

Sec. 13. **EFFECTIVE DATE.**This act is effective July 1, 1985.

Approved June 25, 1985

CHAPTER 7 — H.F.No. 2

An act relating to retirement; making various changes in laws governing public retirement funds; amending Minnesota Statutes 1984, sections 3.85, subdivisions 11 and 12; 176.021, subdivision 7; 352.01, subdivision 11; 352.029; 352.22, subdivision 3; 352.95, subdivision 1; 352B.10; 352E.01, subdivision 2; 352E.04; 353.01, subdivision 16; 353.27, subdivision 12; 353.271, subdivision 2; 353.656, subdivision 1; 353.657, subdivision 2a; 354.44, subdivisions 5 and 6; 354.48, subdivisions 3, 6, and 7; 354.49, subdivision 2; 354.55, subdivision 11; 354.62, subdivision 2; 354A.35, subdivision 1; 356.20, subdivision 4; 356.215, subdivision 4; 356.216; 356.70; and Laws 1984, chapter 501, section 1; proposing coding for new law in Minnesota Statutes, chapter 352D; repealing Minnesota Statutes 1984, sections 352.113, subdivision 5; and 354.621.

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

Section 1. Minnesota Statutes 1984, section 3.85, subdivision 11, is amended to read:

Subd. 11. **RULES STANDARDS FOR PENSION VALUATIONS AND COST ESTIMATES.** The commission shall by June 30, 1985, adopt rules standards prescribing specific detailed methods of calculating, evaluating, and displaying current and proposed law liabilities, costs, and actuarial equivalents of all public employee pension plans in Minnesota. These rules standards shall be consistent with the general direction prescribed in chapter 356 and shall be updated annually thereafter.

There is appropriated from the general fund to the commission not to exceed \$75,000 in fiscal year 1985, and \$25,000 in each fiscal year thereafter for developing, implementing, and annually updating the rules adopted pursuant to this section.

Sec. 2. Minnesota Statutes 1984, section 3.85, subdivision 12, is amended to read:

Subd. 12. **LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT TO PREPARE VALUATIONS AND MAKE REPORTS TO LEGISLATURE.** (a) The legislative commission on pensions and retirement shall annually contract with an established actuarial consulting firm to conduct annual valuations and finance financial adequacy studies for the funds specified in (b). The contract shall also include provisions for performing cost analyses of proposals for changes in benefit and funding policies.

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(b) The plans which ~~the legislative commission on pension and retirement shall include~~ be included in the contract for valuation and analysis are:

- (1) the Statewide Teachers Retirement Association;
- (2) the General Plan, Minnesota State Retirement System;
- (3) the Correctional Plan, Minnesota State Retirement System;
- (4) the State Patrol Plan, Minnesota State Retirement System;
- (5) the Judges Plan, Minnesota State Retirement System;
- (6) the Minneapolis Employees Retirement Fund;
- (7) the General Plan, Public Employees Retirement Association;
- (8) the Police and Fire Plan, Public Employees Retirement Association;
- (9) the Duluth Teachers Retirement Association;
- (10) the Minneapolis Teachers Retirement Association;
- (11) the St. Paul Teachers Retirement Association; and
- (12) the Legislator's Retirement Plan.

(c) The ~~annual Contracts~~ contract shall include the following objectives:

(1) Every year beginning in fiscal year 1986, the contract shall specify completion of standard valuations for the ~~period ending June 30 of the preceding fiscal year~~ with contents as described in section 356.215, subdivision 4; and cash flow forecasts through the amortization target date. For funds using a calendar year valuation period the first valuation shall be for the period ending December 31, 1985.

(2) Every four years, beginning in fiscal year ~~1986~~ 1988, the contract shall specify completion of an experience study for the four-year period ending June 30 of the preceding fiscal year. The experience study shall evaluate the appropriateness of continuing to use for future valuations the assumptions relating to: individual salary progression; rate of return on investments; payroll growth; mortality; withdrawal; disability; retirement; and any other experience-related factor that could impact the future financial condition of the retirement funds.

(d) The commission shall annually prepare a report to the legislature summarizing the results of the valuations and cash flow projections and shall include with its report recommendations concerning the appropriateness of the support rates to achieve proper funding of the retirement funds by the required funding dates. It shall also, within two months of the completion of the quadrennial experience studies, prepare a report to the legislature on the appropriateness of the valuation assumptions listed in paragraph (c), clause (2).

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(e) Beginning with the fiscal year commencing July 1, 1985, there is annually appropriated to the commission \$400,000 for the purchase of actuarial consulting services to prepare annual valuations, cash flow forecasts, and cost analyses of benefit or funding proposals.

(f) There is appropriated quadrennially, beginning in fiscal year 1986, \$100,000 for the purchase of actuarial consulting services to perform the experience study described in paragraph (e), clause (2).

Sec. 3. Minnesota Statutes 1984, section 176.021, subdivision 7, is amended to read:

Subd. 7. **PUBLIC OFFICER.** If an employee who is a public officer of the state or governmental subdivision continues to receive the compensation of his office during a period when he is receiving benefits under the workers' compensation law for temporary total or temporary partial disability or permanent total disability and the compensation of his office exceeds \$100 a year, the amount of that compensation attributable to the period for which benefits under the workers' compensation law are paid shall be deducted from such benefits. If an employee covered by the Minnesota state retirement system receives total and permanent disability benefits pursuant to section 352.113 or disability benefits pursuant to sections 352.95 and 352B.10, the amount of disability benefits shall be deducted from workers' compensation benefits otherwise payable. Notwithstanding the provisions of section 176.132, a deduction under this subdivision does not entitle an employee to supplemental benefits under section 176.132.

Sec. 4. Minnesota Statutes 1984, section 352.01, subdivision 11, is amended to read:

Subd. 11. **ALLOWABLE SERVICE.** "Allowable service" means:

(1) Any service rendered by an employee for which on or before July 1, 1957, he was entitled to allowable service credit on the records of the system by reason of employee contributions in the form of salary deductions, payments in lieu of salary deductions, or in any other manner authorized by Minnesota Statutes 1953, chapter 352, as amended by Laws 1955, chapter 239, ~~or~~;

(2) Any service rendered by an employee for which on or before July 1, 1961, he elected to obtain credit for service by making payments to the fund pursuant to Minnesota Statutes 1961, section 352.24, ~~or~~;

(3) Except as provided in ~~clause (9)~~ clauses (9) and (10), any service rendered by an employee after July 1, 1957, for any calendar month in which he is paid salary from which deductions are made, deposited and credited in the fund, including deductions made, deposited and credited as provided in section 352.041, ~~or~~;

(4) Except as provided in ~~clause (9)~~ clauses (9) and (10), any service rendered by an employee after July 1, 1957 for any calendar month for which

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payments in lieu of salary deductions are made, deposited and credited in the fund, as provided in section 352.27 and Minnesota Statutes 1957, section 352.021, subdivision 4.

