accordance with section 356A.06,

subdivision 1. This subdivision does not authorize an employer contribution, except as authorized in section 356.24, subdivision 1, paragraph (a), clause (5). The state, political subdivision, or other employing unit is not responsible for any loss that may result from investment of the deferred compensation.

Subd. 5. State Board of Investment to determine investments. (a) The State Board of Investment shall determine the investment products to be made available under the plan and may retain appropriate consulting services to assist in making the selections. At a minimum, the State Board of Investment shall consider the following:

(1) the experience and ability of the financial institution to provide benefits and products that are suited to meet the needs of plan participants;

(2) the relationship of those benefits and products provided by the financial institution to their cost;

(3) the financial strength and stability of the financial institution; and

(4) the fees and expenses associated with the investment products in comparison to other products of similar risk and rates of return.

(b) If the State Board of Investment so elects, it may solicit bids for options under subdivision 4, clauses (2), (3), (4), (5), and (6). The State Board of Investment may retain consulting services to assist in soliciting and evaluating bids and in the periodic review of companies offering options under subdivision 4, clauses (3), (4), (5), and (6). The periodic review must occur at least every two years. The State Board of Investment may annually establish a budget for its costs in soliciting, evaluation, and periodic review processes. All options in subdivision 4 must be presented in an unbiased manner and in a manner that conforms to rules adopted by the executive director, be reported on a periodic basis to all participants in the deferred compensation plan, and not be the subject of unreasonable solicitation of participants in the plan. The State Board of Investment may charge a proportional share of all costs related to the periodic review to each company currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids to each company selected by the State Board of Investment.

(c) Under the procedures set forth in the plan document, participants may select the funds or combination of funds within which to invest and may reallocate those investments as provided in the plan document and procedures established by the executive director.

(d) This section does not authorize an employer contribution, except as authorized in section 356.24, subdivision 1, paragraph (a), clause (5).

(e) The state, the Minnesota State Retirement System, the executive director and board of directors of the system, the State Board of Investment, and participating public

employers are not liable and not responsible for any loss that may result from investment of the deferred compensation or the investment choices made by the participants.

Subd. 6. **Plan administrative expenses.** (a) The reasonable and necessary administrative expenses of the deferred compensation plan may be charged to plan participants in the form of an annual fee, an asset-based fee, a percentage of the contributions to the plan, or a combination thereof, as set forth in the plan document. The executive director of the system at the direction of the board of directors shall establish procedures to carry out this section including allocation of administrative costs of the plan to participants. Processes and procedures shall be set forth in the plan document. Fees cannot be charged on contributions and investment returns attributable to contributions made to the Minnesota supplemental investment funds before July 1, 1992.

(b) The plan document must conform to federal and state tax laws, regulations, and rulings, and is not subject to the Administrative Procedure Act.

(c) The executive director may contract with a third party to perform administrative and record keeping functions. The executive director may solicit bids and negotiate such contracts.

(d) The board of directors may authorize a third-party investment consultant to provide investment information and advice, provided that the offering of such information and advice is consistent with the investment advice requirements applicable to private plans under Title VI, subtitle A, of the Pension Protection Act of 2006, Public Law 109-280, section 601.

Subd. 7. **Other laws not applicable.** Except as provided in this section, no provisions of this chapter or other law specifically referring to this chapter applies to this section unless the Minnesota deferred compensation plan is specifically referenced.

Subd. 8. **Exemption from process.** No amount of deferred compensation is assignable or subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518A.53.

Subd. 9. **Missing participants.** The plan document shall establish procedures to assist in locating participants. If a participant cannot be located the participant's benefits shall be deemed abandoned and the provisions of section 356.65 shall apply to their disposition.

EFFECTIVE DATE. This section is effective August 1, 2008.

Sec. 4. Minnesota Statutes 2006, section 352.97, is amended to read:

352.97 PRIOR DEFERRED COMPENSATION PLANS; CONSTRUCTION.

98.1 Sections ~~352.96~~ 352.965 and 352.97 do not preempt, prohibit, ratify, or approve any
98.2 other deferred compensation plan established before or after June 3, 1975.

98.3 Sec. 5. Minnesota Statutes 2006, section 353D.12, subdivision 4, is amended to read:

98.4 Subd. 4. **Authorized rollovers.** To the extent allowed by federal law, the employee
98.5 purchase amount may be made with funds distributed from: (1) a plan qualified under
98.6 section 401(a) of the federal Internal Revenue Code, as amended; (2) an annuity qualified
98.7 under section 403(a) of the federal Internal Revenue Code, as amended; (3) an individual
98.8 retirement account used solely to receive a nontaxable rollover from that type of plan or
98.9 annuity; (4) the state deferred compensation plan authorized under section ~~352.96~~ 352.965
98.10 and qualified under section 457 of the federal Internal Revenue Code, as amended; or (5)
98.11 another tax qualified plan or annuity that authorizes rollovers. The participating elected
98.12 local government official shall supply sufficient written documentation that the transfer
98.13 amounts are eligible for tax-free rollover treatment. An authorized tax-free rollover, plus
98.14 any other purchase amount payments under this section, including subdivision 6, may not
98.15 exceed the limitation in subdivision 2, paragraph (a). Notwithstanding any provision of
98.16 state law or rule to the contrary, to the extent permitted under federal law, the employee
98.17 purchase amount may be transferred from the state deferred compensation plan before the
98.18 employee terminates public employment.

98.19 **EFFECTIVE DATE.** This section is effective August 1, 2008.

98.20 Sec. 6. Minnesota Statutes 2006, section 356.24, subdivision 1, is amended to read:

98.21 Subdivision 1. **Restriction; exceptions.** (a) It is unlawful for a school district
98.22 or other governmental subdivision or state agency to levy taxes for, or to contribute
98.23 public funds to a supplemental pension or deferred compensation plan that is established,
98.24 maintained, and operated in addition to a primary pension program for the benefit of the
98.25 governmental subdivision employees other than:

98.26 (1) to a supplemental pension plan that was established, maintained, and operated
98.27 before May 6, 1971;

98.28 (2) to a plan that provides solely for group health, hospital, disability, or death
98.29 benefits;

98.30 (3) to the individual retirement account plan established by chapter 354B;

98.31 (4) to a plan that provides solely for severance pay under section 465.72 to a retiring
98.32 or terminating employee;

98.33 (5) for employees other than personnel employed by the Board of Trustees of the
98.34 Minnesota State Colleges and Universities and covered under the Higher Education

99.1 Supplemental Retirement Plan under chapter 354C, but including city managers covered
99.2 by an alternative retirement arrangement under section 353.028, subdivision 3, paragraph
99.3 (a), or by the defined contribution plan of the Public Employees Retirement Association
99.4 under section 353.028, subdivision 3, paragraph (b), if the supplemental plan coverage is
99.5 provided for in a personnel policy of the public employer or in the collective bargaining
99.6 agreement between the public employer and the exclusive representative of public
99.7 employees in an appropriate unit or in the individual employment contract between a city
99.8 and a city manager, and if for each available investment all fees and historic rates of return
99.9 for the prior one-, three-, five-, and ten-year periods, or since inception, are disclosed in an
99.10 easily comprehended document not to exceed two pages, in an amount matching employee
99.11 contributions on a dollar for dollar basis, but not to exceed an employer contribution of
99.12 ~~\$2,000~~ a one-half of the available elective deferral permitted per year per employee,
99.13 under the Internal Revenue Code:

99.14 (i) to the state of Minnesota deferred compensation plan under section ~~352.96~~
99.15 352.965; ~~or~~

99.16 (ii) in payment of the applicable portion of the contribution made to any investment
99.17 eligible under section 403(b) of the Internal Revenue Code, if the employing unit has
99.18 complied with any applicable pension plan provisions of the Internal Revenue Code with
99.19 respect to the tax-sheltered annuity program during the preceding calendar year; or

99.20 (iii) any other deferred compensation plan offered by the employer under section
99.21 457 of the Internal Revenue Code;

99.22 (6) for personnel employed by the Board of Trustees of the Minnesota State Colleges
99.23 and Universities and not covered by clause (5), to the supplemental retirement plan under
99.24 chapter 354C, if the supplemental plan coverage is provided for in a personnel policy
99.25 or in the collective bargaining agreement of the public employer with the exclusive
99.26 representative of the covered employees in an appropriate unit, in an amount matching
99.27 employee contributions on a dollar for dollar basis, but not to exceed an employer
99.28 contribution of \$2,700 a year for each employee;

99.29 (7) to a supplemental plan or to a governmental trust to save for postretirement
99.30 health care expenses qualified for tax-preferred treatment under the Internal Revenue
99.31 Code, if the supplemental plan coverage is provided for in a personnel policy or in the
99.32 collective bargaining agreement of a public employer with the exclusive representative of
99.33 the covered employees in an appropriate unit;

99.34 (8) to the laborers national industrial pension fund or to a laborers local pension
99.35 fund for the employees of a governmental subdivision who are covered by a collective
99.36 bargaining agreement that provides for coverage by that fund and that sets forth a fund

100.1 contribution rate, but not to exceed an employer contribution of \$5,000 per year per
100.2 employee;

100.3 (9) to the plumbers and pipefitters national pension fund or to a plumbers and
100.4 pipefitters local pension fund for the employees of a governmental subdivision who are
100.5 covered by a collective bargaining agreement that provides for coverage by that fund and
100.6 that sets forth a fund contribution rate, but not to exceed an employer contribution of
100.7 \$5,000 per year per employee;

100.8 (10) to the international union of operating engineers pension fund for the employees
100.9 of a governmental subdivision who are covered by a collective bargaining agreement that
100.10 provides for coverage by that fund and that sets forth a fund contribution rate, but not to
100.11 exceed an employer contribution of \$5,000 per year per employee;

100.12 (11) to a supplemental plan organized and operated under the federal Internal
100.13 Revenue Code, as amended, that is wholly and solely funded by the employee's
100.14 accumulated sick leave, accumulated vacation leave, and accumulated severance pay; ~~or~~

100.15 (12) to the International Association of Machinists national pension fund for the
100.16 employees of a governmental subdivision who are covered by a collective bargaining
100.17 agreement that provides for coverage by that fund and that sets forth a fund contribution
100.18 rate, but not to exceed an employer contribution of \$5,000 per year per employee; or

100.19 (13) for employees of United Hospital District, Blue Earth, to the state of Minnesota
100.20 deferred compensation program, if the employee makes a contribution, in an amount that
100.21 does not exceed the total percentage of covered salary under section 353.27, subdivisions
100.22 3 and 3a.

100.23 (b) No governmental subdivision may make a contribution to a deferred
100.24 compensation plan operating under section 457 of the Internal Revenue Code for volunteer
100.25 or emergency on-call firefighters in lieu of providing retirement coverage under the federal
100.26 old age, survivors, and disability insurance program.

100.27 **EFFECTIVE DATE.** Paragraph (a), clause (13), is effective July 1, 2008. The
100.28 balance of this section is effective August 1, 2008.

100.29 Sec. 7. Minnesota Statutes 2007 Supplement, section 356.96, subdivision 1, is
100.30 amended to read:

100.31 Subdivision 1. **Definitions.** (a) Unless the language or context clearly indicates that
100.32 a different meaning is intended, for the purpose of this section, the terms in paragraphs
100.33 (b) to (e) have the meanings given them.

100.34 (b) "Chief administrative officer" means the executive director of a covered pension
100.35 plan or the executive director's designee or representative.

101.1 (c) "Covered pension plan" means a plan enumerated in section 356.20, subdivision
101.2 2, clauses (1) to (4), (10), and (12) to (14), but does not mean the deferred compensation
101.3 plan administered under sections ~~352.96~~ 352.965 and 352.97 or to the postretirement
101.4 health care savings plan administered under section 352.98.

101.5 (d) "Governing board" means the Board of Trustees of the Public Employees
101.6 Retirement Association, the Board of Trustees of the Teachers Retirement Association, or
101.7 the Board of Directors of the Minnesota State Retirement System.

101.8 (e) "Person" includes an active, retired, deferred, or nonvested inactive participant in
101.9 a covered pension plan or a beneficiary of a participant, or an individual who has applied
101.10 to be a participant or who is or may be a survivor of a participant, or a state agency or
101.11 other governmental unit that employs active participants in a covered pension plan.

101.12 **EFFECTIVE DATE.** This section is effective August 1, 2008.

101.13 Sec. 8. Minnesota Statutes 2006, section 356B.10, subdivision 3, is amended to read:

101.14 Subd. 3. **Contracting procedures.** (a) The commissioner may enter into a contract
101.15 for facilities with a contractor to furnish the architectural, engineering, and related services
101.16 as well as the labor, materials, supplies, equipment, and related construction services on
101.17 the basis of a request for qualifications and competitive responses received through a
101.18 request for proposals process that must include the items listed in paragraphs (b) to (i).

101.19 (b) Before issuing a request for qualifications and a request for proposals, the
101.20 commissioner, with the assistance of the boards, shall prepare performance criteria and
101.21 specifications that include:

101.22 (1) a general floor plan or layout indicating the general dimensions of the public
101.23 building and space requirements;

101.24 (2) design criteria for the exterior and site area;

101.25 (3) performance specifications for all building systems and components to ensure
101.26 quality and cost efficiencies;

101.27 (4) conceptual floor plans for systems space;

101.28 (5) preferred types of interior finishes, styles of windows, lighting and outlets, doors,
101.29 and features such as built-in counters and telephone wiring;

101.30 (6) mechanical and electrical requirements;

101.31 (7) special interior features required; and

101.32 (8) a completion schedule.

