

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 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; requiring a review of teacher benefits; 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authorizing certain service credit and coverage transfers; authorizing a disability benefit application to be rescinded; authorizing a retirement coverage termination; providing an additional benefit to certain injured Minneapolis bomb squad officers; allowing certain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; appropriating money; amending Minnesota Statutes 2006, sections 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; 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

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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 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~~

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~~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:

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

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

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

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

11.30 (f) As of June 30 annually, the actuary retained under section 356.214 shall calculate
11.31 the amount of required reserves representing any mortality gains and any mortality losses
11.32 incurred during the fiscal year and report the results of those calculations to the plan.
11.33 The actuary shall report separately the amount of the reserves for annuitants and benefit
11.34 recipients who are eligible for a postretirement benefit adjustment and the amount of
11.35 reserves for annuitants and benefit recipients who are not eligible for a postretirement
11.36 benefit adjustment. If the net amount of required reserves represents a mortality gain,

12.1 the board shall sell sufficient securities or transfer sufficient available cash to equal the
12.2 amount. If the amount of required reserves represents a mortality loss, the plan shall
12.3 transfer an amount equal to the amount of the net mortality loss. The amount of the
12.4 transfers must be determined before any postretirement benefit adjustments have been
12.5 made. All transfers resulting from mortality adjustments must be completed annually
12.6 by December 31 for the preceding June 30. Interest is payable on any transfers after
12.7 December 31 based upon the preretirement interest assumption for the participating plan
12.8 or fund as specified in section 356.215, subdivision 8, stated as a monthly rate. Book
12.9 values of the assets of the fund must be determined only after all adjustments for mortality
12.10 gains and losses for the fiscal year have been made.

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

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

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

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

12.31 **Sec. 7. TEACHER RETIREMENT BENEFITS.**

12.32 The Legislative Commission on Pensions and Retirement shall review issues related
12.33 to Minnesota teacher benefit adequacy and shall compare the level of teacher pension
12.34 benefits in Minnesota and other states. The commission must report by January 15, 2009,

13.1 to the chairs and ranking minority members of the legislative committees with jurisdiction
13.2 over public pensions and education policy and finance.

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

13.4 **ARTICLE 2**

13.5 **MINNESOTA POSTRETIREMENT INVESTMENT FUND DISSOLUTION**

13.6 Section 1. **[11A.181] DISSOLUTION OF MINNESOTA POSTRETIREMENT**
13.7 **INVESTMENT FUND.**

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

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

13.14 (2) less than 80 percent.

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

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

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

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

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

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

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

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

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

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

14.15 **Sec. 2. PROPOSED STATUTORY CHANGES.**

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

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

14.23 **ARTICLE 3**

14.24 **PHASED RETIREMENT OR**

14.25 **RETURN TO EMPLOYMENT PROVISIONS**

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

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

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

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Sec. 2. Minnesota Statutes 2007 Supplement, section 43A.346, subdivision 2, is 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~~ 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

16.1 duration of a terminated state employee's employment in the a postretirement option
16.2 position.

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

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

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

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

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

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

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

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

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

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

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

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

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

Subd. 5. **Resumption of teaching service after retirement.** (a) Any person who retired under the provisions of this chapter and has thereafter resumed teaching in any employer unit to which this chapter applies is eligible to continue to receive payments in accordance with the annuity except that all or a portion of the annuity payments must be ~~reduced~~ deferred during the calendar year immediately following any 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-half of 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 ~~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.

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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~~

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~~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

21.1 earnings under Minnesota Statutes, section 353.37, for the period January 1, 2008, until
21.2 December 31, 2009.

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

21.4 Sec. 12. **BYLAW REVISION AUTHORIZATION.**

21.5 Consistent with Minnesota Statutes, sections 354A.12, subdivisions 3 and 4, and
21.6 354A.31, subdivision 3, the St. Paul Teachers Retirement Fund Association and the
21.7 Duluth Teachers Retirement Fund Association are authorized to revise their bylaws or
21.8 articles of incorporation to specify that a person receiving a basic program retirement
21.9 annuity or an old law coordinated program annuity under the governing sections in the
21.10 articles of incorporation or bylaws who has resumed teaching service for the school
21.11 district is entitled to continue receiving retirement annuity payments, except that all or a
21.12 portion of the annuity payments must be deferred during the calendar year immediately
21.13 following the calendar year in which the person's salary from the reemployment exceeds
21.14 \$46,000. The amount of the annuity deferral is one-third of the salary amount in excess of
21.15 \$46,000. After a person has reached Social Security normal retirement age, the deferral
21.16 requirement no longer applies. Any deferral amounts must be treated as specified in
21.17 Minnesota Statutes, section 356.47.

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

21.19 **ARTICLE 4**

21.20 **MANDATORY JOINT AND SURVIVOR BENEFIT FORM**

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

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

21.28 (b) If the employee was under age 55 and has credit for at least 30 years of allowable
21.29 service on the date of death, the surviving spouse may elect to receive a 100 percent joint
21.30 and survivor annuity based on the age of the employee and surviving spouse on the date
21.31 of death. The annuity is payable using the full early retirement reduction under section
21.32 352.116, subdivision 1, paragraph (a), to age 55 and one-half of the early retirement
21.33 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

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

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

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

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

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

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

(b) 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 death while eligible survivor benefit 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 section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a death while eligible survivor benefit despite the terms of a marriage dissolution decree filed with the association.

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

(d) The surviving spouse 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. Sections 353.34, subdivision 3, and 353.71, 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

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

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

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

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

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

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

(2) any plan under which the applicable surviving spouse would receive automatic 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.

H.F. No. 3082, 5th Engrossment - 2007-2008th Legislative Session (2007-2008)

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 **PERA BENEFITS FOLLOWING PRIVATIZATIONS**

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

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

59.14 (1) Bridges Medical Services;

59.15 (2) the City of Cannon Falls Hospital;

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

59.18 (4) the Dassel Lakeside Community Home;

59.19 (5) the Fair Oaks Lodge, Wadena;

59.20 (6) the Glencoe Area Health Center;

59.21 (7) the Hutchinson Area Health Care;

59.22 (8) the Kanabec Hospital;

59.23 (9) the Lakefield Nursing Home;

59.24 (10) the Lakeview Nursing Home in Gaylord;

59.25 (11) the Luverne Public Hospital;

59.26 (12) the Northfield Hospital;

59.27 (13) the Oakland Park Nursing Home;

59.28 (14) the RenVilla Nursing Home;

59.29 (15) the Renville County Hospital in Olivia;

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

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

59.33 ~~(17)~~ (18) the Waconia-Ridgeview Medical Center; and

(19) the Worthington Regional Hospital.

Sec. 2. EFFECTIVE DATE.

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

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

ARTICLE 8

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.

H.F. No. 3082, 5th Engrossment - 2007-2008th Legislative Session (2007-2008)

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

61.3 Subd. 3c. **Termination of supplemental contributions and direct matching**
61.4 **and state aid.** (a) The supplemental contributions payable to the Minneapolis Teachers
61.5 Retirement Fund Association by Special School District No. 1 and the city of Minneapolis
61.6 under section 423A.02, subdivision 3, must ~~continue to~~ be paid to the Teachers Retirement
61.7 Association and must continue until the current assets of the fund equal or exceed the
61.8 actuarial accrued liability of the fund as determined in the most recent actuarial report
61.9 for the fund by the actuary retained under section 356.214, or 2037, whichever occurs
61.10 earlier. The supplemental contributions payable to the St. Paul Teachers Retirement
61.11 Fund Association by Independent School District No. 625 under section 423A.02,
61.12 subdivision 3, or the direct state ~~aids~~ aid under subdivision 3a to the St. Paul Teachers
61.13 Retirement Fund Association terminate at the end of the fiscal year in which the accrued
61.14 liability funding ratio for that fund, as determined in the most recent actuarial report for
61.15 that fund by the actuary retained under section 356.214, equals or exceeds the accrued
61.16 liability funding ratio for the Teachers Retirement Association, as determined in the most
61.17 recent actuarial report for the Teachers Retirement Association by the actuary retained
61.18 under section 356.214.

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

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

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

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

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

61.33 (1) all police or salaried firefighters relief associations governed by and in full
61.34 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 9
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.

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

65.3 Subd. 6. **Disposition of abandoned public pension amounts.** (a) Any unclaimed
65.4 plan account amounts are presumed to be abandoned, but are not subject to the provisions
65.5 of sections 345.31 to 345.60. If the account remains unclaimed after five years following
65.6 the date that the plan administrator first attempts to locate the former member, surviving
65.7 spouse, or other beneficiary, the unclaimed plan account amount cancels and must be
65.8 credited to the reserve account specified in paragraph (b).

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

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

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

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

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

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

66.1 control of the Board of Trustees and may be used only for the necessary and reasonable
66.2 administrative expenses of the plan.

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

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

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

66.6 **354C.165 PROHIBITION ON LOANS OR PRETERMINATION**
66.7 **DISTRIBUTIONS.**

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

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

66.14 (c) MS 2002 [Expired]

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

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

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

66.28 (b) The actuarial study must include an assessment of the likelihood that tenure-track
66.29 Minnesota State Colleges and Universities System faculty members would elect retirement
66.30 coverage by the Teachers Retirement Association that underlies any election assumption
66.31 used in the study based on the experience of Minnesota State Colleges and Universities
66.32 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 10

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.

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

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

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

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

68.11 (1) the general state employees retirement plan of the Minnesota State Retirement
68.12 System;

68.13 (2) the general employees retirement plan of the Public Employees Retirement
68.14 Association;

68.15 (3) the Teachers Retirement Association;

68.16 (4) the State Patrol retirement plan;

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

68.18 (6) the Duluth Teachers Retirement Fund Association;

68.19 (7) the Minneapolis Employees Retirement Fund;

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

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

68.22 (10) the judges retirement fund;

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

68.25 (12) a volunteer firefighter relief association governed by section 69.771, subdivision
68.26 1;

68.27 ~~(12)~~ (13) the public employees police and fire plan of the Public Employees
68.28 Retirement Association;

68.29 ~~(13)~~ (14) the correctional state employees retirement plan of the Minnesota State
68.30 Retirement System; and

68.31 ~~(14)~~ (15) the local government correctional service retirement plan of the Public
68.32 Employees Retirement Association.

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

69.1 Subd. 3. **Filing requirement.** The financial report is a public record. A copy of the
69.2 report or a synopsis of the report containing the information required by this section must
69.3 be ~~distributed~~ made available annually to each member of the fund and to the governing
69.4 body of each governmental subdivision of the state which makes employers contributions
69.5 thereto or in whose behalf taxes are levied for the employers' contribution. A signed copy
69.6 of the report must be delivered to the executive director of the Legislative Commission
69.7 on Pensions and Retirement and to the Legislative Reference Library not later than six
69.8 months after the close of each fiscal year or one month following the completion and
69.9 delivery to the retirement fund of the actuarial valuation report of the fund by the actuary
69.10 retained under section 356.214, if applicable, whichever is later.

69.11 Sec. 5. Minnesota Statutes 2006, section 356.20, subdivision 4, is amended to read:

69.12 Subd. 4. **Contents of financial report.** (a) The financial report required by
69.13 this section must contain financial statements and disclosures that indicate the financial
69.14 operations and position of the retirement plan and fund. The report must conform with
69.15 generally accepted governmental accounting principles, applied on a consistent basis. The
69.16 report must be audited.

69.17 (b) The report must include, as part of its exhibits or its footnotes, an actuarial
69.18 disclosure item based on the actuarial valuation calculations prepared by the actuary
69.19 retained under section 356.214 or by the actuary retained by the retirement fund or
69.20 plan, whichever applies, according to applicable actuarial requirements enumerated in
69.21 section 356.215, and specified in the most recent standards for actuarial work adopted
69.22 by the Legislative Commission on Pensions and Retirement. The ~~accrued~~ actuarial value
69.23 of assets, the actuarial accrued liabilities, including accrued reserves, and the unfunded
69.24 actuarial accrued liability of the fund or plan must be disclosed. The disclosure item
69.25 must contain a declaration by the actuary retained under section 356.214 or the actuary
69.26 retained by the fund or plan, whichever applies, specifying that the required reserves
69.27 for any retirement, disability, or survivor benefits provided under a benefit formula are
69.28 computed in accordance with the entry age actuarial cost method and in accordance
69.29 with the most recent applicable standards for actuarial work adopted by the Legislative
69.30 Commission on Pensions and Retirement.

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

70.1		Value at	Value at
70.2		cost	market
70.3	Cash, cash equivalents, and		
70.4	short-term securities	_____	_____
70.5	Accounts receivable	_____	_____
70.6	Accrued investment income	_____	_____
70.7	Fixed income investments	_____	_____
70.8	Equity investments other		
70.9	than real estate	_____	_____
70.10	Real estate investments	_____	_____
70.11	Equipment	_____	_____
70.12	Participation in the Minnesota		
70.13	postretirement investment		
70.14	fund or the retirement		
70.15	benefit fund	_____	_____
70.16	Other	_____	_____
70.17	Total assets		
70.18	Value at cost		_____
70.19	Value at market		_____
70.20	Actuarial value of current		
70.21	assets		_____

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

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

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

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

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

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

- 70.37 ~~(i) for annuitants;~~
70.38 ~~retirement annuities;~~
70.39 ~~disability benefits;~~
70.40 ~~surviving spouse and child benefits;~~

71.1 (ii) ~~for former members without vested~~
71.2 ~~rights;~~
71.3 (iii) ~~for deferred annuitants' benefits,~~
71.4 ~~including any augmentation;~~
71.5 (iv) ~~for active employees,~~
71.6 ~~accumulated employee contributions,~~
71.7 ~~including allocated investment income,~~
71.8 ~~employer-financed benefits vested,~~
71.9 ~~employer-financed benefits nonvested,~~
71.10 ~~total pension benefit obligation; and~~

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

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

- 71.16 (1) personnel expenses;
71.17 (2) communication-related expenses;
71.18 (3) office building and maintenance expenses;
71.19 (4) professional services fees; and
71.20 (5) other expenses.