For purposes of ~~paragraphs clauses~~ clauses (3) and (4) of this subdivision, except as provided in ~~clause (9) clauses (9) and (10)~~, any salary paid for a fractional part of any calendar month is deemed the compensation for the entire calendar month, ~~or;~~

(5) The period of absence from their duties by employees who by reason of injuries incurred in the performance thereof are temporarily disabled and for which disability the state is liable under the workers' compensation law until the date authorized by the director for the commencement of payments of a total and permanent disability benefit from the retirement fund, ~~or;~~

(6) The unused portion of an employee's annual leave allowance for which he is paid salary, ~~or;~~

(7) Any service covered by a refund repaid as provided in sections 352.23 or 352D.05, subdivision 4, but does not include service rendered as an employee of the adjutant general for which the person has credit with the federal civil service retirement system, ~~or;~~

(8) Any service prior to July 1, 1978 by an employee of the transit operating division of the metropolitan transit commission or by an employee on an authorized leave of absence from the transit operating division of the metropolitan transit commission who is employed by the labor organization which is the exclusive bargaining agent representing employees of the transit operating division which was credited by the metropolitan transit commission-transit operating division employees retirement fund or any of its predecessor plans or funds as past, intermediate, future, continuous or allowable service as defined in the metropolitan transit commission-transit operating division employees retirement fund plan document in effect on December 31, 1977, ~~or;~~

(9) Any service rendered after July 1, 1983, by an employee who is employed on a part-time basis for less than ~~80~~ 50 percent of full time, for which the employee is paid salary from which deductions are made, deposited and credited in the fund, including deductions made, deposited and credited as provided in section 352.041 or for which payments in lieu of salary deductions are made, deposited and credited in the fund as provided in section 352.27 shall be credited on a fractional basis either by pay period, monthly, or annually based upon the relationship that the percentage of salary earned bears to a full-time salary, with any salary paid for the fractional service credited on the basis of the rate of salary applicable for a full-time pay period, month, or a full-time year, ~~or.~~ For periods of part-time service which is duplicated service credit, the provisions of section 356.30, subdivision 1, clauses (i) and (j), shall govern;

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(10) Any service by an employee in the Minnesota demonstration job-sharing program pursuant to sections 43.56 to 43.62 which is less than 40 hours per week or 2,080 hours per year and for which the employee is paid salary from which deductions are made, deposited and credited in the fund, shall be credited on a fractional basis either weekly or annually based upon the relationship that the number of hours of service bears to either 40 hours per week or 2,080 hours per year, with any salary paid for the fractional service credited on the basis of the rate of salary applicable for a full-time week or a full-time year.

The allowable service determined and credited on a fractional basis pursuant to clauses (9) and (10) shall be used in calculating the amount of benefits payable, but service as determined on a fractional basis shall not be used in determining the length of service required for eligibility for benefits;

(11) Any period of authorized leave of absence without pay which does not exceed one year and for which the employee obtained credit by payment to the fund made in lieu of salary deductions. To obtain credit, the employee shall pay an amount equal to the employee and employer contribution rate provided in section 352.04, subdivisions 2 and 3, multiplied by the employee's hourly rate of salary on the date of return from leave of absence and by the days and months of the leave of absence without pay for which the employee desires to obtain allowable service credit. The employing department, at its option, may pay the employer amount on behalf of its employees. Payments made under this clause shall include interest at the rate of six percent per annum from the date of termination of the leave of absence to the date payment is made unless payment is completed within one year of the return from leave of absence.

Sec. 5. Minnesota Statutes 1984, section 352.029, is amended to read:

352.029 COVERAGE FOR EMPLOYEES OF LABOR ORGANIZATIONS.

Subdivision 1. **QUALIFICATIONS.** A former state employee who is an employee of a labor organization which is an exclusive bargaining agent representing state employees or a state employee on leave of absence without pay to provide service as an employee or officer of a labor organization that is an exclusive bargaining agent representing state employees, may elect pursuant to subdivision 2 to be covered by the state retirement system established by this chapter with respect to service with the labor organization unless specifically excluded under section 352.01, subdivision 2B.

Subd. 2. **ELECTION.** A person described in subdivision 1 shall be covered by the state retirement system if written election to be covered is delivered to the executive director before July 1, 1977 or December 31, 1985, within 30 90 days of being employed by the labor organization, or within 90 days of commencing their first leave of absence with an exclusive bargaining agent, whichever is later.

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Subd. 3. **CONTRIBUTIONS.** The employee, employer and additional employer contributions required pursuant to section 352.04 shall be the obligation of the employee who elects coverage under this section; provided, however, that the employing labor organization may pay the employer and employer additional contributions. Contributions made by the employee shall be made by salary deduction. The employing labor organization shall remit all contributions to the state retirement system pursuant to section 352.04.

Subd. 4. **PURCHASE OF PRIOR SERVICE CREDIT.** Any ~~former state employee~~ person who elects membership pursuant to this section shall be allowed to make payment for service rendered prior to ~~July 1, 1977~~ December 31, 1985, in a labor organization designated in subdivision 1; provided that the labor organization makes satisfactory certification of the prior service of the former state employee. Payment shall include all employee, employer and additional employer contributions at the rates in effect when the service was rendered plus interest at the rate of six percent per annum from the year of purchase to the date payment is made; provided, however, that the employing labor organization may pay the employer and employer additional contributions plus interest at the specified rate. Payment shall be made in one lump sum prior to ~~July 1, 1982~~ December 31, 1985 or prior to retirement, whichever is earlier, and no allowable service with respect to such payment shall be credited to the employee's account until payment is received by the executive director.

Subd. 5. **BOARD MEMBERSHIP EXCLUDED.** ~~Persons~~ Employees of a labor organization who become members of the state retirement system pursuant to this section shall not be eligible for election to the board of trustees.

Sec. 6. Minnesota Statutes 1984, section 352.22, subdivision 3, is amended to read:

Subd. 3. **DEFERRED ANNUITY.** (1) Any employee with at least ten years of allowable service when such termination occurs may at his option leave his accumulated contributions in the fund and thereby be entitled to a deferred retirement annuity. This annuity shall be computed in the manner provided by the law in effect at the time state service terminated, on the basis of allowable service prior to termination of service.

(2) An employee on layoff or on leave of absence without pay, except a leave of absence for health reasons, who does not return to state service shall have any annuity, deferred annuity or other benefit to which he may become entitled computed under the law in effect on his last working day.

(3) No application for a deferred annuity shall be made more than 60 days prior to the time the former employee reaches the required age to entitle him to the payment of the annuity. The deferred annuity shall begin to accrue no earlier than 60 days prior to the date the application is filed in the office of the system ~~except that if an optional annuity as provided in section 352.116 is~~

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selected the annuity shall begin to accrue 30 days after the application is filed, but in no event prior to the date the employee reaches the required age to entitle him to the annuity nor prior to the day following the termination of state service in a position not covered by the retirement system nor prior to the day following the termination of employment in a position which requires the employee to be a member of either the public employees retirement association or the teachers retirement association.

(4) Application for the accumulated contributions left on deposit with the fund may be made at any time after 30 days following the date of termination of service.

Sec. 7. Minnesota Statutes 1984, section 352.95, subdivision 1, is amended to read:

Subdivision 1. Any covered correctional employee less than 55 years of age who shall become disabled and physically unfit to perform the duties of the position as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty which shall render the employee physically or mentally unable to perform the duties, shall be entitled to a disability benefit based on covered correctional service only, in an amount equal to 50 percent of the average salary defined in section 352.93, plus an additional ~~two~~ 2-1/2 percent for each year of covered correctional service in excess of 20 years but not in excess of 25 years, and two percent for each year of covered correctional service in excess of 25 years, pro-rated for completed months, to a maximum monthly benefit of 75 percent of the average monthly salary.

Sec. 8. Minnesota Statutes 1984, section 352B.10, is amended to read:

352B.10 DISABILITY BENEFITS.

(1) Any member less than 55 years of age, who shall become disabled and physically unfit to perform his duties as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, which shall render the member physically or mentally unable to perform his or her duties, shall receive disability benefits during the period of such disability. The benefits shall be paid in monthly installments equal to that portion of the average monthly salary of the member multiplied (a) by 50 percent and, (b) by an additional ~~two~~ 2-1/2 percent for each year and pro rata for completed months of service in excess of 20 years, but not exceeding 25 years and two percent for each year and pro rata for completed months of service in excess of 25 years.

(2) If a member is injured under circumstances which entitle him to receive benefits under the workers' compensation law, he shall receive the same benefits as provided in clause (1), less the amount paid to him in weekly benefits under the workers' compensation law.

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(3) Any member who after not less than five years of service, before reaching the age of 55, terminates employment because of sickness or injury occurring while not on duty and not engaged in state work entitling the member to membership and the termination is necessary because the member is unable to perform his or her duties shall be entitled to receive a disability benefit. The benefit shall be in the same amount and computed in the same manner as if the member were 55 years of age at the date of disability and the annuity were paid pursuant to section 352B.08. Should disability under this clause occur after five but in less than ten years service, the disability benefit shall be computed as though the member had ten years service.