101.33 (c) The commissioner shall first solicit statements of qualifications from eligible
101.34 contractors and select more than one qualified contractor based upon experience, technical
101.35 competence, past performance, capability to perform, and other appropriate facts.

102.1 Contractors selected under this process must be, employ, or have as a partner, member,
102.2 coventurer, or subcontractor, persons licensed and registered under chapter 326 to provide
102.3 the services required to design and complete the project. The commissioner does not
102.4 have to select any of the respondents if none reasonably fulfill the criteria set forth in
102.5 this paragraph.

102.6 (d) The contractors selected shall be asked to respond to a request for proposals.
102.7 Responses must include site plans, design concept, elevation, statement of material to
102.8 be used, floor layouts, a detailed development budget, and a total cost to complete the
102.9 project. The proposal must indicate that the contractor obtained at least two proposals
102.10 from subcontractors for each item of work and must set forth how the subcontractors
102.11 were selected. The commissioner, with the assistance of the boards, shall evaluate the
102.12 proposals based upon design, cost, quality, aesthetics, and the best overall value to the
102.13 state pension funds. The commissioner need not select any of the proposals submitted
102.14 and reserves the right to reject any and all proposals, and may terminate the process or
102.15 revise the request for proposals and solicit new proposals if the commissioner determines
102.16 that the best interests of the pension funds would be better served by doing so. Proposals
102.17 submitted are nonpublic data until the contract is awarded.

102.18 (e) The contractor selected must comply with sections 574.26 to 574.261. Before
102.19 executing a final contract, the contractor selected shall certify a firm construction price
102.20 and completion date.

102.21 (f) The commissioner may consider building sites in the city of St. Paul and
102.22 surrounding suburbs.

102.23 (g) Any land, building, or facility leased, constructed, or acquired and any leasehold
102.24 interest acquired under this section must be held by the state in trust for the three retirement
102.25 systems as tenants in common. Each retirement system fund must consider its interest as a
102.26 fixed asset of its pension fund in accordance with governmental accounting standards.

102.27 (h) The commissioner may lease to another governmental subdivision, to a private
102.28 company under contract with the State Board of Investment, or with the Board of Directors
102.29 of the Minnesota State Retirement System, whichever applies, to provide deferred
102.30 compensation services under section ~~352.96~~ 352.965, any portion of the funds' building
102.31 and lands that is not required for their direct use upon terms and conditions they deem to
102.32 be in the best interest of the pension funds. Any income accruing from the rentals must
102.33 be separately accounted for and utilized to offset ongoing administrative expenses and
102.34 any excess must be carried forward for future administrative expenses. The commissioner
102.35 may also enter into lease agreements for the establishment of satellite offices should the
102.36 boards find them to be necessary in order to assure their members reasonable access to

their services. The commissioner may lease under section 16B.24 any portion of the facilities not required for the direct use of the boards.

(i) The boards shall formulate and adopt a written working agreement that sets forth the nature of each retirement system's ownership interest, the duties and obligations of each system toward the construction, operation, and maintenance costs of its facilities, and identifies one retirement fund to serve as manager for operating and maintenance purposes. The boards may contract with independent third parties for maintenance-related activities, services, and supplies, and may use the services of the Department of Administration where economically feasible to do so. If the boards cannot agree or resolve a dispute about operations or maintenance of the facilities, they may request the commissioner of administration to appoint a representative from the department's real estate management division to serve as arbitrator of the dispute with authority to issue a written resolution of the dispute.

EFFECTIVE DATE. This section is effective August 1, 2008.

Sec. 9. Minnesota Statutes 2006, section 363A.36, subdivision 1, is amended to read:

Subdivision 1. **Scope of application.** (a) For all contracts for goods and services in excess of \$100,000, no department or agency of the state shall accept any bid or proposal for a contract or agreement from any business having more than 40 full-time employees within this state on a single working day during the previous 12 months, unless the commissioner is in receipt of the business' affirmative action plan for the employment of minority persons, women, and qualified disabled individuals. No department or agency of the state shall execute any such contract or agreement until the affirmative action plan has been approved by the commissioner. Receipt of a certificate of compliance issued by the commissioner shall signify that a firm or business has an affirmative action plan that has been approved by the commissioner. A certificate shall be valid for a period of two years. A municipality as defined in section 466.01, subdivision 1, that receives state money for any reason is encouraged to prepare and implement an affirmative action plan for the employment of minority persons, women, and the qualified disabled and submit the plan to the commissioner.

(b) This paragraph applies to a contract for goods or services in excess of \$100,000 to be entered into between a department or agency of the state and a business that is not subject to paragraph (a), but that has more than 40 full-time employees on a single working day during the previous 12 months in the state where the business has its primary place of business. A department or agency of the state may not execute a contract or agreement with a business covered by this paragraph unless the business has a certificate

104.1 of compliance issued by the commissioner under paragraph (a) or the business certifies
104.2 that it is in compliance with federal affirmative action requirements.

104.3 (c) This section does not apply to contracts entered into by the State Board of
104.4 Investment for investment options under section ~~352.96~~ 352.965, subdivision 4.

104.5 **EFFECTIVE DATE.** This section is effective August 1, 2008.

104.6 Sec. 10. Minnesota Statutes 2006, section 383B.914, subdivision 7, is amended to read:

104.7 Subd. 7. **Participation in state deferred compensation plan.** (a) Existing
104.8 employees of the corporation, at the election of the corporation, if otherwise qualified,
104.9 are eligible to participate in the Hennepin County supplemental retirement plan under
104.10 sections 383B.46 and 383B.52.

104.11 (b) Existing and future employees of the corporation, at the election of the
104.12 corporation, are eligible to participate in the Minnesota state deferred compensation
104.13 plan under section ~~352.96~~ 352.965, the postretirement health care savings plan under
104.14 section 352.98, and all other deferred compensation arrangements for which all persons
104.15 employed by the county whose employment is accounted for in the county enterprise fund
104.16 for HCMC were eligible.

104.17 **EFFECTIVE DATE.** This section is effective August 1, 2008.

104.18 Sec. 11. Minnesota Statutes 2006, section 518.003, subdivision 8, is amended to read:

104.19 Subd. 8. **Public pension plan.** "Public pension plan" means a pension plan or
104.20 fund specified in section 356.20, subdivision 2, or 356.30, subdivision 3, the deferred
104.21 compensation plan specified in section ~~352.96~~ 352.965, or any retirement or pension plan
104.22 or fund, including a supplemental retirement plan or fund, established, maintained, or
104.23 supported by a governmental subdivision or public body whose revenues are derived from
104.24 taxation, fees, assessments, or from other public sources.

104.25 **EFFECTIVE DATE.** This section is effective August 1, 2008.

104.26 Sec. 12. **REPEALER.**

104.27 Minnesota Statutes 2006, section 352.96; and Minnesota Rules, parts 7905.0100;
104.28 7905.0200; 7905.0300; 7905.0400; 7905.0500; 7905.0600; 7905.0700; 7905.0800;
104.29 7905.0900; 7905.1000; 7905.1100; 7905.1200; 7905.1300; 7905.1400; 7905.1500;
104.30 7905.1600; 7905.1700; 7905.1800; 7905.1900; 7905.2000; 7905.2100; 7905.2200;
104.31 7905.2300; 7905.2400; 7905.2450; 7905.2500; 7905.2560; 7905.2600; 7905.2700;
104.32 7905.2800; and 7905.2900, are repealed.

105.1 **EFFECTIVE DATE.** This section is effective August 1, 2008.

105.2 **ARTICLE 13**

105.3 **PERA POLICE AND FIRE PLAN**

105.4 **DUTY DISABILITY BENEFIT INCREASE**

105.5 Section 1. Minnesota Statutes 2007 Supplement, section 353.656, subdivision 1,
105.6 is amended to read:

105.7 Subdivision 1. **Duty disability; computation of benefits.** (a) A member of
105.8 the police and fire plan who is determined to qualify for duty disability as defined in
105.9 section 353.01, subdivision 41, shall receive disability benefits during the period of such
105.10 disability in an amount equal to 60 percent of the average salary as defined in section
105.11 353.01, subdivision 17a, plus an additional percentage specified under section 356.315,
105.12 subdivision 6, of that average salary for each year of service in excess of 20 years.

105.13 (b) To be eligible for a benefit under paragraph (a), the member must have:

105.14 (1) not met the requirements for a retirement annuity under section 353.651,
105.15 subdivision 1; or

105.16 (2) met the requirements under that subdivision, but does not have at least 20 years
105.17 of allowable service credit.

105.18 (c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a
105.19 period of 60 months from the disability benefit accrual date and at the end of that period
105.20 is subject to provisions of subdivision 5a.

105.21 (d) If the disability under this subdivision occurs before the member has at least five
105.22 years of allowable service credit in the police and fire plan, the disability benefit must be
105.23 computed on the average salary from which deductions were made for contribution to
105.24 the police and fire fund.

105.25 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2007.

105.26 **ARTICLE 14**

105.27 **LOCAL POLICE AND PAID FIRE**

105.28 **RELIEF ASSOCIATION CHANGES**

105.29 Section 1. **[423A.021] DEFINED POSTRETIREMENT BENEFITS.**

105.30 Subdivision 1. **Pension unit increase.** For a salaried firefighters relief association in
105.31 a city of the first class with a population greater than 300,000, when the actuarial value
105.32 of assets of the special fund first exceeds 110 percent of the actuarial accrued liabilities,
105.33 according to an annual actuarial valuation occurring after the effective date of this section

and performed in accordance with sections 356.215 and 356.216, each service pensioner, joint survivor annuitant, and surviving spouse member is entitled to a permanent benefit increase. The revised benefit is an increase of one unit for a service pensioner, not to exceed 43 units, an increase from 22 to 23 units for a surviving spouse benefit, and an increase from 42.3 to 43.2 units for unmarried service pensioners. The association shall pay the increased benefit beginning January 1 of the year following the year for which the valuation was prepared. If adding an additional unit results in raising total units past the maximum, a partial unit may be added to reach the maximum. For joint survivor annuities, this subdivision authorizes a benefit increase actuarially equivalent to one unit.

Subd. 2. **Unit precedence.** The additional benefit provided for in subdivision 1 shall take precedence over any other benefit provided when the fund reaches 110 percent funding. In preparing the actuarial valuation under sections 356.215 and 356.216, the actuary for the fund shall first account for the benefit provided in subdivision 1 in determining the plan's funded ratio. No other benefit payments may be made by the association until the actuarial impact of the benefit provided for in subdivision 1 has been determined and factored into the funding ratio.

Subd. 3. **Excess investment income.** For a salaried firefighters relief association in a city of the first class with a population greater than 300,000 that no longer is entitled to state general fund aid pursuant to section 423A.02, the association shall apply any assets that constitute excess investment income to the payment of a supplemental postretirement benefit to an eligible member notwithstanding any other limitation of law. Any amount of excess investment income not otherwise used for the payment of a supplemental postretirement benefit to an eligible member shall be applied to reduce the municipality's property tax levy to the association in the year following the payment of the postretirement benefit. A supplemental postretirement benefit is a lump sum payment equal to the monthly benefit provided to the benefit recipient in the month prior to payment of the supplemental postretirement benefit. A supplemental postretirement benefit payable under this section is in lieu of any benefit payable under section 423C.06, subdivision 2. No supplemental postretirement benefit is payable under this section if a benefit is payable under section 423C.06, subdivision 3.

ARTICLE 15

VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION CHANGES

Section 1. Minnesota Statutes 2006, section 6.67, is amended to read:

6.67 PUBLIC ACCOUNTANTS; REPORT OF EVIDENCE POINTING TO MISCONDUCT.

107.1 Whenever a public accountant in the course of auditing the books and affairs of a
107.2 county, city, town, school district, ~~or other public corporations, shall discover~~ corporation,
107.3 or local public pension plan governed by section 69.77, sections 69.771 to 69.775, or
107.4 chapter 354A, 422A, 423B, 423C, or 424A, discovers evidence pointing to nonfeasance,
107.5 misfeasance, or malfeasance, on the part of an officer or employee in the conduct of duties
107.6 and affairs, the public accountant shall promptly make a report of such discovery to the
107.7 state auditor and the county attorney of the county in which the governmental unit is
107.8 situated and the public accountant shall also furnish a copy of the report of audit upon
107.9 completion to said officers. The county attorney shall act on such report in the same
107.10 manner as required by law for reports made to the county attorney by the state auditor.

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

107.12 Sec. 2. Minnesota Statutes 2006, section 69.011, subdivision 1, is amended to read:

107.13 Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a
107.14 different meaning is intended, the following words and terms shall for the purposes of this
107.15 chapter and chapters 423, 423A, 424 and 424A have the meanings ascribed to them:

107.16 (a) "Commissioner" means the commissioner of revenue.

107.17 (b) "Municipality" means:

107.18 (1) a home rule charter or statutory city;

107.19 (2) an organized town;

107.20 (3) a park district subject to chapter 398;

107.21 (4) the University of Minnesota;

107.22 (5) for purposes of the fire state aid program only, an American Indian tribal
107.23 government entity located within a federally recognized American Indian reservation;

107.24 (6) for purposes of the police state aid program only, an American Indian tribal
107.25 government with a tribal police department which exercises state arrest powers under
107.26 section 626.90, 626.91, 626.92, or 626.93;

107.27 (7) for purposes of the police state aid program only, the Metropolitan Airports
107.28 Commission with respect to peace officers covered under chapter 422A; and

107.29 (8) for purposes of the police state aid program only, the Department of Natural
107.30 Resources and the Department of Public Safety with respect to peace officers covered
107.31 under chapter 352B.

107.32 (c) "Minnesota Firetown Premium Report" means a form prescribed by the
107.33 commissioner containing space for reporting by insurers of fire, lightning, sprinkler
107.34 leakage and extended coverage premiums received upon risks located or to be performed
107.35 in this state less return premiums and dividends.