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

- 71.24 (1) internal investment-related expenses; and
71.25 (2) external investment-related expenses.

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

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

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

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

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

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

- (1) the teachers retirement plan, Teachers Retirement Association;
 - (2) the general state employees retirement plan, Minnesota State Retirement System;
 - (3) the correctional employees retirement plan, Minnesota State Retirement System;
 - (4) the State Patrol retirement plan, Minnesota State Retirement System;
 - (5) the judges retirement plan, Minnesota State Retirement System;
 - (6) the Minneapolis employees retirement plan, Minneapolis Employees Retirement Fund;
 - (7) the public employees retirement plan, Public Employees Retirement Association;
 - (8) the public employees police and fire plan, Public Employees Retirement Association;
 - (9) the Duluth teachers retirement plan, Duluth Teachers Retirement Fund Association;
 - (10) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund Association;
 - (11) the legislators retirement plan, Minnesota State Retirement System;
 - (12) the elective state officers retirement plan, Minnesota State Retirement System;
- and
- (13) local government correctional service retirement plan, Public Employees Retirement Association.

(c) ~~The contract~~ contracts must require completion of the annual actuarial valuation calculations on a fiscal year basis, with the contents of the actuarial valuation calculations

as specified in section 356.215, and in conformity with the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

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

- (1) individual salary progression;
- (2) the rate of return on investments based on the current asset value;
- (3) payroll growth;
- (4) mortality;
- (5) retirement age;
- (6) withdrawal; and
- (7) disablement.

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

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

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

~~(f) The term of the contract between the joint retirement systems and the actuary retained may not exceed five years. The joint retirement system administrative officers~~

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74.1 ~~shall establish procedures for the consideration and selection of contract bidders and~~
74.2 ~~the requirements for the contents of an actuarial services contract under this section.~~
74.3 ~~The procedures and requirements must be submitted to the Legislative Commission on~~
74.4 ~~Pensions and Retirement for review and comment prior to final approval by the joint~~
74.5 ~~administrators. The contract is subject to the procurement procedures under chapter 16C.~~
74.6 ~~The consideration of bids and the selection of a consulting actuarial firm by the chief~~
74.7 ~~administrative officers must occur at a meeting that is open to the public and reasonable~~
74.8 ~~timely public notice of the date and the time of the meeting and its subject matter must~~
74.9 ~~be given.~~

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

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

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

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

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

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

74.31 (b) Any actuarial consulting firm retained under paragraph (a) will, according to a
74.32 schedule determined under an agreement with the Legislative Commission on Pensions
74.33 and Retirement, audit the valuation reports submitted by the actuary retained by each
74.34 governing or managing board or administrative official, and provide an assessment of the

75.1 reasonableness, reliability, and areas of concern or potential improvement in the specific
75.2 reports reviewed, the procedures utilized by any particular reporting actuary, or general
75.3 modifications to standards, procedures, or assumptions that the commission may wish to
75.4 consider. Actuarial firms retained by the retirement funds must cooperate fully and make
75.5 available any data or other materials necessary for the commission-retained actuary to
75.6 conduct an adequate review and to render advice to the commission.

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

75.8 Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to
75.9 356.23, each of the terms in the following paragraphs has the meaning given.

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

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

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

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

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

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

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

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

~~(i) ten 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) 40 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 the percentage preretirement interest rate assumption used in the July 1, 1999, actuarial valuation;~~

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

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

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

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

77.6 ~~(ii)~~ (2) 40 percent of the difference between the actual net change in the market value
77.7 of assets between the June 30 that occurred two years earlier and the June 30 that occurred
77.8 three years earlier and the computed increase in the market value of assets over that
77.9 fiscal year period if the assets had increased at the percentage preretirement interest rate
77.10 assumption used in the actuarial valuation for the July 1 that occurred three years earlier;

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

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

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

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

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

77.31 Subd. 2. **Requirements.** (a) It is the policy of the legislature that it is necessary
77.32 and appropriate to determine annually the financial status of tax supported retirement and
77.33 pension plans for public employees. To achieve this goal₂

77.34 ~~(1)~~ the actuary retained under section 356.214 shall prepare annual actuarial
77.35 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:

plan	preretirement interest rate assumption	postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	8.5	6.0
elective state officers retirement plan	8.5	6.0
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Minneapolis employees retirement plan	6.0	5.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5
Minneapolis Police Relief Association	6.0	6.0
Fairmont Police Relief Association	5.0	5.0
Minneapolis Fire Department Relief Association	6.0	6.0
Virginia Fire Department Relief Association	5.0	5.0
Bloomington Fire Department Relief Association	6.0	6.0
local monthly benefit volunteer firefighters relief associations	5.0	5.0

(b) Before July 1, 2010, the actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
elective state officers retirement plan	5.0

80.1		5.0
80.2	judges retirement plan	<u>4.0</u>
80.3	Minneapolis Police Relief Association	4.0
80.4	Fairmont Police Relief Association	3.5
80.5	Minneapolis Fire Department Relief	
80.6	Association	4.0
80.7	Virginia Fire Department Relief Association	3.5
80.8	Bloomington Fire Department Relief	
80.9	Association	4.0
80.10	(2) modified single rate future salary increase assumption	
80.11		future salary
80.12	plan	increase assumption
80.13	Minneapolis employees	the prior calendar year amount
80.14	retirement plan	increased first by 1.0198 percent to
80.15		prior fiscal year date and then increased
80.16		by 4.0 percent annually for each future
80.17		year
80.18	(3) select and ultimate future salary increase assumption or graded rate future salary	
80.19	increase assumption	
80.20		future salary
80.21	plan	increase assumption
80.22	general state employees	select calculation and assumption A
80.23	retirement plan	
80.24	correctional state employees	assumption G <u>H</u>
80.25	retirement plan	
80.26	State Patrol retirement plan	assumption G
80.27	general public employees	select calculation and assumption B
80.28	retirement plan	
80.29	public employees police and fire	assumption C
80.30	fund retirement plan	
80.31	local government correctional	assumption G
80.32	service retirement plan	
80.33	teachers retirement plan	assumption D
80.34	Duluth teachers retirement plan	assumption E
80.35	St. Paul teachers retirement plan	assumption F
80.36	The select calculation is: during the ten-year	
80.37	<u>designated</u> select period, a designated	
80.38	percent <u>percentage rate</u> is multiplied by the	
80.39	result of ten <u>the designated integer</u> minus T,	
80.40	where T is the number of completed years	
80.41	of service, and is added to the applicable	
80.42	future salary increase assumption. <u>The</u>	

81.1 designated select period is five years and
81.2 the designated integer is five for the general
81.3 state employees retirement plan and the
81.4 general public employees retirement plan.
81.5 The designated select period is ten years and
81.6 the designated integer is ten for all other
81.7 retirement plans covered by this clause. The
81.8 designated percent percentage rate is: (1) 0.2
81.9 percent for the correctional state employees
81.10 retirement plan, the State Patrol retirement
81.11 plan, the public employees police and fire
81.12 plan, and the local government correctional
81.13 service plan; and 0.3 (2) 0.6 percent for
81.14 the general state employees retirement
81.15 plan; and the general public employees
81.16 retirement plan; and (3) 0.3 percent for the
81.17 teachers retirement plan, the Duluth Teachers
81.18 Retirement Fund Association, and the St.
81.19 Paul Teachers Retirement Fund Association.
81.20 The select calculation for the Duluth Teachers
81.21 Retirement Fund Association is 8.00 percent
81.22 per year for service years one through seven,
81.23 7.25 percent per year for service years seven
81.24 and eight, and 6.50 percent per year for
81.25 service years eight and nine.

81.26 The ultimate future salary increase assumption is:

81.27	age	A	B	C	D	E	F	G
81.28	16	6.95%	6.95%	11.50%	8.20%	8.00%	6.90%	7.7500%
81.29	17	6.90	6.90	11.50	8.15	8.00	6.90	7.7500
81.30	18	6.85	6.85	11.50	8.10	8.00	6.90	7.7500
81.31	19	6.80	6.80	11.50	8.05	8.00	6.90	7.7500
81.32	20	6.75	6.40	11.50	6.00	6.90	6.90	7.7500
81.33	21	6.75	6.40	11.50	6.00	6.90	6.90	7.1454
81.34	22	6.75	6.40	11.00	6.00	6.90	6.90	7.0725
81.35	23	6.75	6.40	10.50	6.00	6.85	6.85	7.0544
81.36	24	6.75	6.40	10.00	6.00	6.80	6.80	7.0363
81.37	25	6.75	6.40	9.50	6.00	6.75	6.75	7.0000
81.38	26	6.75	6.36	9.20	6.00	6.70	6.70	7.0000

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82.1	27	6.75	6.32	8.90	6.00	6.65	6.65	7.0000
82.2	28	6.75	6.28	8.60	6.00	6.60	6.60	7.0000
82.3	29	6.75	6.24	8.30	6.00	6.55	6.55	7.0000
82.4	30	6.75	6.20	8.00	6.00	6.50	6.50	7.0000
82.5	31	6.75	6.16	7.80	6.00	6.45	6.45	7.0000
82.6	32	6.75	6.12	7.60	6.00	6.40	6.40	7.0000
82.7	33	6.75	6.08	7.40	6.00	6.35	6.35	7.0000
82.8	34	6.75	6.04	7.20	6.00	6.30	6.30	7.0000
82.9	35	6.75	6.00	7.00	6.00	6.25	6.25	7.0000
82.10	36	6.75	5.96	6.80	6.00	6.20	6.20	6.9019
82.11	37	6.75	5.92	6.60	6.00	6.15	6.15	6.8074
82.12	38	6.75	5.88	6.40	5.90	6.10	6.10	6.7125
82.13	39	6.75	5.84	6.20	5.80	6.05	6.05	6.6054
82.14	40	6.75	5.80	6.00	5.70	6.00	6.00	6.5000
82.15	41	6.75	5.76	5.90	5.60	5.90	5.95	6.3540
82.16	42	6.75	5.72	5.80	5.50	5.80	5.90	6.2087
82.17	43	6.65	5.68	5.70	5.40	5.70	5.85	6.0622
82.18	44	6.55	5.64	5.60	5.30	5.60	5.80	5.9048
82.19	45	6.45	5.60	5.50	5.20	5.50	5.75	5.7500
82.20	46	6.35	5.56	5.45	5.10	5.40	5.70	5.6940
82.21	47	6.25	5.52	5.40	5.00	5.30	5.65	5.6375
82.22	48	6.15	5.48	5.35	5.00	5.20	5.60	5.5822
82.23	49	6.05	5.44	5.30	5.00	5.10	5.55	5.5404
82.24	50	5.95	5.40	5.25	5.00	5.00	5.50	5.5000
82.25	51	5.85	5.36	5.25	5.00	5.00	5.45	5.4384
82.26	52	5.75	5.32	5.25	5.00	5.00	5.40	5.3776
82.27	53	5.65	5.28	5.25	5.00	5.00	5.35	5.3167
82.28	54	5.55	5.24	5.25	5.00	5.00	5.30	5.2826
82.29	55	5.45	5.20	5.25	5.00	5.00	5.25	5.2500
82.30	56	5.35	5.16	5.25	5.00	5.00	5.20	5.2500
82.31	57	5.25	5.12	5.25	5.00	5.00	5.15	5.2500
82.32	58	5.25	5.08	5.25	5.10	5.00	5.10	5.2500
82.33	59	5.25	5.04	5.25	5.20	5.00	5.05	5.2500
82.34	60	5.25	5.00	5.25	5.30	5.00	5.00	5.2500
82.35	61	5.25	5.00	5.25	5.40	5.00	5.00	5.2500
82.36	62	5.25	5.00	5.25	5.50	5.00	5.00	5.2500
82.37	63	5.25	5.00	5.25	5.60	5.00	5.00	5.2500
82.38	64	5.25	5.00	5.25	5.70	5.00	5.00	5.2500
82.39	65	5.25	5.00	5.25	5.70	5.00	5.00	5.2500
82.40	66	5.25	5.00	5.25	5.70	5.00	5.00	5.2500
82.41	67	5.25	5.00	5.25	5.70	5.00	5.00	5.2500
82.42	68	5.25	5.00	5.25	5.70	5.00	5.00	5.2500
82.43	69	5.25	5.00	5.25	5.70	5.00	5.00	5.2500

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83.1	70	5.25	5.00	5.25	5.70	5.00	5.00	5.2500	
83.2	71	5.25	5.00		5.70				
83.3	<u>age</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
83.4	<u>16</u>	<u>5.95%</u>	<u>5.95%</u>	<u>11.00%</u>	<u>7.70%</u>	<u>8.00%</u>	<u>6.90%</u>	<u>7.7500%</u>	<u>7.2500%</u>
83.5	<u>17</u>	<u>5.90</u>	<u>5.90</u>	<u>11.00</u>	<u>7.65</u>	<u>8.00</u>	<u>6.90</u>	<u>7.7500</u>	<u>7.2500</u>
83.6	<u>18</u>	<u>5.85</u>	<u>5.85</u>	<u>11.00</u>	<u>7.60</u>	<u>8.00</u>	<u>6.90</u>	<u>7.7500</u>	<u>7.2500</u>
83.7	<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>
83.8	<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>
83.9	<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>
83.10	<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>
83.11	<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>
83.12	<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>
83.13	<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>
83.14	<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>
83.15	<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>
83.16	<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>
83.17	<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>
83.18	<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>
83.19	<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>
83.20	<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>
83.21	<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>
83.22	<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>
83.23	<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>
83.24	<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>
83.25	<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>
83.26	<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>
83.27	<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>
83.28	<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>
83.29	<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>
83.30	<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>
83.31	<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>
83.32	<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>
83.33	<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>
83.34	<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>
83.35	<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>
83.36	<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>
83.37	<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>
83.38	<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>
83.39	<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>
83.40	<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>
83.41	<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>
83.42	<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>
83.43	<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>

84.1	<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>
84.2	<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>
84.3	<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>
84.4	<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>
84.5	<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>
84.6	<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>
84.7	<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>
84.8	<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>
84.9	<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>
84.10	<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>
84.11	<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>
84.12	<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>
84.13	<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>
84.14	<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>
84.15	<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>
84.16	<u>71</u>	<u>4.25</u>	<u>4.00</u>		<u>5.20</u>				

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

84.21		payroll growth
84.22	plan	assumption
84.23	general state employees retirement plan	5.00 <u>4.50</u> %
84.24	correctional state employees retirement plan	5.00 <u>4.50</u>
84.25	State Patrol retirement plan	5.00 <u>4.50</u>
84.26	legislators retirement plan	5.00 <u>4.50</u>
84.27	elective state officers retirement plan	5.00
84.28	judges retirement plan	5.00 <u>4.00</u>
84.29	general public employees retirement plan	6.00 <u>4.50</u>
84.30	public employees police and fire retirement	
84.31	plan	6.00 <u>4.50</u>
84.32	local government correctional service	
84.33	retirement plan	6.00 <u>4.50</u>
84.34	teachers retirement plan	5.00 <u>4.50</u>
84.35	Duluth teachers retirement plan	5.00 <u>4.50</u>
84.36	St. Paul teachers retirement plan	5.00

84.37 (d) After July 1, 2010, the assumptions set forth in paragraphs (b) and (c) continue to
84.38 apply, unless a different salary assumption or a different payroll increase assumption:
84.39 (1) has been proposed by the governing board of the applicable retirement plan;

(2) is accompanied by the concurring recommendation of the actuary retained under section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most recent actuarial valuation report if section 356.214 does not apply; and
(3) has been approved or deemed approved under subdivision 18.