(4) (3) No member shall receive any disability benefit payment when the member has unused annual leave or sick leave or under any other circumstances, when during the period of disability there has been no impairment of salary. Should such member or former member resume a gainful occupation and his or her earnings are less than the salary received at the date of disability or the salary currently paid for similar positions, the disability benefit shall be continued in an amount which when added to earnings does not exceed the salary received at the date of disability or the salary currently paid for similar positions, whichever is higher, provided the disability benefit in such case does not exceed the disability benefit originally allowed.

(5) (4) No disability benefit payment shall be made except upon adequate proof furnished to the director of the existence of such disability, and during the time when any such benefits are being paid, the director shall have the right, at reasonable times, to require the disabled former member to submit proof of the continuance of the disability claimed.

(6) (5) A disabled member not eligible for survivorship coverage pursuant to section 352B.11, subdivision 2, may elect the normal disability benefit or an optional annuity as provided in section 352B.08, subdivision 2. The election of an optional annuity shall be made prior to commencement of payment of the disability benefit and shall be effective 30 days after receipt of this election or the date on which the disability benefit begins to accrue, whichever occurs later. Upon becoming effective, the optional annuity shall begin to accrue on the same date as provided for the disability benefit.

Sec. 9. [352D.12] TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.

An employee who is a participant in the unclassified program and who has prior service credit in a covered plan under chapters 352, 353, 354, 354A, and 422A may, within the time limits in this section, elect to transfer to the unclassified program accumulated employee and equal employer contributions with interest at six percent a year compounded annually, based on fiscal year balances.

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If a participant has taken a refund from a fund listed in this section, the participant may repay the refund to that fund, notwithstanding any restrictions on repayment to that fund, plus six percent interest a year compounded annually and have the accumulated employee and equal employer contributions transferred to the unclassified program with interest at six percent a year compounded annually based on fiscal year balances.

A participant electing to transfer prior service contributions under this section must complete the application for the transfer and repay any refund within one year of the effective date of this section or the commencement of the employee's participation in the unclassified program, whichever is later.

Sec. 10. Minnesota Statutes 1984, section 352E.01, subdivision 2, is amended to read:

Subd. 2. **PEACE OFFICER.** "Peace officer" means:

(a) A police officer employed by the state of Minnesota or any governmental subdivision within the state to enforce the criminal laws;

(b) A Minnesota state patrol officer;

(c) A sheriff or fulltime deputy sheriff with power of arrest by warrant;

(d) A state conservation officer as defined in section 84.028, subdivision 3;

(e) A person employed by the bureau of criminal apprehension as a police officer with power of arrest by warrant;

(f) A correction officer employed at any correctional institution and charged with maintaining the safety, security, discipline and custody of inmates at such institutions;

(g) A firefighter employed on a fulltime basis by a fire department of any governmental subdivision of the state who is engaged in the hazards of fire fighting or a regularly enrolled member of a volunteer fire department or member of an independent nonprofit firefighting corporation who is engaged in the hazards of fire fighting;

(h) A good samaritan who complies with the request or direction of a peace officer to assist the officer; and

(i) A reserve police officer or a reserve deputy sheriff acting under the supervision and authority of a political subdivision.

Sec. 11. Minnesota Statutes 1984, section 352E.04, is amended to read:
352E.04 DISBURSEMENTS.

Upon certification to the governor by the administrator of the fund that a peace officer employed by a state or governmental subdivision within this state

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has been killed in the line of duty, leaving a spouse or one or more eligible dependents, the commissioner of finance shall, subject to the approval of the workers' compensation court of appeals, pay \$100,000 as follows:

- (a) If there is no dependent child, to the spouse;
- (b) If there is no spouse, to the dependent child or children in equal shares;
- (c) If there are both a spouse and one or more dependent children, one-half to the spouse and one-half to the child or children, in equal shares;
- (d) If there is no surviving spouse or dependent child or children, to the parent or parents dependent for support on the decedent, in equal shares;
- (e) If there is no surviving spouse or dependent child, children or parent, then there shall be no payment made from the peace officers benefit fund.

"Killed in the line of duty" does not include deaths from natural causes or deaths that occur during employment for a private employer other than an independent nonprofit firefighting corporation.

Sec. 12. Minnesota Statutes 1984, section 353.01, subdivision 16, is amended to read:

Subd. 16. **ALLOWABLE SERVICE.** "Allowable service" means:

- (1) Service during years of actual membership in the course of which employee contributions were currently made; periods covered by payments in lieu of salary deductions made as provided in section 353.35, and service in years during which the public employee was not a member but for which he later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect.
- (2) Any period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund.
- (3) Any period of authorized leave of absence without pay which does not exceed one year, and during or for which a member obtained credit by payments to the fund made in lieu of salary deductions, provided that such payments are made in an amount or amounts based on his average salary on which deductions were paid (a) for the last six months of public service, or (b) that portion of the last six months while he was in public service, to apply to the period in either case immediately preceding commencement of such leave of absence; provided, however, that if the employee elects to pay employee contributions for the period of any leave of absence without pay, or for any portion thereof, he shall also, as a condition to the exercise of such election, pay to the fund an amount equivalent to both the required employer and additional employer contributions therefor, such payment to be made currently or within one year from the date the leave of

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absence terminates, unless the employer by appropriate action of its governing body and made a part of its official records, prior to the date of the first payment of such employee contribution, certifies to the association in writing that it will cause to be paid such employer and additional employer contributions from the proceeds of a tax levy made pursuant to section 353.28. Payments under this clause shall include interest at the rate of six percent per annum from the date of the termination of the leave of absence to the date payment is made.

(4) Any period during which a member is on an authorized sick leave of absence, without pay limited to one year, or an authorized temporary layoff.

(5) Any period during which a member is on an authorized leave of absence to enter military service, provided that the member returns to public service upon discharge from military service pursuant to section 192.262, and pays into the fund employee contributions based upon his salary at the date of return from military service. After June 30, 1983 payment must be made within five years of the date of discharge from the military service. The amount of these contributions shall be in accord with the contribution rates and salary limitations, if any, in effect during such leave, plus interest thereon at six percent per annum compounded annually from the date of return to public service to the date payment is made. In such cases the matching employer contribution and additional employer contribution provided in section 353.27, subdivisions 3 and 3a, shall be paid by the department employing such member upon his return to public service and the governmental subdivision involved is hereby authorized to appropriate money therefor. Such member shall not receive credit for any voluntary extension of military service at the instance of the member beyond the initial period of enlistment, induction or call to active duty.

(6) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the community corrections act, Minnesota Statutes 1984, chapter 401, and transferred into county service under Minnesota Statutes 1984, section 401.04, allowable service means combined years of allowable service as defined in Minnesota Statutes 1984, section 352.01, subdivision 11, and Minnesota Statutes 1984, section 353.01, subdivision 16, paragraphs (1) to (5).

Sec. 13. Minnesota Statutes 1984, section 353.27, subdivision 12, is amended to read:

Subd. 12. **OMITTED SALARY DEDUCTIONS; OBLIGATIONS.** In the case of omission of required deductions from salary of an employee, past due for a period of 60 days or less, the head of the department shall deduct from the employee's next salary payment and forthwith remit to the executive director the amount of the employee contribution delinquency, with cumulative interest thereon at the rate of six percent per annum, compounded annually, from the date or dates each delinquent employee contribution was first payable, such interest to be paid by the employer. To the extent that any such omitted

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required deductions are not paid by the employee, they shall constitute a liability of the governmental subdivision which failed to make said required deductions, with interest thereon as hereinbefore specified. After July 1, 1973, any such omitted required deductions, past due for a period in excess of 60 days, shall become the sole obligation of the governmental subdivision from the time such deductions were first payable, together with interest thereon as hereinbefore specified. Any amount so due, together with employer and additional employer contributions at the rates and in the amounts specified in subdivisions 3 and 3a, with interest thereon at the rate of six percent compounded annually from the date they were first payable, shall be paid from the proceeds of a tax levy made pursuant to section 353.28, or from other funds available to the employer. Unless otherwise indicated, this subdivision shall have both retroactive and prospective application, and the governmental subdivision is liable retroactively and prospectively for all amounts due hereunder. No action for the recovery of delinquent employee and employer contributions or interest thereon shall be commenced and ~~no payment of delinquent contributions shall be made or accepted~~ after the expiration of three calendar years next following the calendar year in which the contributions were omitted.