108.1 (d) "Firetown" means the area serviced by any municipality having a qualified fire
108.2 department or a qualified incorporated fire department having a subsidiary volunteer
108.3 firefighters' relief association.

108.4 (e) "Market value" means latest available market value of all property in a taxing
108.5 jurisdiction, whether the property is subject to taxation, or exempt from ad valorem
108.6 taxation obtained from information which appears on abstracts filed with the commissioner
108.7 of revenue or equalized by the State Board of Equalization.

108.8 (f) "Minnesota Aid to Police Premium Report" means a form prescribed by the
108.9 commissioner for reporting by each fire and casualty insurer of all premiums received
108.10 upon direct business received by it in this state, or by its agents for it, in cash or otherwise,
108.11 during the preceding calendar year, with reference to insurance written for insuring against
108.12 the perils contained in auto insurance coverages as reported in the Minnesota business
108.13 schedule of the annual financial statement which each insurer is required to file with
108.14 the commissioner in accordance with the governing laws or rules less return premiums
108.15 and dividends.

108.16 (g) "Peace officer" means any person:

108.17 (1) whose primary source of income derived from wages is from direct employment
108.18 by a municipality or county as a law enforcement officer on a full-time basis of not less
108.19 than 30 hours per week;

108.20 (2) who has been employed for a minimum of six months prior to December 31
108.21 preceding the date of the current year's certification under subdivision 2, clause (b);

108.22 (3) who is sworn to enforce the general criminal laws of the state and local
108.23 ordinances;

108.24 (4) who is licensed by the Peace Officers Standards and Training Board and is
108.25 authorized to arrest with a warrant; and

108.26 (5) who is a member of a local police relief association to which section 69.77
108.27 applies, the State Patrol retirement plan, the public employees police and fire fund, or the
108.28 Minneapolis Employees Retirement Fund.

108.29 (h) "Full-time equivalent number of peace officers providing contract service" means
108.30 the integral or fractional number of peace officers which would be necessary to provide
108.31 the contract service if all peace officers providing service were employed on a full-time
108.32 basis as defined by the employing unit and the municipality receiving the contract service.

108.33 (i) "Retirement benefits other than a service pension" means any disbursement
108.34 authorized under section 424A.05, subdivision 3, clauses (2); and (3); ~~and (4)~~.

108.35 (j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means the person
108.36 who was elected or appointed to the specified position or, in the absence of the person,

109.1 another person who is designated by the applicable governing body. In a park district,
109.2 the clerk is the secretary of the board of park district commissioners. In the case of the
109.3 University of Minnesota, the clerk is that official designated by the Board of Regents.
109.4 For the Metropolitan Airports Commission, the clerk is the person designated by the
109.5 commission. For the Department of Natural Resources or the Department of Public Safety,
109.6 the clerk is the respective commissioner. For a tribal police department which exercises
109.7 state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the clerk is the person
109.8 designated by the applicable American Indian tribal government.

109.9 **EFFECTIVE DATE.** This section is effective January 1, 2009.

109.10 Sec. 3. Minnesota Statutes 2006, section 356A.06, subdivision 1, is amended to read:

109.11 Subdivision 1. **Authorized holder of assets; title to assets.** (a) Assets of a covered
109.12 pension plan may be held only by:

109.13 (1) the plan treasurer;

109.14 (2) the State Board of Investment;

109.15 (3) the depository agent of the plan;

109.16 (4) a security broker or the broker's agent with, in either case, insurance equal to or
109.17 greater than the plan assets held from the Securities Investor Protection Corporation or
109.18 from excess insurance coverage; or

109.19 (5) the depository agent of the State Board of Investment.

109.20 (b) Legal title to plan assets must be vested in the plan, the State Board of
109.21 Investment, the governmental entity that sponsors the plan, the nominee of the plan, or
109.22 the depository agent. The holder of legal title shall function as a trustee for a person or
109.23 entity with a beneficial interest in the assets of the plan.

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

109.25 Sec. 4. Minnesota Statutes 2006, section 356A.06, subdivision 7, is amended to read:

109.26 Subd. 7. **Expanded list of authorized investment securities.** (a) **Authority.**

109.27 Except to the extent otherwise authorized by law, a covered pension plan not described by
109.28 subdivision 6, paragraph (a), shall invest its assets only in accordance with this subdivision.

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

paragraphs (c) to (i), including real estate investment trusts and insurance company commingled accounts, including separate accounts.

(c) Government obligations. The covered pension plan may invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness if 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

111.1 recognized rating agency or whose certificates of deposit are fully insured by federal
111.2 agencies; or (B) credit unions in amounts up to the limit of insurance coverage provided
111.3 by the National Credit Union Administration;

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

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

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

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

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

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

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

111.24 (3) In addition to investments authorized by clause (1), item (iv), the covered
111.25 pension plan may purchase from the Minnesota Housing Finance Agency all or any part of
111.26 a pool of residential mortgages, not in default, that has previously been financed by the
111.27 issuance of bonds or notes of the agency. The covered pension plan may also enter into
111.28 a commitment with the agency, at the time of any issue of bonds or notes, to purchase
111.29 at a specified future date, not exceeding 12 years from the date of the issue, the amount
111.30 of mortgage loans then outstanding and not in default that have been made or purchased
111.31 from the proceeds of the bonds or notes. The covered pension plan may charge reasonable
111.32 fees for any such commitment and may agree to purchase the mortgage loans at a price
111.33 sufficient to produce a yield to the covered pension plan comparable, in its judgment,
111.34 to the yield available on similar mortgage loans at the date of the bonds or notes. The
111.35 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 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 investments under this paragraph, plus paragraphs (g) and (k), plus equity investments under paragraphs (h), (i), and (j), as adjusted for realized gains and losses, must not exceed 85 percent of the market or book value, whichever is less, of a fund; and

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

(g) Developed market foreign stocks investments. In addition to investments authorized under paragraph (f), the covered pension fund may invest in foreign stock sold on an exchange in any developed market country that is included in the Europe, Australia, and Far East Index.

(h) Commingled or mutual investments. The covered pension plan may invest in index funds or mutual funds, including index mutual funds, through bank-sponsored collective funds and shares of open-end investment companies registered under the Federal Investment Company Act of 1940, ~~if the investments of the index or of the mutual fund~~ to the extent that these funds comply with paragraphs (c) to (j).

(i) Real estate investment trust; related investments. The covered pension plan may invest in real estate investment trusts secured by mortgages or deeds of trust and sold on an exchange, and insurance company commingled accounts, including separate accounts, of a debt or equity nature.

(j) 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 paragraphs (c) to (i), as applicable.

(k) Other investments. (1) In addition to the investments authorized in paragraphs (b) to (j), 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 or bank sponsored collective funds;

113.1 (iii) regional and mutual funds through bank sponsored collective funds and
113.2 open-end investment companies registered under the Federal Investment Company Act
113.3 of 1940 ~~which do~~ to the extent that a fund or a portion of a fund does not qualify under
113.4 paragraph (h);

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

113.7 (v) international debt securities and emerging market equity securities.

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

113.10 (i) the aggregate value of all investments made according to clause (1), including
113.11 allocated amounts of index and mutual funds, may not exceed 20 percent of the market
113.12 value of the fund for which the covered pension plan is investing;

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

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

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

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

113.22 Sec. 5. Minnesota Statutes 2006, section 356A.06, subdivision 8b, is amended to read:

113.23 Subd. 8b. **Disclosure of investment authority; receipt of statement.** (a) For
113.24 this subdivision, the term "broker" means a broker, broker-dealer, investment advisor,
113.25 investment manager, or third party agent who transfers, purchases, sells, or obtains
113.26 investment securities for, or on behalf of, a covered pension plan.

113.27 (b) Before a covered pension plan may complete an investment transaction with or
113.28 in accord with the advice of a broker, the covered pension plan shall provide annually to
113.29 the broker a written statement of investment restrictions applicable under state law to the
113.30 covered pension plan or applicable under the pension plan governing board investment
113.31 policy.

113.32 (c) A broker must acknowledge in writing annually the receipt of the statement of
113.33 investment restrictions and must agree to handle the covered pension plan's investments
113.34 and assets in accord with the provided investment restrictions. A covered pension plan
113.35 may not enter into or continue a business arrangement with a broker until the broker has

114.1 provided this written acknowledgment to the chief administrative officer of the covered
114.2 pension plan.

114.3 (d) If any portion of the plan's assets are held by a security broker or its agent, the
114.4 security broker or its agent must acknowledge in writing annually that sufficient insurance
114.5 has been obtained from the Securities Investor Protection Corporation, supplemented by
114.6 additional insurance, if necessary, to cover the full amount of covered pension plan assets
114.7 held by the security broker or its agent. Uniform acknowledgment forms prepared by the
114.8 state auditor shall be used by covered pension plans and brokers to meet the requirements
114.9 of this subdivision.

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

114.11 Sec. 6. Minnesota Statutes 2006, section 424A.001, is amended by adding a
114.12 subdivision to read:

114.13 Subd. 1a. **Ancillary benefit.** "Ancillary benefit" means a benefit other than a service
114.14 pension that is permitted by law and that is provided for in the relief association bylaws.

114.15 **EFFECTIVE DATE.** This section is effective January 1, 2009.

114.16 Sec. 7. Minnesota Statutes 2006, section 424A.001, subdivision 6, is amended to read:

114.17 Subd. 6. **Surviving spouse.** For purposes of this chapter, and the governing bylaws
114.18 of any relief association to which this chapter applies, the term "surviving spouse" means
114.19 ~~any person who was the dependent spouse of a deceased active member or retired former~~
114.20 ~~member living with the member at the time of the death of the active member or retired~~
114.21 ~~former member for at least one year prior to the date on which the member terminated~~
114.22 ~~active service and membership~~ the spouse of a deceased member who was legally married
114.23 to the member at the time of death.

114.24 **EFFECTIVE DATE.** This section is effective January 1, 2009.

114.25 Sec. 8. Minnesota Statutes 2006, section 424A.02, subdivision 3, is amended to read:

114.26 Subd. 3. **Flexible service pension maximums.** (a) Annually on or before August
114.27 1 as part of the certification of the financial requirements and minimum municipal
114.28 obligation determined under section 69.772, subdivision 4, or 69.773, subdivision 5, as
114.29 applicable, the secretary or some other official of the relief association designated in
114.30 the bylaws of each relief association shall calculate and certify to the governing body
114.31 of the applicable qualified municipality the average amount of available financing per
114.32 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
41	.50
81	1.00
122	1.50
162	2.00
203	2.50
243	3.00
284	3.50
324	4.00
365	4.50
405	5.00
486	6.00
567	7.00
648	8.00
729	9.00
810	10.00
891	11.00
972	12.00
1053	13.00
1134	14.00

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116.1	1215	15.00
116.2	1296	16.00
116.3	1377	17.00
116.4	1458	18.00
116.5	1539	19.00
116.6	1620	20.00
116.7	1701	21.00
116.8	1782	22.00
116.9	1823	22.50
116.10	1863	23.00
116.11	1944	24.00
116.12	2025	25.00
116.13	2106	26.00
116.14	2187	27.00
116.15	2268	28.00
116.16	2349	29.00
116.17	2430	30.00
116.18	2511	31.00
116.19	2592	32.00
116.20	2673	33.00
116.21	2754	34.00
116.22	2834	35.00
116.23	2916	36.00
116.24	2997	37.00
116.25	3078	38.00
116.26	3159	39.00
116.27	3240	40.00
116.28	3321	41.00
116.29	3402	42.00
116.30	3483	43.00
116.31	3564	44.00
116.32	3645	45.00
116.33	3726	46.00
116.34	3807	47.00
116.35	3888	48.00
116.36	3969	49.00
116.37	4050	50.00
116.38	4131	51.00
116.39	4212	52.00
116.40	4293	53.00
116.41	4374	54.00
116.42	4455	55.00
116.43	4536	56.00

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117.1	<u>Effective beginning December 31, 2008</u>	
117.2	<u>4617</u>	<u>57.00</u>
117.3	<u>4698</u>	<u>58.00</u>
117.4	<u>4779</u>	<u>59.00</u>
117.5	<u>4860</u>	<u>60.00</u>
117.6	<u>4941</u>	<u>61.00</u>
117.7	<u>5022</u>	<u>62.00</u>
117.8	<u>5103</u>	<u>63.00</u>
117.9	<u>5184</u>	<u>64.00</u>
117.10	<u>5265</u>	<u>65.00</u>
117.11	<u>Effective beginning December 31, 2009</u>	
117.12	<u>5346</u>	<u>66.00</u>
117.13	<u>5427</u>	<u>67.00</u>
117.14	<u>5508</u>	<u>68.00</u>
117.15	<u>5589</u>	<u>69.00</u>
117.16	<u>5670</u>	<u>70.00</u>
117.17	<u>5751</u>	<u>71.00</u>
117.18	<u>5832</u>	<u>72.00</u>
117.19	<u>5913</u>	<u>73.00</u>
117.20	<u>5994</u>	<u>74.00</u>
117.21	<u>Effective beginning December 31, 2010</u>	
117.22	<u>6075</u>	<u>75.00</u>
117.23	<u>6156</u>	<u>76.00</u>
117.24	<u>6237</u>	<u>77.00</u>
117.25	<u>6318</u>	<u>78.00</u>
117.26	<u>6399</u>	<u>79.00</u>
117.27	<u>6480</u>	<u>80.00</u>
117.28	<u>6561</u>	<u>81.00</u>
117.29	<u>6642</u>	<u>82.00</u>
117.30	<u>6723</u>	<u>83.00</u>
117.31	<u>Effective beginning December 31, 2011</u>	
117.32	<u>6804</u>	<u>84.00</u>
117.33	<u>6885</u>	<u>85.00</u>
117.34	<u>6966</u>	<u>86.00</u>
117.35	<u>7047</u>	<u>87.00</u>
117.36	<u>7128</u>	<u>88.00</u>
117.37	<u>7209</u>	<u>89.00</u>
117.38	<u>7290</u>	<u>90.00</u>
117.39	<u>7371</u>	<u>91.00</u>
117.40	<u>7452</u>	<u>92.00</u>
117.41	<u>Effective beginning December 31, 2012</u>	
117.42	<u>7533</u>	<u>93.00</u>
117.43	<u>7614</u>	<u>94.00</u>

