

The department of public service shall review the operation and effects of all gas utility flexible tariffs approved under section 1, and shall report to the legislature by February 1, 1990. Gas utilities that utilize a flexible tariff under section 1 shall be assessed for the actual cost of conducting the study not to exceed \$10,000. Each utility utilizing a flexible tariff shall be assessed for an equal share of the costs.

Sec. 3. **APPROPRIATION.**

There is appropriated from the general fund the sum of \$10,000 to the department of public service for the purpose of conducting the study required in section 2.

Sec. 4. **EFFECTIVE DATE.**

Sections 1 to 3 are effective the day following final enactment, and are repealed effective July 1, 1990.

Approved June 2, 1987

**CHAPTER 372—H.F.No. 1159**

*An act relating to retirement; modifying various statewide public safety pension plan provisions; modifying various nonstatewide public safety pension plan provisions; authorizing modifications in Minneapolis teacher retirement fund association benefit plan; authorizing various purchases of prior service credit; establishing an ambulance service personnel retirement plan; limiting the uses of public pension plan assets; authorizing various miscellaneous retirement benefit modifications; making various changes in the investment authority of the state board of investment; lowering service requirements for vesting; modifying workers' compensation benefit offsets; amending Minnesota Statutes 1986, sections 11A.04; 11A.24, subdivisions 2, 3, 4, 5, and 6; 11A.25; 69.80; 352.01, subdivision 2B; 352.113, subdivision 1; 352.115, subdivision 1; 352.12, subdivision 2; 352.22, subdivision 3; 352.72, subdivision 1; 352.85, subdivision 1; 352.91, subdivision 4; 352.93, subdivision 1; 352B.08, subdivision 1; 352B.11, subdivision 2; 352B.30, subdivision 1; 353.01, subdivision 2a; 353.29, subdivisions 1 and 2; 353.30, subdivision 1c; 353.32, subdivision 1a; 353.33, subdivisions 1, 5, and by adding a subdivision; 353.34, subdivision 3; 353.64, by adding a subdivision; 353.651, subdivisions 1 and 2; 353.656, subdivisions 2, 3, and by adding a subdivision; 353.657, subdivision 2a; 353.71, subdivision 1; 354.44, subdivision 1; 354.46, subdivision 2; 354.48, subdivision 1; 354.49, subdivision 3; 354.60; 354A.31, subdivisions 1, 5, and 6; 354A.35, subdivision 2; 354A.36, subdivision 1; 354A.39; 356.20, subdivision 2; 356.30, subdivisions 1 and 3; 356.32, subdivision 2; 424.04; and 424A.02, subdivision 9; Laws 1949, chapter 406, section 4, subdivisions 2 and 3, as amended, section 5, subdivisions 1 and 3, as amended, and section 6, subdivision 1, as amended; Laws 1967, chapter 678, section 2, as amended, chapter 751, section 2; Laws 1971, chapter 614, section 1, subdivision 2, as amended; Laws 1977, chapter 169, section 1, subdivision 1a, as amended; and Laws 1980, chapter 607, article 15, section 9; proposing coding for new law in Minnesota Statutes, chapters 356 and 423A; proposing coding for new law as Minnesota Statutes, chapters 353A, 353B and 356A.*

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

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

ARTICLE 1

STATEWIDE PUBLIC SAFETY PENSION PLAN CHANGES

Section 1. Minnesota Statutes 1986, section 69.80, is amended to read:

69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.

Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, shall constitute authorized administrative expenses of a police, salaried firefighters' or volunteer firefighters' relief association organized under any law of this state:

(a) office expense including but not limited to rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(b) salaries ~~and itemized expenses~~ of the president, secretary, and treasurer of the association, or their designees, and any other official of the relief association to whom a salary is payable under bylaws or articles of incorporation in effect on January 1, 1986, and their itemized expenses incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(c) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(d) audit, actuarial, medical, legal, and investment and performance evaluation expenses;

(e) reimbursement to the officers and members of the board of trustees, or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(f) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

Any other expenses of the relief association shall be paid from the general fund of the association, if one exists. If a relief association has only one fund, that fund shall be deemed to be the special fund for purposes of this section. If a relief association has a special fund and a general fund, and any expense of the relief association is directly related to the purposes for which both funds were established, the payment of that expense shall be apportioned between the two funds on the basis of the benefits derived by each fund.

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

Sec. 2. Minnesota Statutes 1986, section 352.01, subdivision 2B, is amended to read:

Subd. 2B. **EXCLUDED EMPLOYEES.** The following persons are excluded from the meaning of state employee:

- (1) elective state officers;
- (2) students employed by the University of Minnesota, the state universities, and community colleges unless approved for coverage by the board of regents, the state university board or the state board for community colleges, as the case may be;
- (3) employees who are eligible to membership in the state teachers retirement association except employees of the department of education who have elected or may elect to be covered by the Minnesota state retirement system instead of the teachers retirement association;
- (4) employees of the University of Minnesota who are excluded from coverage by action of the board of regents;
- (5) officers and enlisted personnel in the national guard and the naval militia and such as are assigned to permanent peacetime duty who pursuant to federal law are or are required to be members of a federal retirement system;
- (6) election officers;
- (7) persons engaged in public work for the state but employed by contractors when the performance of the contract is authorized by the legislature or other competent authority;
- (8) officers and employees of the senate and house of representatives or a legislative committee or commission who are temporarily employed;
- (9) all courts and court employees, referees, receivers, jurors, and notaries public, except employees of the appellate courts and referees and adjusters employed by the department of labor and industry;
- (10) patient and inmate help in state charitable, penal and correctional institutions including the Minnesota veterans home;
- (11) persons employed for professional services where the service is incidental to regular professional duties and whose compensation is paid on a per diem basis;
- (12) employees of the Sibley House Association;
- (13) employees of the Grand Army of the Republic and employees of the ladies of the G.A.R.;
- (14) operators and drivers employed pursuant to section 16.07, subdivision 4;

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(15) the members of any state board or commission who serve the state intermittently and are paid on a per diem basis; the secretary, secretary-treasurer, and treasurer of those boards if their compensation is \$500 or less per year, or, if they are legally prohibited from serving more than two consecutive terms and their total service therefor is required by law to be less than ten years; and the board of managers of the state agricultural society and its treasurer unless the treasurer is also its full time secretary;

(16) state troopers;

(17) temporary employees of the Minnesota state fair employed on or after July 1 for a period not to extend beyond October 15 of the same year; and persons employed at any time or times by the state fair administration for special events held on the fairgrounds;

(18) emergency employees in the classified service except emergency employees who within the same pay period become provisional or probationary employees on other than a temporary basis, shall be deemed "state employees" retroactively to the beginning of the pay period;

(19) persons described in section 352B.01, subdivision 2, clauses (b) and (c) formerly defined as state police officers;

(20) all temporary employees in the classified service, all temporary employees in the unclassified service appointed for a definite period of not more than six months and employed less than six months in any one-year period and all seasonal help in the classified service employed by the department of revenue;

(21) trainees paid under budget classification number 41, and other trainee employees, except those listed in subdivision 2A, clause (10);

(22) persons whose compensation is paid on a fee basis;

(23) state employees who in any year have credit for 12 months service as teachers in the public schools of the state and as teachers are members of the teachers retirement association or a retirement system in St. Paul, Minneapolis, or Duluth;

(24) employees of the adjutant general employed on an unlimited intermittent or temporary basis in the classified and unclassified service for the support of army and air national guard training facilities;

(25) chaplains and nuns who have taken a vow of poverty as members of a religious order;

(26) labor service employees employed as a laborer 1 on an hourly basis;

(27) examination monitors employed by departments, agencies, commissions, and boards for the purpose of conducting examinations required by law;

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(28) members of appeal tribunals, exclusive of the chair, to which reference is made in section 268.10, subdivision 4;

(29) persons appointed to serve as members of fact finding commissions, adjustment panels, arbitrators, or labor referees under the provisions of chapter 179;

(30) temporary employees employed for limited periods of time under any state or federal program for the purpose of training or rehabilitation including persons employed for limited periods of time from areas of economic distress except skilled and supervisory personnel and persons having civil service status covered by the system;

(31) full-time students employed by the Minnesota historical society who are employed intermittently during part of the year and full time during the summer months;

(32) temporary employees, appointed for not more than six months, of the metropolitan council and of any of its statutory boards, the members of which board are appointed by the metropolitan council;

(33) persons employed in positions designated by the department of employee relations as student workers;

(34) any person who is 65 years of age or older when appointed and who does not have allowable service credit for previous employment, unless the employee gives notice to the director within 60 days following appointment that coverage is desired;

(35) members of trades employed by the metropolitan waste control commission with trade union pension plan coverage pursuant to a collective bargaining agreement first employed after June 1, 1977; ~~and~~

(36) persons employed in subsidized on-the-job training, work experience or public service employment as enrollees under the federal Comprehensive Employment and Training Act from and after March 30, 1978, unless the person has as of the later of March 30, 1978 or the date of employment sufficient service credit in the retirement system to meet the minimum vesting requirements for a deferred annuity, or the employer agrees in writing on forms prescribed by the director to make the required employer contributions, including any employer additional contributions, on account of that person from revenue sources other than funds provided under the federal Comprehensive Employment and Training Act, or the person agrees in writing on forms prescribed by the director to make the required employer contribution in addition to the required employee contribution; and

(37) persons who are employed as full-time firefighters by the department of military affairs and as firefighters are members of the public employees police and fire fund.

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Sec. 3. Minnesota Statutes 1986, section 352.85, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY; RETIREMENT ANNUITY.** Any person who is employed by the department of military affairs other than as a full-time firefighter, who is covered by the general employee retirement plan of the Minnesota state retirement system as provided in section 352.01, subdivision 23, who is ordered to active duty pursuant to section 190.08, subdivision 3, who elects this special retirement coverage pursuant to subdivision 4, who is required to retire from federal military status at the age of 60 years by applicable federal laws or regulations and who terminates employment as a state employee upon attaining that age shall be entitled, upon application, to a retirement annuity computed in accordance with section 352.115, subdivisions 2 and 3, without any reduction for early retirement pursuant to section 352.116, subdivision 1.

Sec. 4. Minnesota Statutes 1986, section 352.91, subdivision 4, is amended to read:

Subd. 4. Upon the recommendation of the commissioner of corrections or the commissioner of human services, whichever is the appropriate employing authority, with the approval of the legislative advisory committee and with notification to and receipt of comments from the legislative commission on pensions and retirement, the commissioner of employee relations may certify additional civil service classifications at state ~~adult~~ correctional or security hospital facilities to the executive director of the Minnesota state retirement system as positions rendering covered correctional service. The commissioner of corrections and the commissioner of human services must establish, in writing, a set of criteria upon which to base a recommendation for certifying additional civil service classifications as rendering covered correctional service.

Sec. 5. Minnesota Statutes 1986, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **INCLUDED EMPLOYEES.** The following persons are included in the meaning of "public employee":

- (a) Elected or appointed officers and employees of elected officers.
- (b) District court reporters.
- (c) Officers and employees of the public employees retirement association.
- (d) Employees of the League of Minnesota Cities.
- (e) Officers and employees of public hospitals, owned or operated by or an integral part of, any governmental subdivision or governmental subdivisions.
- (f) Employees of a school district who receive separate salaries for driving their own buses.

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- (g) Employees of the Association of Minnesota Counties.
- (h) Employees of the Metropolitan Inter-County Association.
- (i) Employees of the Minnesota Municipal Utilities Association.
- (j) Employees of the metropolitan airports commission if employment initially commences on or after July 1, 1979.
- (k) Employees of the Minneapolis employees retirement fund, if employment initially commences on or after July 1, 1979.
- (l) Employees of the Range Association of Municipalities and Schools.
- (m) Employees of the soil and water conservation districts.
- (n) Employees of a county historical society who are county employees.
- (o) Employees of an economic development authority created under sections 458C.01 to 458C.23.
- (p) Employees of the department of military affairs of the state of Minnesota who are full-time firefighters.