Sec. 14. Minnesota Statutes 1984, section 353.271, subdivision 2, is amended to read:

Subd. 2. **VALUATION OF ASSETS; ADJUSTMENT OF BENEFITS.** (1) ~~Effective July 1, 1973,~~ For members retiring, the required reserves determined ~~on a five percent using the post-retirement interest assumption specified in section 356.215, subdivision 4d,~~ shall be transferred to the Minnesota post-retirement investment fund as of the date of retirement.

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

(3) Notwithstanding section 356.18, increases in payments pursuant to this section will be made automatically unless the intended recipient files written notice with the public employees retirement association requesting that the increase shall not be made.

Sec. 15. Minnesota Statutes 1984, section 353.656, subdivision 1, is amended to read:

Subdivision 1. **IN LINE OF DUTY; COMPUTATION OF BENEFITS.** Any member of the police and fire fund less than 55 years of age, who shall become disabled and physically unfit to perform his duties as a police officer or fire fighter subsequent to June 30, 1973, as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, which shall render him physically or mentally unable to perform his duties as a police officer or fire fighter, shall receive disability benefits during the period of such disability. The benefits shall be in an amount equal to 50 percent of the "average

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salary" pursuant to subdivision 3 plus an additional ~~two~~ 2-1/2 percent of said "average" salary for each year of service in excess of 20 years but not exceeding 25 years and two percent for each year thereafter. Should disability under this subdivision occur before the member has at least five years of allowable service credit in the police and fire fund, the disability benefit shall be computed on the "average salary" from which deductions were made for contribution to the police and fire fund.

Sec. 16. Minnesota Statutes 1984, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. If a member who has attained the age of at least 55 years and has credit for not less than ten years allowable service dies before public service has terminated, or if an employee who has filed a valid application for an annuity or disability benefit prior to termination of public service dies before the annuity or benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive, in lieu of a refund with interest provided in section 353.32, subdivision 1, or survivor benefits otherwise payable pursuant to subdivisions 1 and 2, an annuity equal to the ~~50~~ 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. No payment shall accrue 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 shall be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of such deceased member. Any member may request in writing that this subdivision not apply and that payment be made only to the designated beneficiary, as otherwise provided by this chapter.

Sec. 17. Minnesota Statutes 1984, section 354.44, subdivision 5, is amended to read:

Subd. 5. **RESUMPTION OF TEACHING.** Any person who retired under any provision of any retirement law applicable to schools and institutions covered by the provisions of this chapter and has thereafter resumed teaching in any school or institution to which this chapter applies shall continue to receive payments in accordance with the annuity except that during any year in which the person's income from the teaching service is in an amount equal to or 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 pursuant to the provisions of 42 U.S.C., Section 403. For the purpose of this subdivision, income from teaching service shall include all income from services

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performed as a consultant or an independent contractor for an employer unit covered by the provisions of this chapter.

In the event that the person has not yet reached the minimum age for the receipt of social security benefits, the maximum earnings for the person shall be equal to the annual maximum earnings allowable for the minimum age for the receipt of social security benefits. The amount in excess of the applicable re-employment income maximum specified in this subdivision shall be deducted from the annuity payable for the year immediately following the year in which the excess amount was earned. After a person has reached the age of 70, the person shall receive the annuity in full regardless of the amount of income.

Sec. 18. Minnesota Statutes 1984, section 354.44, subdivision 6, is amended to read:

Subd. 6. COMPUTATION OF FORMULA PROGRAM RETIREMENT ANNUITY. (1) The formula retirement annuity hereunder shall be computed in accordance with the applicable provisions of the formula stated in clause (2) hereof on the basis of each member's average salary for the period of his formula service credit. For the purposes of computing the formula benefits under the formula and variable program, if a combination of these formulas is used, the formula percentages used will be those percentages in each formula as continued for the respective years of service from one formula to the next.

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

(2) The average salary as defined in clause (1), multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	1.0 percent per year	2.0 percent per year
Each year of service thereafter	1.5 percent per year	2.5 percent per year

(3) Where any member retires prior to age 65 under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in this subdivision and subdivision 7, reduced by one-half of one percent for each month that the member is under age 65 to and including age 60 and reduced by one-fourth of one percent for each month under age ~~65~~ 60 at the time of retirement except that for any member who has 30 or more years of

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allowable service credit, the reduction shall be applied only for each month which the member is under age 62.

Sec. 19. Minnesota Statutes 1984, section 354.48, subdivision 3, is amended to read:

Subd. 3. **COMPUTATION OF BENEFITS.** (1) The amount of the disability benefit granted to members covered under section 354.44, subdivision 2, ~~elause clauses~~ (1) and (2) ~~or elause (3)~~₂, is an amount equal to double the annuity which could be purchased by the member's accumulated deductions plus interest thereon computed as though the teacher were age 65 at the time the benefit begins to accrue and in accordance with the law in effect when the disability application is received. Any member who applies for a disability benefit after June 30, 1974 and who failed to make an election pursuant to Minnesota Statutes 1971, Section 354.145, shall have his disability benefit computed under the provisions of this clause or clause (2) of this subdivision, whichever is larger.

The benefit granted shall be determined by the following:

- (a) The amount of the accumulated deductions;
- (b) Interest actually earned on these accumulated deductions to the date the benefit begins to accrue;
- (c) Interest for the years from the date the benefit begins to accrue to the date such member attains age 65 at the rate ~~which is the average rate credited for the five years prior to the date the benefit begins to accrue~~ of three percent;
- (d) Annuity purchase rates based on an appropriate annuity table of mortality with interest ~~assumption as provided in section 354.07, subdivision 4~~ of five percent.

In addition a supplementary monthly benefit shall be paid to basic members only in accordance with the following table:

Age When Benefit Begins to Accrue	Supplementary Benefit
Under Age 56	\$50
56	45
57	40
58	35
59	30
60	25
61	20
62	15
63	10
64	5

(2) The disability benefit granted to members covered under section 354.44, subdivisions 6 or 7 shall be computed in the same manner as the annuity

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provided in subdivisions 6 or 7 of that section, whichever is applicable. The disability benefit shall be the formula annuity without the reduction for each month the member is under age 65 at the time the benefit begins to accrue.

(3) ~~The optional annuity benefit provided in section 354.45 does not apply to this section.~~

(4) For the purposes of computing a retirement annuity when the member becomes eligible, the amounts paid for disability benefits shall not be deducted from the individual member's accumulated deductions. If the disability benefits provided in this subdivision exceed the monthly average salary of the disabled member, the disability benefits shall be reduced to an amount equal to the disabled member's average salary.

Sec. 20. Minnesota Statutes 1984, section 354.48, subdivision 6, is amended to read:

Subd. 6. **REGULAR PHYSICAL EXAMINATIONS.** At least once each year during the first five years following the allowance of a disability benefit to any member, and at least once in every three-year period thereafter, the board shall require the disability beneficiary to undergo a medical examination to be made at the place of residence of such person, or at any other place mutually agreed upon, by a physician or physicians engaged by the board. If any examination indicates that he is no longer permanently and totally disabled or that he is engaged or is able to engage in a substantial gainful occupation, payments of the disability benefit by the fund shall be discontinued. The payments shall discontinue as soon as he is reinstated to the payroll following sick leave, but in no case shall payment be made for more than 60 days after physicians engaged by the board find that such person is no longer permanently and totally disabled.