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.

86.1 (c) For any ~~fund or~~ retirement plan other than the Minneapolis Employees
86.2 Retirement Fund and the general employees retirement plan of the Public Employees
86.3 Retirement Association ~~general plan~~, if there has been a change in any or all of the
86.4 actuarial assumptions used for calculating the actuarial accrued liability of the fund, a
86.5 change in the benefit plan governing annuities and benefits payable from the fund, a
86.6 change in the actuarial cost method used in calculating the actuarial accrued liability of all
86.7 or a portion of the fund, or a combination of the three, and the change or changes, by itself
86.8 or by themselves and without inclusion of any other items of increase or decrease, produce
86.9 a net increase in the unfunded actuarial accrued liability in the fund, the established date
86.10 for full funding must be determined using the following procedure:

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

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

86.18 (iii) the unfunded actuarial accrued liability of the fund must be determined in
86.19 accordance with any new plan provisions governing annuities and benefits payable from
86.20 the fund and any new actuarial assumptions and the remaining plan provisions governing
86.21 annuities and benefits payable from the fund and actuarial assumptions in effect before
86.22 the change;

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

86.29 (v) the level annual dollar or level percentage amortization contribution under item
86.30 (iv) must be added to the level annual dollar amortization contribution or level percentage
86.31 calculated under item (ii);

86.32 (vi) the period in which the unfunded actuarial accrued liability amount determined
86.33 in item (iii) is amortized by the total level annual dollar or level percentage amortization
86.34 contribution computed under item (v) must be calculated using the interest assumption
86.35 specified in subdivision 8 in effect after any applicable change, rounded to the nearest
86.36 integral number of years, but not to exceed 30 years from the end of the plan year in

87.1 which the determination of the established date for full funding using the procedure set
87.2 forth in this clause is made and not to be less than the period of years beginning in the
87.3 plan year in which the determination of the established date for full funding using the
87.4 procedure set forth in this clause is made and ending by the date for full funding in effect
87.5 before the change; and

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

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

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

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

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

87.17 (h) For the judges retirement plan, the established date for full funding is June
87.18 30, 2038.

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

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

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

87.33 (l) In addition to calculating the unfunded actuarial accrued liability of the retirement
87.34 plan for financial reporting purposes under paragraphs (a) to (j), the actuarial valuation
87.35 of the retirement plan must also include a calculation of the unfunded actuarial accrued
87.36 liability of the retirement plan for purposes of determining the amortization contribution

88.1 sufficient to amortize the unfunded actuarial liability of the Minnesota Post Retirement
88.2 Investment Fund. For this exhibit, the calculation must be the unfunded actuarial accrued
88.3 liability net of the postretirement adjustment liability funded from the investment
88.4 performance of the Minnesota Post Retirement Investment Fund or the retirement benefit
88.5 fund.

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

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

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

88.20 ~~(b)~~ (c) A change in the applicable actuarial assumptions may be proposed by the
88.21 governing board of the applicable pension fund or relief association, by the actuary
88.22 retained by the joint retirement systems under section 356.214, ~~by the actuarial advisor to~~
88.23 ~~a pension fund governed by chapter 352, 353, 354, or 354A,~~ or by the actuary retained by
88.24 a local police or firefighters relief association governed by sections 69.77 or 69.771 to
88.25 69.776, if one is retained.

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

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

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

88.33 (c) "Covered pension plan" means a plan enumerated in section 356.20, subdivision
88.34 2, clauses (1) to (4), (10), and ~~(12) to (14)~~ (13) to (15), but does not mean the deferred

89.1 compensation plan administered under sections 352.96 and 352.97 or to the postretirement
89.2 health care savings plan administered under section 352.98.

89.3 (d) "Governing board" means the Board of Trustees of the Public Employees
89.4 Retirement Association, the Board of Trustees of the Teachers Retirement Association, or
89.5 the Board of Directors of the Minnesota State Retirement System.

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

89.10 Sec. 17. **APPROPRIATION; LEGISLATIVE COMMISSION ON PENSIONS**
89.11 **AND RETIREMENT.**

89.12 \$140,000 is appropriated from the general fund to the Legislative Commission on
89.13 Pensions and Retirement in fiscal year 2009 in order to cover the costs of any contract
89.14 authorized under Minnesota Statutes, section 356.214, subdivision 4. The commissioner
89.15 of finance must include these funds in the base level funding for the commission when
89.16 preparing forecasts of general fund spending and revenue and initial budget estimates
89.17 each biennium, as long as an actuary remains under contract to the commission under
89.18 Minnesota Statutes, section 356.214, subdivision 4.

89.19 Sec. 18. **REPEALER.**

89.20 Minnesota Statutes 2006, sections 356.214, subdivision 2; and 356.215, subdivision
89.21 2a, are repealed.

89.22 Sec. 19. **EFFECTIVE DATE.**

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

89.25 **ARTICLE 11**

89.26 **RETIREMENT SAVINGS PROGRAMS**

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

89.29 Subd. 15. **Annuity contract; payroll allocation.** (a) At the request of an employee
89.30 and as part of the employee's compensation arrangement, the board may purchase an
89.31 individual annuity contract for an employee for retirement or other purposes and may
89.32 make payroll allocations in accordance with such arrangement for the purpose of paying

the entire premium due and to become due under such contract. The allocation must be made in a manner which will qualify the annuity premiums, or a portion thereof, for the benefit afforded under section 403(b) of the current Federal Internal Revenue Code or any equivalent provision of subsequent federal income tax law. The employee shall 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 federal Internal Revenue Code section 403(b) is a term and condition of employment under section 179A.03.

(b) When considering vendors under paragraph (a), the school district and the exclusive representative of the employees shall consider all of the following:

(1) the vendor's ability to comply with all employer requirements imposed by section 403(b) of the Internal Revenue Code of 1986 and its subsequent amendments, other provisions of the Internal Revenue Code of 1986 that apply to section 403(b) of the Internal Revenue Code, and any regulation adopted in relation to these laws;

(2) the vendor's experience in providing 403(b) plans;

(3) the vendor's potential effectiveness in providing client services attendant to its plan and in relation to cost;

(4) the nature and extent of rights and benefits offered under the vendor's plan;

(5) the suitability of the rights and benefits offered under the vendor's plan;

(6) the vendor's ability to provide the rights and benefits offered under its plan; and

(7) the vendor's financial stability.

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

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

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

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

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

92.4 (g) All amounts contributed to the deferred compensation plan and all earnings
92.5 on those amounts must be held in trust, in custodial accounts, or in qualifying annuity
92.6 contracts for the exclusive benefit of the plan participants and beneficiaries, as required by
92.7 section 457(g) of the Internal Revenue Code and in accordance with sections 356.001 and
92.8 356A.06, subdivision 1.

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

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

92.15 Subd. 2. **Right to participate in the deferred compensation plan.** At the request
92.16 of an officer or employee of the state, an officer or employee of a political subdivision, or
92.17 an employee covered by a retirement fund in section 356.20, subdivision 2, the appointing
92.18 authority shall defer the payment of part of the compensation of the public officer or
92.19 employee through payroll deduction. The amount to be deferred must be as provided
92.20 in a written agreement between the officer or employee and the public employer. The
92.21 agreement must be in a form specified by the executive director of the Minnesota State
92.22 Retirement System and must be consistent with the requirements for an eligible plan under
92.23 federal and state tax laws, regulations, and rulings.

92.24 Subd. 3. **Failure to implement plan.** The public employer must complete
92.25 implementation of the deferred compensation plan within 45 days of the request as
92.26 provided in subdivision 2. If the public employer fails to implement the deferred
92.27 compensation plan, the public employer may not defer compensation under any existing
92.28 or new deferred compensation plan from the date of the request until the date on which the
92.29 deferred compensation plan provided for in this section is implemented. Upon the petition
92.30 of a public officer or employee, the executive director of the Minnesota State Retirement
92.31 System may order the public officer's or employee's public employer to implement the
92.32 deferred compensation plan provided for in this section and may enforce that order
92.33 in appropriate legal proceedings.

92.34 Subd. 4. **Plan investments.** (a) Investments under the plan may include:
92.35 (1) shares in the Minnesota supplemental investment fund established in section
92.36 11A.17 that are selected to be offered under the plan by the State Board of Investment;

- 93.1 (2) saving accounts in federally insured financial institutions;
- 93.2 (3) life insurance contracts, fixed annuity, and variable annuity contracts from
- 93.3 companies that are subject to regulation by the commissioner of commerce;
- 93.4 (4) investment options from open-end investment companies registered under the
- 93.5 federal Investment Company Act of 1940, United States Code, title 15, sections 80a-1
- 93.6 to 80a-64;
- 93.7 (5) investment options from a firm that is a registered investment advisor under the
- 93.8 Investment Advisers Act of 1940, United States Code, title 15, sections 80b-1 to 80b-21;
- 93.9 (6) investment options of a bank as defined in United States Code, title 15, section
- 93.10 80b-2, subsection (a), paragraph (2), or a bank holding company as defined in the Bank
- 93.11 Holding Company Act of 1956, United States Code, title 12, section 1841, subsection
- 93.12 (a), paragraph (1); or
- 93.13 (7) a combination of clause (1), (2), (3), (4), (5), or (6), as provided by the plan as
- 93.14 specified by the participant.
- 93.15 (b) All amounts contributed to the deferred compensation plan and all earnings
- 93.16 on those amounts must be held for the exclusive benefit of the plan participants and
- 93.17 beneficiaries. These amounts must be held in trust, in custodial accounts, or in qualifying
- 93.18 annuity contracts as required by federal law in accordance with section 356A.06,
- 93.19 subdivision 1. This subdivision does not authorize an employer contribution, except as
- 93.20 authorized in section 356.24, subdivision 1, paragraph (a), clause (5). The state, political
- 93.21 subdivision, or other employing unit is not responsible for any loss that may result from
- 93.22 investment of the deferred compensation.
- 93.23 Subd. 5. State Board of Investment to determine investments. (a) The State
- 93.24 Board of Investment shall determine the investment products to be made available under
- 93.25 the plan and may retain appropriate consulting services to assist in making the selections.
- 93.26 At a minimum, the State Board of Investment shall consider the following:
- 93.27 (1) the experience and ability of the financial institution to provide benefits and
- 93.28 products that are suited to meet the needs of plan participants;
- 93.29 (2) the relationship of those benefits and products provided by the financial
- 93.30 institution to their cost;
- 93.31 (3) the financial strength and stability of the financial institution; and
- 93.32 (4) the fees and expenses associated with the investment products in comparison to
- 93.33 other products of similar risk and rates of return.
- 93.34 (b) If the State Board of Investment so elects, it may solicit bids for options under
- 93.35 subdivision 4, clauses (2), (3), (4), (5), and (6). The State Board of Investment may retain
- 93.36 consulting services to assist in soliciting and evaluating bids and in the periodic review of

94.1 companies offering options under subdivision 4, clauses (3), (4), (5), and (6). The periodic
94.2 review must occur at least every two years. The State Board of Investment may annually
94.3 establish a budget for its costs in soliciting, evaluation, and periodic review processes. All
94.4 options in subdivision 4 must be presented in an unbiased manner and in a manner that
94.5 conforms to rules adopted by the executive director, be reported on a periodic basis to all
94.6 participants in the deferred compensation plan, and not be the subject of unreasonable
94.7 solicitation of participants in the plan. The State Board of Investment may charge a
94.8 proportional share of all costs related to the periodic review to each company currently
94.9 under contract and may charge a proportional share of all costs related to soliciting and
94.10 evaluating bids to each company selected by the State Board of Investment.

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

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

94.16 (e) The state, the Minnesota State Retirement System, the executive director and
94.17 board of directors of the system, the State Board of Investment, and participating public
94.18 employers are not liable and not responsible for any loss that may result from investment
94.19 of the deferred compensation or the investment choices made by the participants.

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

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

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

94.34 (d) The board of directors may authorize a third-party investment consultant to
94.35 provide investment information and advice, provided that the offering of such information
94.36 and advice is consistent with the investment advice requirements applicable to private

95.1 plans under Title VI, subtitle A, of the Pension Protection Act of 2006, Public Law
95.2 109-280, section 601.