Sec. 6. Minnesota Statutes 1986, section 353.64, is amended by adding a subdivision to read:

**Subd. 8. PENSION COVERAGE FOR CERTAIN STATE MILITARY AFFAIRS DEPARTMENT FIREFIGHTERS.** A person who is employed as a full-time firefighter on or after the first day of the first payroll period after the effective date of this section by the department of military affairs of the state of Minnesota and who is not eligible for coverage under the agreement signed between the state and the secretary of the federal Department of Health and Human Services making the provisions of the federal Old Age, Survivors, and Disability Insurance Act applicable to state employees because the person's position is excluded from application under United States Code, title 42, sections 418(d)(5)(A) and 418(d)(8)(D) and section 355.07, is a member of the public employees police and fire fund and is considered to be a firefighter within the meaning of this section. The state department of military affairs shall make the employee contribution deduction from the salary of each full-time military affairs department firefighter as required by section 353.65, subdivision 2, shall make the employer contribution with respect to each firefighter as required by section 353.65, subdivision 3, and shall meet the employer recording and reporting requirements in section 353.65, subdivision 4.

Sec. 7. Minnesota Statutes 1986, section 353.656, subdivision 3, is amended to read:

**Subd. 3. NONDUTY DISABILITY BENEFIT.** ~~After June 30, 1973,~~ Any member who becomes disabled after not less than five years of allowable service,

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before reaching the age of 55, because of sickness or injury occurring while not on duty as a police officer or firefighter, and by reason ~~thereof~~ of that sickness or injury the member is unable to perform duties as a police officer or firefighter, shall be entitled to receive a disability benefit. The benefit shall be in the same amount and paid in the same manner as if the member were 55 years of age at the date of disability and the benefit were paid pursuant to section 353.651. ~~Should~~ If a disability under this clause occur subdivision occurs after five but in less than ten years of allowable service, the disability benefit shall be the same as though the member had at least ten years service. For any 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.

Sec. 8. Minnesota Statutes 1986, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. **DEATH WHILE ELIGIBLE SURVIVOR BENEFIT.** If a member who has attained the age of at least 50 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, a death while eligible survivor benefit. The benefit shall be 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. 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. 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. 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. 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.

Sec. 9. **[353C.01] LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN.**

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



Subdivision 1. PLAN ADMINISTRATION; FUND. The public employees local government correctional service retirement plan is a separate plan administered by the public employees retirement association. The association shall maintain a special fund known as the public employees local government correctional service retirement fund.

Subd. 2. REVENUE SOURCES. Member contributions under section 13, subdivision 1 or 3, and employer contributions under section 13, subdivision 1 or 3, and other amounts authorized by law, including any investment income or invested fund assets, must be deposited in the fund.

Subd. 3. INVESTMENT. The public employees local government correctional service retirement fund participates in the Minnesota postretirement investment fund. The amounts provided in section 353.271 must be deposited in that fund. The balance of any assets of the fund must be deposited in the Minnesota combined investment fund as provided in section 11A.14, if applicable, or otherwise under section 11A.23.

Subd. 4. COLLECTION OF CONTRIBUTIONS. The collection of member and employer contributions are governed by section 353.27, subdivisions 4, 7, 8, 9, 10, 11, 12, and 13.

Subd. 5. FUND DISBURSEMENT RESTRICTED. The public employees local government correctional service retirement fund and its share of participation in the Minnesota postretirement investment fund may be disbursed only for the purposes provided for in this chapter. The proportional share of the expenses of the association and any benefits provided in this chapter, other than benefits payable from the Minnesota postretirement investment fund, must be paid from the correctional service retirement fund. Retirement annuities, disability benefits, survivorship benefits, and any refunds of accumulated deductions may be paid only from the correctional service retirement fund after those needs have been certified by the executive director and the amounts withdrawn from the share of participation in the Minnesota postretirement fund under section 11A.18. The amounts necessary to make the payments from the correctional service retirement fund and the participation in the Minnesota postretirement investment fund are annually appropriated from those funds for those purposes.

**Sec. 10. [353C.02] CORRECTIONAL SERVICE EMPLOYEES.**

A local government correctional service employee is a person who:

(1) meets the definition of "essential employee" in section 179A.03, subdivision 7, excluding state employees, University of Minnesota employees, firefighters, peace officers subject to licensure under sections 626.84 to 626.855, employees of hospitals other than state hospitals, confidential employees, supervisory employees other than supervisory employees of correctional officers at correctional facilities or city or county jails, principals, and assistant principals;

(2) is employed by Dakota county, Hennepin county, Ramsey county, St. Louis county, or Washington county, if the county elects to participate under section 12;

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(3) is a public employee within the meaning of section 353.01, subdivisions 2 and 2a; and

(4) is not at the time of the exercise of the participation option under section 12 a member of the basic program of the public employees retirement association or a member of the public employees police and fire fund.

**Sec. 11. [353C.03] CORRECTIONAL SERVICE PLAN COVERAGE.**

Subdivision 1. INITIAL COVERAGE. A person who is a local government correctional service employee on June 30, 1988, is a member of the local government correctional service retirement plan and shall begin contributing to the plan on July 1, 1988.

Subd. 2. SUBSEQUENT COVERAGE. A person who becomes a local government correctional service employee after June 30, 1988, is a member of the local government correctional service retirement plan and shall contribute to the plan.

**Sec. 12. [353C.04] LOCAL GOVERNMENT EMPLOYING UNIT PARTICIPATION OPTION.**

Dakota county, Hennepin county, Ramsey county, St. Louis county, or Washington county may elect to provide its correctional employees with retirement coverage by the local government correctional service retirement plan in lieu of retirement coverage by the public employees retirement association or the public employees police and fire fund. The election must be made on a form provided by the executive director of the public employees retirement association and, once made, is irrevocable for all local government correctional service employees employed by the county.

**Sec. 13. [353C.05] CORRECTIONAL SERVICE PLAN CONTRIBUTIONS.**

Subdivision 1. MEMBER CONTRIBUTIONS. Beginning with the first full pay period after July 1, 1988, after the effective date of the election to provide retirement coverage by the local governmental unit, or after becoming a local government correctional service employee, whichever is later, in lieu of employee contributions payable under section 353.27, subdivision 2, a local government correctional service employee shall make an employee contribution in an amount equal to five percent of salary.

Subd. 2. EMPLOYER CONTRIBUTIONS. Beginning with the first full pay period after July 1, 1988, after the effective date of the election to provide retirement coverage by the local governmental unit, or after becoming a local government correctional service employee, whichever is later, in lieu of employer contributions payable under section 353.27, subdivision 3, the employer shall contribute for a local government correctional service employee an amount equal to five percent of salary.

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**Subd. 3. ADJUSTMENT IN CONTRIBUTION RATES.** Beginning with the first full pay period after the actuarial valuation of the local government correctional service retirement plan prepared by the actuary retained by the legislative commission on pensions and retirement is filed with the executive director of the public employees retirement association, the member contribution rate is a percentage that equals one-half of the calculated total actuarial requirement of the plan, and the employer contribution rate is the balance of the calculated total actuarial requirement of the plan.

**Sec. 14. [353C.06] CORRECTIONAL SERVICE PLAN RETIREMENT ANNUITY.**

**Subdivision 1. ELIGIBILITY REQUIREMENTS.** After separation from public employment, an employee covered under section 10 who has attained the age of at least 55 years and has credit for not less than ten years of coverage in the local government correctional service plan is entitled, upon application, to a normal retirement annuity. In lieu of a normal retirement annuity, a retiring employee may elect to receive the optional annuity provided in section 353.30, subdivision 3.

**Subd. 2. AVERAGE SALARY BASE.** In calculating the annuity under subdivision 3, "average salary" means an amount equivalent to the average of the highest salary earned as a local government correctional employee upon which employee contributions were paid for any five successive years of allowable service.

**Subd. 3. ANNUITY AMOUNT.** The average salary as defined in subdivision 2, multiplied by two percent for each year of allowable service for the first ten years and 2.5 percent for each additional year of allowable service, determines the amount of the normal annuity. If a person has earned allowable service in the public employees retirement association or the public employees police and fire fund for performing services other than those of a local government correctional employee, the annuity representing such service must be computed in accordance with the coordinated formula under sections 353.29 and 353.30 or section 353.651, whichever applies.

**Subd. 4. ACCRUAL AND DURATION.** The annuity under this section begins to accrue as provided in section 353.29, subdivision 7, and must be paid for an additional 84 full calendar months or to the first of the month following the month in which the employee becomes age 65, whichever occurs first. After a recipient has received the annuity calculated under this formula for 84 full calendar months or to the first of the month following the month in which the employee becomes age 65, whichever occurs first, the benefit must be recomputed in accordance with the coordinated formula in sections 353.29 and 353.30, except that if this amount, when added to the social security benefit based on state service the employee is eligible to receive at that time, is less than the benefit payable under subdivision 3, the retired employee must receive an amount payable under subdivision 3. When an annuity is reduced under this subdivision, any percentage of adjustments that have been applied to the original annuity under section 11A.18, before the reduction, must be compounded and applied to the reduced annuity.

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Subd. 5. MULTIPLE SERVICE LIMITATION. A former employee who has both regular and local government correctional service must, if qualified, receive an annuity based on both periods of service, but no period of service may be used more than once in calculating the annuity.

**Sec. 15. [353C.07] AUGMENTATION IN CERTAIN CASES.**

Unless prior service has been transferred or unless a combined service annuity under section 356.30 has been elected, an employee who becomes a local government correctional employee after being a member of the public employees retirement association or the public employees police and fire fund is covered under section 353.71, subdivision 2, with respect to that prior service.

**Sec. 16. [353C.08] DISABILITY BENEFITS.**

Subdivision 1. DUTY DISABILITY QUALIFICATION REQUIREMENTS. A local government correctional employee who is less than 55 years of age and who becomes 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 that renders the employee physically or mentally unable to perform the employee's duties, is entitled to a disability benefit based on covered service only in an amount equal to 45 percent of the average salary defined in section 14, subdivision 2, plus an additional 2.5 percent for each year of covered service in excess of 20 years.

Subd. 2. NONDUTY DISABILITY QUALIFICATION REQUIREMENTS. A local government correctional employee who after not less than five years of covered service, before reaching the age of 55, becomes disabled and physically unfit to perform the duties of the position because of sickness or injury occurring while not engaged in covered employment, is entitled to a disability benefit based on covered service. The disability benefit must be computed in the same manner as an annuity under section 14, subdivision 3, and as though the employee had at least ten years of covered correctional service.

Subd. 3. OPTIONAL ANNUITY. A disabled local government correctional employee may elect the normal disability benefit or an optional annuity as provided in section 353.30, subdivision 3. The election of an optional annuity must be made before the commencement of payment of the disability benefit and is effective on the date on which the disability benefit begins to accrue as provided in section 353.33, subdivision 2. Upon becoming effective, the optional annuity begins to accrue on the same date as provided for the disability benefit.

Subd. 4. DISABILITY BENEFIT APPLICATION. A claim or demand for a disability benefit must be initiated by written application in the manner and form prescribed by the executive director, filed in the office of the association, showing compliance with the statutory conditions qualifying the applicant for a disability benefit. A member or former member who became disabled during a

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period of membership may file an application for disability benefits within three years following termination of local government correctional service, but not after that time has elapsed. This benefit begins to accrue the day following the commencement of disability, 90 days preceding the filing of the application, or, if annual or sick leave is paid for more than the 90-day period, from the date salary ceased, whichever is latest. No payment may accrue beyond the end of the month in which entitlement has terminated. If the disabled person dies before negotiating the check for the month in which death occurs, payment must be made to the optional annuitant or beneficiary.