Sec. 21. Minnesota Statutes 1984, section 354.48, subdivision 7, is amended to read:

Subd. 7. **PARTIAL RE-EMPLOYMENT.** Should the disabled person resume a gainful occupation and his earnings are less than his salary at the date of disability or the salary currently paid for similar positions, the board shall continue the disability benefit in an amount which when added to such earnings does not exceed his salary at the date of disability or the salary currently paid for similar positions, whichever is lower, provided the disability benefit in such case does not exceed the disability benefit originally allowed. The provisions of this subdivision shall not prohibit the board from making a determination that a member is no longer totally and permanently disabled or that the member is engaged or is able to engage in a substantial gainful occupation based on the results of the regular physical examinations required by subdivision 6 or any other physical examinations required by the board. Payment of the disability benefit provided in this subdivision during a period of partial reemployment shall

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be discontinued if the board finds that the member is no longer totally and permanently disabled.

Sec. 22. Minnesota Statutes 1984, section 354.49, subdivision 2, is amended to read:

Subd. 2. Except as provided in section 354.44, subdivision 1, any person who ceases to be a member by reason of termination of teaching service, shall receive a refundment in an amount equal to ~~his~~ the accumulated deductions credited to the account as of June 30, 1957, and after July 1, 1957, the accumulated deductions with interest at the rate of five percent per annum compounded annually plus any variable annuity account accumulations payable pursuant to section 354.62, subdivision 5, clause (4). For the purpose of this subdivision, interest shall be computed on fiscal year end balances to the first day of the month in which the refund is issued.

Sec. 23. Minnesota Statutes 1984, section 354.55, subdivision 11, is amended to read:

Subd. 11. Any person covered under section 354.44, subdivisions 6 and 7, who ceases to render teaching service may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement. Eligibility for an annuity under this subdivision shall be governed pursuant to sections 354.44, subdivision 1, or 354.60.

The amount of the deferred retirement annuity shall be determined by section 354.44, subdivisions 6 and 7, and augmented as provided herein. The required reserves related to that portion of the annuity which had accrued at the time the member ceased to render teaching service shall be augmented by interest compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There shall be no augmentation if this period is less than three months or if this period commences prior to July 1, 1971. The rates of interest used for this purpose shall be five percent commencing July 1, 1971, until January 1, 1981, and three percent thereafter. If a person has more than one period of uninterrupted service, the required reserves related to each period shall be augmented by interest pursuant to this subdivision. The sum of the augmented required reserves so determined shall be the basis for purchasing the deferred annuity. If a person does not render teaching service in any one or more consecutive fiscal years and then resumes teaching service, the formula percentages used from date of resumption will be those applicable to new members. The mortality table and interest assumption contained therein used to compute the annuity shall be determined by the law in effect at the time of the member's retirement. A period of uninterrupted service for the purposes of this subdivision shall mean a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

The provisions of this subdivision shall not apply to variable account accumulations as defined in section 354.05, subdivision 23.

In no case shall the annuity payable herein be less than the amount of annuity payable pursuant to section 354.44, subdivisions 6 and 7.

The requirements and provisions for retirement prior to age 65 contained in section 354.44, subdivision 6, clause (2) shall also apply to an employee fulfilling the requirements with a combination of service as provided in section 354.60.

The augmentation provided by this subdivision shall not apply to any period in which a person is on an approved leave of absence from an employer unit covered by the provisions of this chapter.

Sec. 24. Minnesota Statutes 1984, section 354.62, subdivision 2, is amended to read:

Subd. 2. **INDIVIDUAL ELECTION.** Each member of the teachers retirement association may elect to participate in the variable annuity division by filing a written notice with the board of trustees on forms provided by the board.

(1) Employee variable annuity contributions to the variable annuity division shall be pursuant to the option available in section 354.44, subdivision 7, the employee variable annuity contributions shall be an amount equal to one-half of the employee rates specified in section 354.42, subdivision 2.

(2) Employer variable annuity contributions shall be an amount equal to the employee variable annuity contributions provided in clause (1). The deficiency in equal employer variable annuity contributions which shall exist prior to July 1, 1975 shall be recovered from the additional employer contributions made prior to July 1, 1975 pursuant to section 354.42, subdivision 5.

(3) There shall be provided for members participating in the variable annuity division a separate account for each member which will show his variable account accumulations as defined in section 354.05, subdivision 23. The board shall establish such other accounts in the variable annuity division as it deems necessary for the operation of this provision.

(4) After June 30, 1974 there shall be no new participants in this program.

(5) Effective July 1, 1978, no future employee and employer contributions shall be credited to any accounts in the variable annuity division unless the member elects continued participation in the variable annuity division pursuant to section 354.62. Any active member currently participating in the variable annuity division may elect to cease participation in the variable annuity division effective the July 1 following the filing of a written notice with the board of trustees on forms provided by the board. If this election is made, all future contributions will go to the formula program.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 25. Minnesota Statutes 1984, section 354A.35, subdivision 1, is amended to read:

Subdivision 1. **DEATH BEFORE RETIREMENT; REFUND.** If a coordinated member or former coordinated member dies prior to retirement or prior to the receipt of any retirement annuity or other benefit payment which is or may be payable and a surviving spouse optional annuity is not payable pursuant to subdivision 2, a refund shall be paid to the person's surviving spouse, or if there is none, to the person's designated beneficiary, or if there is none, to the legal representative of the person's estate. The refund shall be in an amount equal to the person's accumulated contributions plus interest at the rate of ~~3-1/2~~ five percent per annum compounded annually.

Sec. 26. Minnesota Statutes 1984, section 356.20, subdivision 4, is amended to read:

Subd. 4. **CONTENTS OF FINANCIAL REPORT.** Each financial report required by this section shall include:

(1) An exhibit prepared according to applicable actuarial standards enumerated in section 356.215, and specified in ~~rules standards~~ standards adopted by the legislative commission on pensions and retirement by an approved actuary as defined in section 356.215, subdivision 6 showing the accrued assets of the fund, the accrued liabilities, including accrued reserves, and the accrued unfunded liability of the fund. The exhibit shall contain the certificate of an approved actuary certifying that the required reserves for any benefits provided under a benefit formula are computed in accordance with the Entry Age Normal Cost (Level Normal Cost) actuarial method and ~~rules standards~~ standards adopted by the legislative commission on pensions and retirement.

(a) Assets shown in the exhibit shall include the following items of actual assets:

Cash in office

Deposits in banks

Accounts receivable:

Accrued members' contributions

Accrued employer contributions

Other

Accrued interest on investments

Dividends on stocks, declared but not yet received

Investment in bonds at ~~amortized~~ cost

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- Investment in stocks at cost
- Investment in real estate
- Equipment at cost, less depreciation
- Other
- Total assets

(b) The exhibit shall include a statement of the actuarial value of current assets as specified in section 356.215, subdivision 4, including:

- Cash and equivalents
- Fixed income investments
- Equity investments
- Real estate investments
- Other

(c) The exhibit shall include a statement of the unfunded accrued liability of the fund which shall include the following measures of unfunded accrued liability, using the actuarial value of current assets as specified in section 356.215, subdivision 4:

(i) Unfunded accrued liability determined by subtracting current assets and the present value of future normal costs from total current and expected future benefit obligations; and

(ii) Current unfunded liability which is total current benefit obligations less total current assets; and

(iii) Current and future unfunded liability which is total current and expected future benefit obligations less total current and expected future assets.

If the assets of the fund exceed the liabilities, the excess shall be listed as surplus and indicated in the exhibit following the item of reserves itemization of benefit obligations.

(d) The exhibit shall include a footnote showing accumulated member contributions without interest.

(e) Current liabilities shown in the exhibit shall include the following items:

- Current:
- Accounts payable
- Annuity payments

Changes or additions are indicated by underline, deletions by strikeout.