118.1	<u>7695</u>	<u>95.00</u>
118.2	<u>7776</u>	<u>96.00</u>
118.3	<u>7857</u>	<u>97.00</u>
118.4	<u>7938</u>	<u>98.00</u>
118.5	<u>8019</u>	<u>99.00</u>
118.6	<u>8100</u>	<u>100.00</u>
118.7	<u>any amount in excess</u>	
118.8	<u>of 8100</u>	<u>100.00</u>

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

118.16	Minimum Average Amount of Available	Maximum Lump Sum Service
118.17	Financing per Firefighter	Pension Amount Payable for
118.18		Each Year of Service
118.19	\$...	\$ 10
118.20	11	20
118.21	16	30
118.22	23	40
118.23	27	50
118.24	32	60
118.25	43	80
118.26	54	100
118.27	65	120
118.28	77	140
118.29	86	160
118.30	97	180
118.31	108	200
118.32	131	240
118.33	151	280
118.34	173	320
118.35	194	360
118.36	216	400
118.37	239	440
118.38	259	480
118.39	281	520
118.40	302	560
118.41	324	600
118.42	347	640

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119.1	367	680
119.2	389	720
119.3	410	760
119.4	432	800
119.5	486	900
119.6	540	1000
119.7	594	1100
119.8	648	1200
119.9	702	1300
119.10	756	1400
119.11	810	1500
119.12	864	1600
119.13	918	1700
119.14	972	1800
119.15	1026	1900
119.16	1080	2000
119.17	1134	2100
119.18	1188	2200
119.19	1242	2300
119.20	1296	2400
119.21	1350	2500
119.22	1404	2600
119.23	1458	2700
119.24	1512	2800
119.25	1566	2900
119.26	1620	3000
119.27	1672	3100
119.28	1726	3200
119.29	1753	3250
119.30	1780	3300
119.31	1820	3375
119.32	1834	3400
119.33	1888	3500
119.34	1942	3600
119.35	1996	3700
119.36	2023	3750
119.37	2050	3800
119.38	2104	3900
119.39	2158	4000
119.40	2212	4100
119.41	2265	4200
119.42	2319	4300
119.43	2373	4400

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120.1	2427	4500
120.2	2481	4600
120.3	2535	4700
120.4	2589	4800
120.5	2643	4900
120.6	2697	5000
120.7	2751	5100
120.8	2805	5200
120.9	2859	5300
120.10	2913	5400
120.11	2967	5500
120.12	3021	5600
120.13	3075	5700
120.14	3129	5800
120.15	3183	5900
120.16	3237	6000
120.17	3291	6100
120.18	3345	6200
120.19	3399	6300
120.20	3453	6400
120.21	3507	6500
120.22	3561	6600
120.23	3615	6700
120.24	3669	6800
120.25	3723	6900
120.26	3777	7000
120.27	3831	7100
120.28	3885	7200
120.29	3939	7300
120.30	3993	7400
120.31	4047	7500
120.32	<u>Effective beginning December 31, 2008</u>	
120.33	<u>4101</u>	<u>7600</u>
120.34	<u>4155</u>	<u>7700</u>
120.35	<u>4209</u>	<u>7800</u>
120.36	<u>4263</u>	<u>7900</u>
120.37	<u>4317</u>	<u>8000</u>
120.38	<u>4371</u>	<u>8100</u>
120.39	<u>4425</u>	<u>8200</u>
120.40	<u>4479</u>	<u>8300</u>
120.41	<u>Effective beginning December 31, 2009</u>	
120.42	<u>4533</u>	<u>8400</u>
120.43	<u>4587</u>	<u>8500</u>

121.1	<u>4641</u>	<u>8600</u>
121.2	<u>4695</u>	<u>8700</u>
121.3	<u>4749</u>	<u>8800</u>
121.4	<u>4803</u>	<u>8900</u>
121.5	<u>4857</u>	<u>9000</u>
121.6	<u>4911</u>	<u>9100</u>
121.7	<u>Effective beginning December 31, 2010</u>	
121.8	<u>4965</u>	<u>9200</u>
121.9	<u>5019</u>	<u>9300</u>
121.10	<u>5073</u>	<u>9400</u>
121.11	<u>5127</u>	<u>9500</u>
121.12	<u>5181</u>	<u>9600</u>
121.13	<u>5235</u>	<u>9700</u>
121.14	<u>5289</u>	<u>9800</u>
121.15	<u>5343</u>	<u>9900</u>
121.16	<u>5397</u>	<u>10,000</u>
121.17	<u>any amount in excess</u>	
121.18	<u>of 5397</u>	<u>10,000</u>

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

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

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

121.35 Sec. 9. Minnesota Statutes 2006, section 424A.02, subdivision 7, is amended to read:

121.36 Subd. 7. **Deferred service pensions.** (a) A member of a relief association is entitled
121.37 to a deferred service pension if the member:

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

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

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

122.8 (b) The deferred service pension is payable when the former member reaches age
122.9 50, or the minimum age specified in the bylaws governing the relief association if that age
122.10 is greater than age 50, and when the former member makes a valid written application.

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

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

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

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

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

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

122.34 (e) A relief association that provides a defined contribution service pension may,
122.35 if its governing bylaws so provide, credit interest or additional investment performance
122.36 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 market value of the separate investment vehicle held by the relief association.

(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.

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

Sec. 10. Minnesota Statutes 2006, section 424A.02, subdivision 9, is amended to read:

Subd. 9. Limitation on ancillary benefits. Any relief association, including any volunteer firefighters relief association governed by section 69.77 or any volunteer firefighters division of a relief association governed by chapter 424, may only pay ancillary benefits which would constitute an authorized disbursement as specified in section 424A.05 subject to the following requirements or limitations:

(1) with respect to a relief association in which governing bylaws provide for a lump sum service pension to a retiring member, no ancillary benefit may be paid to any former member or paid to any person on behalf of any former member after the former member (i) terminates active service with the fire department and active membership in the relief association; and (ii) commences receipt of a service pension as authorized under this section; and

(2) with respect to any relief association, no ancillary benefit paid or payable to any member, to any former member, or to any person on behalf of any member or former member, may exceed in amount the total earned service pension of the member or former member. The total earned service pension must be calculated ~~using~~ by multiplying the service pension amount specified in the bylaws of the relief association ~~and~~ at the

124.1 time of death or disability, whichever applies, by the years of service credited to the
124.2 member or former member. The years of service must be determined as of (i) the date
124.3 the member or former member became entitled to the ancillary benefit; or (ii) the date
124.4 the member or former member died entitling a survivor or the estate of the member or
124.5 former member to an ancillary benefit. The ancillary benefit must be calculated (i) without
124.6 regard to whether the member or former member had attained the minimum amount of
124.7 service and membership credit specified in the governing bylaws; and (ii) without regard
124.8 to the percentage amounts specified in subdivision 2;. For active members, the amount
124.9 of a permanent disability benefit or a survivor benefit must be equal to the member's
124.10 total earned service pension except that the bylaws of any relief association may provide
124.11 for the payment of a survivor benefit in an amount not to exceed five times the yearly
124.12 service pension amount specified in the bylaws on behalf of any member who dies before
124.13 having performed five years of active service in the fire department with which the relief
124.14 association is affiliated.

124.15 **EFFECTIVE DATE.** This section is effective January 1, 2009.

124.16 Sec. 11. Minnesota Statutes 2006, section 424A.05, subdivision 3, is amended to read:

124.17 Subd. 3. **Authorized disbursements from the special fund.** (a) Disbursements
124.18 from the special fund are not permitted to be made for any purpose other than one of
124.19 the following:

124.20 (1) for the payment of service pensions to retired members of the relief association if
124.21 authorized and paid under law and the bylaws governing the relief association;

124.22 (2) for the payment of temporary or permanent disability benefits to disabled
124.23 members of the relief association if authorized and paid pursuant to law and specified in
124.24 amount in the bylaws governing the relief association;

124.25 (3) for the payment of survivor benefits to surviving spouses and surviving children,
124.26 or if none, to designated beneficiaries, of deceased members of the relief association,
124.27 and if survivors and if no designated beneficiary, for the payment of a death benefit to
124.28 the estate of the deceased active firefighter, if authorized by and paid pursuant to law and
124.29 specified in amount in the bylaws governing the relief association;

124.30 ~~(4) for the payment of any funeral benefits to the surviving spouse, or if no surviving~~
124.31 ~~spouse, the estate, of the deceased member of the relief association if authorized by law~~
124.32 ~~and specified in amount in the bylaws governing the relief association;~~

124.33 ~~(5)~~ for the payment of the fees, dues and assessments to the Minnesota State Fire
124.34 Department Association, to the Minnesota Area Relief Association Coalition, and to

the state Volunteer Firefighters Benefit Association in order to entitle relief association members to membership in and the benefits of these associations or organizations; and ~~(6)~~ (5) for the payment of administrative expenses of the relief association as authorized under section 69.80.

(b) For purposes of this chapter, a designated beneficiary must be a natural person.

EFFECTIVE DATE. This section is effective January 1, 2009.

Sec. 12. **VOLUNTARY STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN ADVISORY BOARD.**

Subdivision 1. Definitions. (a) For purposes of this article, unless the context clearly indicates otherwise, the terms or phrases in this subdivision have the meanings given them.

(b) "Board" means the voluntary statewide lump-sum volunteer firefighter retirement plan advisory board established under subdivision 2.

(c) "Executive director" means the executive director of the Public Employees Retirement Association.

(d) "Fire department" means the agency or department of a municipality or an independent nonprofit firefighting corporation that is charged with the prevention and suppression of fire and other related emergency activities.

(e) "Firetown" means the area serviced by any municipality having a qualified fire department or a qualified incorporated fire department having a subsidiary volunteer firefighters relief association.

Subd. 2. Establishment. The voluntary statewide lump-sum volunteer firefighter retirement plan advisory board is established.

Subd. 3. Membership. (a) The voluntary statewide lump-sum volunteer firefighter retirement plan advisory board consists of six persons. The members of the board must be appointed as follows:

(1) board seat A: a volunteer firefighter from a firetown with a population under 5,000 appointed by the president of the Minnesota State Fire Departments Association;

(2) board seat B: a volunteer firefighter from a firetown with a population greater than 5,000 and less than 9,001 appointed by the president of the Minnesota State Fire Chiefs Association;

(3) board seat C: a volunteer firefighter from a firetown with a population greater than 9,000 and less than 20,000 appointed by the president of the Minnesota State Fire Departments Association;

(4) board seat D: a volunteer firefighter from a firetown with a population greater than 19,999 appointed by the president of the Minnesota State Fire Chiefs Association;

126.1 (5) board seat E: a person appointed by the president of the League of Minnesota
126.2 Cities; and

126.3 (6) board seat F: a person appointed by the president of the Minnesota Association
126.4 of Townships.

126.5 (b) The members of the board shall serve until August 1, 2009.

126.6 (c) Service as a member of the board is uncompensated and does not qualify for
126.7 the reimbursement of expenses or for any per diem allowance by the state or the Public
126.8 Employees Retirement Association.

126.9 (d) A vacancy on the board must be filled by appointment by the governor in
126.10 accordance with the requirements specified in paragraph (a).

126.11 Subd. 4. **Board duties.** The board shall:

126.12 (1) elect a chair; and

126.13 (2) with the advice and administrative support of the executive director, draft
126.14 legislative recommendations for establishment, organization, and administration of the
126.15 voluntary statewide lump-sum volunteer firefighter retirement plan consistent with
126.16 this section, Minnesota Statutes, chapters 356 and 356A, and any other limitation or
126.17 requirement of law.

126.18 Subd. 5. **Information from municipalities and fire departments.** Municipalities
126.19 and fire departments with volunteer firefighters who would be covered by the plan shall
126.20 provide all relevant information and records that the board or the executive director
126.21 requires to perform their duties.

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

126.23 Sec. 13. **REPEALER OF PRIOR INCONSISTENT SPECIAL VOLUNTEER**
126.24 **FIRE RELIEF ASSOCIATION ANCILLARY BENEFIT LEGISLATION.**

126.25 Subdivision 1. **Anoka.** Laws 1969, chapter 352, section 1, subdivisions 3, 4, 5,
126.26 and 6, are repealed.

126.27 Subd. 2. **Butterfield.** Laws 1975, chapter 185, section 1, is repealed.

126.28 Subd. 3. **Coon Rapids.** Laws 1973, chapter 304, section 1, subdivisions 3, 4, 5, 6,
126.29 7, 8, and 9, are repealed.

126.30 Subd. 4. **Edina.** (1) Laws 1965, chapter 592, section 3, as amended by Laws 1969,
126.31 chapter 644, section 2, and Laws 1975, chapter 229, section 2; (2) Laws 1965, chapter
126.32 592, section 4, as amended by Laws 1969, chapter 644, section 2, Laws 1975, chapter 229,
126.33 section 3, Laws 1985, chapter 261, section 37, and Laws 1991, chapter 125, section 1; (3)
126.34 Laws 1985, chapter 261, section 37, as amended by Laws 1991, chapter 125, section 1;
126.35 and (4) Laws 1991, chapter 125, section 1, are repealed.