**Subd. 5. DISABILITY BENEFIT TERMINATION.** The disability benefit paid to a disabled local government correctional employee terminates at the end of the month in which the employee reaches age 62. If the disabled local government correctional employee is still disabled when the employee reaches age 62, the employee is deemed to be a retired employee and, if the employee had elected an optional annuity under subdivision 3, must receive an annuity in accordance with the terms of the optional annuity previously elected. If the employee had not elected an optional annuity under subdivision 3, the employee may elect either to receive a normal retirement annuity computed in the manner provided in section 14 or to receive an optional annuity as provided in section 353.30, subdivision 3, based on the same length of service as used in the calculation of the disability benefit. Election of an optional annuity must be made before attaining the age of 62 years. The reduction for retirement prior to age 65 as provided in section 353.30, subdivisions 1 and 1c, is not applicable.

**Subd. 6. RESUMPTION OF EMPLOYMENT.** Should a disabled employee resume a gainful occupation from which earnings are less than salary received at the date of disability or the salary currently paid for similar positions, or should the employee be entitled to receive workers' compensation benefits, the disability benefit must be continued in an amount that, when added to such earnings and workers' compensation benefits, does not exceed the salary received at the date of disability or 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.

#### Sec. 17. [353C.09] SURVIVING SPOUSE OPTIONAL ANNUITY.

If a member or former member of the local government correctional service retirement plan has attained the age of at least 50 years and has credit for not less than ten years of allowable service, or who has credit for not less than 30 years of allowable service, regardless of age attained, dies before the annuity or disability 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, an annuity equal to the 100 percent joint and survivor annuity for which the member could have qualified had the member terminated service on the date of death. 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

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employee's allowable service. The annuity must be computed on the coordinated formula as provided in sections 353.29, subdivisions 2 and 3, and 353.30, subdivisions 1, 1a, 1b, and 1c. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision. No payment may accrue beyond the end of the month in which entitlement to the annuity has terminated. 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 deceased member's last designated beneficiary or, if none, to the legal representative of the estate of the deceased member. A member may specify in writing that this subdivision does not apply and that payment must be made only to the designated beneficiary, as otherwise provided by this chapter.

Sec. 18. **[353C.10] SCOPE AND APPLICATION.**

The general provisions of chapter 353 apply to the local government correctional service retirement plan except where otherwise specifically provided in sections 9 to 18.

Sec. 19. Minnesota Statutes 1986, section 356.20, subdivision 2, is amended to read:

Subd. 2. **COVERED PUBLIC PENSION FUNDS.** (1) State employees retirement fund.

(2) Public employees retirement fund.

(3) Teachers retirement fund.

(4) State patrol retirement fund.

(5) Minneapolis teachers retirement fund association.

(6) St. Paul teachers retirement fund association.

(7) Duluth teachers retirement fund association.

(8) Minneapolis employees retirement fund.

(9) University of Minnesota faculty retirement plan.

(10) University of Minnesota faculty supplemental retirement plan.

(11) Judges retirement fund.

(12) Any police or firefighter's relief association enumerated in section 69.77, subdivision 1a or 69.771, subdivision 1.

(13) Public employees police and fire fund.

(14) Minnesota state retirement system correctional officers retirement plan.

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

(15) Public employees local government correctional service retirement plan.

Sec. 20. Minnesota Statutes 1986, section 356.30, subdivision 3, is amended to read:

Subd. 3. **COVERED FUNDS.** The provisions of this section shall apply to the following retirement funds:

- (1) state employees retirement fund established pursuant to chapter 352;
- (2) correctional employees retirement program, established pursuant to chapter 352;
- (3) unclassified employees retirement plan, established pursuant to chapter 352D;
- (4) state patrol retirement fund, established pursuant to chapter 352B;
- (5) legislators' retirement plan, established pursuant to chapter 3A;
- (6) elective state officers' retirement plan, established pursuant to chapter 352C;
- (7) public employees retirement association, established pursuant to chapter 353;
- (8) public employees police and fire fund, established pursuant to chapter 353;
- (9) teachers retirement fund, established pursuant to chapter 354;
- (10) Minneapolis employees retirement fund, established pursuant to chapter 422A;
- (11) Minneapolis teachers retirement fund association, established pursuant to chapter 354A;
- (12) St. Paul teachers retirement fund association, established pursuant to chapter 354A;
- (13) Duluth teachers retirement fund association, established pursuant to chapter 354A;

(14) public employees local government correctional service retirement plan established by sections 9 to 18.

Sec. 21. Minnesota Statutes 1986, section 356.32, subdivision 2, is amended to read:

Subd. 2. **COVERED FUNDS.** The provisions of this section shall apply to the following retirement funds:

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

- (1) state employees retirement fund, established pursuant to chapter 352;
- (2) correctional employees retirement program, established pursuant to chapter 352;
- (3) state patrol retirement fund, established pursuant to chapter 352B;
- (4) public employees retirement fund, established pursuant to chapter 353;
- (5) public employees police and fire fund, established pursuant to chapter 353;
- (6) teachers retirement fund, established pursuant to chapter 354;
- (7) Minneapolis employees retirement fund, established pursuant to chapter 422A;
- (8) Duluth teachers retirement fund association, established pursuant to chapter 354A;
- (9) Minneapolis teachers retirement fund association, established pursuant to chapter 354A;
- (10) St. Paul teachers retirement fund association, established pursuant to chapter 354A;
- (11) public employees local government correctional service retirement plan established by sections 9 to 18.

Sec. 22. Minnesota Statutes 1986, section 424A.02, subdivision 9, is amended to read:

Subd. 9. **LIMITATION ON ANCILLARY BENEFITS.** Any relief association, including any volunteer firefighters relief association governed by section 69.77 or any volunteer firefighters division of a relief association governed by chapter 424, may only pay ancillary benefits which would constitute an authorized disbursement as specified in section 424A.05 subject to the following limitations:

(a) With respect to a relief association in which governing bylaws provide for a lump sum service pension to a retiring member, no ancillary benefit may be paid to any former member or paid to any person on behalf of any former member after the former member (1) terminates active service with the fire department and active membership in the relief association; and (2) commences receipt of a service pension as authorized pursuant to this section; and

(b) With respect to any relief association, no ancillary benefit paid or payable to any member, to any former member, or to any person on behalf of any member or former member, may exceed in amount the total earned service pension of the member or former member. The total earned service pension shall be calculated using the service pension amount specified in the bylaws of

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the relief association and the years of service credited to the member or former member. The years of service shall be determined as of (1) the date the member or former member became entitled to the ancillary benefit; or (2) the date the member or former member died entitling a survivor or the estate of the member or former member to an ancillary benefit. The ancillary benefit shall be calculated (1) without regard to whether the member or former member had attained the minimum amount of service and membership credit specified in the governing bylaws; and (2) without regard to the percentage amounts specified in subdivision 2; except that the bylaws of any relief association may provide for the payment of a survivor benefit in an amount not to exceed five times the yearly service pension amount specified in the bylaws on behalf of any member who dies before having performed five years of active service in the fire department with which the relief association is affiliated.

**Sec. 23. EFFECTIVE DATE.**

Sections 2, 3, 5, 6, 7 and 8 are effective the first day of the first full pay period beginning after final enactment. Sections 9 to 21 are effective January 1, 1988. The remaining sections are effective the day following final enactment.

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**ARTICLE 2**

**VARIOUS NONSTATEWIDE PUBLIC SAFETY PENSION PLAN CHANGES**

Section 1. Minnesota Statutes 1986, section 424.04, is amended to read:

**424.04 MEMBERS.**

Subdivision 1. **PAID FIREFIGHTERS.** Every paid firefighter, as defined in section 424.03, shall be eligible to apply for membership in the relief association in the city in which the person is employed within the time and in the manner hereinafter set forth. Any firefighter desiring to become a member shall, not later than 90 days from the time when the person is regularly entered on the payrolls of the fire department, make written application for membership in the relief association on forms supplied by the association, accompanied by one or more physician's certificates as required by the bylaws of the association. After the application has been filed, the board of examiners of the association shall make a thorough investigation thereof and file their report with the secretary of the association. An application shall be acted upon by the association within six months from the date applicant was entered on the payroll of the fire department. ~~No paid firefighter who is more than 35 years of age when the application of the person is filed shall become a member of the relief association, except that this age limitation shall not apply on application for reinstatement in the association.~~

Subd. 2. **VOLUNTEER FIREFIGHTERS.** Every volunteer firefighter shall

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be eligible to apply for membership in the relief association and shall make written application for membership in the relief association on forms supplied by the association not later than 90 days from the date on which the person commenced service as a volunteer firefighter. No application from a person who is ineligible for membership pursuant to section 424A.01, subdivision 1 or 2 or who is excluded as constituting an unwarranted health risk pursuant to section 424A.01, subdivision 4 shall be approved by the association. The application shall be acted upon by the association within six months from the date on which the person commenced service as a volunteer firefighter. ~~No volunteer firefighter who is more than 35 years of age when appointed to serve in any capacity performing any firefighting duties with a fire department shall become a member of the relief association, except that this age limitation shall not apply on any application for reinstatement in the association.~~

Sec. 2. Laws 1949, chapter 406, section 5, subdivision 1, as amended by Laws 1953, chapter 127, section 5, subdivision 1, Laws 1969, chapter 560, section 1, and Laws 1983, chapter 88, section 8, is amended to read:

Subdivision 1. **PERSONS MINNEAPOLIS POLICE; PERSONS ENTITLED TO RECEIVE.** The association shall grant pensions payable from the ~~police~~ police pension fund in monthly installments, in the manner and for the following purposes:

(1) Any active member ~~of the age of 50 years or more, and any deferred pensioner who performs~~ has performed duty as a member of the police department of the city for ~~20~~ five years or more, upon ~~his~~ written application after retiring from ~~such~~ duty, ~~shall and reaching at least age 50 is entitled to~~ be paid monthly during his lifetime a for life a service pension equal to ~~32~~ 32 units and an additional unit for each year of such service in excess of 20 years, but after completion of the 25th year of service the member shall receive 40 units thereafter.

(2) Any active member who performs duty as a member of the police department of the city for 20 years or more who retires from such duty before he attains the age of 50 years, upon his written application after reaching the age of 50 years shall be paid monthly during his lifetime a pension equal to 32 units and an additional unit for each year of such service in excess of 20 years, but after completion of the 25th year of service the member shall receive 40 units thereafter eight units. For full years of service beyond five years, the service pension increases to a maximum of 40 units, as follows:

Sixth through 20th years ..... 1.6 units per year

21st through 24th years ..... 1.0 units per year

25th year ..... 4.0 units

Fractional years of service may not be used in computing pensions.

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

~~(3) To~~ (2) Any active member who shall, after ~~ten~~ five years' service but with less than 20 years' service with the police department of the city, ~~become becomes~~ superannuated so as to be permanently unable to perform ~~his assigned~~ his assigned duties, there shall be paid monthly ~~during his lifetime for life~~ during his lifetime for life a pension equal to ~~12 two~~ two units for ~~ten five~~ five years of service and an additional two units for each ~~completed full~~ completed year of such service over ~~ten five~~ five years and less than 20 years.

~~(4) To~~ (3) Any active member not eligible for a service pension who, while a member of the police department of the city, becomes diseased or sustains an injury while in the service which permanently unfits ~~him~~ the member for the performance of police duties, there shall be paid monthly ~~during his lifetime for life~~ during his lifetime for life a pension equal to 32 units while so disabled.

Sec. 3. Laws 1949, chapter 406, section 5, subdivision 3, as amended by Laws 1953, chapter 127, section 5, subdivision 2, and Laws 1983, chapter 88, section 9, is amended to read:

Subd. 2. **PAYMENTS, MEMBER SEPARATED FROM THE SERVICE MINNEAPOLIS POLICE; REFUNDS PROHIBITED.** If an active member of the police department of the city is separated from the service after having completed not less than five years of service, under such circumstances that no pension benefits are payable to him or to his widow or to his children, the association shall return to him the sum of \$500, with an additional \$100 for each completed year of service in excess of five. In the event the member is reinstated to police duty all moneys paid him shall be returned to the pension fund within six months from the date of the reinstatement. Failure to do so relieves the association from any liability as to prior years of service credit as to reinstatement date. In case of the death of the member any such sums shall be paid to his heirs, executors, or administrators No refund of contributions may be made upon separation from service; provided, however, that if an active member dies leaving no surviving spouse or children the member's heirs, executors, or administrators are entitled to a refund of \$100 for each completed year of service.