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

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

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

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

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

95.15 **352.97 PRIOR DEFERRED COMPENSATION PLANS; CONSTRUCTION.**

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

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

95.19 Subd. 4. **Authorized rollovers.** To the extent allowed by federal law, the employee
95.20 purchase amount may be made with funds distributed from: (1) a plan qualified under
95.21 section 401(a) of the federal Internal Revenue Code, as amended; (2) an annuity qualified
95.22 under section 403(a) of the federal Internal Revenue Code, as amended; (3) an individual
95.23 retirement account used solely to receive a nontaxable rollover from that type of plan or
95.24 annuity; (4) the state deferred compensation plan authorized under section ~~352.96~~ 352.965
95.25 and qualified under section 457 of the federal Internal Revenue Code, as amended; or (5)
95.26 another tax qualified plan or annuity that authorizes rollovers. The participating elected
95.27 local government official shall supply sufficient written documentation that the transfer
95.28 amounts are eligible for tax-free rollover treatment. An authorized tax-free rollover, plus
95.29 any other purchase amount payments under this section, including subdivision 6, may not
95.30 exceed the limitation in subdivision 2, paragraph (a). Notwithstanding any provision of
95.31 state law or rule to the contrary, to the extent permitted under federal law, the employee
95.32 purchase amount may be transferred from the state deferred compensation plan before the
95.33 employee terminates public employment.

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

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

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

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

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

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

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

96.15 (5) for employees other than personnel employed by the Board of Trustees of the
96.16 Minnesota State Colleges and Universities and covered under the Higher Education
96.17 Supplemental Retirement Plan under chapter 354C, but including city managers covered
96.18 by an alternative retirement arrangement under section 353.028, subdivision 3, paragraph
96.19 (a), or by the defined contribution plan of the Public Employees Retirement Association
96.20 under section 353.028, subdivision 3, paragraph (b), if the supplemental plan coverage is
96.21 provided for in a personnel policy of the public employer or in the collective bargaining
96.22 agreement between the public employer and the exclusive representative of public
96.23 employees in an appropriate unit or in the individual employment contract between a city
96.24 and a city manager, and if for each available investment all fees and historic rates of return
96.25 for the prior one-, three-, five-, and ten-year periods, or since inception, are disclosed in an
96.26 easily comprehended document not to exceed two pages, in an amount matching employee
96.27 contributions on a dollar for dollar basis, but not to exceed an employer contribution of
96.28 ~~\$2,000~~ a one-half of the available elective deferral permitted per year per employee,
96.29 under the Internal Revenue Code:

96.30 (i) to the state of Minnesota deferred compensation plan under section ~~352.96~~
96.31 352.965; or

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

97.1 (iii) any other deferred compensation plan offered by the employer under section
97.2 457 of the Internal Revenue Code;

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

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

97.15 (8) to the laborers national industrial pension fund or to a laborers local pension
97.16 fund for the employees of a governmental subdivision who are covered by a collective
97.17 bargaining agreement that provides for coverage by that fund and that sets forth a fund
97.18 contribution rate, but not to exceed an employer contribution of \$5,000 per year per
97.19 employee;

97.20 (9) to the plumbers and pipefitters national pension fund or to a plumbers and
97.21 pipefitters local pension fund for the employees of a governmental subdivision who are
97.22 covered by a collective bargaining agreement that provides for coverage by that fund and
97.23 that sets forth a fund contribution rate, but not to exceed an employer contribution of
97.24 \$5,000 per year per employee;

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

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

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

98.1 (13) for employees of United Hospital District, Blue Earth, to the state of Minnesota
98.2 deferred compensation program, if the employee makes a contribution, in an amount that
98.3 does not exceed the total percentage of covered salary under section 353.27, subdivisions
98.4 3 and 3a.

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

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

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

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

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

98.18 (c) "Covered pension plan" means a plan enumerated in section 356.20, subdivision
98.19 2, clauses (1) to (4), (10), and (12) to (14), but does not mean the deferred compensation
98.20 plan administered under sections ~~352.96~~ 352.965 and 352.97 or to the postretirement
98.21 health care savings plan administered under section 352.98.

98.22 (d) "Governing board" means the Board of Trustees of the Public Employees
98.23 Retirement Association, the Board of Trustees of the Teachers Retirement Association, or
98.24 the Board of Directors of the Minnesota State Retirement System.

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

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

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

98.31 Subd. 3. **Contracting procedures.** (a) The commissioner may enter into a contract
98.32 for facilities with a contractor to furnish the architectural, engineering, and related services
98.33 as well as the labor, materials, supplies, equipment, and related construction services on

99.1 the basis of a request for qualifications and competitive responses received through a
99.2 request for proposals process that must include the items listed in paragraphs (b) to (i).

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

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

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

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

99.11 (4) conceptual floor plans for systems space;

99.12 (5) preferred types of interior finishes, styles of windows, lighting and outlets, doors,
99.13 and features such as built-in counters and telephone wiring;

99.14 (6) mechanical and electrical requirements;

99.15 (7) special interior features required; and

99.16 (8) a completion schedule.

99.17 (c) The commissioner shall first solicit statements of qualifications from eligible
99.18 contractors and select more than one qualified contractor based upon experience, technical
99.19 competence, past performance, capability to perform, and other appropriate facts.

99.20 Contractors selected under this process must be, employ, or have as a partner, member,
99.21 coventurer, or subcontractor, persons licensed and registered under chapter 326 to provide
99.22 the services required to design and complete the project. The commissioner does not
99.23 have to select any of the respondents if none reasonably fulfill the criteria set forth in
99.24 this paragraph.

99.25 (d) The contractors selected shall be asked to respond to a request for proposals.

99.26 Responses must include site plans, design concept, elevation, statement of material to
99.27 be used, floor layouts, a detailed development budget, and a total cost to complete the
99.28 project. The proposal must indicate that the contractor obtained at least two proposals

99.29 from subcontractors for each item of work and must set forth how the subcontractors
99.30 were selected. The commissioner, with the assistance of the boards, shall evaluate the
99.31 proposals based upon design, cost, quality, aesthetics, and the best overall value to the

99.32 state pension funds. The commissioner need not select any of the proposals submitted
99.33 and reserves the right to reject any and all proposals, and may terminate the process or

99.34 revise the request for proposals and solicit new proposals if the commissioner determines
99.35 that the best interests of the pension funds would be better served by doing so. Proposals
99.36 submitted are nonpublic data until the contract is awarded.

(e) The contractor selected must comply with sections 574.26 to 574.261. Before executing a final contract, the contractor selected shall certify a firm construction price and completion date.

(f) The commissioner may consider building sites in the city of St. Paul and surrounding suburbs.

(g) Any land, building, or facility leased, constructed, or acquired and any leasehold interest acquired under this section must be held by the state in trust for the three retirement systems as tenants in common. Each retirement system fund must consider its interest as a fixed asset of its pension fund in accordance with governmental accounting standards.

(h) The commissioner may lease to another governmental subdivision, to a private company under contract with the State Board of Investment, or with the Board of Directors of the Minnesota State Retirement System, whichever applies, to provide deferred compensation services under section ~~352.96~~ 352.965, any portion of the funds' building and lands that is not required for their direct use upon terms and conditions they deem to be in the best interest of the pension funds. Any income accruing from the rentals must be separately accounted for and utilized to offset ongoing administrative expenses and any excess must be carried forward for future administrative expenses. The commissioner may also enter into lease agreements for the establishment of satellite offices should the 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 of compliance issued by the commissioner under paragraph (a) or the business certifies that it is in compliance with federal affirmative action requirements.

(c) This section does not apply to contracts entered into by the State Board of Investment for investment options under section ~~352.96~~ 352.965, subdivision 4.

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

Sec. 10. Minnesota Statutes 2006, section 383B.914, subdivision 7, is amended to read:

Subd. 7. **Participation in state deferred compensation plan.** (a) Existing employees of the corporation, at the election of the corporation, if otherwise qualified, are eligible to participate in the Hennepin County supplemental retirement plan under sections 383B.46 and 383B.52.

(b) Existing and future employees of the corporation, at the election of the corporation, are eligible to participate in the Minnesota state deferred compensation plan under section ~~352.96~~ 352.965, the postretirement health care savings plan under section 352.98, and all other deferred compensation arrangements for which all persons

102.1 employed by the county whose employment is accounted for in the county enterprise fund
102.2 for HCMC were eligible.

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

102.4 Sec. 11. Minnesota Statutes 2006, section 518.003, subdivision 8, is amended to read:

102.5 Subd. 8. **Public pension plan.** "Public pension plan" means a pension plan or
102.6 fund specified in section 356.20, subdivision 2, or 356.30, subdivision 3, the deferred
102.7 compensation plan specified in section ~~352.96~~ 352.965, or any retirement or pension plan
102.8 or fund, including a supplemental retirement plan or fund, established, maintained, or
102.9 supported by a governmental subdivision or public body whose revenues are derived from
102.10 taxation, fees, assessments, or from other public sources.

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

102.12 Sec. 12. **REPEALER.**

102.13 Minnesota Statutes 2006, section 352.96; and Minnesota Rules, parts 7905.0100;
102.14 7905.0200; 7905.0300; 7905.0400; 7905.0500; 7905.0600; 7905.0700; 7905.0800;
102.15 7905.0900; 7905.1000; 7905.1100; 7905.1200; 7905.1300; 7905.1400; 7905.1500;
102.16 7905.1600; 7905.1700; 7905.1800; 7905.1900; 7905.2000; 7905.2100; 7905.2200;
102.17 7905.2300; 7905.2400; 7905.2450; 7905.2500; 7905.2560; 7905.2600; 7905.2700;
102.18 7905.2800; and 7905.2900, are repealed.

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

102.20 **ARTICLE 12**

102.21 **PERA POLICE AND FIRE PLAN**

102.22 **DUTY DISABILITY BENEFIT INCREASE**

102.23 Section 1. Minnesota Statutes 2007 Supplement, section 353.656, subdivision 1,
102.24 is amended to read:

102.25 Subdivision 1. **Duty disability; computation of benefits.** (a) A member of
102.26 the police and fire plan who is determined to qualify for duty disability as defined in
102.27 section 353.01, subdivision 41, shall receive disability benefits during the period of such
102.28 disability in an amount equal to 60 percent of the average salary as defined in section
102.29 353.01, subdivision 17a, plus an additional percentage specified under section 356.315,
102.30 subdivision 6, of that average salary for each year of service in excess of 20 years.

102.31 (b) To be eligible for a benefit under paragraph (a), the member must have:

103.1 (1) not met the requirements for a retirement annuity under section 353.651,
103.2 subdivision 1; or

103.3 (2) met the requirements under that subdivision, but does not have at least 20 years
103.4 of allowable service credit.

103.5 (c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a
103.6 period of 60 months from the disability benefit accrual date and at the end of that period
103.7 is subject to provisions of subdivision 5a.

103.8 (d) If the disability under this subdivision occurs before the member has at least five
103.9 years of allowable service credit in the police and fire plan, the disability benefit must be
103.10 computed on the average salary from which deductions were made for contribution to
103.11 the police and fire fund.

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

103.13 **ARTICLE 13**

103.14 **LOCAL POLICE AND PAID FIRE**

103.15 **RELIEF ASSOCIATION CHANGES**

103.16 Section 1. **[423A.021] DEFINED POSTRETIREMENT BENEFITS.**

103.17 **Subdivision 1. Pension unit increase.** For a salaried firefighters relief association in
103.18 a city of the first class with a population greater than 300,000, when the actuarial value
103.19 of assets of the special fund first exceeds 110 percent of the actuarial accrued liabilities,
103.20 according to an annual actuarial valuation occurring after the effective date of this section
103.21 and performed in accordance with sections 356.215 and 356.216, each service pensioner,
103.22 joint survivor annuitant, and surviving spouse member is entitled to a permanent benefit
103.23 increase. The revised benefit is an increase of one unit for a service pensioner, not to
103.24 exceed 43 units, an increase from 22 to 23 units for a surviving spouse benefit, and an
103.25 increase from 42.3 to 43.2 units for unmarried service pensioners. The association shall
103.26 pay the increased benefit beginning January 1 of the year following the year for which the
103.27 valuation was prepared. If adding an additional unit results in raising total units past the
103.28 maximum, a partial unit may be added to reach the maximum. For joint survivor annuities,
103.29 this subdivision authorizes a benefit increase actuarially equivalent to one unit.

103.30 **Subd. 2. Unit precedence.** The additional benefit provided for in subdivision
103.31 1 shall take precedence over any other benefit provided when the fund reaches 110
103.32 percent funding. In preparing the actuarial valuation under sections 356.215 and 356.216,
103.33 the actuary for the fund shall first account for the benefit provided in subdivision 1 in
103.34 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 14

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.

Whenever a public accountant in the course of auditing the books and affairs of a county, city, town, school district, ~~or other public corporations, shall discover~~ corporation, or local public pension plan governed by section 69.77, sections 69.771 to 69.775, or chapter 354A, 422A, 423B, 423C, or 424A, discovers evidence pointing to nonfeasance, misfeasance, or malfeasance, on the part of an officer or employee in the conduct of duties and affairs, the public accountant shall promptly make a report of such discovery to the state auditor and the county attorney of the county in which the governmental unit is situated and the public accountant shall also furnish a copy of the report of audit upon completion to said officers. The county attorney shall act on such report in the same manner as required by law for reports made to the county attorney by the state auditor.

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

Sec. 2. Minnesota Statutes 2006, section 69.011, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms shall for the purposes of this chapter and chapters 423, 423A, 424 and 424A have the meanings ascribed to them:

(a) "Commissioner" means the commissioner of revenue.