Survivor benefit payments
 Refund to members
 Accrued expenses
 Suspense items
 Total current liabilities

(e) ~~(f)~~ The exhibit shall include an ~~item~~ for accrued necessary reserves a schedule which shall be listed as "total reserves required as per attached schedule current and expected future benefit obligations." The attached schedule shall contain the owing following information on the ~~reserves required~~ benefit obligations:

1. For active members
 - a. Retirement benefits
 - b. Disability benefits
 - c. Refund liability due to death or withdrawal
 - d. Survivors' benefits
2. For deferred annuitants
3. For former members without vested rights
4. For annuitants
 - a. Retirement
 - b. Disability annuities
 - c. Surviving spouses' annuities
 - d. Surviving children's annuities

1. Current benefit obligations: actuarial value of benefit obligations on account of service rendered to date

- (a) For annuitants
 - Retirement annuities
 - Disability annuities
 - Surviving spouses' annuities
 - Surviving children's annuities
- (b) For former members without vested rights
- (c) For deferred annuitants' benefits, including any augmentation
- (d) For active employees
 - Retirement benefits
 - Disability benefits

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Refund liability due to death or withdrawal
Survivors' benefitsTotal current benefits obligations

2. Expected future benefit obligations: actuarial value of benefit obligations on account of future service for active employees

3. Total current and expected future benefit obligations

§ 4. In addition to the foregoing, if there are additional benefits not appropriately covered by the foregoing ~~four~~ three items of ~~reserves required benefit obligations~~, they shall be listed separately.

(2) An income statement on an accrual basis showing all income and all deductions from income for the fiscal year. The statement shall show separate items for employee contributions, employer regular contributions, employer additional contributions if provided by law, investment income, profit on the sale of investments, and other income, if any.

(3) A statement of deductions from income, which shall include separate items for benefit payments, retirement benefits, disability benefits, surviving spouse benefits, surviving children's benefits, refunds to members terminating employment, refunds due to death of members and due to death of annuitants, the increase in total reserves required, general administrative expense incurred, loss on sale of investments, and any other deductions.

(4) A statement showing appropriate statistics as to membership and beneficiaries of the fund, with indications of changes in the statistical data which may result from the current year's operation.

(5) Any additional statements or exhibits which will enable the management of the fund to portray a true interpretation of the fund's financial condition, except that the term "surplus" or the term "excess of assets" shall not be used except as otherwise specifically provided for in this section, nor shall any representation of assets and liabilities other than as provided for in this section be included in the additional statements or exhibits.

(6) A more detailed or subdivided itemization of any of the items required by this section, if the management of the fund so desires.

Sec. 27. Minnesota Statutes 1984, section 356.215, subdivision 4, is amended to read:

Subd. 4. **ACTUARIAL VALUATIONS; CONTENTS.** Actuarial valuations shall be made in conformity with the requirements of the definition contained in subdivision 1 and rules standards adopted by the legislative commission on pensions and retirement. Each actuarial valuation shall measure all aspects of the fund in accordance with changes in benefit plans, if any, and salaries as will be in force during the ensuing fiscal year. Each actuarial

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valuation shall be in accordance with the entry age normal cost (level normal cost) method.

Each actuarial valuation required under this section shall include: the information required in subdivisions 4a to 4k.

(1) Subd. 4a. NORMAL COST. For each fund providing any benefits under a benefit formula, the level normal cost of the benefits provided by the laws governing the fund as of the date of the valuation, ~~computed~~ must be calculated in accordance with the entry age normal cost (level normal cost) method. The normal cost shall be expressed as a level percentage of the future payroll of the active participants of the fund as of the date of the valuation.

(2) Subd. 4b. ACCRUED LIABILITY. The accrued liabilities of the fund which shall be equal to the present value of all benefits minus the present value of future normal costs must be calculated in accordance with the entry age normal cost method.

(3) Subd. 4c. DEFINED CONTRIBUTION ACCUMULATIONS. For each fund providing benefits under the money purchase or defined contribution method, the member contributions accumulated at interest, as apportioned to members accounts, to the date of the valuation must be calculated. These accumulations shall be separately tabulated in such manner as to reflect properly any differences in money purchase or defined contribution annuity rates which may apply.

(4) Subd. 4d. INTEREST ASSUMPTIONS. For funds governed by chapters 3A, 352, 352B, 352C, 353, 354, ~~354A~~, and 490, a preretirement interest assumption of eight percent, a post-retirement interest assumption of five percent, and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.065 multiplied by the salary for the preceding year must be used. For funds governed by chapter 354A, preretirement and postretirement assumptions of eight percent and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.065 multiplied by the salary for the preceding year, but the payment of postretirement adjustments to retirees shall be based on the methods specified in the bylaws of the fund as approved by the legislature. For all other funds, a preretirement interest assumption of five percent, a post-retirement interest assumption of five percent, and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.035 multiplied by the salary for the preceding year must be used.

(5) Subd. 4e. OTHER ASSUMPTIONS. Other assumptions as to mortality, disability, retirement, withdrawal, entry age and retirement age set at levels consistent with those determined in the most recent experience study completed pursuant to section 356.215, subdivision 5, and may be utilized. These other assumptions must be set forth in the valuation report.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(6) Subd. 4f. **ACTUARIAL BALANCE SHEET.** An actuarial balance sheet showing must show current and expected future benefit obligations, current and expected future assets, and the unfunded accrued liability, current and expected future unfunded liabilities liability, and current and future unfunded liability. Specifically, the balance sheet for all funds, except local police and salaried firefighter funds, shall be organized in the following manner:

CURRENT AND EXPECTED FUTURE ASSETS

Current assets

Cash and equivalents	\$...
Fixed income investments	...
Equity investments	...
<u>Real estate investments</u>	...
<u>Other</u>	...
Total current assets	\$...
Expected future assets	
Present value of expected future statutory supplemental contributions	...
Present value of future normal costs	...
Total expected future assets	\$...
Total current and expected future assets	\$...

CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS

Current benefit obligations

Actuarial value of benefit obligations
on account of service rendered to date:

For annuitants

Retirement annuities	\$...
Disability annuities	...
Surviving spouses' annuities	...
Surviving children's annuities	...

For former members without vested rights	...
For deferred annuitants' benefits, <u>including any augmentation</u>	...
For active employees	...

Retirement benefits	...
Disability benefits	...
Refund liability due to death or withdrawal	...

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Survivors' benefits	...
Total current benefit obligations	\$...
Expected future benefit obligations	
Actuarial value of benefit obligations on account of future service for active employees	\$...
Total current and expected future benefit obligations	\$...
Current unfunded liability	
(Total current benefit obligations less total current assets):	\$...
Current and future unfunded liability	
(Total current and expected future benefit obligations less total current and expected future assets):	\$...

For the purpose of this subdivision, the terms

(a) "expected future statutory supplemental contributions" means the sum of future employee and employer contributions at the rates specified in statute at the time the valuation is completed reduced by the present value of future normal costs; and

(b) "current assets" means the value of all assets at cost, which includes realized capital gains or losses, plus one-third of any unrealized capital gains or losses, plus realized income, including realized capital gains or losses.

(c) "unfunded accrued liability" means total current and expected future benefit obligations less the sum of current assets and the present value of future normal costs.

In addition to the above itemization of benefit obligations, separate items shall be shown for additional benefits, if any, which may not be appropriately included in the list shown above.

(7) Subd. 4g. AMORTIZATION CONTRIBUTIONS. In addition to the level normal cost, the additional annual contribution which would be required to retire the ~~current~~ unfunded accrued liability must be calculated. For funds governed by chapters 3A, 352, 352B, 352C, 353, 354, 354A, and 490, the additional contribution shall be calculated on a level percent basis by the established date for full funding which is in effect at the time of the valuation. The level percent additional contribution shall be calculated assuming annual

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payroll growth of 6.5 percent. For all other funds, the additional annual contribution shall be calculated on a level dollar basis.