Sec. 4. Laws 1949, chapter 406, section 6, subdivision 1, as amended by Laws 1953, chapter 127, section 6, and Laws 1967, chapter 820, section 1, is amended to read:

Subdivision 1. **MINNEAPOLIS POLICE SURVIVOR BENEFITS; PERSONS TO WHOM GRANTED.** The association shall grant pensions or benefits payable from the ~~police~~ police pension fund to any member or to any widow surviving spouse or to any child under 18 years of age or any member from the time and for the following purposes:

When a service pensioner, disability pensioner, or deferred pensioner, or an active member of a relief association dies, leaving

(1) a widow surviving spouse, who was his ~~a~~ a legally married ~~wife~~ spouse, residing with him ~~the decedent~~, and who was married while or prior to the time

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he the decedent was on the payroll of the police department; and who, in case the deceased member was a service or deferred pensioner, was legally married to the member at least one year before ~~his~~ retirement from the police department; or

(2) a child or children, who were living while the deceased was on the payroll of the police department or born within nine months after the decedent was withdrawn from ~~such~~ the payroll, the widow surviving spouse and child, or children, shall be entitled to a pension, or pensions, as follows:

(a) To the widow surviving spouse of a deceased active member or disabilitant, a pension of 18 units per month for life. If the surviving spouse remarries, the pension ceases as of the date of the remarriage.

(b) To the surviving spouse of a deceased deferred or retired member, a pension of ~~18~~ 4.5 units per month for her natural life; but, plus an additional nine-tenths of one unit per month for every year of service of the decedent beyond five years to a maximum of 18 units. If she remarry the surviving spouse remarries the pension shall cease ceases as of the date of the remarriage.

(b) (c) To each child of a deceased active member or disabilitant, a pension of six units per month until the child reaches the age of 18 years; or in the case of a child in full-time attendance during the normal school year, in a school approved by the board of directors, until the child receives a bachelor's degree or attains the age of 22 years, whichever occurs first.

(d) To each child of a deceased deferred or retired member, a pension of 1.5 units per month plus three-tenths of one unit per month for every year of service of the decedent beyond five years to a maximum of six units until the child reaches the age of 18 years; or, in the case of a child in full-time attendance during the normal school year in a school approved by the board of directors, until the child receives a bachelor's degree or attains the age of 22 years, whichever is first.

The total pensions hereunder for the widow surviving spouse and children of a deceased member shall not exceed 32 units per month.

Sec. 5. Laws 1980, chapter 607, article 15, section 9, is amended to read:

Sec. 9. **MINNEAPOLIS POLICE AND FIRE; HEALTH AND WELFARE BENEFIT.** Notwithstanding any law to the contrary, any person who, after July 1, 1980, retires on a service pension with at least 20 years of service or a permanent disability benefit from the Minneapolis police relief association or the Minneapolis firefighters relief association shall be entitled on January 1, 1981, or upon the date of retirement, whichever occurs later, to receive a monthly health and welfare benefit unless the city of Minneapolis elects to retain the local relief association by the adoption of a municipal resolution pursuant to section 4, subdivision 1. The monthly health and welfare benefit shall be an amount equal to one unit as defined pursuant to Laws 1963, Chapter 315, Section 1,

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

Subdivision 3, for the Minneapolis police relief association, or Minnesota Statutes, Section 69.45, for the Minneapolis firefighters relief association, whichever is applicable. The monthly health and welfare benefit shall be paid to the retired member unless the retired member designates in writing that the amount be paid to an insurance carrier to defray the cost of any health or welfare related insurance coverage.

Sec. 6. Laws 1949, chapter 406, section 4, subdivisions 2 and 3, as amended by Laws 1953, chapter 127, section 4; Laws 1965, chapter 534, section 1; Laws 1967, chapter 825, section 1; Laws 1969, chapter 258, section 1; Laws 1973, chapter 272, section 1; Laws 1975, chapter 428, section 1; and Laws 1983, chapter 88, section 7, is amended to read:

**Sec. 7. MINNEAPOLIS, CITY OF; POLICEMEN'S PENSIONS.**

The policemen's pension fund shall be used only for the payment of:

- (a) Service, disability or dependency pensions;
- (b) Salaries of the secretary of the association in an amount not to exceed 30 percent of the base salary of a top-grade patrolman and of the president of the association in an amount not to exceed ten percent of the base salary of a top-grade patrolman;
- (c) Expenses of officers and employees of the association in connection with the protection of the fund;
- (d) All expenses of operating and maintaining the association;
- (e) Hospital and medical insurance for pensioners who have completed 20 years or more of service or permanent disabilitants and widows surviving spouses of deceased active members, disabilitants, or service pensioners who have completed 20 years or more of service of one unit per month, such one unit to be added to the pension otherwise provided for herein; provided that a pensioner or widow surviving spouse may in writing authorize a deduction from their pension for an insurance plan adopted by the association;
- (f) Health and welfare benefits of one unit per month in addition to other benefits for members who retire after July 1, 1980, and have completed 20 years or more of service or members who are permanent disabilitants; and
- (g) Other expenses authorized by law.

Sec. 7. Laws 1967, chapter 678, section 2, as amended by Laws 1971, chapter 807, section 2, and Laws 1983, chapter 74, section 1, is amended to read:

Sec. 2. **HIBBING POLICE; SURVIVING SPOUSES, CHILDREN; AMOUNT OF PENSION.** Notwithstanding any other provision of law or charter, pensions may be paid by the police relief association of the city of Hibbing

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

to any surviving spouse or child under ~~16~~ 18 years of age of any pensioned and retired member of the police department, and to any surviving spouse or child under ~~16~~ 18 years of age of any member who dies while in the service of the police department of the city. The surviving spouse or child shall receive not more than the sums herein provided.

~~\$250 per month to the surviving spouse, and \$15 per month to each child under 16 years of age. Survivor benefits shall be the following percentages of the average salary of the deceased member during the last six months of employment by the police department:~~

- (1) surviving spouse, 30 percent;
- (2) surviving child under 18, 10 percent;
- (3) maximum family benefit, 50 percent.

Where a surviving spouse and children reside together the money herein required to be paid to the children shall be paid to the surviving spouse for the support of the children; ~~but that money paid to the surviving spouse for the surviving spouse and children shall not exceed \$280 per month in all.~~ In the event of the death of both parents leaving a minor child or children under the age of ~~16~~ 18 years of age, entitled to a pension, the sums as may be necessary for the care, maintenance and education of the child or children may be paid to the legal guardian thereof, but not to exceed the ~~sum of \$280 per month to the children of any one police officer~~ maximum family benefit. In the event that surviving spouse remarries, he or she shall receive no further benefits under this law. The fund shall not be used for any other purpose than the payment of service, disability or dependency pensions, as herein provided, and for the relief of a sick, injured and disabled police officer. The word "member", as used in this act, shall include policewomen, police matrons and assistant police matrons.

Sec. 8. Laws 1977, chapter 169, section 1, subdivision 1a, as amended by Laws 1982, chapter 443, section 1, is amended to read:

Subd. 1a. **HIBBING, CITY OF; FIREFIGHTERS; SERVICE PENSIONS; INCREASE IN CERTAIN PENSIONS.** The Hibbing firefighters relief association shall pay to any retired fireman who retired prior to September 1, 1972, ~~\$200~~ \$300 per month in addition to any service pension payable pursuant to subdivision 1.

Sec. 9. Laws 1971, chapter 614, section 1, subdivision 2, as amended by Laws 1982, chapter 443, section 2, is amended to read:

Subd. 2. **HIBBING FIRE; DEPENDENCY PENSIONS.** When a pensioned and retired or active member of the association dies leaving

(1) A ~~widow~~ surviving spouse who was ~~his~~ the member's legally married ~~wife~~ spouse, residing with ~~him~~ the member, and who was married to ~~him~~ the member while or prior to the time ~~he~~ the member was on the payroll of the fire

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

department; and who, in case the deceased member was a service pensioner, was legally married to the member at least three years before his retirement from the fire department; or

(2) A child or children who were living while the deceased was on the payroll of the fire department, or born within nine months after the decedent was withdrawn from the payroll of the fire department, the widow surviving spouse and the child or children shall be entitled to a pension or pensions based upon the following percentages of the average salary of the deceased member during the last six months of employment by the fire department, as follows:

(a) To the widow surviving spouse, ~~not to exceed the sum of \$250~~ 30 percent of average salary per month, as the bylaws of the association provide, for ~~her~~ her natural life which amount may be applicable to ~~widows~~ widows surviving spouses already receiving pension payments before the effective date of the most recent amendment ~~hereto~~ which affects the amount if the bylaws should so provide; ~~provided, that~~. If ~~she~~ the surviving spouse shall remarry then the pension shall cease and terminate as of the date of ~~her~~ her remarriage;

(b) To the child or children, if their ~~mother~~ other parent be living, a pension of ~~not to exceed \$25~~ ten percent of average salary per month for each child up to the time each child reaches the age of 18 years; provided, the total pensions hereunder for the widow surviving spouse and children of the deceased member shall not exceed ~~the sum of \$280~~ 50 percent of average salary per month;

(c) A child or children of a deceased member receiving a pension or pensions hereunder shall, after the death of their ~~mother~~ other parent, be entitled to receive a pension or pensions in such amount as the board of trustees of the association shall deem necessary to properly support the child or children until they reach the age of 18 years; but the total amount of the pension or pensions hereunder for any child or children shall not exceed ~~the sum of \$280~~ 50 percent of average salary per month.

Sec. 10. Laws 1967, chapter 751, section 2, is amended to read:

Sec. 2. WEST ST. PAUL POLICE; SERVICE PENSION.

Subdivision 1. PENSION AMOUNT. Notwithstanding Minnesota Statutes, Section 423.384, the service pension of a member of the ~~police~~ police relief association of the city of West St. Paul who is qualified for a pension in accordance with Section 423.384 at the time of retirement shall be one-half of the regular salary of a top grade ~~patrolman~~ patrol officer at the time the member retires.

Subd. 2. SALARY DEFINED. "Regular salary of a top grade patrol officer" includes the highest amount of longevity pay which is payable to a top grade patrol officer.

Subd. 3. POSTRETIREMENT ADJUSTMENTS. Service pensions must

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

be adjusted in accordance with Minnesota Statutes, section 423A.01, subdivision 4.

**Sec. 11. DISSOLUTION OF CLIFTON VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION; TRANSFER OF ASSETS AND SERVICE CREDIT.**

Notwithstanding the provisions of Minnesota Statutes, section 424A.02, subdivisions 11 and 12, if the Clifton independent nonprofit firefighting corporation disbands and the Clifton volunteer firefighters relief association established as provided in Minnesota Statutes, chapter 424A, is dissolved, the assets of the Clifton volunteer firefighters relief association must be transferred to any volunteer firefighters relief association governed by Minnesota Statutes, chapter 424A, applicable to the township of Duluth, county of St. Louis. Upon the transfer of assets, the receiving volunteer firefighters relief association is the successor in interest for all claims for and against the Clifton volunteer firefighters relief association, except any claim against the relief association, the Clifton independent nonprofit firefighting corporation, or any person connected with either in a fiduciary capacity, based on any acts that were not done in good faith and that constituted a breach of the obligation as a fiduciary. As a successor in interest, the receiving volunteer firefighters relief association may assert any applicable defense in any judicial proceeding that the Clifton volunteer firefighters relief association or the Clifton independent nonprofit firefighting corporation would have otherwise been entitled to assert.

Upon transfer of the assets of the Clifton volunteer firefighters relief association, a person with credit for service in the Clifton volunteer firefighters relief association must receive an equal amount of service credit in the receiving volunteer firefighters relief association.