127.1 Subd. 5. **Fairmont.** Laws 1967, chapter 575, sections 2, as amended by Laws 1979,
127.2 chapter 201, section 23; 3; and 4, are repealed.

127.3 Subd. 6. **Falcon Heights.** Laws 1969, chapter 526, sections 3; 4; 5, as amended
127.4 by Laws 1974, chapter 208, section 2; and 7, as amended by Laws 1974, chapter 208,
127.5 section 3, are repealed.

127.6 Subd. 7. **Golden Valley.** Laws 1971, chapter 140, sections 2, as amended by Laws
127.7 1973, chapter 30, section 2; 3, as amended by Laws 1973, chapter 30, section 3; 4, as
127.8 amended by Laws 1973, chapter 30, section 4; and 5, as amended by Laws 1973, chapter
127.9 30, section 5; and Laws 1993, chapter 244, article 4, section 1, are repealed.

127.10 Subd. 8. **Wayzata.** Laws 1973, chapter 472, section 1, as amended by Laws 1976,
127.11 chapter 272, section 1, and Laws 1979, chapter 201, section 33, is repealed.

127.12 Subd. 9. **White Bear Lake.** Laws 1971, chapter 214, section 1, subdivisions 1, 2,
127.13 3, 4, and 5, are repealed.

127.14 **EFFECTIVE DATE; LOCAL APPROVAL.** (a) Subdivision 1 is effective the day
127.15 after the governing body of Anoka and its chief clerical officer timely complete their
127.16 compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, after June
127.17 30, 2009.

127.18 (b) Subdivision 2 is effective the day after the governing body of Butterfield and its
127.19 chief clerical officer timely complete their compliance with Minnesota Statutes, section
127.20 645.021, subdivisions 2 and 3, after June 30, 2009.

127.21 (c) Subdivision 3 is effective the day after the governing body of Coon Rapids and
127.22 its chief clerical officer timely complete their compliance with Minnesota Statutes, section
127.23 645.021, subdivisions 2 and 3, after June 30, 2009.

127.24 (d) Subdivision 4 is effective the day after the governing body of Edina and its
127.25 chief clerical officer timely complete their compliance with Minnesota Statutes, section
127.26 645.021, subdivisions 2 and 3, after June 30, 2009.

127.27 (e) Subdivision 5 is effective the day after the governing body of Fairmont and its
127.28 chief clerical officer timely complete their compliance with Minnesota Statutes, section
127.29 645.021, subdivisions 2 and 3, after June 30, 2009.

127.30 (f) Subdivision 6 is effective the day after the governing body of Falcon Heights
127.31 and its chief clerical officer timely complete their compliance with Minnesota Statutes,
127.32 section 645.021, subdivisions 2 and 3, after June 30, 2009.

127.33 (g) Subdivision 7 is effective the day after the governing body of Golden Valley and
127.34 its chief clerical officer timely complete their compliance with Minnesota Statutes, section
127.35 645.021, subdivisions 2 and 3, after June 30, 2009.

128.1 (h) Subdivision 8 is effective the day after the governing body of Wayzata and its
128.2 chief clerical officer timely complete their compliance with Minnesota Statutes, section
128.3 645.021, subdivisions 2 and 3, after June 30, 2009.

128.4 (i) Subdivision 9 is effective the day after the governing body of White Bear Lake
128.5 and its chief clerical officer timely complete their compliance with Minnesota Statutes,
128.6 section 645.021, subdivisions 2 and 3, after June 30, 2009.

ARTICLE 16

MEMBERSHIP DUES WITHHOLDING

128.9 Section 1. **[356.91] VOLUNTARY MEMBERSHIP DUES DEDUCTION.**

128.10 (a) Upon written authorization of a person receiving an annuity from a public
128.11 pension fund administered by the Minnesota State Retirement System, the Public
128.12 Employees Retirement Association, or the Minneapolis Employees Retirement Fund, the
128.13 executive director of the public pension fund may deduct from the retirement annuity an
128.14 amount requested by the annuitant to be paid as dues to any labor organization that is an
128.15 exclusive bargaining agent representing public employees or an organization representing
128.16 retired public employees of which the annuitant is a member and shall pay the amount to
128.17 the organization so designated by the annuitant.

128.18 (b) A pension fund and the plan fiduciaries which authorize or administer deductions
128.19 of dues payments under paragraph (a) are not liable for failure to properly deduct or
128.20 transmit the dues amounts, provided that the fund and the fiduciaries have acted in good
128.21 faith.

128.22 (c) The deductions under paragraph (a) may occur no more frequently than two
128.23 times per year.

128.24 (d) Any labor organization specified in paragraph (a) shall reimburse the public
128.25 pension fund for the administrative expense of withholding premium amounts.

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

ARTICLE 17

SMALL GROUP PROVISIONS

128.29 Section 1. **PUBLIC EMPLOYEES RETIREMENT ASSOCIATION COVERAGE**
128.30 **TERMINATION.**

128.31 Subdivision 1. Eligibility. (a) An eligible individual specified in paragraph (b)

128.32 is authorized to apply for a retirement annuity, provided necessary age and service

129.1 requirements are met, under Minnesota Statutes, section 353.29 or 353.30, as applicable,
129.2 as further specified under subdivision 2.

129.3 (b) An eligible individual is an individual who:

129.4 (1) was employed by Independent School District No. 535, Rochester, on October 6,
129.5 1993, and became a member of the Public Employees Retirement Association coordinated
129.6 plan;

129.7 (2) terminated from Independent School District No. 535, Rochester, on December
129.8 31, 2003;

129.9 (3) was elected to the Rochester City Council on April 22, 2003, and sworn in on
129.10 May 5, 2003;

129.11 (4) was reelected to the Rochester City Council and took office in November 2004;

129.12 (5) continued to work for Olmsted County on a contract basis, while serving on
129.13 the city council;

129.14 (6) elected under law then applicable to have Public Employees Retirement
129.15 Association coordinated plan coverage for the city council elected service; and

129.16 (7) terminated Independent School District No. 535, Rochester, employment but is
129.17 unable to commence receipt of a Public Employees Retirement Association coordinated
129.18 plan annuity because of the continuing Public Employees Retirement Association
129.19 coordinated plan coverage for the elected city council service and for Olmsted County.

129.20 Subd. 2. **Retirement annuity.** (a) Notwithstanding an irrevocable election to
129.21 participate in the Public Employees Retirement Association coordinated plan as an elected
129.22 official and continuation of elected service, an eligible individual under subdivision 1,
129.23 paragraph (b), is deemed to have terminated membership under Minnesota Statutes, section
129.24 353.01, subdivision 11b, following termination of the Olmsted County employment.

129.25 (b) If the requirements of paragraph (a) are satisfied, the eligible individual may
129.26 apply for a retirement annuity under Minnesota Statutes, section 353.29 or 353.30, as
129.27 applicable. In computing the annuity, the Public Employees Retirement Association
129.28 must exclude salary due to the elected Rochester City Council service. Deferred annuity
129.29 augmentation under Minnesota Statutes, section 353.71, applies to this annuity.

129.30 Subd. 3. **Treatment of Rochester City Council contributions to the Public**
129.31 **Employees Retirement Association.** (a) All employee contributions to the Public
129.32 Employees Retirement Association coordinated plan by an eligible individual in
129.33 subdivision 1, paragraph (b), due to the elected Rochester City Council service, and all
129.34 corresponding employer contributions, must be determined.

129.35 (b) An eligible individual under subdivision 1, paragraph (b), must elect, within
129.36 one year of the effective date of this section or upon termination of elective service,

whichever is earlier, a refund under Minnesota Statutes, section 353.34, subdivision 2, of employee contributions determined under paragraph (a), or coverage by the public employees defined contribution plan under Minnesota Statutes, chapter 353D, as further specified in paragraph (c).

(c) If public employee defined contribution plan coverage is elected under paragraph (b), contributions to that plan commence as of the first day of the pay period following this election, and accumulated employee and employer contributions determined under paragraph (a) must be transferred with six percent annual interest to an account for the eligible individual in the public employees defined contribution plan.

(d) If no election is made by an eligible individual by the required date in paragraph (b), the individual is assumed to have elected the refund indicated in paragraph (b).

(e) Upon an election under paragraph (b), or a mandatory refund under paragraph (d), all rights in the Public Employees Retirement Association coordinated plan due to elected Rochester City Council service are forfeited and may not be reestablished.

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

Sec. 2. PERA-GENERAL; ST. PAUL PUBLIC WORKS EMPLOYEE; RETIREMENT ANNUITY REVOCATION.

(a) Notwithstanding any provision of Minnesota Statutes, chapter 353, to the contrary, an eligible person described in paragraph (b) is entitled to withdraw a retirement annuity application previously filed with the general employees retirement plan of the Public Employees Retirement Association and to apply for a disability benefit if determined to have been totally and permanently disabled as of the date of the termination of active employment.

(b) An eligible person is a person who:

(1) was born on March 9, 1949;

(2) was an employee of the Department of Public Works of the city of St. Paul prior to terminating active employment;

(3) suffered an employment-related shoulder injury on May 9, 2006;

(4) suffers from and has been treated for stress and related disorders; and

(5) filed an application for a retirement annuity from the general employees retirement plan of the Public Employees Retirement Association on December 12, 2006, without being provided with a disability benefit application and without being provided with any benefit counseling by the Public Employees Retirement Association.

(c) If the eligible person, upon withdrawing the retirement annuity application in writing and upon filing a disability benefit application with the Public Employees

Retirement Association, is determined to have been totally and permanently disabled as of the date of the termination of active employment under Minnesota Statutes, sections 353.01, subdivision 19, and 353.33, the eligible person is entitled to receive a disability benefit effective retroactively from the date on which the eligible person terminated active employment, under the same annuity option selection made on December 12, 2006. The amount of any increased benefit amount between the date of the termination of active employment and the disability determination date is payable in a lump sum as soon as is practicable following the disability determination date.

(d) If the previously filed retirement annuity application is withdrawn under this section and the eligible person is determined not to have been totally and permanently disabled as of the date of the termination of active employment, the prior retirement annuity application is reinstated.

(e) The authority to withdraw a previously filed retirement annuity application under this section expires on January 1, 2009.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any eligible person who was a public employee on December 1, 2006.

Sec. 3. PERA-P&F; TRANSFER OF SERVICE CREDIT FOR PRIOR MAPLE GROVE CITY EMPLOYMENT PERIOD.

Subdivision 1. **Authorization.** An eligible person described in subdivision 2 is authorized to have service credit transferred under subdivision 3 upon the payment of the additional amounts required under subdivision 4 and upon the substantiation of the nature of the employment under subdivision 5.

Subd. 2. **Eligible person.** For purposes of this section, an eligible person is a person who:

(1) was born on April 12, 1956;

(2) was initially employed by the city of Maple Grove on February 16, 1988;

(3) was employed as a full-time fire inspector by the fire-rescue department of the city of Maple Grove, including daytime response to fire calls, with retirement coverage by the coordinated program of the general employees retirement plan of the Public Employees Retirement Association, on April 2, 1990; and

(4) was transferred to retirement coverage by the public employees police and fire retirement plan as a fire inspector by Maple Grove city council action on January 1, 1996.

Subd. 3. **Service credit transfer.** (a) An eligible person, upon filing a written application as prescribed by the executive director of the Public Employees Retirement Association and upon compliance with subdivisions 4 and 5, shall have service credit

132.1 for the period from April 2, 1990, to January 1, 1996, transferred from the coordinated
132.2 program of the general employees retirement plan to the public employees police and
132.3 fire retirement plan on the first of the month next following the receipt of the additional
132.4 payments under subdivision 4.

132.5 (b) Upon the transfer of service credit under paragraph (a), the service credit of
132.6 the eligible person in the coordinated program of the general employees retirement
132.7 plan for the period from April 2, 1990, to January 1, 1996, is forfeited and may not be
132.8 subsequently restored under Minnesota Statutes, section 353.35, or any other applicable
132.9 provision of law.

132.10 Subd. 4. **Additional payment amounts.** (a) Accompanying the written application
132.11 under subdivision 3, the eligible person shall include an additional member contribution
132.12 payment for the period from April 2, 1990, to January 1, 1996. The additional member
132.13 contribution payment amount is the difference between the member contribution rate
132.14 under Minnesota Statutes, section 353.65, subdivision 2, and the member contribution rate
132.15 under Minnesota Statutes, section 353.27, subdivision 2, applied to the eligible person's
132.16 total covered salary for the period from April 2, 1990, to January 1, 1996, plus annual
132.17 compound interest from August 1, 1993, to the date on which the payment is made at the
132.18 rate of 8.5 percent.

132.19 (b) Upon receipt of the additional member contributions under paragraph (a), the
132.20 executive director of the Public Employees Retirement Association shall notify the city
132.21 of Maple Grove that the payment was made and the amount of the additional employer
132.22 contribution. Within 30 days of the receipt of the notification from the Public Employees
132.23 Retirement Association, the city of Maple Grove shall pay the additional employer
132.24 contribution amount. The amount is the difference between the present value of the
132.25 eligible person's combined retirement annuity from the coordinated program of the general
132.26 employees retirement plan and from the public employees police and fire retirement plan
132.27 as of the end of the month preceding the payment of the additional member contribution
132.28 amount and the present value of the potential retirement annuity from the public employees
132.29 police and fire retirement plan if the service credit transfer occurred as of the same date,
132.30 reduced by the amount of the retirement plan asset transfer under paragraph (c) and by the
132.31 amount of the additional member contribution amount. The present value computation
132.32 must be made by the actuary retained under Minnesota Statutes, section 356.214, and must
132.33 utilize the applicable actuarial assumptions under Minnesota Statutes, section 356.215.
132.34 The additional employer contribution amount must be paid in a lump sum. If the additional
132.35 employer contribution payment is not made in a timely fashion, the executive director of
132.36 the Public Employees Retirement Association shall notify the commissioners of finance

and revenue of that fact and the commissioners shall deduct the required amount from any state aid or other state payment amount applicable to the city, plus interest on the amount at the rate of one percent per month from the payment due date to the actual payment date.