(b) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a park district subject to chapter 398;

(4) the University of Minnesota;

(5) for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation;

(6) for purposes of the police state aid program only, an American Indian tribal government with a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93;

(7) for purposes of the police state aid program only, the Metropolitan Airports Commission with respect to peace officers covered under chapter 422A; and

(8) for purposes of the police state aid program only, the Department of Natural Resources and the Department of Public Safety with respect to peace officers covered under chapter 352B.

(c) "Minnesota Firetown Premium Report" means a form prescribed by the commissioner containing space for reporting by insurers of fire, lightning, sprinkler leakage and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends.

(d) "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.

(e) "Market value" means latest available market value of all property in a taxing jurisdiction, whether the property is subject to taxation, or exempt from ad valorem taxation obtained from information which appears on abstracts filed with the commissioner of revenue or equalized by the State Board of Equalization.

(f) "Minnesota Aid to Police Premium Report" means a form prescribed by the commissioner for reporting by each fire and casualty insurer of all premiums received upon direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for insuring against the perils contained in auto insurance coverages as reported in the Minnesota business schedule of the annual financial statement which each insurer is required to file with

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the commissioner in accordance with the governing laws or rules less return premiums and dividends.

(g) "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality or county as a law enforcement officer on a full-time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months prior to December 31 preceding the date of the current year's certification under subdivision 2, clause (b);

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of a local police relief association to which section 69.77 applies, the State Patrol retirement plan, the public employees police and fire fund, or the Minneapolis Employees Retirement Fund.

(h) "Full-time equivalent number of peace officers providing contract service" means the integral or fractional number of peace officers which would be necessary to provide the contract service if all peace officers providing service were employed on a full-time basis as defined by the employing unit and the municipality receiving the contract service.

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (2), and (3), ~~and (4)~~.

(j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means the person who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body. In a park district, the clerk is the secretary of the board of park district commissioners. In the case of the University of Minnesota, the clerk is that official designated by the Board of Regents. For the Metropolitan Airports Commission, the clerk is the person designated by the commission. For the Department of Natural Resources or the Department of Public Safety, the clerk is the respective commissioner. For a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the clerk is the person designated by the applicable American Indian tribal government.

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

Sec. 3. Minnesota Statutes 2006, section 356A.06, subdivision 1, is amended to read:

Subdivision 1. **Authorized holder of assets; title to assets.** (a) Assets of a covered pension plan may be held only by:

107.1 (1) the plan treasurer;
107.2 (2) the State Board of Investment;
107.3 (3) the depository agent of the plan;
107.4 (4) a security broker or the broker's agent with, in either case, insurance equal to or
107.5 greater than the plan assets held from the Securities Investor Protection Corporation or
107.6 from excess insurance coverage; or
107.7 (5) the depository agent of the State Board of Investment.
107.8 (b) Legal title to plan assets must be vested in the plan, the State Board of
107.9 Investment, the governmental entity that sponsors the plan, the nominee of the plan, or
107.10 the depository agent. The holder of legal title shall function as a trustee for a person or
107.11 entity with a beneficial interest in the assets of the plan.

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

107.13 Sec. 4. Minnesota Statutes 2006, section 356A.06, subdivision 7, is amended to read:

107.14 Subd. 7. **Expanded list of authorized investment securities.** (a) **Authority.**

107.15 Except to the extent otherwise authorized by law, a covered pension plan not described by
107.16 subdivision 6, paragraph (a), shall invest its assets only in accordance with this subdivision.

107.17 (b) **Securities generally.** The covered pension plan has the authority to purchase,
107.18 sell, lend, or exchange the securities specified in paragraphs (c) to (i), including puts and
107.19 call options and future contracts traded on a contract market regulated by a governmental
107.20 agency or by a financial institution regulated by a governmental agency. These securities
107.21 may be owned as units in commingled trusts that own the securities described in
107.22 paragraphs (c) to (i), including real estate investment trusts and insurance company
107.23 commingled accounts, including separate accounts.

107.24 (c) **Government obligations.** The covered pension plan may invest funds in
107.25 governmental bonds, notes, bills, mortgages, and other evidences of indebtedness if the
107.26 issue is backed by the full faith and credit of the issuer or the issue is rated among the top
107.27 four quality rating categories by a nationally recognized rating agency. The obligations in
107.28 which funds may be invested under this paragraph include guaranteed or insured issues
107.29 of (1) the United States, its agencies, its instrumentalities, or organizations created and
107.30 regulated by an act of Congress; (2) Canada and its provinces, provided the principal and
107.31 interest is payable in United States dollars; (3) the states and their municipalities, political
107.32 subdivisions, agencies, or instrumentalities; (4) the International Bank for Reconstruction
107.33 and Development, the Inter-American Development Bank, the Asian Development Bank,
107.34 the African Development Bank, or any other United States government sponsored

108.1 organization of which the United States is a member, provided the principal and interest is
108.2 payable in United States dollars.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

109.25 (f) **Corporate stocks.** The covered pension plan may invest funds in stocks or
109.26 convertible issues of any corporation organized under the laws of the United States or the
109.27 states thereof, any corporation organized under the laws of the Dominion of Canada or its
109.28 provinces, or any corporation listed on an exchange regulated by an agency of the United
109.29 States or of the Canadian national government, if they conform to the following provisions:

109.30 (1) the aggregate value of investments under this paragraph, plus paragraphs (g) and
109.31 (k), plus equity investments under paragraphs (h), (i), and (j), as adjusted for realized
109.32 gains and losses, must not exceed 85 percent of the market or book value, whichever is
109.33 less, of a fund; and

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

110.1 (g) **Developed market foreign stocks investments.** In addition to investments
110.2 authorized under paragraph (f), the covered pension fund may invest in foreign stock sold
110.3 on an exchange in any developed market country that is included in the Europe, Australia,
110.4 and Far East Index.

110.5 (h) **Commingled or mutual investments.** The covered pension plan may invest
110.6 in index funds or mutual funds, including index mutual funds, through bank-sponsored
110.7 collective funds and shares of open-end investment companies registered under the
110.8 Federal Investment Company Act of 1940, ~~if the investments of the index or of the mutual~~
110.9 ~~fund to the extent that these funds~~ comply with paragraphs (c) to (j).

110.10 (i) **Real estate investment trust; related investments.** The covered pension plan
110.11 may invest in real estate investment trusts secured by mortgages or deeds of trust and
110.12 sold on an exchange, and insurance company commingled accounts, including separate
110.13 accounts, of a debt or equity nature.

110.14 (j) **Exchange traded funds.** The covered pension plan may invest funds in exchange
110.15 traded funds, subject to the maximums, the requirements, and the limitations set forth in
110.16 paragraphs (c) to (i), as applicable.

110.17 (k) **Other investments.** (1) In addition to the investments authorized in paragraphs
110.18 (b) to (j), and subject to the provisions in clause (2), the covered pension plan may invest
110.19 funds in:

110.20 (i) venture capital investment businesses through participation in limited partnerships
110.21 and corporations;

110.22 (ii) real estate ownership interests or loans secured by mortgages or deeds of trust
110.23 through investment in limited partnerships or bank sponsored collective funds;

110.24 (iii) regional and mutual funds through bank sponsored collective funds and
110.25 open-end investment companies registered under the Federal Investment Company Act
110.26 of 1940 ~~which do~~ to the extent that a fund or a portion of a fund does not qualify under
110.27 paragraph (h);

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

110.30 (v) international debt securities and emerging market equity securities.

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

110.33 (i) the aggregate value of all investments made according to clause (1), including
110.34 allocated amounts of index and mutual funds, may not exceed 20 percent of the market
110.35 value of the fund for which the covered pension plan is investing;

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

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

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

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

111.10 Sec. 5. Minnesota Statutes 2006, section 356A.06, subdivision 8b, is amended to read:

111.11 Subd. 8b. **Disclosure of investment authority; receipt of statement.** (a) For
111.12 this subdivision, the term "broker" means a broker, broker-dealer, investment advisor,
111.13 investment manager, or third party agent who transfers, purchases, sells, or obtains
111.14 investment securities for, or on behalf of, a covered pension plan.

111.15 (b) Before a covered pension plan may complete an investment transaction with or
111.16 in accord with the advice of a broker, the covered pension plan shall provide annually to
111.17 the broker a written statement of investment restrictions applicable under state law to the
111.18 covered pension plan or applicable under the pension plan governing board investment
111.19 policy.

111.20 (c) A broker must acknowledge in writing annually the receipt of the statement of
111.21 investment restrictions and must agree to handle the covered pension plan's investments
111.22 and assets in accord with the provided investment restrictions. A covered pension plan
111.23 may not enter into or continue a business arrangement with a broker until the broker has
111.24 provided this written acknowledgment to the chief administrative officer of the covered
111.25 pension plan.

111.26 (d) If any portion of the plan's assets are held by a security broker or its agent, the
111.27 security broker or its agent must acknowledge in writing annually that sufficient insurance
111.28 has been obtained from the Securities Investor Protection Corporation, supplemented by
111.29 additional insurance, if necessary, to cover the full amount of covered pension plan assets
111.30 held by the security broker or its agent. Uniform acknowledgment forms prepared by the
111.31 state auditor shall be used by covered pension plans and brokers to meet the requirements
111.32 of this subdivision.

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

112.1 Sec. 6. Minnesota Statutes 2006, section 424A.001, is amended by adding a
112.2 subdivision to read:

112.3 Subd. 1a. **Ancillary benefit.** "Ancillary benefit" means a benefit other than a service
112.4 pension that is permitted by law and that is provided for in the relief association bylaws.

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

112.6 Sec. 7. Minnesota Statutes 2006, section 424A.001, subdivision 6, is amended to read:

112.7 Subd. 6. **Surviving spouse.** For purposes of this chapter, and the governing bylaws
112.8 of any relief association to which this chapter applies, the term "surviving spouse" means
112.9 ~~any person who was the dependent spouse of a deceased active member or retired former~~
112.10 ~~member living with the member at the time of the death of the active member or retired~~
112.11 ~~former member for at least one year prior to the date on which the member terminated~~
112.12 ~~active service and membership~~ the spouse of a deceased member who was legally married
112.13 to the member at the time of death.

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

112.15 Sec. 8. Minnesota Statutes 2006, section 424A.02, subdivision 3, is amended to read:

112.16 Subd. 3. **Flexible service pension maximums.** (a) Annually on or before August
112.17 1 as part of the certification of the financial requirements and minimum municipal
112.18 obligation determined under section 69.772, subdivision 4, or 69.773, subdivision 5, as
112.19 applicable, the secretary or some other official of the relief association designated in
112.20 the bylaws of each relief association shall calculate and certify to the governing body
112.21 of the applicable qualified municipality the average amount of available financing per
112.22 active covered firefighter for the most recent three-year period. The amount of available
112.23 financing shall include any amounts of fire state aid received or receivable by the relief
112.24 association, any amounts of municipal contributions to the relief association raised from
112.25 levies on real estate or from other available revenue sources exclusive of fire state aid,
112.26 and one-tenth of the amount of assets in excess of the accrued liabilities of the relief
112.27 association calculated under section 69.772, subdivision 2; 69.773, subdivisions 2 and 4;
112.28 or 69.774, subdivision 2, if any.

112.29 (b) The maximum service pension which the relief association has authority to
112.30 provide for in its bylaws for payment to a member retiring after the calculation date when
112.31 the minimum age and service requirements specified in subdivision 1 are met must be
112.32 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
1215	15.00
1296	16.00
1377	17.00
1458	18.00
1539	19.00
1620	20.00
1701	21.00
1782	22.00
1823	22.50
1863	23.00
1944	24.00
2025	25.00

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114.1	2106	26.00
114.2	2187	27.00
114.3	2268	28.00
114.4	2349	29.00
114.5	2430	30.00
114.6	2511	31.00
114.7	2592	32.00
114.8	2673	33.00
114.9	2754	34.00
114.10	2834	35.00
114.11	2916	36.00
114.12	2997	37.00
114.13	3078	38.00
114.14	3159	39.00
114.15	3240	40.00
114.16	3321	41.00
114.17	3402	42.00
114.18	3483	43.00
114.19	3564	44.00
114.20	3645	45.00
114.21	3726	46.00
114.22	3807	47.00
114.23	3888	48.00
114.24	3969	49.00
114.25	4050	50.00
114.26	4131	51.00
114.27	4212	52.00
114.28	4293	53.00
114.29	4374	54.00
114.30	4455	55.00
114.31	4536	56.00
114.32	<u>Effective beginning December 31, 2008</u>	
114.33	<u>4617</u>	<u>57.00</u>
114.34	<u>4698</u>	<u>58.00</u>
114.35	<u>4779</u>	<u>59.00</u>
114.36	<u>4860</u>	<u>60.00</u>
114.37	<u>4941</u>	<u>61.00</u>
114.38	<u>5022</u>	<u>62.00</u>
114.39	<u>5103</u>	<u>63.00</u>
114.40	<u>5184</u>	<u>64.00</u>
114.41	<u>5265</u>	<u>65.00</u>
114.42	<u>Effective beginning December 31, 2009</u>	
114.43	<u>5346</u>	<u>66.00</u>