**Sec. 12. MANKATO POLICE; ESCALATION OF CERTAIN BENEFITS.**

Notwithstanding Minnesota Statutes, section 423.384, or any other law, the Mankato police benefit association may amend its articles or bylaws to provide for computation of postretirement increases for retired members for whom there exists no equivalent rank in the public safety department, by the same percentage increase granted retired first class patrol officers in any year. The Mankato city council shall ratify the amendment as required by section 69.77, subdivision 2i, but the council may forego the actuarial valuation or estimate required by that subdivision.

**Sec. 13. MILLERVILLE FIREFIGHTERS RELIEF ASSOCIATION; PRIOR SERVICE IN SERVICE PENSION COMPUTATIONS.**

Notwithstanding any provision of Minnesota Statutes, sections 69.771 to 69.776 or chapter 424A to the contrary, the Millerville firefighters relief association may amend its bylaws to allow computation of service pensions utilizing a member's period of service as an active member of the municipal fire department during the period prior to incorporation of the relief association.

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



**Sec. 14. VIRGINIA FIREFIGHTERS' RELIEF ASSOCIATION; SURVIVING SPOUSES' BENEFITS.**

Notwithstanding any law to the contrary, the survivor benefit payable to a surviving spouse of a deceased member of the Virginia firefighters' relief association is increased by \$100 per month.

**Sec. 15. SAVINGS CLAUSE.**

Nothing in sections 2 to 6 impairs or diminishes the benefits paid to members, spouses, or children of a member of the Minneapolis police relief association or the entitlement that members, spouses, or children had to benefits before the effective date of sections 2 to 6.

**Sec. 16. EFFECTIVE DATE.**

Section 1 is effective the day following final enactment. Sections 2 to 6 and 15 are effective upon approval by the Minneapolis city council and compliance with Minnesota Statutes, section 645.021. Sections 7 to 9 are effective upon approval by the Hibbing city council and compliance with Minnesota Statutes, section 645.021. Section 10 is effective as approved by the governing body of the city of West St. Paul and if there is compliance with Minnesota Statutes, section 645.021, and the increase in service pensions payable due to section 10 is initially payable on January 1, 1988, and is applicable to any member of the West St. Paul police relief association who retired on or after February 1, 1985. Section 11 is effective upon approval by the Clifton independent nonprofit firefighting corporation and the approval of the governing body of the township of Duluth and compliance with Minnesota Statutes, section 645.021. Section 12 is effective upon approval by the Mankato city council and compliance with Minnesota Statutes, section 645.021. Section 13 is effective upon approval by the governing body of the city of Millerville and compliance with Minnesota Statutes, section 645.021. Section 14 is effective upon approval by the Virginia city council and compliance with Minnesota Statutes, section 645.021.

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**ARTICLE 3**

**MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION**

**BENEFIT MODIFICATION AUTHORIZATION**

**Section 1. MINNEAPOLIS TEACHERS RESTRUCTURING OF RETIREMENT BENEFITS; POSTRETIREMENT ADJUSTMENT MECHANISM.**

(a) In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the Minneapolis teachers retirement fund association to amend its articles of incorporation by repealing article IX, subsection (18), authorizing lump sum postretirement adjustments payable to retirees or beneficiaries.

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

(b) In accordance with Minnesota Statutes, section 354A.12, subdivision 4, if the repeal authorized by paragraph (a) occurs, approval is granted for the Minneapolis teachers retirement fund association to amend or make an addition to its articles of incorporation as provided in paragraphs (c) to (g).

(c) Article IX, subsection (11), authorizing formula retirement annuity benefits, may be amended to authorize all teachers who retired before June 1, 1985, other than persons receiving a money purchase annuity under article IX, subsection (3), receiving a C death benefit under article IX, subsection (4), item C, or receiving a total disability benefit under article IX, subsection (5), to receive as of the first day of the month following the effective date of the amendment a recomputed annuity determined according to the 1975 revised formula annuity without regard to the 30-year service limitation applicable to teachers who retired after May 1, 1974, and before June 1, 1985.

(d) Article IX, subsection (14) D, providing an annual automatic annuity increase of 1-1/2 percent to all annuitants who have been receiving an annuity for at least 24 months and who have attained the age of 65 may be amended to increase the annual automatic increase annuity to two percent per fiscal year on January 1, or July 1, whichever applies, and to extend eligibility for that increase annuity to all annuitants who have been receiving an annuity for at least 12 months, irrespective of the attained age of the annuitant.

(e) Article IX, subsection (14), may be amended by adding a provision authorizing an increase in the annuity of any annuitant who retired on or before July 1, 1986, in the amount of four percent of the annuity the member is otherwise eligible to receive on July 1, 1987, including any other increases granted as of that date under articles of incorporation amendments authorized by the section but excluding the annual automatic increase annuity payable under article IX, subsection (14), item D, on July 1, 1987, for each full year that the member has been retired and receiving an annuity, to a maximum of 20 percent.

(f) Article IX, subsection (14), may be amended by adding a provision authorizing payment, as of July 1, 1987, of an increase in a normal retirement annuity, joint and survivor annuity or term certain optional annuity of retired teachers of the positive dollar amount difference between a minimum normal retirement annuity equal to \$25 per month for each full year of teaching service, to a maximum of 30 years, and the amount of the normal retirement annuity, joint and survivor annuity or term certain optional annuity payable on June 1, 1987, to retired teachers who were members of the basic program, who ceased active teaching service in the city public schools, who are receiving a normal retirement annuity, and who have not withdrawn a portion of required member deposits upon applying for the normal retirement annuity. If the difference is not a positive dollar amount, no increase is payable and no reduction may be imposed. For persons to whom a remainder portion of a joint and survivor annuity or a term certain optional annuity is payable, a proportional increase is payable.

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

(g) Article IX may be amended by adding a new subsection providing for an investment related postretirement adjustment mechanism. An annual postretirement may be paid if there is any excess investment income. The determination must be made by the board of trustees in consultation with the actuary retained by the legislative commission on pensions and retirement. The fund has excess investment income if the time weighted total rate of return earned by the fund over the most recent three year fiscal year period has exceeded the rate of eight percent or the applicable postretirement interest rate assumption specified in Minnesota Statutes, section 356.215, subdivision 4d, whichever is greater. In determining the total rate of return, the board shall use the formula or formulas established by the state board of investment under Minnesota Statutes, section 11A.04, clause (11), and in effect on January 1, 1987. The amount by which the excess investment income exceeds the minimum interest rate must be expressed as a percentage and carried to four decimal places. An annual postretirement adjustment is payable to a person who is receiving an annuity under article IX, subsection (8), (9), or (11), or article XI, subsection (5), who is receiving a death benefit under article IX, subsection (4), or who is receiving a joint and survivor annuity or term certain optional annuity under article IX, subsection (2), clause (b) or (c), and who has received the annuity or benefit in the person's own right or in combination with the initial recipient of the annuity for at least 12 months as of the determination date. The determination date is June 30, and determinations must be made as soon as practicable after that date. The board of trustees shall determine the percentage amount of the postretirement adjustment payable, but the percentage amount may not exceed the amount by which the excess investment income exceeds the minimum interest rate. The board of trustees shall include in the provision criteria to govern the exercise of its discretion in determining the instances under which an annual postretirement adjustment of less than the full determined percentage is payable. The annual postretirement adjustment is payable on January 1 following the determination date and is payable for the duration of the annuity or benefit.

#### Sec. 2. WITHDRAWAL OF AUTHORITY.

The authority for the amendment of article IX of the articles of incorporation of the Minneapolis teachers retirement fund association adding subsection (18) to provide a lump sum postretirement adjustment to certain annuitants and survivor benefit recipients under Laws 1981, chapter 159, section 1, clause (1), is withdrawn.

#### Sec. 3. EFFECTIVE DATE.

Sections 1 and 2 are effective the day following final enactment.

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

## ARTICLE 4

## AUTHORIZATION OF PURCHASES OF PRIOR SERVICE

## Section 1. PURCHASE OF PRIOR SERVICE CREDIT AUTHORIZATION.

Subdivision 1. PURCHASE ELIGIBILITY. (a) Notwithstanding the limitations in Minnesota Statutes, section 353.36, subdivision 2, a person whose employment with the Roseau county highway department began in September 1961, but for whom no salary deductions were taken out for the public employees retirement association until June 1965, may purchase credit for the prior public service for which salary deductions were omitted by paying to the association. Eligibility to make the purchase of prior service credit expires on January 1, 1988.

(b) Notwithstanding any law to the contrary, a person who is currently a teacher in the North St. Paul school district, who was on unpaid medical leave during the 1975-1976 and 1976-1977 school years and who was born on November 13, 1926 may purchase credit in the teachers retirement association for the periods of unpaid medical leave. Eligibility to make the purchase of prior service credit expires on January 1, 1988.

Subd. 2. PURCHASE PAYMENT AMOUNT. For any person eligible to purchase credit for prior service as provided in subdivision 1, there must be paid to the applicable retirement association an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity that would be obtained by virtue of the purchase of the additional service credit, using the interest rate specified in Minnesota Statutes, section 356.215, subdivision 4d, and the applicable mortality table adopted for the applicable retirement association and assuming continuous future service in the retirement system until, and retirement at, the age at which the minimum requirements of the retirement association for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased, for the retirement association, and a future salary history that includes annual salary increases at the rate specified in Minnesota Statutes, section 356.215, subdivision 4d. The person requesting the purchase of prior service must establish in the records of the retirement association proof of the service for which the purchase of prior service is requested. The manner of the proof of service must be in accordance with procedures prescribed by the executive director of the applicable retirement association.

Subd. 3. PAYMENT; CREDITING SERVICE. Payment must be made in one lump sum, unless the executive director of the applicable retirement association agrees to accept payment in installments over a period not to exceed three years from the date of the agreement, with interest at a rate deemed appropriate by the executive director. The period of allowable service may be credited to

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

the account of the person only after receipt of full payment by the executive director.

Subd. 4. OPTIONAL EMPLOYER PARTIAL PAYMENT. Payment must be made by the person entitled to purchase prior service; however, the current or former employer of the person may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect for the retirement fund during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of six percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made.

#### Sec. 2. PURCHASE OF PRIOR SERVICE BY CERTAIN EMPLOYEES.

Notwithstanding any other law, a person who was employed by the University of Minnesota hospitals pharmacy department and was a member of the Minnesota state retirement system from October 2, 1967, to March 31, 1968, and who was appointed to a faculty position in the University of Minnesota pharmacy department and became a member of the retirement plan for university faculty members on April 1, 1968, and who on September 23, 1974, returned to state service and to membership in the Minnesota state retirement system as an employee of the department of human services may withdraw his account balance from the retirement plan for university faculty members and may purchase service credit in the Minnesota state retirement system for the time spent as a university faculty member. A person covered by this section may purchase that service credit by paying to the Minnesota state retirement system, by January 1, 1988, an amount equal to all employee, employer, and additional employer contributions at the rates in effect when the service as a faculty member was rendered plus interest at the rate of six percent a year from the year of purchase to the date payment is made.

#### Sec. 3. EFFECTIVE DATE.

Sections 1 and 2 are effective the day following final enactment.

### ARTICLE 5

#### AMBULANCE SERVICE PERSONNEL RETIREMENT PLAN

##### Section 1. [353D.01] AMBULANCE SERVICE PERSONNEL RETIREMENT PLAN.

Subdivision 1. ESTABLISHMENT. The ambulance service personnel retirement plan is administered by the public employees retirement association under supervision of the association board of directors. To assist it in governing the operations of the plan, the board may appoint an advisory committee of not

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more than seven members who are representative of ambulance service operators and ambulance service personnel.