If, after the first actuarial valuation date occurring after June 1, 1979, there has not been a change in any or all of the actuarial assumptions used for calculating the 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 accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded accrued liability of the fund, the established date for full funding for the first actuarial valuation made after June 1, 1979 and each successive actuarial valuation shall be the first actuarial valuation date which occurs after June 1, 2009.

If after the first actuarial valuation date occurring after June 1, 1979, there has been a change in any or all of the actuarial assumptions used for calculating the 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 accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded accrued liability in the fund, the established date for full funding shall be determined using the following procedure:

(i) The unfunded accrued liability of the fund shall be determined in accordance with the plan provisions governing annuities and retirement benefits and the actuarial assumptions in effect prior to an applicable change;

(ii) The level annual dollar contribution or level percentage, whichever is applicable, which is needed to amortize the unfunded accrued liability amount determined pursuant to subclause (i) by the established date for full funding in effect prior to the change shall be calculated using the interest assumption specified in clause (4) in effect prior to the change;

(iii) The unfunded accrued liability of the fund shall be determined in accordance with any new plan provisions governing annuities and benefits payable from the fund and any new actuarial assumptions and the remaining plan provisions governing annuities and benefits payable from the fund and actuarial assumptions in effect prior to the change;

(iv) The level annual dollar contribution or level percentage, whichever is applicable, which is needed to amortize the difference between the unfunded accrued liability amount calculated pursuant to subclause (i) and the unfunded accrued liability amount calculated pursuant to subclause (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

shall be calculated using the interest assumption specified in clause (4) in effect subsequent to any applicable change;

(v) The level annual dollar or level percentage amortization contribution pursuant to subclause (iv) shall be added to the level annual dollar amortization contribution or level percentage calculated pursuant to subclause (ii);

(vi) The period in which the unfunded accrued liability amount determined in subclause (iii) will be amortized by the total level annual dollar or level percentage amortization contribution computed pursuant to subclause (v) shall be calculated using the interest assumption specified in clause (4) in effect subsequent to any applicable change, rounded to the nearest integral number of years, but which shall not exceed a period of 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and which shall not be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect prior to the change; and

(vii) The period determined pursuant to subclause (vi) shall be added to the date as of which the actuarial valuation was prepared and the date obtained shall be the new established date for full funding.

(8) Subd. 4h. ACTUARIAL GAINS AND LOSSES. An analysis by the actuary explaining the increase or decrease in the unfunded accrued liability since the last valuation must be provided. The explanation shall subdivide the increase or decrease in unfunded accrued liability into at least the following parts:

(a) Increases or decreases in unfunded accrued liability because of changes in benefits;

(b) Increases and decreases in unfunded accrued liability because of each change, if any, in actuarial assumptions;

(c) Actuarial gains or losses resulting from any deviations of actual investment earnings, actual mortality rates, actual salary increase rates, actual disability rates, actual withdrawal rates and actual retirement rates from the assumptions on which the valuations are based;

(d) Increases or decreases in unfunded accrued liability because of other reasons, including the effect of the amortization contribution required under clause (7); and

(e) Increases or decreases in unfunded accrued liability because of changes in eligibility requirements or groups included in the membership of the fund.

(9) Subd. 4i. MEMBERSHIP TABULATION. A tabulation of active membership and annuitants in the fund must be provided. If the membership of a fund is under more than one general benefit program, a separate tabulation

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shall be made for each general benefit program. The tabulations shall be submitted in the following form:

Annual

(a) Active members	Number	Payroll
As of last valuation date		
new entrants		
Total		
Separations from active service		
Refund of contributions		
Separation with deferred annuity		
Separation with neither refund nor deferred annuity		
Disability		
Death		
Retirement with service annuity		
Total separations		
As of current valuation date		

Annual Annuity

(b) Annuitants	Number	Benefit
As of last valuation date		
New entrants		
Total		
Terminations		
Deaths		
Other		
Total terminations		
As of current valuation date		

The tabulation required under subclause (b) shall be made separately for each of the following classes of annuitants:

- (a) Service retirement annuitants
- (b) Disabled annuitants
- (c) Surviving spouse annuitants
- (d) Surviving children annuitants
- (e) Deferred annuitants

(10) Subd. 4j. **ADMINISTRATIVE EXPENSES.** A statement of the administrative expenses must be provided in dollars and also as a percentage of covered payroll.

(11) Subd. 4k. **PLAN SUMMARY.** A summary of the principal provisions of the plan upon which the valuation is based must be included.

Sec. 28. Minnesota Statutes 1984, section 356.216, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

356.216 CONTENTS OF ACTUARIAL VALUATIONS FOR LOCAL POLICE AND FIRE FUNDS.

The provisions of section 356.215, governing the contents of actuarial valuations and experience studies shall apply to any local police or fire pension fund or relief association required to make an actuarial report under this section except as follows:

(1) in calculating normal cost and other requirements expressed as a level percentage of covered payroll, the salaries used in computing covered payroll shall be the maximum rate of salary from which retirement and survivorship credits and amounts of benefits are determined and from which member contributions are calculated and deducted;

(2) in lieu of the amortization date specified in section 356.215, subdivision 4, clause (7), the appropriate amortization target date specified in sections 69.77, subdivision 2, clause (2), or 69.773, subdivision 4, clause (b), shall be used in calculating the required amortization contribution;

(3) in addition to the tabulation of active members and annuitants provided for in section 356.215, subdivision 4, clause (10), the member contributions for active members for the calendar year and the prospective annual retirement annuities under the benefit plan for active members shall be reported; and

(4) actuarial valuations required pursuant to section 69.773, subdivision 2 shall be made at least every four years and actuarial valuations required pursuant to section 69.77 shall be made annually; and

(5) the actuarial balance sheet showing accrued assets, accrued liabilities, and the deficit from full funding of liabilities (unfunded accrued liability) shall include the following required reserves:

(a) For active members

1. Retirement benefits
2. Disability benefits
3. Refund liability due to death or withdrawal
4. Survivors' benefits

(b) For deferred annuitants' benefits

(c) For former members without vested rights

(d) For annuitants

1. Retirement annuities
2. Disability annuities
3. Surviving spouses' annuities
4. Surviving children's annuities

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

In addition to the above required reserves, separate items shall be shown for additional benefits, if any, which may not be appropriately included in the reserves listed above.

Sec. 29. Minnesota Statutes 1984, section 356.70, is amended to read:

356.70 EARLY RETIREMENT.

Subdivision 1. **COMBINED AGE AND SERVICE REQUIREMENT.** Any member of a retirement plan established pursuant to chapters 352, 353, 354, or 354A who has attained the age of at least 55 years and whose attained age plus credited allowable service totals at least 85, is entitled, upon valid application and termination of service prior to ~~December 31, 1986~~ January 1, 1987, to the normal retirement annuity provided in these chapters without any reduction in annuity by reason of such early retirement.

Subd. 2. **REPORTS.** The department of finance with the cooperation of the retirement associations to which this section applies shall request and the employing units of members retiring under the provisions of this section shall provide to the retirement association information on the salary, retirement contributions, and social security contributions paid by the employing unit to individuals filling the position vacated by the retiree. The employing unit shall also provide information on estimate net savings, if any, made possible by the provisions of this section, and shall report its findings to the legislature by February 1, 1986.

The retirement associations shall prepare reports to the legislature summarizing ~~this information and other information~~ in its possession relating to characteristics of retirees retiring under the provisions of this section including:

- (a) age at time of retirement;
- (b) years of service;
- (c) salary at time of retirement;
- (d) high-five average salary used to determine the retirement annuity; ~~and~~
- (e) monthly benefit and reserves required under the rule of 85; and
- (f) monthly benefit and reserves required for identical retirement dates without rule of 85.

The reports shall be made to the legislature within 30 days following the end of calendar years 1984, 1985, and 1986 and shall cover all retirees retiring under the provisions of this section.