115.1	<u>5427</u>	<u>67.00</u>
115.2	<u>5508</u>	<u>68.00</u>
115.3	<u>5589</u>	<u>69.00</u>
115.4	<u>5670</u>	<u>70.00</u>
115.5	<u>5751</u>	<u>71.00</u>
115.6	<u>5832</u>	<u>72.00</u>
115.7	<u>5913</u>	<u>73.00</u>
115.8	<u>5994</u>	<u>74.00</u>
115.9	<u>Effective beginning December 31, 2010</u>	
115.10	<u>6075</u>	<u>75.00</u>
115.11	<u>6156</u>	<u>76.00</u>
115.12	<u>6237</u>	<u>77.00</u>
115.13	<u>6318</u>	<u>78.00</u>
115.14	<u>6399</u>	<u>79.00</u>
115.15	<u>6480</u>	<u>80.00</u>
115.16	<u>6561</u>	<u>81.00</u>
115.17	<u>6642</u>	<u>82.00</u>
115.18	<u>6723</u>	<u>83.00</u>
115.19	<u>Effective beginning December 31, 2011</u>	
115.20	<u>6804</u>	<u>84.00</u>
115.21	<u>6885</u>	<u>85.00</u>
115.22	<u>6966</u>	<u>86.00</u>
115.23	<u>7047</u>	<u>87.00</u>
115.24	<u>7128</u>	<u>88.00</u>
115.25	<u>7209</u>	<u>89.00</u>
115.26	<u>7290</u>	<u>90.00</u>
115.27	<u>7371</u>	<u>91.00</u>
115.28	<u>7452</u>	<u>92.00</u>
115.29	<u>Effective beginning December 31, 2012</u>	
115.30	<u>7533</u>	<u>93.00</u>
115.31	<u>7614</u>	<u>94.00</u>
115.32	<u>7695</u>	<u>95.00</u>
115.33	<u>7776</u>	<u>96.00</u>
115.34	<u>7857</u>	<u>97.00</u>
115.35	<u>7938</u>	<u>98.00</u>
115.36	<u>8019</u>	<u>99.00</u>
115.37	<u>8100</u>	<u>100.00</u>
115.38	<u>any amount in excess</u>	
115.39	<u>of 8100</u>	<u>100.00</u>

115.40 (d) For a relief association in which the governing bylaws provide for a lump sum
115.41 service pension to a retiring member, the maximum lump sum service pension amount for
115.42 each year of service credited that may be provided for in the bylaws is the greater of the
115.43 service pension amount provided for in the bylaws on the date of the calculation of the

116.1 average amount of the available financing per active covered firefighter or the maximum
116.2 service pension figure corresponding to the average amount of available financing per
116.3 active covered firefighter for the applicable specified period:

116.4	Minimum Average Amount of Available	Maximum Lump Sum Service
116.5	Financing per Firefighter	Pension Amount Payable for
116.6		Each Year of Service
116.7	\$...	\$ 10
116.8	11	20
116.9	16	30
116.10	23	40
116.11	27	50
116.12	32	60
116.13	43	80
116.14	54	100
116.15	65	120
116.16	77	140
116.17	86	160
116.18	97	180
116.19	108	200
116.20	131	240
116.21	151	280
116.22	173	320
116.23	194	360
116.24	216	400
116.25	239	440
116.26	259	480
116.27	281	520
116.28	302	560
116.29	324	600
116.30	347	640
116.31	367	680
116.32	389	720
116.33	410	760
116.34	432	800
116.35	486	900
116.36	540	1000
116.37	594	1100
116.38	648	1200
116.39	702	1300
116.40	756	1400
116.41	810	1500
116.42	864	1600
116.43	918	1700

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117.1	972	1800
117.2	1026	1900
117.3	1080	2000
117.4	1134	2100
117.5	1188	2200
117.6	1242	2300
117.7	1296	2400
117.8	1350	2500
117.9	1404	2600
117.10	1458	2700
117.11	1512	2800
117.12	1566	2900
117.13	1620	3000
117.14	1672	3100
117.15	1726	3200
117.16	1753	3250
117.17	1780	3300
117.18	1820	3375
117.19	1834	3400
117.20	1888	3500
117.21	1942	3600
117.22	1996	3700
117.23	2023	3750
117.24	2050	3800
117.25	2104	3900
117.26	2158	4000
117.27	2212	4100
117.28	2265	4200
117.29	2319	4300
117.30	2373	4400
117.31	2427	4500
117.32	2481	4600
117.33	2535	4700
117.34	2589	4800
117.35	2643	4900
117.36	2697	5000
117.37	2751	5100
117.38	2805	5200
117.39	2859	5300
117.40	2913	5400
117.41	2967	5500
117.42	3021	5600
117.43	3075	5700

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118.1	3129	5800
118.2	3183	5900
118.3	3237	6000
118.4	3291	6100
118.5	3345	6200
118.6	3399	6300
118.7	3453	6400
118.8	3507	6500
118.9	3561	6600
118.10	3615	6700
118.11	3669	6800
118.12	3723	6900
118.13	3777	7000
118.14	3831	7100
118.15	3885	7200
118.16	3939	7300
118.17	3993	7400
118.18	4047	7500
118.19	<u>Effective beginning December 31, 2008</u>	
118.20	<u>4101</u>	<u>7600</u>
118.21	<u>4155</u>	<u>7700</u>
118.22	<u>4209</u>	<u>7800</u>
118.23	<u>4263</u>	<u>7900</u>
118.24	<u>4317</u>	<u>8000</u>
118.25	<u>4371</u>	<u>8100</u>
118.26	<u>4425</u>	<u>8200</u>
118.27	<u>4479</u>	<u>8300</u>
118.28	<u>Effective beginning December 31, 2009</u>	
118.29	<u>4533</u>	<u>8400</u>
118.30	<u>4587</u>	<u>8500</u>
118.31	<u>4641</u>	<u>8600</u>
118.32	<u>4695</u>	<u>8700</u>
118.33	<u>4749</u>	<u>8800</u>
118.34	<u>4803</u>	<u>8900</u>
118.35	<u>4857</u>	<u>9000</u>
118.36	<u>4911</u>	<u>9100</u>
118.37	<u>Effective beginning December 31, 2010</u>	
118.38	<u>4965</u>	<u>9200</u>
118.39	<u>5019</u>	<u>9300</u>
118.40	<u>5073</u>	<u>9400</u>
118.41	<u>5127</u>	<u>9500</u>
118.42	<u>5181</u>	<u>9600</u>
118.43	<u>5235</u>	<u>9700</u>

119.1	<u>5289</u>	<u>9800</u>
119.2	<u>5343</u>	<u>9900</u>
119.3	<u>5397</u>	<u>10,000</u>
119.4	<u>any amount in excess</u>	
119.5	<u>of 5397</u>	<u>10,000</u>

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

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

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

119.22 Sec. 9. Minnesota Statutes 2006, section 424A.02, subdivision 7, is amended to read:

119.23 Subd. 7. **Deferred service pensions.** (a) A member of a relief association is entitled
119.24 to a deferred service pension if the member:

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

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

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

119.32 (b) The deferred service pension is payable when the former member reaches age
119.33 50, or the minimum age specified in the bylaws governing the relief association if that age
119.34 is greater than age 50, and when the former member makes a valid written application.

119.35 (c) A relief association that provides a lump sum service pension governed by
119.36 subdivision 3 may, when its governing bylaws so provide, pay interest on the deferred

120.1 lump sum service pension during the period of deferral. If provided for in the bylaws,
120.2 interest must be paid in one of the following manners:

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

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

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

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

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

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

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

121.1 to the separate relief association account balance or the fair market value of the separate
121.2 investment vehicle held by the relief association.

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

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

121.8 Sec. 10. Minnesota Statutes 2006, section 424A.02, subdivision 9, is amended to read:

121.9 Subd. 9. **Limitation on ancillary benefits.** Any relief association, including
121.10 any volunteer firefighters relief association governed by section 69.77 or any volunteer
121.11 firefighters division of a relief association governed by chapter 424, may only pay
121.12 ancillary benefits which would constitute an authorized disbursement as specified in
121.13 section 424A.05 subject to the following requirements or limitations:

121.14 (1) with respect to a relief association in which governing bylaws provide for a
121.15 lump sum service pension to a retiring member, no ancillary benefit may be paid to any
121.16 former member or paid to any person on behalf of any former member after the former
121.17 member (i) terminates active service with the fire department and active membership
121.18 in the relief association; and (ii) commences receipt of a service pension as authorized
121.19 under this section; and

121.20 (2) with respect to any relief association, no ancillary benefit paid or payable to any
121.21 member, to any former member, or to any person on behalf of any member or former
121.22 member, may exceed in amount the total earned service pension of the member or former
121.23 member. The total earned service pension must be calculated ~~using~~ by multiplying
121.24 the service pension amount specified in the bylaws of the relief association ~~and at the~~
121.25 time of death or disability, whichever applies, by the years of service credited to the
121.26 member or former member. The years of service must be determined as of (i) the date
121.27 the member or former member became entitled to the ancillary benefit; or (ii) the date
121.28 the member or former member died entitling a survivor or the estate of the member or
121.29 former member to an ancillary benefit. The ancillary benefit must be calculated ~~(i)~~ without
121.30 regard to whether the member ~~or former member~~ had attained the minimum amount of
121.31 service and membership credit specified in the governing bylaws, ~~and (ii) without regard~~
121.32 ~~to the percentage amounts specified in subdivision 2.~~ For active members, the amount
121.33 of a permanent disability benefit or a survivor benefit must be equal to the member's
121.34 total earned service pension except that the bylaws of any relief association may provide
121.35 for the payment of a survivor benefit in an amount not to exceed five times the yearly

122.1 service pension amount specified in the bylaws on behalf of any member who dies before
122.2 having performed five years of active service in the fire department with which the relief
122.3 association is affiliated.

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

122.5 Sec. 11. Minnesota Statutes 2006, section 424A.05, subdivision 3, is amended to read:

122.6 Subd. 3. **Authorized disbursements from the special fund.** (a) Disbursements
122.7 from the special fund are not permitted to be made for any purpose other than one of
122.8 the following:

122.9 (1) for the payment of service pensions to retired members of the relief association if
122.10 authorized and paid under law and the bylaws governing the relief association;

122.11 (2) for the payment of temporary or permanent disability benefits to disabled
122.12 members of the relief association if authorized and paid pursuant to law and specified in
122.13 amount in the bylaws governing the relief association;

122.14 (3) for the payment of survivor benefits to surviving spouses and surviving children,
122.15 or if none, to designated beneficiaries, of deceased members of the relief association,
122.16 and if survivors and if no designated beneficiary, for the payment of a death benefit to
122.17 the estate of the deceased active firefighter, if authorized by and paid pursuant to law and
122.18 specified in amount in the bylaws governing the relief association;

122.19 ~~(4) for the payment of any funeral benefits to the surviving spouse, or if no surviving~~
122.20 ~~spouse, the estate, of the deceased member of the relief association if authorized by law~~
122.21 ~~and specified in amount in the bylaws governing the relief association;~~

122.22 ~~(5)~~ for the payment of the fees, dues and assessments to the Minnesota State Fire
122.23 Department Association, to the Minnesota Area Relief Association Coalition, and to
122.24 the state Volunteer Firefighters Benefit Association in order to entitle relief association
122.25 members to membership in and the benefits of these associations or organizations; and

122.26 ~~(6)~~ (5) for the payment of administrative expenses of the relief association as
122.27 authorized under section 69.80.

122.28 (b) For purposes of this chapter, a designated beneficiary must be a natural person.

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

122.30 Sec. 12. **VOLUNTARY STATEWIDE VOLUNTEER FIREFIGHTER**
122.31 **RETIREMENT PLAN ADVISORY BOARD.**

122.32 Subdivision 1. **Definitions.** (a) For purposes of this article, unless the context clearly
122.33 indicates otherwise, the terms or phrases in this subdivision have the meanings given them.

123.1 (b) "Board" means the voluntary statewide lump-sum volunteer firefighter retirement
123.2 plan advisory board established under subdivision 2.

123.3 (c) "Executive director" means the executive director of the Public Employees
123.4 Retirement Association.

123.5 (d) "Fire department" means the agency or department of a municipality or an
123.6 independent nonprofit firefighting corporation that is charged with the prevention and
123.7 suppression of fire and other related emergency activities.

123.8 (e) "Firetown" means the area serviced by any municipality having a qualified fire
123.9 department or a qualified incorporated fire department having a subsidiary volunteer
123.10 firefighters relief association.

123.11 Subd. 2. **Establishment.** The voluntary statewide lump-sum volunteer firefighter
123.12 retirement plan advisory board is established.

123.13 Subd. 3. **Membership.** (a) The voluntary statewide lump-sum volunteer firefighter
123.14 retirement plan advisory board consists of six persons. The members of the board must
123.15 be appointed as follows:

123.16 (1) board seat A: a volunteer firefighter from a firetown with a population under
123.17 5,000 appointed by the president of the Minnesota State Fire Departments Association;

123.18 (2) board seat B: a volunteer firefighter from a firetown with a population greater
123.19 than 5,000 and less than 9,001 appointed by the president of the Minnesota State Fire
123.20 Chiefs Association;

123.21 (3) board seat C: a volunteer firefighter from a firetown with a population greater
123.22 than 9,000 and less than 20,000 appointed by the president of the Minnesota State Fire
123.23 Departments Association;

123.24 (4) board seat D: a volunteer firefighter from a firetown with a population greater
123.25 than 19,999 appointed by the president of the Minnesota State Fire Chiefs Association;

123.26 (5) board seat E: a person appointed by the president of the League of Minnesota
123.27 Cities; and

123.28 (6) board seat F: a person appointed by the president of the Minnesota Association
123.29 of Townships.

123.30 (b) The members of the board shall serve until August 1, 2009.

123.31 (c) Service as a member of the board is uncompensated and does not qualify for
123.32 the reimbursement of expenses or for any per diem allowance by the state or the Public
123.33 Employees Retirement Association.

123.34 (d) A vacancy on the board must be filled by appointment by the governor in
123.35 accordance with the requirements specified in paragraph (a).

123.36 Subd. 4. **Board duties.** The board shall:

124.1 (1) elect a chair; and
124.2 (2) with the advice and administrative support of the executive director, draft
124.3 legislative recommendations for establishment, organization, and administration of the
124.4 voluntary statewide lump-sum volunteer firefighter retirement plan consistent with
124.5 this section, Minnesota Statutes, chapters 356 and 356A, and any other limitation or
124.6 requirement of law.

124.7 Subd. 5. **Information from municipalities and fire departments.** Municipalities
124.8 and fire departments with volunteer firefighters who would be covered by the plan shall
124.9 provide all relevant information and records that the board or the executive director
124.10 requires to perform their duties.