(c) Upon the receipt of the additional member contribution under paragraph (a), the executive director shall transfer an amount equal to double the eligible person's member contributions to the coordinated program of the general employees retirement plan for the period from April 2, 1990, to January 1, 1996, plus compound interest at the annual rate of 8.5 percent from August 1, 1993, to the date of transfer from the general employees retirement fund to the public employees police and fire retirement fund.

Subd. 5. **Public safety employment substantiation.** Service credit is transferrable under this section only if the employment for the city of Maple Grove by the eligible person during the period from April 2, 1990, to January 1, 1996, is documented as constituting firefighter employment sufficient to qualify for public employees police and fire retirement plan membership and eligibility if the city of Maple Grove had adopted the resolution under Minnesota Statutes, section 353.64, subdivision 2, as of April 2, 1990. The city of Maple Grove and the eligible person must provide any relevant documentation required by the executive director of the Public Employees Retirement Association.

Subd. 6. **Expiration.** Authority to transfer service credit under this section expires on July 1, 2009.

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

Sec. 4. **TEACHERS RETIREMENT ASSOCIATION COVERAGE ELECTION FOR CERTAIN MNSCU FACULTY MEMBERS.**

(a) Notwithstanding any provision to the contrary of Minnesota Statutes, chapter 354B, an eligible person described in paragraph (b) may elect prospective and retroactive retirement coverage under paragraph (c).

(b) An eligible person is a person who:

(1) was born on December 9, 1954;

(2) was initially employed by the Minnesota State Colleges and Universities system on a part-time basis at Metropolitan State University on January 12, 2004;

(3) was first employed in excess of 25 percent of full-time employment by the Minnesota State Colleges and Universities system on August 27, 2005;

(4) was covered by the higher education individual retirement account plan because of a failure of the Minnesota State Colleges and Universities system to advise about the default retirement coverage provision of Minnesota Statutes, section 354B.21, subdivision 3; and

134.1 (5) became a full-time employee of the Minnesota State Colleges and Universities
134.2 system as a full-time faculty member at Metropolitan State University on July 17, 2007.

134.3 (c) An eligible person may elect retirement coverage by the Teachers Retirement
134.4 Association rather than the higher education individual retirement account plan for faculty
134.5 employment rendered after the date of the retirement coverage election under this section
134.6 and for past Minnesota State Colleges and Universities system faculty employment from
134.7 January 12, 2004, until the date of the retirement coverage election. The election must
134.8 be made in writing, must be filed with the executive director of the Teachers Retirement
134.9 Association, and must be accompanied with any relevant documentation required by the
134.10 executive director of the Teachers Retirement Association.

134.11 (d) If an eligible person makes the retirement coverage election under paragraph (c),
134.12 the eligible person's member contributions to the higher education individual retirement
134.13 account plan must be transferred to the Teachers Retirement Association, with any earned
134.14 investment returns on those contributions. If the transferred member contributions and
134.15 investment earnings are less than the calculated amount of the member contribution that
134.16 the eligible person would have made to the Teachers Retirement Association on the
134.17 eligible person's compensation from the Minnesota State Colleges and Universities system
134.18 for the period from August 27, 2005, to the date of the retirement coverage election, if
134.19 the person had been covered by the Teachers Retirement Association during the period,
134.20 plus annual compound interest at the rate of 8.5 percent, the eligible person shall pay the
134.21 balance of that calculated member contribution obligation within 30 days of the retirement
134.22 coverage election. Any payment may be made through an institution-to-institution
134.23 transfer from the eligible person's account in the Minnesota state deferred compensation
134.24 program or the eligible person's tax-sheltered savings account under the federal Internal
134.25 Revenue Code, section 403(b).

134.26 (e) Upon the transfer of the equivalent member contribution amount and any
134.27 additional payments under paragraph (d), the balance of the eligible person's higher
134.28 education individual retirement account plan account must be transferred to the Teachers
134.29 Retirement Association. If the amounts under paragraph (d) and the higher education
134.30 individual retirement account plan account balance under this paragraph are less than
134.31 the prior service credit purchase payment amount calculated under Minnesota Statutes,
134.32 section 356.551, the Minnesota State Colleges and Universities system shall pay that
134.33 difference within 60 days of the retirement coverage election date.

134.34 (f) Upon the transfers and payments under paragraphs (d) and (e), the eligible
134.35 person must be credited by the Teachers Retirement Association with allowable and

135.1 formula service for Minnesota State Colleges and Universities system employment since
135.2 January 12, 2004.

135.3 (g) The authority to make a retirement coverage election under this section expires
135.4 on January 1, 2009.

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

135.6 Sec. 5. **TEACHERS RETIREMENT ASSOCIATION; SERVICE CREDIT**
135.7 **PURCHASE AUTHORIZATION.**

135.8 (a) Notwithstanding any provision of Minnesota Statutes, chapter 354, to the
135.9 contrary, an eligible person described in paragraph (b) may purchase allowable and
135.10 formula service credit under Minnesota Statutes, section 354.05, subdivisions 13 and 25,
135.11 from the Teachers Retirement Association, for the period of prior out-of-state teaching
135.12 service specified in paragraph (c), by making the payment required under paragraph (d).

135.13 (b) An eligible person is a person who:

135.14 (1) was born on April 7, 1976;

135.15 (2) was a teacher at the Edwardsville High School in O'Fallon, Illinois, during the
135.16 1998-1999, 1999-2000, 2000-2001, and 2001-2002 school years;

135.17 (3) was a teacher for Independent School District No. 196, Rosemount, at the
135.18 Apple Valley High School during the 2002-2003, 2003-2004, 2004-2005, 2005-2006,
135.19 and 2006-2007 school years; and

135.20 (4) was on a leave of absence from Independent School District No. 196,
135.21 Rosemount, for the 2007-2008 school year.

135.22 (c) The period of prior service credit available for purchase is up to 4.188 years,
135.23 representing Illinois teaching service rendered during the 1998-1999, 1999-2000,
135.24 2000-2001, and 2001-2002 school years. The prior service credit may not exceed one year
135.25 of service credit in any school year and may not include any prior teaching service that
135.26 entitles the eligible person to a current or deferred age and service retirement annuity
135.27 or disability benefit from the Teachers Retirement Association or that was previously
135.28 subject to a prior service credit purchase from another defined benefit public employee
135.29 retirement plan.

135.30 (d) The purchase payment amount under this section is the amount calculated under
135.31 Minnesota Statutes, section 356.551. If permitted by federal law and Illinois state law, the
135.32 purchase payment obligation may be met in whole or in part by an institution-to-institution
135.33 transfer of the eligible person's account balance in the Illinois Teachers Retirement System.

135.34 (e) The election to purchase prior service credit under this section must be made
135.35 in writing and must be filed with the executive director of the Teachers Retirement

136.1 Association. The executive director of the Illinois Teachers Retirement System may
136.2 require the documentation of the applicability of this section and any other relevant
136.3 information from the eligible person.

136.4 **EFFECTIVE DATE; EXPIRATION.** This section is effective the day following
136.5 final enactment and expires on January 1, 2010.

136.6 Sec. 6. **REVISED TOTAL AND PERMANENT DISABILITY BENEFIT,**
136.7 **MINNEAPOLIS BOMB SQUAD DISABILITANT.**

136.8 (a) Notwithstanding Minnesota Statutes 2007 Supplement, section 353.656,
136.9 subdivision 1a, to the contrary, an eligible person specified in paragraph (b) is entitled
136.10 to the benefit specified in paragraph (c).

136.11 (b) An eligible person is a person who:

136.12 (1) was born on September 9, 1964;

136.13 (2) was injured on February 9, 2005, while working as a police officer on the city of
136.14 Minneapolis bomb squad, causing traumatic brain injury;

136.15 (3) because of ineligibility for coverage under the federal Old Age, Survivors, and
136.16 Disability Insurance Program, is not eligible for federal Old Age, Survivors, and Disability
136.17 Insurance Program disability benefits; and

136.18 (4) commenced receiving public employees police and fire retirement plan disability
136.19 benefits on August 12, 2006.

136.20 (c) The disability benefit payable to an eligible person specified in paragraph (b) is
136.21 75 percent of average salary as defined in Minnesota Statutes, section 353.01, subdivision
136.22 17a. The benefit specified in this paragraph commences on the first day of the month after
136.23 the effective date, and is in lieu of the disability benefit otherwise provided by law.

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

136.25 Sec. 7. **PERA CONSOLIDATED INDEPENDENT SCHOOL DISTRICT NO.**
136.26 **2859, GLENCOE/SILVER LAKE, ANNUITANT WAIVER OF REPAYMENT**
136.27 **REQUIREMENT.**

136.28 (a) Notwithstanding any provisions of Minnesota Statutes 2007 Supplement, section
136.29 353.01, subdivision 28, to the contrary, an eligible person described in paragraph (b) must
136.30 be considered by the executive director of the Public Employees Retirement Association
136.31 to have retired on September 30, 2003, although the person rendered service in October
136.32 2003 as an employee of an independent contractor which provided services to the same

137.1 governmental subdivision from which the individual terminated service on September
137.2 30, 2003.

137.3 (b) An eligible person is a person who:

137.4 (1) was born on November 13, 1944;

137.5 (2) was hired on August 17, 1964, by Independent School District No. 422,

137.6 Glencoe, predecessor of the now consolidated Independent School District No. 2859,

137.7 Glencoe/Silver Lake, with coverage by the general employees retirement plan of the

137.8 Public Employees Retirement Association;

137.9 (3) terminated employment as manager of the grounds and transportation for the
137.10 school district on September 30, 2003; and

137.11 (4) relying upon incomplete or erroneous information provided by the Public
137.12 Employees Retirement Association regarding separation from service requirements as it
137.13 applies to independent contractor employment, became an employee in October 2003 of
137.14 the independent contractor providing bus service for the same school district.

137.15 (c) Notwithstanding Minnesota Statutes, section 353.27, subdivision 7b, an eligible
137.16 person described in paragraph (b) must not be required to repay, through suspension
137.17 or reduction of the annuity or any other means, any Public Employees Retirement
137.18 Association general plan retirement annuity amount received before December 31, 2004.

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

137.20 Sec. 8. **PERA-GENERAL; CITY OF ST. PAUL EMPLOYEE SERVICE CREDIT**
137.21 **PURCHASE.**

137.22 (a) An eligible person described in paragraph (b) is entitled to purchase allowable
137.23 service credit from the general employees retirement plan of the Public Employees
137.24 Retirement Association for the period of employment by the city of St. Paul between
137.25 May 1, 1982, and March 31, 1984, that qualified as employment by a public employee
137.26 under Minnesota Statutes 1982, section 353.01, subdivision 2, that was not previously
137.27 credited by the retirement plan.

137.28 (b) An eligible person is a person who:

137.29 (1) was born on March 25, 1960;

137.30 (2) was first employed by the city of St. Paul on April 23, 1979;

137.31 (3) qualified for Public Employees Retirement Association general plan coverage in
137.32 May 1982 but was not reported by the city of St. Paul to the Public Employees Retirement
137.33 Association for coverage until April 1984; and

137.34 (4) became a member of the general employees retirement plan of the Public
137.35 Employees Retirement Association in April 1984.

(c) The eligible person described in paragraph (b) is authorized to apply with the executive director of the Public Employees Retirement Association to make the service credit purchase under this section. The application must be in writing and must include all necessary documentation of the applicability of this section and any other relevant information that the executive director may require.

(d) Allowable service credit under Minnesota Statutes, section 353.01, subdivision 16, must be granted by the general employees retirement plan of the Public Employees Retirement Association to the account of the eligible person upon the receipt of the prior service credit purchase payment amount required under Minnesota Statutes, section 356.551.

(e) Of the prior service credit purchase payment amount under Minnesota Statutes, section 356.551, the eligible person must pay an amount equal to the employee contribution rate or rates in effect during the uncredited employment period applied to the actual salary rates in effect during the period, plus annual compound interest at the rate of 8.5 percent from the date the member contribution payment should have been made if made in a timely fashion until the date on which the contribution is actually made. If the equivalent member contribution payment, plus interest, is made, the city of St. Paul shall pay the balance of the total prior service credit purchase payment amount under Minnesota Statutes, section 356.551, within 60 days of notification by the executive director of the Public Employees Retirement Association that the member contribution equivalent payment has been received by the association.

(f) Authority for an eligible person to make a prior service credit purchase under this section expires on June 30, 2009, or upon termination of employment covered by the Public Employees Retirement Association, whichever is earlier.

(g) If the city of St. Paul fails to pay its portion of the prior service credit purchase payment amount under paragraph (e), the executive director of the Public Employees Retirement Association must notify the commissioners of finance and revenue of that fact and the commissioners shall order the deduction of the required payment amount from the next payment of any state aid to the city of St. Paul and the commissioners shall transmit the applicable amount to the general employees retirement fund of the Public Employees Retirement Association.

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

Sec. 9. ST. PAUL SCHOOL BOARD; PRIOR SERVICE PURCHASE.