Subd. 2. COVERAGE. Coverage under the retirement plan is open to basic and advanced life support emergency medical service personnel employed by or providing services for any public ambulance service or privately operated ambulance service that receives an operating subsidy from a governmental entity that elects to participate. First response personnel and emergency medical service personnel who are currently covered by a public or private pension plan because of their employment or provision of services are not eligible to participate in the plan.

**Sec. 2. [353D.02] ELECTION OF COVERAGE.**

Each public ambulance service or privately operated ambulance service that receives an operating subsidy from a governmental entity with eligible personnel may elect to participate in the plan. If a service elects to participate, its eligible personnel may elect to participate or to decline to participate. An individual's election must be made within the latter of 30 days of the service's election to participate or 30 days of the date on which the individual was employed by the service or began to provide service for it. An election by a service or an individual is irrevocable.

**Sec. 3. [353D.03] FUNDING OF PLAN.**

A public ambulance service or privately operated ambulance service that receives an operating subsidy from a governmental entity that elects to participate in the plan shall fund benefits for its qualified personnel who individually elect to participate, except that personnel who are paid for their services may elect to make member contributions in an amount not to exceed the service's contribution on their behalf. Ambulance service contributions on behalf of salaried employees must be a fixed percentage of salary. An ambulance service making contributions for volunteer or largely uncompensated personnel may assign a unit value for each call or each period of alert duty for the purpose of calculating ambulance service contributions.

**Sec. 4. [353D.04] CONTRIBUTIONS TO PLAN.**

Ambulance service contributions to the plan may be made from any source of funds available to the ambulance service. Contributions must be remitted monthly to the association together with any member contributions paid or withheld during the preceding month. Contributions shall be credited to the individual account of each participating member.

**Sec. 5. [353D.05] INVESTMENT OF FUNDS.**

Subdivision 1. INVESTMENT. Ambulance service contributions, after the deduction of an amount for administrative expenses, and member contributions must be remitted to the state board of investment for investment in the Minnesota supplemental investment fund established by section 11A.17.

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

**Subd. 2. INVESTMENT OPTIONS.** (a) An individual participant may elect to purchase shares in the income share account, the growth share account, the money market account, the bond market 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 contributions to be used to purchase shares in each of the accounts.

(b) Twice in a calendar year, a participant may indicate in writing a choice of options for subsequent purchases of shares. Thereafter, until the participant makes a different written indication, the executive director of the association shall purchase shares in the supplemental investment fund or funds specified by the participant. If no initial option is indicated by a participant, the executive director shall invest all contributions made by or on behalf of a participant in the income share account. A choice of investment options is effective no later than the first pay date first occurring more than 30 days after receipt of the written choice of options.

(c) Twice in a calendar year, a participant or former participant may also change the investment options selected for all or a portion of the individual's previously purchased shares. If a partial transfer of previously purchased shares is selected, a minimum of \$500 must be transferred and a minimum balance of \$500 must remain in the previously selected investment option. A change may be made only from one account or a combination of accounts to a single account. A change under this paragraph is effective as soon as cash flow to an account permits, but not later than six months from the requested change.

**Subd. 3. ADMINISTRATIVE EXPENSES.** The public employees retirement association may deduct an amount, set annually by the executive director of the association, but not to exceed two percent of ambulance service contributions to the plan, to defray the expenses of the association in administering the plan.

#### Sec. 6. [353D.06] REPORTING BY AMBULANCE SERVICES.

The executive director of the public employees retirement association shall prescribe the form of monthly and any other reports required from an ambulance service and the election forms required from ambulance service members. Member forms shall contain names, identification numbers, amount of contribution by and on behalf of each member, and such other data as is required to keep an accurate account of the account value of each participating employee.

#### Sec. 7. [353D.07] BENEFITS.

**Subdivision 1. TYPE OF PLAN; UNIFORMITY.** The plan is a defined contribution plan where the benefits payable upon retirement, death, or withdrawal when permitted, are determined by the value of accumulated contributions plus a proportionate share of investment income of the fund credited to each individual account. Each ambulance service shall determine eligibility for participation subject to terms of this act. Eligibility standards must be uniform among all ambulance service personnel of an ambulance service electing to participate.

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

Subd. 2. AGE; VESTING. Normal retirement age is 50 years. Early retirement is not allowed. Sixty months of service credit are required for vesting of retirement benefits. No minimum period of service is required for vesting of death benefits. Withdrawal of or a retirement benefit based on member contributions plus accrued investment income vests immediately. Upon completion of 60 months of service under the plan with one or more ambulance services, a participant terminating active service prior to age 50 is entitled to receive the value of the participant's individual account upon or after attaining age 50. An application by or on behalf of the participant must be filed before any payment of benefits may be made.

Subd. 3. FORM OF BENEFIT. A retirement benefit is payable in a lump sum equal to the value of a participant's account at the date of retirement and may be rolled over into another qualified plan at the option of the member. As an alternative to a lump sum distribution, the member may choose to have the association use the total account value to purchase an annuity payable at a designated age from an insurance company licensed to do business in the state.

Subd. 4. DISABILITY OR DEATH. No disability coverage shall be provided by the plan. In the event of the death of an active participant with any credited service or a deferred participant under age 50, the total value of the account shall be paid in a lump sum to the designated beneficiary or, if none, the heirs at law of the decedent.

Subd. 5. FORFEITURES. The account value of any participant terminating service prior to acquiring a vested interest or of a participant who dies leaving no designated beneficiary or heirs at law must be returned to the public employees retirement association and credited against future ambulance service contributions by the applicable ambulance service or services after the expiration of two years from the date of termination or death.

#### **Sec. 8. [353D.08] PORTABILITY.**

Qualified ambulance service personnel who change employment or membership among participating ambulance services may continue participation in the plan without penalty or forfeiture after their interest vests. Qualified ambulance service personnel who change employment or membership to a nonparticipating ambulance service are not subject to the forfeiture required by section 7, subdivision 5.

#### **Sec. 9. [353D.09] TAX QUALIFICATION.**

The public employees retirement association shall adopt rules required for administration of the plan. The proposed plan shall be formulated and adopted in accordance with applicable restrictions and standards of the Internal Revenue Code and rulings and regulations of the Internal Revenue Service in order to assure the tax exempt status of the plan as a qualified pension plan. Contributions by ambulance service personnel and by ambulance service operators may be accepted only after approval by the Internal Revenue Service.

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



Sec. 10. **[353D.10] NOT CONSIDERED A LOCAL PLAN.**

The plan is not a local governmental pension plan or fund for purposes of section 356.25.

Sec. 11. **EFFECTIVE DATE.**

Sections 1 to 10 are effective on July 1, 1987.

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**ARTICLE 6**

**PUBLIC PENSION PLAN ASSET USE LIMITATION**

**Section 1. [356.615] LIMITATION ON USE OF PUBLIC PENSION PLAN ASSETS.**

(a) Money held by or credited to a public pension plan as assets, including employer and employee contributions, state aid, appropriations from the state or a governmental subdivision, and accrued earnings on investments, constitutes a dedicated fund. The dedicated fund must be used exclusively to pay retirement annuities, service pensions, disability benefits, survivor benefits, refunds of contributions or other benefits provided under the benefit plan document or documents governing the public pension plan, and to pay reasonable administrative expenses approved by the governing board of the public pension plan or by another appropriate authority. No assets of a public pension plan may be loaned or transferred to the state or a governmental subdivision or be used to amortize an unfunded actuarial accrued liability in another public pension plan, whether or not the plan providing the assets consolidates or has consolidated with the plan receiving the assets. Nothing in this section prohibits a public pension plan or the state board of investment from investing the assets of a plan as authorized by law, including the investment of the assets of public pension plans by the state board of investment in a commingled investment fund.

(b) A public pension plan for purposes of this section means a pension plan or fund specified in section 356.20, subdivision 2, or 356.30, subdivision 3, or a retirement or pension plan or fund, including a supplemental retirement plan or fund, established, maintained, or supported by a governmental subdivision or public body whose revenues are derived from taxation, fees, assessments, or other public sources.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

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

## ARTICLE 7

## VARIOUS MISCELLANEOUS RETIREMENT MODIFICATIONS

## Section 1. PENSION SALARY AND SERVICE CREDIT FOR CERTAIN PERSONS.

Subdivision 1. ENTITLEMENT. A person who was an employee of Ramsey county and a member of the public employees retirement association, who suffered an illness or injury entitling the person to workers' compensation benefits during the five successive years before the date on which the person would have attained normal retirement age under Minnesota Statutes 1986, section 353.29, subdivision 1, or 353.30, subdivision 1a, who was granted an authorized leave of absence by Ramsey county, and who retired between June 26, 1986, and January 1, 1987, is entitled to additional credit from the public employees retirement association for additional salary under subdivision 2 and additional service under subdivision 3 and to a recalculation by the public employees retirement association of the retirement annuity under subdivision 4.

Subd. 2. CREDIT FOR ADDITIONAL SALARY. The additional salary for the period of the authorized leave of absence is the portion or multiple of the average salary on which deductions were made during the last six months of public service preceding the authorized leave of absence.

Subd. 3. CREDIT FOR ADDITIONAL ALLOWABLE SERVICE. The additional allowable service is any period of authorized leave of absence resulting from the qualifying injury or illness, not to exceed 30 months, for which the person made payments to the public employees retirement association under Minnesota Statutes 1986, section 353.01, subdivision 16, paragraph (3).

Subd. 4. RETIREMENT ANNUITY RECALCULATION. If the person obtains credit for additional salary and allowable service, the public employees retirement association shall recalculate the person's retirement annuity on the basis of any greater final average salary and the additional service and shall pay any difference between the old annuity and the recalculated annuity retroactively to the date of the person's retirement. Any retroactive amounts must be paid as soon as practicable.

## Sec. 2. POSTRETIREMENT ADJUSTMENT FOR CERTAIN RETIRED TEACHER.

Subdivision 1. RETIREMENT EFFECTIVE DATE. In order to determine the effective date of retirement for the purposes of paying postretirement adjustments under Minnesota Statutes, section 11A.18, an annuitant from the teachers retirement association who terminated employment with the Roseau school district on June 30, 1982, and whose application for retirement was postmarked July 1, 1982, shall be deemed to have retired effective July 1, 1982.

Subd. 2. APPROPRIATION. The appropriate amount of required reserves

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is appropriated from the teachers retirement fund to the Minnesota postretirement investment fund to make a retroactive payment on the first day of the month next following the date of the ruling of the administrative hearing required by subdivision 3 of the adjustments an annuitant described in subdivision 1 would have received from January 1, 1984, to the last day of the month next following the date of the ruling of the administrative hearing required by subdivision 3, and to fund the reserves necessary to support an adjusted benefit for the annuitant for the future.

Subd. 3. ADMINISTRATIVE HEARING. The teachers retirement association shall hold an administrative hearing under Minnesota Statutes, sections 14.57 to 14.62, to determine the date on which the annuitant described in subdivision 1 mailed the application for retirement to the teachers retirement association. Notice of the hearing must be provided within 30 days of the effective date of this section and the hearing must be held as soon as practicable after that notice is provided.

Subd. 4. EFFECT OF HEARING. Subdivisions 1 and 2 are effective if the administrative hearing required by subdivision 3 results in a finding of fact that the annuitant described in subdivision 1 mailed the application for retirement to the teachers retirement association on or before June 30, 1982.

### Sec. 3. ALBANY COMMUNITY HOSPITAL EMPLOYEES.

Subdivision 1. REFUND OF CONTRIBUTIONS. A member of the public employees retirement association who was employed by the Albany community hospital on the date the hospital was taken over by a private corporation or organization is entitled upon application to be paid a refund of accumulated employee and employer contributions made by or on behalf of the employee to the association, plus interest on those contributions at the rate of six percent a year. If an employee has previously received a refund of employee contributions, only the accumulated employer contributions plus interest may be refunded. No employer additional contributions may be refunded. A refund of contributions may be made only to a federal income tax qualified individual retirement account established by or on behalf of the person.