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

124.12 Sec. 13. **REPEALER OF PRIOR INCONSISTENT SPECIAL VOLUNTEER**
124.13 **FIRE RELIEF ASSOCIATION ANCILLARY BENEFIT LEGISLATION.**

124.14 Subdivision 1. **Anoka.** Laws 1969, chapter 352, section 1, subdivisions 3, 4, 5,
124.15 and 6, are repealed.

124.16 Subd. 2. **Butterfield.** Laws 1975, chapter 185, section 1, is repealed.

124.17 Subd. 3. **Coon Rapids.** Laws 1973, chapter 304, section 1, subdivisions 3, 4, 5, 6,
124.18 7, 8, and 9, are repealed.

124.19 Subd. 4. **Edina.** (1) Laws 1965, chapter 592, section 3, as amended by Laws 1969,
124.20 chapter 644, section 2, and Laws 1975, chapter 229, section 2; (2) Laws 1965, chapter
124.21 592, section 4, as amended by Laws 1969, chapter 644, section 2, Laws 1975, chapter 229,
124.22 section 3, Laws 1985, chapter 261, section 37, and Laws 1991, chapter 125, section 1; (3)
124.23 Laws 1985, chapter 261, section 37, as amended by Laws 1991, chapter 125, section 1;
124.24 and (4) Laws 1991, chapter 125, section 1, are repealed.

124.25 Subd. 5. **Fairmont.** Laws 1967, chapter 575, sections 2, as amended by Laws 1979,
124.26 chapter 201, section 23; 3; and 4, are repealed.

124.27 Subd. 6. **Falcon Heights.** Laws 1969, chapter 526, sections 3; 4; 5, as amended
124.28 by Laws 1974, chapter 208, section 2; and 7, as amended by Laws 1974, chapter 208,
124.29 section 3, are repealed.

124.30 Subd. 7. **Golden Valley.** Laws 1971, chapter 140, sections 2, as amended by Laws
124.31 1973, chapter 30, section 2; 3, as amended by Laws 1973, chapter 30, section 3; 4, as
124.32 amended by Laws 1973, chapter 30, section 4; and 5, as amended by Laws 1973, chapter
124.33 30, section 5; and Laws 1993, chapter 244, article 4, section 1, are repealed.

124.34 Subd. 8. **Wayzata.** Laws 1973, chapter 472, section 1, as amended by Laws 1976,
124.35 chapter 272, section 1, and Laws 1979, chapter 201, section 33, is repealed.

125.3 **EFFECTIVE DATE; LOCAL APPROVAL.** (a) Subdivision 1 is effective the day
125.4 after the governing body of Anoka and its chief clerical officer timely complete their
125.5 compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, after June
125.6 30, 2009.

125.7 (b) Subdivision 2 is effective the day after the governing body of Butterfield and its
125.8 chief clerical officer timely complete their compliance with Minnesota Statutes, section
125.9 645.021, subdivisions 2 and 3, after June 30, 2009.

125.10 (c) Subdivision 3 is effective the day after the governing body of Coon Rapids and
125.11 its chief clerical officer timely complete their compliance with Minnesota Statutes, section
125.12 645.021, subdivisions 2 and 3, after June 30, 2009.

125.13 (d) Subdivision 4 is effective the day after the governing body of Edina and its
125.14 chief clerical officer timely complete their compliance with Minnesota Statutes, section
125.15 645.021, subdivisions 2 and 3, after June 30, 2009.

125.16 (e) Subdivision 5 is effective the day after the governing body of Fairmont and its
125.17 chief clerical officer timely complete their compliance with Minnesota Statutes, section
125.18 645.021, subdivisions 2 and 3, after June 30, 2009.

125.19 (f) Subdivision 6 is effective the day after the governing body of Falcon Heights
125.20 and its chief clerical officer timely complete their compliance with Minnesota Statutes,
125.21 section 645.021, subdivisions 2 and 3, after June 30, 2009.

125.22 (g) Subdivision 7 is effective the day after the governing body of Golden Valley and
125.23 its chief clerical officer timely complete their compliance with Minnesota Statutes, section
125.24 645.021, subdivisions 2 and 3, after June 30, 2009.

125.25 (h) Subdivision 8 is effective the day after the governing body of Wayzata and its
125.26 chief clerical officer timely complete their compliance with Minnesota Statutes, section
125.27 645.021, subdivisions 2 and 3, after June 30, 2009.

125.28 (i) Subdivision 9 is effective the day after the governing body of White Bear Lake
125.29 and its chief clerical officer timely complete their compliance with Minnesota Statutes,
125.30 section 645.021, subdivisions 2 and 3, after June 30, 2009.

125.31

125.32

125.33

(a) Upon written authorization of a person receiving an annuity from a public pension fund administered by the Minnesota State Retirement System, the Public Employees Retirement Association, or the Minneapolis Employees Retirement Fund, the executive director of the public pension fund may deduct from the retirement annuity an amount requested by the annuitant to be paid as dues to any labor organization that is an exclusive bargaining agent representing public employees or an organization representing retired public employees of which the annuitant is a member and shall pay the amount to the organization so designated by the annuitant.

(b) A pension fund and the plan fiduciaries which authorize or administer deductions of dues payments under paragraph (a) are not liable for failure to properly deduct or transmit the dues amounts, provided that the fund and the fiduciaries have acted in good faith.

(c) The deductions under paragraph (a) may occur no more frequently than two times per year and may not be used for political purposes.

(d) Any labor organization specified in paragraph (a) shall reimburse the public pension fund for the administrative expense of withholding premium amounts.

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

ARTICLE 16

SMALL GROUP PROVISIONS

Section 1. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION COVERAGE TERMINATION.

Subdivision 1. **Eligibility.** (a) An eligible individual specified in paragraph (b) is authorized to apply for a retirement annuity, provided necessary age and service requirements are met, under Minnesota Statutes, section 353.29 or 353.30, as applicable, as further specified under subdivision 2.

(b) An eligible individual is an individual who:

(1) was employed by Independent School District No. 535, Rochester, on October 6, 1993, and became a member of the Public Employees Retirement Association coordinated plan;

(2) terminated from Independent School District No. 535, Rochester, on December 31, 2003;

(3) was elected to the Rochester City Council on April 22, 2003, and sworn in on May 5, 2003;

(4) was reelected to the Rochester City Council and took office in November 2004;

127.1 (5) continued to work for Olmsted County on a contract basis, while serving on
127.2 the city council;

127.3 (6) elected under law then applicable to have Public Employees Retirement
127.4 Association coordinated plan coverage for the city council elected service; and

127.5 (7) terminated Independent School District No. 535, Rochester, employment but is
127.6 unable to commence receipt of a Public Employees Retirement Association coordinated
127.7 plan annuity because of the continuing Public Employees Retirement Association
127.8 coordinated plan coverage for the elected city council service and for Olmsted County.

127.9 Subd. 2. **Retirement annuity.** (a) Notwithstanding an irrevocable election to
127.10 participate in the Public Employees Retirement Association coordinated plan as an elected
127.11 official and continuation of elected service, an eligible individual under subdivision 1,
127.12 paragraph (b), is deemed to have terminated membership under Minnesota Statutes, section
127.13 353.01, subdivision 11b, following termination of the Olmsted County employment.

127.14 (b) If the requirements of paragraph (a) are satisfied, the eligible individual may
127.15 apply for a retirement annuity under Minnesota Statutes, section 353.29 or 353.30, as
127.16 applicable. In computing the annuity, the Public Employees Retirement Association
127.17 must exclude salary due to the elected Rochester City Council service. Deferred annuity
127.18 augmentation under Minnesota Statutes, section 353.71, applies to this annuity.

127.19 Subd. 3. **Treatment of Rochester City Council contributions to the Public**
127.20 **Employees Retirement Association.** (a) All employee contributions to the Public
127.21 Employees Retirement Association coordinated plan by an eligible individual in
127.22 subdivision 1, paragraph (b), due to the elected Rochester City Council service, and all
127.23 corresponding employer contributions, must be determined.

127.24 (b) An eligible individual under subdivision 1, paragraph (b), must elect, within
127.25 one year of the effective date of this section or upon termination of elective service,
127.26 whichever is earlier, a refund under Minnesota Statutes, section 353.34, subdivision 2,
127.27 of employee contributions determined under paragraph (a), or coverage by the public
127.28 employees defined contribution plan under Minnesota Statutes, chapter 353D, as further
127.29 specified in paragraph (c).

127.30 (c) If public employee defined contribution plan coverage is elected under paragraph
127.31 (b), contributions to that plan commence as of the first day of the pay period following
127.32 this election, and accumulated employee and employer contributions determined under
127.33 paragraph (a) must be transferred with six percent annual interest to an account for the
127.34 eligible individual in the public employees defined contribution plan.

127.35 (d) If no election is made by an eligible individual by the required date in paragraph
127.36 (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

129.1 disabled as of the date of the termination of active employment, the prior retirement
129.2 annuity application is reinstated.

129.3 (e) The authority to withdraw a previously filed retirement annuity application under
129.4 this section expires on January 1, 2009.

129.5 **EFFECTIVE DATE.** This section is effective the day following final enactment
129.6 and applies to any eligible person who was a public employee on December 1, 2006.

129.7 Sec. 3. **PERA-P&F; TRANSFER OF SERVICE CREDIT FOR PRIOR MAPLE**
129.8 **GROVE CITY EMPLOYMENT PERIOD.**

129.9 Subdivision 1. **Authorization.** An eligible person described in subdivision 2 is
129.10 authorized to have service credit transferred under subdivision 3 upon the payment of the
129.11 additional amounts required under subdivision 4 and upon the substantiation of the nature
129.12 of the employment under subdivision 5.

129.13 Subd. 2. **Eligible person.** For purposes of this section, an eligible person is a
129.14 person who:

129.15 (1) was born on April 12, 1956;

129.16 (2) was initially employed by the city of Maple Grove on February 16, 1988;

129.17 (3) was employed as a full-time fire inspector by the fire-rescue department of the
129.18 city of Maple Grove, including daytime response to fire calls, with retirement coverage
129.19 by the coordinated program of the general employees retirement plan of the Public
129.20 Employees Retirement Association, on April 2, 1990; and

129.21 (4) was transferred to retirement coverage by the public employees police and fire
129.22 retirement plan as a fire inspector by Maple Grove city council action on January 1, 1996.

129.23 Subd. 3. **Service credit transfer.** (a) An eligible person, upon filing a written
129.24 application as prescribed by the executive director of the Public Employees Retirement
129.25 Association and upon compliance with subdivisions 4 and 5, shall have service credit
129.26 for the period from April 2, 1990, to January 1, 1996, transferred from the coordinated
129.27 program of the general employees retirement plan to the public employees police and
129.28 fire retirement plan on the first of the month next following the receipt of the additional
129.29 payments under subdivision 4.

129.30 (b) Upon the transfer of service credit under paragraph (a), the service credit of
129.31 the eligible person in the coordinated program of the general employees retirement
129.32 plan for the period from April 2, 1990, to January 1, 1996, is forfeited and may not be
129.33 subsequently restored under Minnesota Statutes, section 353.35, or any other applicable
129.34 provision of law.

130.1 Subd. 4. **Additional payment amounts.** (a) Accompanying the written application
130.2 under subdivision 3, the eligible person shall include an additional member contribution
130.3 payment for the period from April 2, 1990, to January 1, 1996. The additional member
130.4 contribution payment amount is the difference between the member contribution rate
130.5 under Minnesota Statutes, section 353.65, subdivision 2, and the member contribution rate
130.6 under Minnesota Statutes, section 353.27, subdivision 2, applied to the eligible person's
130.7 total covered salary for the period from April 2, 1990, to January 1, 1996, plus annual
130.8 compound interest from August 1, 1993, to the date on which the payment is made at the
130.9 rate of 8.5 percent.

130.10 (b) Upon receipt of the additional member contributions under paragraph (a), the
130.11 executive director of the Public Employees Retirement Association shall notify the city
130.12 of Maple Grove that the payment was made and the amount of the additional employer
130.13 contribution. Within 30 days of the receipt of the notification from the Public Employees
130.14 Retirement Association, the city of Maple Grove shall pay the additional employer
130.15 contribution amount. The amount is the difference between the present value of the
130.16 eligible person's combined retirement annuity from the coordinated program of the general
130.17 employees retirement plan and from the public employees police and fire retirement plan
130.18 as of the end of the month preceding the payment of the additional member contribution
130.19 amount and the present value of the potential retirement annuity from the public employees
130.20 police and fire retirement plan if the service credit transfer occurred as of the same date,
130.21 reduced by the amount of the retirement plan asset transfer under paragraph (c) and by the
130.22 amount of the additional member contribution amount. The present value computation
130.23 must be made by the actuary retained under Minnesota Statutes, section 356.214, and must
130.24 utilize the applicable actuarial assumptions under Minnesota Statutes, section 356.215.
130.25 The additional employer contribution amount must be paid in a lump sum. If the additional
130.26 employer contribution payment is not made in a timely fashion, the executive director of
130.27 the Public Employees Retirement Association shall notify the commissioners of finance
130.28 and revenue of that fact and the commissioners shall deduct the required amount from any
130.29 state aid or other state payment amount applicable to the city, plus interest on the amount
130.30 at the rate of one percent per month from the payment due date to the actual payment date.

130.31 (c) Upon the receipt of the additional member contribution under paragraph (a), the
130.32 executive director shall transfer an amount equal to double the eligible person's member
130.33 contributions to the coordinated program of the general employees retirement plan for the
130.34 period from April 2, 1990, to January 1, 1996, plus compound interest at the annual rate
130.35 of 8.5 percent from August 1, 1993, to the date of transfer from the general employees
130.36 retirement fund to the public employees police and fire retirement fund.