(a) An eligible person described in paragraph (b) is entitled to purchase prior uncredited service rendered as a member of the board of education of Independent School

District No. 625, St. Paul, from the defined contribution retirement plan of the Public Employees Retirement Association.

(b) An eligible person is a person who has one of the following combinations of date of birth, date of initial membership on the board of education of Independent School District No. 625, St. Paul, and first enrolled in the public employees defined contribution plan:

		<u>date of initial school board</u>	<u>date of enrollment</u>
		<u>membership</u>	<u>in public</u>
<u>person</u>	<u>birth date</u>		<u>employees defined</u>
			<u>contribution plan</u>
<u>A</u>	<u>January 10, 1955</u>	<u>January 1, 2000</u>	<u>August 28, 2007</u>
<u>B</u>	<u>May 15, 1957</u>	<u>January 1, 2006</u>	<u>January 20, 2007</u>
<u>C</u>	<u>May 7, 1960</u>	<u>January 1, 1992</u>	<u>February 17, 1998</u>
<u>D</u>	<u>July 16, 1969</u>	<u>January 1, 2004</u>	<u>April 13, 2007</u>

(c) To make the purchase, eligible persons A, B, and D shall pay an amount equal to five percent of the salary of the eligible person between the date of the initial school board membership and the date of enrollment in the public employees defined contribution plan, plus compound interest on that amount from the midpoint of that period to the date of payment. To make the purchase, eligible person C shall make two payments, one before December 15, 2008, and the other after January 1, 2009, and before January 31, 2010, each in an amount equal to 2.5 percent of the salary of the eligible person between January 1, 1992, and February 17, 1998, plus compound interest on that amount at the rate of six percent from July 1, 1994, to the date of payment.

(d) If the eligible person makes the payment under paragraph (c), Independent School District No. 625, St. Paul, shall pay an amount equal to the payment amount or amounts under paragraph (c). The employer payment or payments must be made within ten days of the date of notification of the eligible person's payment by the executive director of the Public Employees Retirement Association.

(e) This authority expires on May 31, 2010, or on the first day of the month next following the conclusion of the eligible member's elected public service, whichever occurs earlier.

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

Sec. 10. **TEACHERS RETIREMENT ASSOCIATION; SERVICE CREDIT PURCHASE AUTHORIZATION.**

(a) Notwithstanding any provision of Minnesota Statutes, chapter 354, to the contrary, unless the period to be purchased is credited as allowable service by another

140.1 retirement plan covered by Minnesota Statutes, section 356.30, or is ineligible for credit as
140.2 allowable or formula service under Minnesota Statutes, chapter 354, an eligible person
140.3 described in paragraph (b) may purchase allowable and formula service credit under
140.4 Minnesota Statutes, section 354.05, subdivisions 13 and 25, from the Teachers Retirement
140.5 Association, for the period specified in paragraph (c), by making the payment required
140.6 under paragraph (d).

140.7 (b) An eligible person is a person who:

140.8 (1) was born on December 8, 1974; and

140.9 (2) took a leave of absence from teaching in Wayzata, Independent School District,
140.10 No. 284, from January, 2006, through March, 2006, during which the person did not
140.11 receive allowable and formula service credit from the Teachers Retirement Association.

140.12 (c) The period of prior service credit available for purchase is 26.5 days.

140.13 (d) The purchase payment amount under this section is the amount calculated in
140.14 Minnesota Statutes, section 356.551.

140.15 (e) The election to purchase prior service credit under this section must be made
140.16 in writing and must be filed with the executive director of the Teachers Retirement
140.17 Association. The executive director may require documentation of the applicability of this
140.18 section and any other relevant information from the eligible person.

140.19 **EFFECTIVE DATE; EXPIRATION.** (a) This section is effective the day
140.20 following final enactment.

140.21 (b) This section expires on June 30, 2009.

140.22 Sec. 11. **MSRS-UNCLASSIFIED PROGRAM; MARITAL PROPERTY**
140.23 **DIVISION.**

140.24 (a) An eligible state employee described in paragraph (b) may elect to have the
140.25 person's account in the unclassified state employees retirement program of the Minnesota
140.26 State Retirement System governed by Minnesota Statutes, chapter 352D, divided as
140.27 provided in a marital property division decree as part of a marriage dissolution action prior
140.28 to the date on which the person terminates state employment.

140.29 (b) An eligible state employee is a person who:

140.30 (1) was born on July 19, 1953;

140.31 (2) was employed by the State Lottery in October 1989; and

140.32 (3) filed a marital property division decree from a marriage dissolution action with
140.33 the executive director of the Minnesota State Retirement System.

140.34 (c) The former spouse of an eligible state employee, following the division election
140.35 under paragraph (a), may, upon filing a written application, withdraw the cash value

of the shares to the credit of the former spouse or leave those shares on deposit in the supplemental investment fund.

(d) If the eligible state employee described in paragraph (b) exercises a retirement coverage transfer option election under Minnesota Statutes, section 352D.02, subdivision 3, and if the eligible state employee had previously exercised the division election under paragraph (a), the redemption of shares by the eligible state employee under Minnesota Statutes, section 352D.02, subdivision 3, is limited to the employee's portion of the total account amount and the allowable service credit of the employee in the general state employees retirement plan obtained by the election must bear the same relationship to the total state employment of the employee that the employee's portion of the total account bears to the total account amount. An election by an eligible state employee under Minnesota Statutes, section 352D.02, subdivision 3, does not apply to the former spouse and does not prevent the former spouse from utilizing Minnesota Statutes, section 352D.05, at any time after the division election under paragraph (a) is made or Minnesota Statutes, section 352D.06, when the former spouse attains at least age 55.

(e) A division election under paragraph (a) is irrevocable.

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

ARTICLE 18

PENSION COMMISSION MEMBERSHIP

Section 1. Minnesota Statutes 2006, section 3.85, subdivision 3, is amended to read:

Subd. 3. **Membership.** The commission consists of ~~five~~ seven members of the senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration and ~~five~~ seven members of the house of representatives appointed by the speaker. No more than five members from each chamber may be from the majority caucus in that chamber. Members shall be appointed at the commencement of each regular session of the legislature for a two-year term beginning January 16 of the first year of the regular session. Members continue to serve until their successors are appointed. Vacancies that occur while the legislature is in session shall be filled like regular appointments. If the legislature is not in session, senate vacancies shall be filled by the last Subcommittee on Committees of the senate Committee on Rules and Administration or other appointing authority designated by the senate rules, and house vacancies shall be filled by the last speaker of the house, or if the speaker is not available, by the last chair of the house Rules Committee.

EFFECTIVE DATE. This section is effective January 1, 2009.

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ARTICLE 1	POSTRETIREMENT PROVISIONS	Page.Ln 2.48
	MINNESOTA POSTRETIREMENT INVESTMENT FUND	
ARTICLE 2	DISSOLUTION	Page.Ln 13.2
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ARTICLE 11	FINANCIAL AND ACTUARIAL REPORTING	Page.Ln 70.7
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352.96 DEFERRED COMPENSATION.

Subdivision 1. **Entitlement to defer compensation.** At the request of an officer or employee of the state, an officer or employee of a political subdivision, or an employee covered by a retirement fund in section 356.20, subdivision 2, the appointing authority shall by payroll deduction defer the payment of part of the compensation of the officer or employee. The amount to be deferred must be as provided in a written agreement between the officer or employee and the employing unit. The agreement must be in a form specified by the executive director of the Minnesota State Retirement System in such a manner as will qualify the deferred amount for benefits under federal and state tax laws, rules, and rulings.

Subd. 1a. **Failure to implement plan.** Implementation of the deferred compensation plan by the employing unit must be completed within 30 days of the request as provided in subdivision 1. If the employing unit fails to implement the deferred compensation plan, the employing unit may not defer compensation under any existing or new deferred compensation plan from the date of the request until the date on which the deferred compensation plan provided for in this section is implemented. The executive director of the Minnesota State Retirement System may order any employing unit that fails to implement the deferred compensation plan provided for in this section upon a valid request to undertake that implementation and may enforce that order in appropriate legal proceedings.

Subd. 2. **Purchase of shares.** The amount of compensation so deferred may be used to purchase:

- (1) shares in the Minnesota Supplemental Investment Fund established in section 11A.17 that are selected to be offered under the plan by the State Board of Investment;
- (2) saving accounts in federally insured financial institutions;
- (3) life insurance contracts, fixed annuity and variable annuity contracts from companies that are subject to regulation by the commissioner of commerce;
- (4) investment options from open-end investment companies registered under the federal Investment Company Act of 1940, United States Code, title 15, sections 80a-1 to 80a-64;
- (5) investment options from a firm that is a registered investment advisor under the Investment Advisers Act of 1940, United States Code, title 15, section 80b-1 to 80b-21;
- (6) 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); or
- (7) a combination of clause (1), (2), (3), (4), (5), or (6), as provided by the plan as specified by the participant.

All amounts contributed to the deferred compensation plan and all earnings on those amounts will be held for the exclusive benefit of the plan participants and beneficiaries. These amounts will be held in trust, in custodial accounts, or in qualifying annuity contracts as required by federal law and in accordance with section 356A.06, subdivision 1. This subdivision does not authorize an employer contribution, except as authorized in section 356.24, subdivision 1, paragraph (a), clause (5). The state, political subdivision, or other employing unit is not responsible for any loss that may result from investment of the deferred compensation.

Subd. 3. **Executive director to administer section.** This section must be administered by the executive director of the system with the advice and consent of the board of directors under subdivision 4. Fiduciary activities of the deferred compensation plan must be undertaken in a manner consistent with chapter 356A. If the State Board of Investment so elects, it may solicit bids for options under subdivision 2, clauses (2), (3), (4), (5), and (6). The State Board of Investment may retain consulting services to assist it in soliciting and evaluating bids and in the periodic review of companies offering options under subdivision 2, clauses (3), (4), (5), and (6). The periodic review must occur at least every two years. The State Board of Investment may annually establish a budget for its costs in the soliciting, evaluating, and periodic review processes. The State Board of Investment may charge a proportional share of all costs related to the periodic review to each company currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids to each company selected by the state board. All contracts must be approved before execution by the State Board of Investment. Contracts must provide that all options in subdivision 2 must: be presented in an unbiased manner and in a manner that conforms to rules adopted by the executive director, be reported on a periodic basis to all employees participating in the deferred compensation program, and not be the subject of unreasonable solicitation of state employees to participate in the program. The contract may not call for any person to jeopardize the tax-deferred status of money invested by state employees under this section. All costs or fees in relation to the options provided under

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subdivision 2, clauses (3), (4), (5), and (6), must be paid by the companies ultimately selected by the State Board of Investment.

Subd. 4. **Executive director to establish rules.** The executive director of the system with the advice and consent of the board of directors shall establish rules and procedures to carry out this section including allocation of administrative costs of the plan to participants. Fees cannot be charged on contributions and investment returns attributable to contributions made to the Minnesota supplemental investment funds before July 1, 1992. Annual total fees charged for plan administration for the Minnesota supplemental investment funds cannot exceed 40/100 of one percent of the contributions and investment returns attributable to contributions made on or after July 1, 1992. The rules established by the executive director must conform to federal and state tax laws, regulations, and rulings, and are not subject to the Administrative Procedure Act. Except for the marketing rules, rules relating to the options provided under subdivision 2, clauses (2) and (3), must be approved by the State Board of Investment.

Subd. 5. **Other laws not applicable.** No provision of this chapter or other law specifically referring to this chapter applies to this section unless this section is specifically mentioned.

Subd. 6. **Exemption from process.** No amount of deferred compensation is assignable or subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518A.53.

354.44 RETIREMENT BENEFITS.

Subd. 6a. **Extension of 1997 permanent increase.** (a) A percentage of the permanent increase for benefit recipients effective July 1, 1997, under Laws 1997, chapter 233, article 1, section 71, as specified in paragraph (b), is payable to:

(1) a member who terminates service after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002, based on the member's age at retirement;

(2) a member who is determined to be totally and permanently disabled under section 354.05, subdivision 14, after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002, based on the member's age at disability;

(3) the survivor of a member who terminates service and dies after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002.

(b) The percentage of the permanent increase is the amount designated for the applicable beginning benefit accrual date, as follows:

Beginning Benefit Accrual Date	Percentage of Permanent Increase
July 2, 1997, to July 1, 1998	50 percent
July 2, 1998, to July 1, 1999	40 percent
July 2, 1999, to July 1, 2000	30 percent
July 2, 2000, to July 1, 2001	20 percent
July 2, 2001, to July 1, 2002	10 percent

354.465 MODIFICATION IN SURVIVOR COVERAGE IN CERTAIN INSTANCES.

Any person who elected joint and survivor annuity coverage pursuant to section 354.46, subdivision 2, prior to July 1, 1981, and the spouse of the person shall be entitled to modify that election by making a joint specification in writing on a form prescribed by the executive director that the benefits provided in section 354.46, subdivision 2, or 354.47, subdivision 1, whichever is applicable, shall be paid only to a designated beneficiary. Authority for any person and the spouse of the person to modify the prior election shall expire on the date of the retirement of the person who elected the coverage or the date of death of the person who elected the coverage whichever occurs first.