Sec. 30. Laws 1984, chapter 501, section 1, is amended to read:

Section 1. ST. LOUIS COUNTY EMERGENCY JOBS PROGRAM.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

St. Louis county may establish an emergency employment program to meet the needs of its unemployed residents. The county board of commissioners shall establish rules governing the operation of the employment program. Rules shall include but not be limited to number of hours worked, wages, benefits, and methods and terms of payment. Limits imposed by civil service rules shall not apply to an emergency jobs program established under the authority of this section. Service in a St. Louis county emergency jobs program shall not constitute employment under Minnesota Statutes, chapter 268, but shall come within the exclusion established in Minnesota Statutes, section 268.04, subdivision 12, clause (10)(d), and St. Louis county shall not be liable for contributions to the unemployment compensation fund for participants of an emergency jobs program. Service in the emergency jobs program is not covered by Minnesota Statutes, chapter 353, and persons providing the services are excluded employees with respect to those services for purposes of chapter 353.

Sec. 31. PAYMENT OF VOLUNTARY ASSESSMENTS.

Subdivision 1. AUTHORITY. Notwithstanding the provisions of Minnesota Statutes, section 353.01, subdivision 16, the persons described in subdivision 2 shall be entitled to pay to the public employees retirement association voluntary assessments. The amount of the payment shall be governed by Minnesota Statutes, section 353.27, subdivision 2, with cumulative interest thereon at the rate of six percent per annum, compounded annually.

Subd. 2. ELIGIBLE EMPLOYEES. From the public employees retirement association, a member who is currently employed by independent school district No. 281, who was absent from employment due to illness between April 22, 1981, and September 1, 1981, and who did not have the required deductions made from income received between July 1, 1981, and September 1, 1981, shall be entitled to pay the voluntary assessments.

Subd. 3. EMPLOYER CONTRIBUTION. Payment of the voluntary assessments shall be made by a person entitled to pay the voluntary assessments and the current employer of the person shall pay from funds provided in Minnesota Statutes, section 353.28, all of the employer contribution payment amount pursuant to Minnesota Statutes, section 353.27, subdivisions 3 and 3a, with interest thereon at the rate of six percent per annum, compounded annually, from July 1, 1981.

Sec. 32. PURCHASE OF PRIOR SERVICE CREDIT.

Any member of the teachers retirement association who has been employed or is presently employed by an organization designated in Minnesota Statutes 1984, section 354.41, subdivision 4, may purchase up to ten years of allowable service credit in the teachers retirement association for service rendered to the organization. Service credit for the service rendered shall be credited upon payment in accordance with the methods prescribed in Minnesota Statutes 1980,

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section 354.41, subdivision 6. Payment shall be made before July 1, 1986, or date of retirement, whichever is earlier.

Sec. 33. RETROACTIVE EFFECT.

Laws 1984, chapter 574, section 8, is applicable to any person who was employed with the legislature or any commission or agency of the legislature on April 26, 1984, as a permanent full-time unclassified employee.

Sec. 34. ST. PAUL BUREAU OF HEALTH.

Any employee of the St. Paul bureau of health who exercised an option granted to employees by Laws 1973, chapter 767, section 4, to retire with benefits calculated under Minnesota Statutes 1967, chapter 425, as modified by Laws 1969, chapter 1102, and who retired under the provisions of that bureau of health plan shall be entitled to receive from the public employees retirement association the greater of either the benefit received on the effective date of this section or a revised benefit. The revised benefit shall be computed based on the employee's years of service and high five years average salary as of the employee's actual date of retirement reduced by one-half of one percent for each month that the employee was under age 65 at the time of the retirement. The revised benefit shall include the appropriate increases provided from the post-retirement investment fund.

Sec. 35. INSTRUCTION TO REVISOR.

In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall in each section referred to in column A, strike the reference referred to in column B and insert the reference set forth in column C:

<u>column A</u> Minnesota Statutes 1984	<u>column B</u> Minnesota Statutes 1984	<u>column C</u>
<u>3.85, subdivision 12</u>	<u>356.215, subdivision 4</u>	<u>356.215, subdivisions 4 to 4k</u>
<u>3A.11, subdivision 1</u>	<u>356.215, subdivision 4, clause (4)</u>	<u>356.215, subdivision 4d</u>
<u>69.77, subdivision 2, clause (2)</u>	<u>356.215, subdivision 4</u>	<u>356.215, subdivisions 4 to 4k</u>
<u>69.77, subdivision 2, clause (2), paragraph (b)</u>	<u>356.215, subdivision 4, clause (4)</u>	<u>356.215, subdivision 4d</u>
<u>69.773, subdivision 4</u>	<u>356.215, subdivision 4</u>	<u>356.215, subdivisions 4 to 4k</u>
<u>69.773, subdivision 4, clause (b), paragraphs (ii), (iv), and (vi)</u>	<u>356.215, subdivision 4, clause (4)</u>	<u>356.215, subdivision 4d</u>
<u>352.85, subdivision 6</u>	<u>356.215, subdivision 4</u>	<u>356.215, subdivisions 4 to 4k</u>

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

<u>352.86,</u> <u>subdivision 4</u>	<u>356.215, subdivision</u> <u>4</u>	<u>356.215, subdivisions</u> <u>4 to 4k</u>
<u>352B.26,</u> <u>subdivision 3</u>	<u>356.215, subdivision</u> <u>4, clause (4)</u>	<u>356.215, subdivision</u> <u>4d</u>
<u>354.07,</u> <u>subdivision 1</u>	<u>356.215, subdivision</u> <u>4, clause (4)</u>	<u>356.215, subdivision</u> <u>4d</u>
<u>354.532,</u> <u>subdivision 1</u>	<u>356.215, subdivision</u> <u>4, clause (4)</u>	<u>356.215, subdivision</u> <u>4d</u>
<u>354A.34</u>	<u>356.215, subdivision</u> <u>4, clause (4)</u>	<u>356.215, subdivision</u> <u>4d</u>
<u>354A.41,</u> <u>subdivision 2</u>	<u>356.215, subdivision</u> <u>4, clause (7)</u>	<u>356.215, subdivision</u> <u>4g</u>
<u>356.216</u>	<u>356.215, subdivision</u> <u>4, clause (2)</u>	<u>356.215, subdivision</u> <u>4g</u>
<u>356.216</u>	<u>356.215, subdivision</u> <u>4, clause (10)</u>	<u>356.215, subdivision</u> <u>4j</u>
<u>356.22</u>	<u>356.215, subdivision</u> <u>4, clause (7)</u>	<u>356.215, subdivision</u> <u>4g</u>
<u>356.451,</u> <u>subdivision 1</u>	<u>356.215, subdivision</u> <u>4, clauses (1), (2),</u> <u>(6)(a), and 11</u>	<u>356.215, subdivisions</u> <u>4, 4a, 4b, 4f, and 4k</u>
<u>422A.06,</u> <u>subdivision 5</u>	<u>356.215, subdivision</u> <u>4, clause (4)</u>	<u>356.215, subdivision</u> <u>4d</u>
<u>423A.02</u>	<u>356.215, subdivision</u> <u>4, clause (4)</u>	<u>356.215, subdivision</u> <u>4d</u>
<u>424A.02,</u> <u>subdivision 7</u>	<u>356.215, subdivision</u> <u>4, clause (4)</u>	<u>356.215, subdivision</u> <u>4d</u>

Sec. 36. REPEALER.

Minnesota Statutes 1984, section 352.113, subdivision 5 is repealed July 1, 1985. Minnesota Statutes 1984, section 354.621, is repealed the day following final enactment.

Sec. 37. EFFECTIVE DATE.

Sections 3, 9, and 13 are effective July 1, 1985. Section 19 is effective retroactively for benefits first accruing after September 1, 1984. The remaining sections are effective the day following final enactment. The provisions of section 3 providing that workers' compensation benefits are to be offset by the amount of disability benefits from the Minnesota state retirement system are effective for all disability claims filed with the Minnesota state retirement system on or after July 1, 1985.

Approved June 25, 1985

Changes or additions are indicated by underline, deletions by ~~strikeout~~.