131.1 Subd. 5. **Public safety employment substantiation.** Service credit is transferrable
131.2 under this section only if the employment for the city of Maple Grove by the eligible
131.3 person during the period from April 2, 1990, to January 1, 1996, is documented as
131.4 constituting firefighter employment sufficient to qualify for public employees police and
131.5 fire retirement plan membership and eligibility if the city of Maple Grove had adopted the
131.6 resolution under Minnesota Statutes, section 353.64, subdivision 2, as of April 2, 1990.
131.7 The city of Maple Grove and the eligible person must provide any relevant documentation
131.8 required by the executive director of the Public Employees Retirement Association.

131.9 Subd. 6. **Expiration.** Authority to transfer service credit under this section expires
131.10 on July 1, 2009.

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

131.12 Sec. 4. **TEACHERS RETIREMENT ASSOCIATION COVERAGE ELECTION**
131.13 **FOR CERTAIN MNSCU FACULTY MEMBERS.**

131.14 (a) Notwithstanding any provision to the contrary of Minnesota Statutes, chapter
131.15 354B, an eligible person described in paragraph (b) may elect prospective and retroactive
131.16 retirement coverage under paragraph (c).

131.17 (b) An eligible person is a person who:

131.18 (1) was born on December 9, 1954;

131.19 (2) was initially employed by the Minnesota State Colleges and Universities system
131.20 on a part-time basis at Metropolitan State University on January 12, 2004;

131.21 (3) was first employed in excess of 25 percent of full-time employment by the
131.22 Minnesota State Colleges and Universities system on August 27, 2005;

131.23 (4) was covered by the higher education individual retirement account plan because
131.24 of a failure of the Minnesota State Colleges and Universities system to advise about the
131.25 default retirement coverage provision of Minnesota Statutes, section 354B.21, subdivision
131.26 3; and

131.27 (5) became a full-time employee of the Minnesota State Colleges and Universities
131.28 system as a full-time faculty member at Metropolitan State University on July 17, 2007.

131.29 (c) An eligible person may elect retirement coverage by the Teachers Retirement
131.30 Association rather than the higher education individual retirement account plan for faculty
131.31 employment rendered after the date of the retirement coverage election under this section
131.32 and for past Minnesota State Colleges and Universities system faculty employment from
131.33 January 12, 2004, until the date of the retirement coverage election. The election must
131.34 be made in writing, must be filed with the executive director of the Teachers Retirement

Association, and must be accompanied with any relevant documentation required by the executive director of the Teachers Retirement Association.

(d) If an eligible person makes the retirement coverage election under paragraph (c), the eligible person's member contributions to the higher education individual retirement account plan must be transferred to the Teachers Retirement Association, with any earned investment returns on those contributions. If the transferred member contributions and investment earnings are less than the calculated amount of the member contribution that the eligible person would have made to the Teachers Retirement Association on the eligible person's compensation from the Minnesota State Colleges and Universities system for the period from August 27, 2005, to the date of the retirement coverage election, if the person had been covered by the Teachers Retirement Association during the period, plus annual compound interest at the rate of 8.5 percent, the eligible person shall pay the balance of that calculated member contribution obligation within 30 days of the retirement coverage election. Any payment may be made through an institution-to-institution transfer from the eligible person's account in the Minnesota state deferred compensation program or the eligible person's tax-sheltered savings account under the federal Internal Revenue Code, section 403(b).

(e) Upon the transfer of the equivalent member contribution amount and any additional payments under paragraph (d), the balance of the eligible person's higher education individual retirement account plan account must be transferred to the Teachers Retirement Association. If the amounts under paragraph (d) and the higher education individual retirement account plan account balance under this paragraph are less than the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.551, the Minnesota State Colleges and Universities system shall pay that difference within 60 days of the retirement coverage election date.

(f) Upon the transfers and payments under paragraphs (d) and (e), the eligible person must be credited by the Teachers Retirement Association with allowable and formula service for Minnesota State Colleges and Universities system employment since January 12, 2004.

(g) The authority to make a retirement coverage election under this section expires on January 1, 2009.

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

Sec. 5. TEACHERS RETIREMENT ASSOCIATION; SERVICE CREDIT PURCHASE AUTHORIZATION.

(a) Notwithstanding any provision of Minnesota Statutes, chapter 354, to the contrary, an eligible person described in paragraph (b) may purchase allowable and formula service credit under Minnesota Statutes, section 354.05, subdivisions 13 and 25, from the Teachers Retirement Association, for the period of prior out-of-state teaching service specified in paragraph (c), by making the payment required under paragraph (d).

(b) An eligible person is a person who:

(1) was born on April 7, 1976;

(2) was a teacher at the Edwardsville High School in O'Fallon, Illinois, during the 1998-1999, 1999-2000, 2000-2001, and 2001-2002 school years;

(3) was a teacher for Independent School District No. 196, Rosemount, at the Apple Valley High School during the 2002-2003, 2003-2004, 2004-2005, 2005-2006, and 2006-2007 school years; and

(4) was on a leave of absence from Independent School District No. 196, Rosemount, for the 2007-2008 school year.

(c) The period of prior service credit available for purchase is up to 4.188 years, representing Illinois teaching service rendered during the 1998-1999, 1999-2000, 2000-2001, and 2001-2002 school years. The prior service credit may not exceed one year of service credit in any school year and may not include any prior teaching service that entitles the eligible person to a current or deferred age and service retirement annuity or disability benefit from the Illinois Teachers Retirement System or that was previously subject to a prior service credit purchase from another defined benefit public employee retirement plan.

(d) The purchase payment amount under this section is the amount calculated under Minnesota Statutes, section 356.551. If permitted by federal law and Illinois state law, the purchase payment obligation may be met in whole or in part by an institution-to-institution transfer of the eligible person's account balance in the Illinois Teachers Retirement System.

(e) The election to purchase prior service credit under this section must be made in writing and must be filed with the executive director of the Teachers Retirement Association. The executive director of the Teachers Retirement Association may require the documentation of the applicability of this section and any other relevant information from the eligible person.

EFFECTIVE DATE; EXPIRATION. This section is effective the day following final enactment and expires on January 1, 2010.

Sec. 6. REVISED TOTAL AND PERMANENT DISABILITY BENEFIT, MINNEAPOLIS BOMB SQUAD DISABILITANT.

(a) Notwithstanding Minnesota Statutes 2007 Supplement, section 353.656, subdivision 1a, to the contrary, an eligible person specified in paragraph (b) is entitled to the benefit specified in paragraph (c).

(b) An eligible person is a person who:

(1) was born on September 9, 1964;

(2) was injured on February 9, 2005, while working as a police officer on the city of Minneapolis bomb squad, causing traumatic brain injury;

(3) because of ineligibility for coverage under the federal Old Age, Survivors, and Disability Insurance Program, is not eligible for federal Old Age, Survivors, and Disability Insurance Program disability benefits; and

(4) commenced receiving public employees police and fire retirement plan disability benefits on August 12, 2006.

(c) The disability benefit payable to an eligible person specified in paragraph (b) is 75 percent of average salary as defined in Minnesota Statutes, section 353.01, subdivision 17a. The benefit specified in this paragraph commences on the first day of the month after the effective date, and is in lieu of the disability benefit otherwise provided by law.

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

Sec. 7. PERA CONSOLIDATED INDEPENDENT SCHOOL DISTRICT NO. 2859, GLENCOE/SILVER LAKE, ANNUITANT WAIVER OF REPAYMENT REQUIREMENT.

(a) Notwithstanding any provisions of Minnesota Statutes 2007 Supplement, section 353.01, subdivision 28, to the contrary, an eligible person described in paragraph (b) must be considered by the executive director of the Public Employees Retirement Association to have retired on September 30, 2003, although the person rendered service in October 2003 as an employee of an independent contractor which provided services to the same governmental subdivision from which the individual terminated service on September 30, 2003.

(b) An eligible person is a person who:

(1) was born on November 13, 1944;

(2) was hired on August 17, 1964, by Independent School District No. 422, Glencoe, predecessor of the now consolidated Independent School District No. 2859, Glencoe/Silver Lake, with coverage by the general employees retirement plan of the Public Employees Retirement Association;

(3) terminated employment as manager of the grounds and transportation for the school district on September 30, 2003; and

(4) relying upon incomplete or erroneous information provided by the Public Employees Retirement Association regarding separation from service requirements as it applies to independent contractor employment, became an employee in October 2003 of the independent contractor providing bus service for the same school district.

(c) Notwithstanding Minnesota Statutes, section 353.27, subdivision 7b, an eligible person described in paragraph (b) must not be required to repay, through suspension or reduction of the annuity or any other means, any Public Employees Retirement Association general plan retirement annuity amount received before December 31, 2004.

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

Sec. 8. PERA-GENERAL; CITY OF ST. PAUL EMPLOYEE SERVICE CREDIT PURCHASE.

(a) An eligible person described in paragraph (b) is entitled to purchase allowable service credit from the general employees retirement plan of the Public Employees Retirement Association for the period of employment by the city of St. Paul between May 1, 1982, and March 31, 1984, that qualified as employment by a public employee under Minnesota Statutes 1982, section 353.01, subdivision 2, that was not previously credited by the retirement plan.

(b) An eligible person is a person who:

(1) was born on March 25, 1960;

(2) was first employed by the city of St. Paul on April 23, 1979;

(3) qualified for Public Employees Retirement Association general plan coverage in May 1982 but was not reported by the city of St. Paul to the Public Employees Retirement Association for coverage until April 1984; and

(4) became a member of the general employees retirement plan of the Public 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>

137.1	<u>B</u>	<u>May 15, 1957</u>	<u>January 1, 2006</u>	<u>January 20, 2007</u>
137.2	<u>C</u>	<u>May 7, 1960</u>	<u>January 1, 1992</u>	<u>February 17, 1998</u>
137.3	<u>D</u>	<u>July 16, 1969</u>	<u>January 1, 2004</u>	<u>April 13, 2007</u>

137.4 (c) To make the purchase, eligible persons A, B, and D shall pay an amount equal to
137.5 five percent of the salary of the eligible person between the date of the initial school board
137.6 membership and the date of enrollment in the public employees defined contribution plan,
137.7 plus compound interest on that amount from the midpoint of that period to the date of
137.8 payment. To make the purchase, eligible person C shall make two payments, one before
137.9 December 15, 2008, and the other after January 1, 2009, and before January 31, 2010,
137.10 each in an amount equal to 2.5 percent of the salary of the eligible person between January
137.11 1, 1992, and February 17, 1998, plus compound interest on that amount at the rate of six
137.12 percent from July 1, 1994, to the date of payment.

137.13 (d) If the eligible person makes the payment under paragraph (c), Independent
137.14 School District No. 625, St. Paul, shall pay an amount equal to the payment amount or
137.15 amounts under paragraph (c). The employer payment or payments must be made within
137.16 ten days of the date of notification of the eligible person's payment by the executive
137.17 director of the Public Employees Retirement Association.

137.18 (e) This authority expires on May 31, 2010, or on the first day of the month next
137.19 following the conclusion of the eligible member's elected public service, whichever
137.20 occurs earlier.

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

137.22 Sec. 10. **TEACHERS RETIREMENT ASSOCIATION; SERVICE CREDIT**
137.23 **PURCHASE AUTHORIZATION.**

137.24 (a) Notwithstanding any provision of Minnesota Statutes, chapter 354, to the
137.25 contrary, unless the period to be purchased is credited as allowable service by another
137.26 retirement plan covered by Minnesota Statutes, section 356.30, or is ineligible for credit as
137.27 allowable or formula service under Minnesota Statutes, chapter 354, an eligible person
137.28 described in paragraph (b) may purchase allowable and formula service credit under
137.29 Minnesota Statutes, section 354.05, subdivisions 13 and 25, from the Teachers Retirement
137.30 Association, for the period specified in paragraph (c), by making the payment required
137.31 under paragraph (d).

137.32 (b) An eligible person is a person who:

137.33 (1) was born on December 8, 1974; and

(2) took a leave of absence from teaching in Wayzata, Independent School District, No. 284, from January, 2006, through March, 2006, during which the person did not receive allowable and formula service credit from the Teachers Retirement Association.

(c) The period of prior service credit available for purchase is 26.5 days.

(d) The purchase payment amount under this section is the amount calculated in Minnesota Statutes, section 356.551.

(e) The election to purchase prior service credit under this section must be made in writing and must be filed with the executive director of the Teachers Retirement Association. The executive director may require documentation of the applicability of this section and any other relevant information from the eligible person.

EFFECTIVE DATE; EXPIRATION. (a) This section is effective the day following final enactment.

(b) This section expires on June 30, 2009.

Sec. 11. MSRS-UNCLASSIFIED PROGRAM; MARITAL PROPERTY DIVISION.

(a) An eligible state employee described in paragraph (b) may elect to have the person's account in the unclassified state employees retirement program of the Minnesota State Retirement System governed by Minnesota Statutes, chapter 352D, divided as provided in a marital property division decree as part of a marriage dissolution action prior to the date on which the person terminates state employment.

(b) An eligible state employee is a person who:

(1) was born on July 19, 1953;

(2) was employed by the State Lottery in October 1989; and

(3) filed a marital property division decree from a marriage dissolution action with the executive director of the Minnesota State Retirement System.

(c) The former spouse of an eligible state employee, following the division election 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

- 139.1 employees retirement plan obtained by the election must bear the same relationship
139.2 to the total state employment of the employee that the employee's portion of the total
139.3 account bears to the total account amount. An election by an eligible state employee
139.4 under Minnesota Statutes, section 352D.02, subdivision 3, does not apply to the former
139.5 spouse and does not prevent the former spouse from utilizing Minnesota Statutes, section
139.6 352D.05, at any time after the division election under paragraph (a) is made or Minnesota
139.7 Statutes, section 352D.06, when the former spouse attains at least age 55.
- 139.8 (e) A division election under paragraph (a) is irrevocable.
- 139.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

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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.

APPENDIX

Repealed Minnesota Statutes: H3082-5

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.