354.51 PAYMENTS TO RECEIVE CREDIT FOR PRIOR SERVICE; SHORTAGES IN MEMBER DEDUCTIONS.

Subd. 4. **Other state or school teaching service; purchase of credit.** Any teacher who has rendered teaching service prior to June 30, 1953, in another state, or in a state public school which is not an employing unit with employees for whom retirement coverage is provided pursuant to this chapter, or for the University of Minnesota, who was a member of the fund prior

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to or after the uncredited teaching service, who is not entitled to any benefits from any other retirement system based on the uncredited teaching service, who has credit for at least 15 years of service as a member of the retirement fund with at least five years of service occurring subsequent to the period of uncredited teaching service, who became a member of the retirement fund prior to June 30, 1957, and who has not accepted a refund of accumulated member contributions or deductions and resumed teaching service covered by the retirement fund after July 1, 1957, shall be entitled to obtain service credit for the period of uncredited teaching service. To obtain service credit, a teacher shall make a payment equal to six percent of the average annual salary of the teacher for the five year period occurring immediately prior to the completion of the minimum service requirement or July 1, 1951, whichever is later, multiplied for the number of years of the period of uncredited teaching service, but not to exceed \$175 annually for any period of uncredited teaching service occurring prior to July 1, 1953, or \$216 annually for any period of uncredited teaching service occurring subsequent to June 30, 1953. The payment made by the teacher shall be accompanied by a matching payment representing the employer contribution. This matching employer contribution payment is to be made by the agency which formerly employed the teacher, except that, at its discretion, the payment may be made by the current employer of the teacher. The payments shall include interest at an annual rate of 8.5 percent compounded annually from the end of the year of uncredited service to the date on which payment is first made. Payment shall be made in a single payment unless the executive director authorizes installment payments. If the payment made is less than the full required payment, including interest, the formula service credit granted shall be adjusted in accordance with section 354.05, subdivision 25, clause (3). Any school district or institution which employs a teacher who makes a payment pursuant to this subdivision is authorized to make any required payments representing employer contributions and interest and the required amounts are hereby appropriated from any funds available to the school district or institution. Any payments made pursuant to this subdivision shall be considered accumulations made after July 1, 1957 for purposes of computing an annuity pursuant to section 354.44, subdivision 2. All payments shall be made to the executive director prior to July 1, 1973 or within one year after the completion of the minimum state teaching service requirements whichever is later.

354.55 OPTIONS TO CERTAIN MEMBERS.

Subd. 2. **Pre-July 1, 1957, elections.** Any election made by a teacher pursuant to Minnesota Statutes 1953, section 135.10, subdivision 3, prior to July 1, 1957, shall continue in effect at such amount and subject to such conditions as the law then in effect permitted.

Subd. 3. **Pre-July 1, 1957, cessation of service.** Any person who ceased teaching service prior to July 1, 1957, who left accumulated deductions in the fund for the purpose of receiving when eligible, a retirement annuity shall have the annuity computed in accordance with the law in effect at the date the person ceased teaching service, except that if such person has ten or more years of allowable service credit, the retirement annuity shall be determined under the law in effect on June 30, 1969.

Subd. 6. **Annuities commenced between August 1, 1931, and June 30, 1965.** Each annuitant who as a member of the association commenced drawing the annuity between August 1, 1931 and June 30, 1965, but not including the annuitant's beneficiaries, shall be paid ten percent of the present monthly annuity if such annuitant retired pursuant to Minnesota Statutes 1965, sections 354.33 and 354.34 and 15 percent of the present monthly annuity if such annuitant retired pursuant to Minnesota Statutes 1953, section 135.10 and Minnesota Statutes 1965, sections 354.44 and 354.45, in addition to the amounts such annuitant is otherwise entitled to receive under the provisions of Minnesota Statutes 1965, chapter 354.

Subd. 12. **Pre-1973 law retirements.** Any member who retires under the law in effect prior to July 1, 1973, shall have that portion of the member's annuity based on accumulations after June 30, 1957, under Minnesota Statutes 1971, section 354.44, subdivision 2, and all accumulations under Minnesota Statutes 1971, section 354.33, subdivision 1, calculated using the mortality table established by the board under section 354.07, subdivision 1, and the interest rate assumption specified in section 356.215 used at the time of that retirement to transfer the required reserves to the Minnesota postretirement investment fund.

Subd. 15. **Additional annuity increases.** Notwithstanding the maximum benefit provisions of section 354.46, subdivision 1, all benefits and annuities payable pursuant to sections 354.48; 354.46, subdivision 1 and Laws 1915, chapter 199, as amended, which are in effect on June 30, 1973 shall be increased 25 percent. Such increase shall begin to accrue January 1, 1974. Increases in benefit and annuity payments pursuant to this subdivision will be made automatically

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unless written notice is filed by the annuitant with the Teachers Retirement Association board requesting that the increase shall not be made.

354A.091 TEACHERS ON EXTENDED LEAVE.

Subd. 1a. **Exception for leaves since 1981-1982.** Notwithstanding subdivision 1, the following provisions apply to elementary and secondary school and technical institute teachers whose extended leaves begin in the 1981-1982, 1982-1983, or 1983-1984 school year:

(a) A member whose application states the intention to pay employee contributions to the applicable association, requests state payment of the employer contribution, and is approved by the commissioner within the limits of section 125.60, subdivision 7, may pay employee contributions to the applicable association and receive allowable service credit in that association for each year of leave during the period of the leave, which shall not exceed five years;

(b) The state shall pay employer contributions for a member described in clause (a) for no more than the first three years of the leave, provided the member who is on extended leave pays the employee contribution to the applicable association by the payment date specified in subdivision 1;

(c) A member whose application is approved as to the member's eligibility under section 122A.46, subdivisions 1 and 2, but whose application does not request state payment of employer contributions or is disapproved as to state payment of employer contributions, or who is in the fourth or fifth year of leave affected by clause (b) may pay employee contributions and receive allowable service credit as provided in subdivision 1 if the member and the employing school board make the required employer contribution, in any proportion which they may agree upon, by the payment date specified in subdivision 1.

Subd. 1b. **Pre-May 16, 1981, leave exception.** Notwithstanding subdivision 1, the following provisions apply only to elementary, secondary, and area vocational technical school teachers whose extended leaves began in the 1978-1979, 1979-1980, or 1980-1981 school years:

(a) A member whose period of extended leave began on or before May 15, 1981, may pay employee contributions and receive allowable service credit toward annuities and other benefits under this chapter for each year of the leave during the period of the leave which does not exceed five years;

(b) The state shall pay employer contributions into the applicable fund for a member described in clause (a) for each year of the leave for which the member who is on extended leave pays the employee's contribution into the fund by the payment date specified in subdivision 1.

354A.12 CONTRIBUTIONS BY EMPLOYEE AND EMPLOYER.

Subd. 3a. **Special direct state aid to first class city teachers retirement fund associations.** (a) In fiscal year 1998, the state shall pay \$4,827,000 to the St. Paul Teachers Retirement Fund Association, \$17,954,000 to the Minneapolis Teachers Retirement Fund Association, and \$486,000 to the Duluth Teachers Retirement Fund Association. In each fiscal year after fiscal year 2006, these payments to the first class city teachers retirement fund associations must be \$2,827,000 for St. Paul, \$12,954,000 to the Teachers Retirement Association for the former Minneapolis Teachers Retirement Fund Association, and \$486,000 for Duluth.

(b) The direct state aids under this subdivision are payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually from the general fund to the commissioner of finance.

Subd. 3b. Special direct state matching aid to the Teachers Retirement Association.

(a) Special School District No. 1 must make an additional employer contribution to the Teachers Retirement Fund Association. The city of Minneapolis must make a contribution to the Teachers Retirement Association. This contribution must be made by a levy of the board of estimate and taxation of the city of Minneapolis and the levy, if made, is classified as that of a special taxing district for purposes of sections 275.065 and 276.04, and for all other property tax purposes.

(b) \$1,250,000 must be contributed by Special School District No. 1 and \$1,250,000 must be contributed by the city of Minneapolis to the Teachers Retirement Association under paragraph (a), and the state shall pay to the Teachers Retirement Association \$2,500,000 each fiscal year. The superintendent of Special School District No. 1, the mayor of the city of Minneapolis, and the executive director of the Teachers Retirement Association shall jointly certify to the commissioner of finance the total amount that has been contributed by Special School District No. 1 and by the city of Minneapolis to the Teachers Retirement Association. Any certification to the commissioner of education must be made quarterly. If the total certifications for a fiscal year exceed the maximum annual direct state matching aid amount in any quarter, the amount of

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direct state matching aid payable to the Teachers Retirement Association must be limited to the balance of the maximum annual direct state matching aid amount available. The amount required under this paragraph, subject to the maximum direct state matching aid amount, is appropriated annually to the commissioner of finance.

(c) The commissioner of finance may prescribe the form of the certifications required under paragraph (b).

Subd. 3c. **Termination of supplemental contributions and direct matching and state aid.** (a) The supplemental contributions payable to the Minneapolis Teachers Retirement Fund Association by Special School District No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, must continue to be paid to the Teachers Retirement Association until 2037. The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct state aids under subdivision 3a to the St. Paul Teachers Retirement Fund Association terminate at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained under section 356.214, equals or exceeds the accrued liability funding ratio for the teachers retirement association, as determined in the most recent actuarial report for the Teachers Retirement Association by the actuary retained under section 356.214.

(b) If the state direct matching, state supplemental, or state aid is terminated for a first class city teachers retirement fund association under paragraph (a), it may not again be received by that fund.

(c) If the St. Paul Teachers Retirement Fund Association is funded at the funding ratio applicable to the Teachers Retirement Association when the provisions of paragraph (b) become effective, then any state aid previously distributed to that association must be immediately transferred to the Teachers Retirement Association.

355.629 SECOND SOCIAL SECURITY REFERENDUM.

Subdivision 1. **Election of Social Security coverage.** Any member of the legislators retirement plan established under chapter 3A who did not elect coverage under an agreement under section 218(d) of the Social Security Act as provided for in section 355.624 is entitled to elect future Social Security coverage and retroactive coverage for the period consistent with applicable federal law, in a second Social Security referendum. Any member who so elects shall become a member of the coordinated program of the legislators retirement plan under section 3A.15. The governor shall set a date for the referendum and shall undertake any duties to amend the state's Social Security Act, section 218 agreement, with the Secretary of Health and Human Services.

Subd. 2. **Payment of retroactive Social Security taxes.** For any service by a legislator who is in office on the date of the agreement or modification of the agreement with the Secretary of Health and Human Services, the executive director of the Minnesota State Retirement System shall cause to be paid an amount for each legislator, including an amount for retroactive coverage, equal to the taxes which would have been imposed on the legislator and state of Minnesota by the Federal Insurance Contributions Act had the service been covered at the time performed. This payment shall be computed from the date of retroactive coverage to the date that deductions are first taken from the wages of each legislator for Social Security coverage. Before making a payment on behalf of a legislator, the executive director must receive from the legislator the funds necessary to make the payment. Nothing in this section shall require a legislator to elect retroactive Social Security coverage.

Subd. 3. **Deduction from wages.** A legislator who elects Social Security coverage under this section shall have a deduction taken from wages in an amount equal to the employer and employee contributions required by either subdivision 1 or subdivision 2.

356.214 ACTUARIAL VALUATION PREPARATION; JOINT RETENTION OF CONSULTING ACTUARY.

Subd. 2. **Allocation of actuarial costs.** (a) The actuarial services contract manager shall assess each retirement plan specified in subdivision 1, paragraph (b), its appropriate portion of the total compensation paid to the actuary retained by the joint retirement systems for the actuarial valuation calculations and quadrennial experience studies. The total assessment is 100 percent of the amount of contract compensation for the actuarial consulting firm for actuarial valuation calculations, including any public employees police and fire plan consolidation accounts of the Public Employees Retirement Association established after March 1, 1999, annual experience data collection and processing, and quadrennial experience studies.

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The portion of the total assessment payable by each retirement system or pension plan must be determined based on each plan's proportion of the actuarial services required, as determined by the retained actuary, to complete the actuarial valuation calculations, annual experience data collection and processing, and quadrennial experience studies for all plans.

The assessment must be made within 30 days following the end of the fiscal year and must be reported to the chief administrative officers of the applicable retirement plans. The amount of the assessment is appropriated from the retirement fund applicable to the retirement plan.

(b) The actuarial services contract manager shall assess each retirement plan or each interest group which requested the preparation of a cost analysis for proposed legislation the cost of the actuary retained by the joint retirement systems incurred in the cost analysis preparation. With respect to interest groups, the actuarial services contract manager shall obtain a written commitment for the payment of the assessment in advance of the cost analysis preparation and may require an advance deposit or advance payment before authorizing the cost analysis preparation. The retirement plan or the interest group shall pay the assessment within 30 days of the date on which the assessment is billed. The amount of the assessment is appropriated from the retirement fund applicable to the retirement plan for cost analyses requested by a retirement plan or system.

(c) The actuarial services contract manager shall assess to the Legislative Commission on Pensions and Retirement the cost of the actuarial cost analysis preparation for the proposed legislation requested by the chair of the Legislative Commission on Pensions and Retirement or by the commission executive director. The commission shall pay the assessment within 30 days of the date on which the assessment is billed.

356.215 ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES.

Subd. 2a. **Projection valuation requirements.** (a) A quadrennial projection valuation authorized under subdivision 2 is intended to serve as an additional analytical tool with which policy makers may assess the future funding status of public plans through forecasting and testing various potential outcomes over time if certain plan assumptions or valuation methods were to be modified.

(b) In consultation with the retirement fund directors, the state economist, the state demographer, the commissioner of finance, and the commissioner of employee relations, the actuary retained under section 356.214 shall perform the quadrennial projection valuations on behalf of the commissioner of finance, testing future implications for plan funding by modifying assumptions and methods currently in place. The actuary retained under section 356.214 shall provide advice to the commissioner as to the periods over which such projections should be made, the nature and scope of the scenarios to be analyzed, and the measures of funding status to be employed, and shall report the results of these analyses in the same manner as for quadrennial experience studies.