Subd. 2. DEFERRED ANNUITY. If an employee described in subdivision 1 had at least five years of allowable service credit, the employee may elect to receive, in lieu of the refund, a deferred annuity under Minnesota Statutes, section 353.34, subdivision 3, notwithstanding the length of service requirements contained in that subdivision. An employee eligible for a deferred annuity who has previously received a refund of employee contributions may reinstate the employee's eligibility for a deferred annuity by repaying the amount refunded, including any interest received, to the association, and any deferred annuities augmentation may be computed only from the date of the refund repayment.

Subd. 3. DEADLINE. Refunds must be paid or options must be exercised and repayments of refunds made by July 1, 1988.

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

**Sec. 4. CANBY COMMUNITY HOSPITAL EMPLOYEES.**

Subdivision 1. REFUND OF CONTRIBUTIONS. A member of the public employees retirement association who was employed by the Canby community hospital district No. 1 on the date the hospital was taken over by a private corporation or organization and whose public employment was thus terminated, may, by filing a valid application, elect to be paid a refund of accumulated employee and employer contributions made by or on behalf of the employee to the association, plus interest on those contributions at the rate of six percent a year. If an employee has previously received a refund of employee contributions, only the accumulated employer contributions plus interest may be refunded. No employer additional contributions may be refunded. A refund of contributions may be made only to a federal income tax qualified individual retirement account established by or on behalf of the person.

Subd. 2. DEADLINE. Refunds must be paid within 90 days of exercise of the option. Options must be exercised by July 1, 1988.

**Sec. 5. STEARNS COUNTY HISTORICAL SOCIETY EMPLOYEE.**

Notwithstanding the amendment of section 353.01, subdivision 2a, by Laws 1986, chapter 458, section 11, which excluded county historical society employees not employed by the county from membership in the public employees retirement association, an employee of the Stearns county historical society who was born on April 2, 1923, and who was a society employee on March 26, 1986, may elect to retain membership in and retirement coverage by the public employees retirement association. Notice of intent to retain membership must be given to the association within 60 days after the effective date of this section. Any contributions refunded under Laws 1986, chapter 458, section 33, on behalf of the employee must be repaid with interest at the rate of 6.5 percent a year, compounded annually, to the association within the 60-day period.

**Sec. 6. ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION BYLAW AMENDMENT.**

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the St. Paul teachers retirement fund association to amend its bylaws, with effect retroactive to July 1, 1986, as follows:

(1) article IV of the bylaws, section 4, paragraph 1, clause (a), governing the payment of service and deferred pensions, may be amended by removing any limitation on employment as a retired member in any capacity by the city of St. Paul; and

(2) article IV of the bylaws, section 4, paragraph 1, governing the payment of service and deferred pensions, may be amended by adding clause (c) to provide that any person who was on a leave of absence from independent school district No. 625 on January 1, 1987, who was employed by the city of St. Paul while on that leave before January 1, 1987, and who applied for, but withdrew,

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

an application for retirement with the fund association before January 1, 1987, is considered to have filed a valid application for retirement on January 1, 1987, in the form of the previously filed application and is eligible to be paid a retirement allowance retroactive to January 1, 1987.

#### Sec. 7. HIBBING ELECTED OFFICIAL.

Notwithstanding the "incumbency" provision of Minnesota Statutes, section 353.01, subdivision 7, and rules to the contrary adopted by the board of the public employees retirement association, a person who served on the Hibbing city council and elected membership in the association from January 1, 1983, and who terminated service on the council on November 25, 1986, after being reelected to the council for a term beginning January 6, 1987, may not be considered a member of the association with respect to service rendered as an elected official after the termination date of November 25, 1986, but may elect to become a member of the association under section 353.01, subdivision 7, for service rendered as an elected official on or after January 1, 1987.

#### Sec. 8. PLYMOUTH VOLUNTEER FIREFIGHTERS.

Subdivision 1. EXCLUSION FROM CERTAIN RETIREMENT COVERAGE. A volunteer firefighter serving with the Plymouth fire department is excluded from the definition of "public employee" in Minnesota Statutes, section 353.01, subdivision 2, and may not be a member of the public employees police and fire fund. Compensation paid to a Plymouth volunteer firefighter is excluded from the definition of "salary" in section 353.01, subdivision 10.

Subd. 2. DEFINITION OF VOLUNTEER FIREFIGHTER. A volunteer firefighter for purposes of subdivision 1 is a person who is not scheduled to serve on a full-time basis, who serves on call for emergency duty as a regular active member of the Plymouth municipal fire department, and who receives no compensation for that service or whose compensation for that service is not based on or is not a multiple of any rate of compensation being paid that person by the Plymouth municipal fire department for duty other than on call emergency duty, training duty, or equipment maintenance duty.

Subd. 3. REFUND. A volunteer firefighter who is excluded from membership by subdivision 1 shall be entitled to a refund of member contributions to the public employees retirement association or the public employees police and fire fund based on compensation as a volunteer firefighter, plus simple interest at the rate of six percent a year, if the person or the city of Plymouth demonstrates to the satisfaction of the executive director of the association the amount of contributions made by the person on behalf of service as a volunteer firefighter.

#### Sec. 9. LEGISLATIVE INTENT.

It is the finding of the legislature that the special refund provisions authorized in sections 3 and 4 are a unique response to two unique situations and it is the intent of the legislature that this response will not be considered for any allegedly similar situations.

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

Sec. 10. **EFFECTIVE DATE.**

Sections 1 to 7 and 9 are effective the day following final enactment. Section 8 is effective July 1, 1987.

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**ARTICLE 8****STATE BOARD OF INVESTMENT CHANGES**

Section 1. Minnesota Statutes 1986, section 11A.04, is amended to read:

**11A.04 DUTIES AND POWERS.**

The state board shall:

(1) Act as trustees for each fund for which it invests or manages money in accordance with the standard of care set forth in section 11A.09.

(2) Formulate policies and procedures deemed necessary and appropriate to carry out its functions. Procedures adopted by the board shall allow fund beneficiaries and members of the public to become informed of proposed board actions. Procedures and policies of the board shall not be subject to the administrative procedure act.

(3) Employ an executive director as provided in section 11A.07.

(4) Employ investment advisors and consultants as it deems necessary.

(5) Prescribe policies concerning personal investments of all employees of the board to prevent conflicts of interest.

(6) Maintain a record of its proceedings.

(7) As it deems necessary, establish advisory committees subject to the provisions of section 15.059 to assist the board in carrying out its duties.

(8) Not permit state funds to be used for the underwriting or direct purchase of municipal securities from the issuer or the issuer's agent.

(9) Direct the state treasurer to sell property other than money which has escheated to the state when the board determines that sale of the property is in the best interest of the state. Escheated property shall be sold to the highest bidder in the manner and upon terms and conditions prescribed by the board.

(10) Undertake any other activities necessary to implement the duties and powers set forth in this section.

(11) Establish a formula or formulas to measure management performance and return on investment. All public pension funds in the state shall utilize the formula or formulas developed by the state board.

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

(12) Except as otherwise provided in article XI, section 8 of the constitution of the state of Minnesota, employ, at its discretion, qualified private firms to invest and manage the assets of funds over which the state board has investment management responsibility. There is annually appropriated to the state board, from the assets of the funds for which the state board utilizes a private investment manager, sums sufficient to pay the costs therefor. Each year, by January 15, the board shall report to the governor and legislature on the cost and the investment performance of each investment manager employed by the board.

(13) Adopt an investment policy statement that includes investment objectives, asset allocation, and the investment management structure for the retirement fund assets under its control. The statement may be revised at the discretion of the state board. The state board shall seek the advice of the council regarding its investment policy statement. Adoption of the statement is not subject to chapter 14.

Sec. 2. Minnesota Statutes 1986, section 11A.24, subdivision 2, is amended to read:

Subd. 2. **GOVERNMENT OBLIGATIONS.** The state board may invest funds in governmental bonds, notes, bills, mortgages and other ~~fixed obligations, including evidences of indebtedness provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency.~~ The obligations in which the board may invest under this subdivision include guaranteed or insured issues of (a) the United States, its agencies, its instrumentalities, or organizations created and regulated by an act of Congress; (b) Canada and its provinces, provided the principal and interest is payable in United States dollars; (c) the states and their municipalities, political subdivisions, agencies or instrumentalities, ~~where backed by the state's full faith and credit or if the issuer has not been in default in payments of principal or interest within the past ten years or in the case of revenue bonds the obligor has been completely self-supporting for the five prior years;~~ (d) the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or any other United States Government sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars ~~and the issues are rated in the highest quality category by a nationally recognized rating agency.~~

Sec. 3. Minnesota Statutes 1986, section 11A.24, subdivision 3, is amended to read:

Subd. 3. **CORPORATE OBLIGATIONS.** The state board may invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof if they conform to the following provisions:

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

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

(b) obligations shall be rated among the top four quality categories by a nationally recognized rating agency;

(c) for unrated obligations, the corporation shall have issued other similar securities rated according to clause (b) or: (i) the consolidated net pretax earnings of corporations other than banks and finance corporations shall have been on average for the preceding five years at least three times the annual interest charges on total funded debt applicable to that period; or (ii) the consolidated net pretax earnings of banks and finance corporations shall have been on average for the preceding five years at least 2-4 times the annual interest charges on total funded debt applicable to that period.

Sec. 4. Minnesota Statutes 1986, section 11A.24, subdivision 4, is amended to read:

Subd. 4. **OTHER OBLIGATIONS.** The state board may invest funds in bankers acceptances, certificates of deposit, commercial paper, mortgage participation certificates and pools, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, and savings accounts if they conform to the following provisions:

(a) bankers acceptances of United States banks shall be limited to those eligible for purchase by the Federal Reserve System issued by banks rated in the highest four quality categories by a nationally recognized rating agency;

(b) certificates of deposit shall be limited to those issued by United States banks and savings institutions that ~~meet the collateral requirements established in section 9.031, unless sufficient volume is unavailable at competitive interest rates. In that event, nonecollateralized certificates of deposit may be purchased from United States banks and savings institutions that are rated in the highest quality category by a nationally recognized rating agency~~ are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Sections 16A.58 and 16B.06 do not apply to certifications of deposit and collateralization agreements executed by the state board;

(c) commercial paper shall be limited to those issued by United States corporations or their Canadian subsidiaries; shall be ~~of the highest quality and mature in 270 days or less~~ rated in the highest two quality categories by a nationally recognized rating agency;

(d) mortgage participation or pass through certificates evidencing interests in pools of first mortgages or trust deeds on improved real estate located in the United States where the loan to value ratio for each loan as calculated in

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accordance with section 61A.28, subdivision 3 does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3. In addition the state board may purchase from the Minnesota housing finance agency all or any part of any pool of residential mortgages, not in default, which has previously been financed by the issuance of bonds or notes of the agency. The state board may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default, which have been made or purchased from the proceeds of the bonds or notes. The state board may charge reasonable fees for any such commitment, and may agree to purchase the mortgage loans at a price such that the yield thereon to the state board will, in its judgment, be comparable to that available on similar mortgage loans at the date of the bonds or notes. The state board may also enter into agreements with the agency for the investment of any portion of the funds of the agency for such period, with such withdrawal privileges, and at such guaranteed rate of return, if any, as may be agreed between the state board and the agency.

(e) collateral for repurchase agreements and reverse repurchase agreements shall be limited to letters of credit and securities authorized in this section;

(f) guaranteed investment contracts shall be limited to those issued by insurance companies rated in the top four quality categories by a nationally recognized rating agency;

(g) savings accounts shall be limited to those fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

Sec. 5. Minnesota Statutes 1986, section 11A.24, subdivision 5, is amended to read:

Subd. 5. **CORPORATE STOCKS.** The state board may invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or the states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange, if they conform to the following provisions:

(a) The aggregate value of corporate stock investments, as adjusted for realized profits and losses, shall not exceed ~~75~~ 85 percent of the market or book value, whichever is less, of a fund, less the aggregate value of investments according to subdivision 6;

(b) Investments shall not exceed five percent of the total outstanding shares of any one corporation.

Sec. 6. Minnesota Statutes 1986, section 11A.24, subdivision 6, is amended to read:

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

Subd. 6. **OTHER INVESTMENTS.** (a) In addition to the investments authorized in subdivisions 1 to 5, and subject to the provisions in clause (b), the state board may invest funds in:

(1) Venture capital investment businesses through participation in limited partnerships and corporations;

(2) Real estate ownership interests or loans secured by mortgages or deeds of trust through investment in limited partnerships, bank sponsored collective funds, trusts, and insurance company commingled accounts, including separate accounts;

(3) Regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940; ~~and~~

(4) Resource investments through limited partnerships, private placements and corporations; and

(5) Debt obligations not subject to subdivision 3.

(b) The investments authorized in clause (a) may only be made if they conform to the following provisions:

(1) The aggregate value of all investments made according to clause (a) shall not exceed ~~20~~ 35 percent of the market value of the fund for which the state board is investing;

(2) There shall be at least four unrelated owners of the investment other than the state board for investments made under paragraph (a), clause (1), (2), (3), or (4);

(3) State board participation in an investment vehicle shall be limited to 20 percent thereof for investments made under paragraph (a), clause (1), (2), (3), or (4); and

(4) State board participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The state board shall not engage in any activity as a limited partner which creates general liability.

Sec. 7. Minnesota Statutes 1986, section 11A.25, is amended to read:

#### 11A.25 ADDITIONAL INVESTMENT PROVISIONS.

When investing assets of any funds or accounts specifically made subject to this section or not otherwise referred to in sections 11A.01 to 11A.25, all securities shall be debt obligations ~~maturing within three years of the date of purchase~~ and shall conform to the applicable provisions of section 11A.24.

Sec. 8. **EFFECTIVE DATE.**

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

Sections 1 to 7 are effective the day following final enactment.

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ARTICLE 9

REDUCED VESTING REQUIREMENTS AND MODIFIED  
WORKERS' COMPENSATION OFFSETS

Section 1. Minnesota Statutes 1986, section 352.113, subdivision 1, is amended to read:

Subdivision 1. **AGE AND SERVICE REQUIREMENTS.** Any employee covered by the system who is less than 65 years of age who becomes totally and permanently disabled after ~~ten~~ five or more years of allowable service ~~and any employee who is at least 50 years of age but less than 65 years of age who becomes totally and permanently disabled after five or more years of allowable service~~ shall be entitled to a disability benefit in an amount provided in subdivision 3. If such disabled employee's state service has terminated at any time, at least ~~five~~ three years of allowable service must have been rendered after last becoming a state employee covered by the system.

Sec. 2. Minnesota Statutes 1986, section 352.115, subdivision 1, is amended to read:

Subdivision 1. **AGE AND SERVICE REQUIREMENTS.** After separation from state service any employee (a) who has attained the age of at least 55 years and who is entitled to credit for not less than ~~ten~~ five years allowable service or (b) who has received credit for not less than 30 years allowable service regardless of age is entitled upon application to a retirement annuity.

Sec. 3. Minnesota Statutes 1986, section 352.12, subdivision 2, is amended to read:

Subd. 2. **SURVIVING SPOUSE BENEFIT.** If an employee or former employee who has attained the age of at least 50 years and has credit for not less than ~~ten~~ five years allowable service or who has credit for not less than 30 years of allowable service, regardless of age attained, dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund with interest provided in subdivision 1, an annuity 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 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. The annuity shall be computed as provided in sections 352.115, subdivisions 1, 2, and 3, and 352.116, subdivisions 1 and 3. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply

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to a deferred annuity payable under this subdivision. The annuity shall cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse. 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 benefits paid and payable to the surviving spouse shall be paid to the deceased employee's last designated beneficiary or, if none, to the surviving children of the deceased spouse in equal shares or, if none, to the surviving parents of the deceased spouse or, if none, to the representative of the estate of such deceased spouse. Any employee may request in writing that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

Sec. 4. Minnesota Statutes 1986, section 352.22, subdivision 3, is amended to read:

Subd. 3. **DEFERRED ANNUITY.** (1) Any employee with at least ~~ten~~ five years of allowable service when such termination occurs may elect to leave the 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 the employee may become entitled computed under the law in effect on the 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 for entitlement 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, but in no event prior to the date the employee reaches the required age for entitlement 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. 5. Minnesota Statutes 1986, section 352.72, subdivision 1, is amended to read:

Subdivision 1. **ENTITLEMENT TO ANNUITY.** Any person who has been an employee covered by the Minnesota state retirement system, or a member of the public employees retirement association including the public employees retirement association police and firefighters' fund, or the teachers retirement associa-

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tion, or the state patrol retirement association, or any other public employee retirement system in the state of Minnesota having a like provision but excluding all other funds providing benefits for police officers or firefighters shall be entitled when qualified to an annuity from each fund if total allowable service in all funds or in any two of these funds totals ~~ten~~ five or more years, provided no portion of the allowable service upon which the retirement annuity from one fund is based is again used in the computation for benefits from another fund and provided further that a refund has not been taken from any one of these funds since service entitling the employee to coverage under the system or the employee's membership in any of the associations last terminated. The annuity from each fund shall be determined by the appropriate provisions of the law except that the requirement that a person must have at least ~~ten~~ five years allowable service in the respective system or association shall not apply for the purposes of this section provided the combined service in two or more of these funds equals ~~ten~~ five or more years.

Sec. 6. Minnesota Statutes 1986, section 352.93, subdivision 1, is amended to read:

Subdivision 1. After separation from state service an employee covered under section 352.91 who has attained the age of at least 55 years and has credit for not less than a total of ~~ten~~ five years of covered correctional service and regular Minnesota state retirement system service shall be entitled upon application to a retirement annuity under this section based only on covered correctional employees' service. Application may be made no earlier than 60 days prior to the date the employee is eligible to retire by reason of both age and service requirements.

For the purpose of this section, average salary means the average of the monthly salary during the employees' highest five successive years of salary as an employee covered by the Minnesota state retirement system.

Sec. 7. Minnesota Statutes 1986, section 352B.08, subdivision 1, is amended to read:

Subdivision 1. Every member who is credited with ~~ten~~ five or more years of allowable service shall be entitled to separate from such state service and upon attaining the age of 55 years, shall be entitled to receive a life annuity, upon separation from state service. Members shall make application for an annuity in a form and manner prescribed by the executive director. No application may be made more than 60 days prior to the date the member is eligible to retire by reason of both age and service requirements. An annuity shall begin to accrue no earlier than 90 days prior to the date the application is filed with the executive director.

Sec. 8. Minnesota Statutes 1986, section 352B.11, subdivision 2, is amended to read:

Subd. 2. **DEATH; PAYMENT TO SPOUSE AND CHILDREN.** In the

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event any member serving actively as a member, a member receiving the disability benefit provided by section 352B.10, clause (1), or a former member receiving a disability benefit as provided by section 352B.10, clause (3) dies from any cause, the surviving spouse and dependent child or dependent children shall be entitled to benefit payments as follows:

(a) A member with at least ~~ten~~ five years of allowable service or a former member with at least 20 years of allowable service is deemed to have elected a 100 percent joint and survivor annuity payable to a surviving spouse only on or after the date the member or former member attained or would have attained the age of 55.

(b) The surviving spouse of a member who had credit for less than ~~ten~~ five years of service shall receive, for life, a monthly annuity equal to 20 percent of that portion of the average monthly salary of the member from which deductions were made for retirement. If the surviving spouse remarries, the annuity shall cease as of the date of the remarriage.

(c) The surviving spouse of a member who had credit for at least ~~ten~~ five years of service and who dies after attaining 55 years of age, may elect to receive a 100 percent joint and survivor annuity, for life, notwithstanding a subsequent remarriage, in lieu of the annuity prescribed in clause (b).

(d) The surviving spouse of any member who had credit for ~~ten~~ five years or more and who was not 55 years of age at death, shall receive the benefit equal to 20 percent of the average monthly salary as described in clause (b) until the deceased member would have reached the age of 55 years, and beginning the first of the month following that date, may elect to receive the 100 percent joint and survivor annuity. If the surviving spouse remarries prior to the deceased member's 55th birthdate, all benefits or annuities shall cease as of the date of remarriage. Remarriage subsequent to the deceased member's 55th birthday shall not affect the payment of the benefit.

(e) Each dependent child shall receive a monthly annuity equal to ten percent of that portion of the average monthly salary of the former member from which deductions were made for retirement. A dependent child over the age of 18 years and under the age of 22 years also may receive the monthly benefit provided herein, if the child is continuously attending an accredited school as a full time student during the normal school year as determined by the director. If the child does not continuously attend school but separates from full time attendance during any portion of a school year, the annuity shall cease at the end of the month of separation. In addition, a payment of \$20 per month shall be prorated equally to surviving dependent children when the former member is survived by one or more dependent children. Payments for the benefit of any qualified dependent child shall be made to the surviving spouse, or if there be none, to the legal guardian of the child. The maximum monthly benefit shall not exceed 40 percent of the average monthly salary for any number of children.

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(f) If the member shall die under circumstances which entitle the surviving spouse and dependent children to receive benefits under the workers' compensation law, amounts equal to the workers' compensation benefits received by them shall not be deducted from the benefits payable pursuant to this section.

(g) The surviving spouse of a deceased former member who had credit for ~~ten~~ five or more years of allowable service, but excluding the spouse of a former member receiving a disability benefit under the provisions of section 352B.10, clause (3), shall be entitled to receive the 100 percent joint and survivor annuity at such time as the deceased member would have reached the age of 55 years, provided the surviving spouse has not remarried prior to that date. In the event of the death of a former member who does not qualify for other benefits under this chapter, the surviving spouse or, if none, the children or heirs shall be entitled to receive a refund of the accumulated deductions left in the fund plus interest at the rate of five percent per annum compounded annually.

Sec. 9. Minnesota Statutes 1986, section 352B.30, subdivision 1, is amended to read:

Subdivision 1. **ENTITLEMENT TO ANNUITY.** Any person who has been an employee covered by the Minnesota state retirement system, or a member of the public employees retirement association including the public employees retirement association police and firefighters' fund, or the teachers retirement association, or the state patrol retirement fund, or any other public employee retirement system in the state of Minnesota having a like provision but excluding all other funds providing benefits for police or firefighters shall be entitled when qualified to an annuity from each fund if total allowable service in all funds or in any two of these funds totals ~~ten~~ five or more years, provided no portion of the allowable service upon which the retirement annuity from one fund is based is again used in the computation for benefits from another fund and provided further that the member has not taken a refund from any one of these funds since service entitling the member to coverage under the system or membership in any of the associations last terminated. The annuity from each fund shall be determined by the appropriate provisions of the law except that the requirement that a person must have at least ~~ten~~ five years allowable service in the respective system or association shall not apply for the purposes of this section provided the combined service in two or more of these funds equals ~~ten~~ five or more years.

Sec. 10. Minnesota Statutes 1986, section 353.29, subdivision 1, is amended to read:

Subdivision 1. **AGE AND ALLOWABLE SERVICE REQUIREMENTS.** Upon separation from public service any person who has attained the age of at least 65 years and who received credit for not less than ~~ten~~ five years of allowable service is entitled upon application to a retirement annuity. Such retirement annuity is known as the "normal" retirement annuity.

Sec. 11. Minnesota Statutes 1986, section 353.29, subdivision 2, is amended to read:

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

Subd. 2. **AVERAGE SALARY.** In calculating the annuity under subdivision 3, "average salary" means an amount equivalent to the average of a member's highest salary upon which employee contributions were paid for any five successive years of allowable service, based on dates of salary periods as listed on salary deduction reports. The five successive years average salary may not include any reduced salary paid during a period in which the employee is entitled to benefit payments from workers' compensation for temporary disability, unless the average salary is higher, including this period.

Sec. 12. Minnesota Statutes 1986, section 353.30, subdivision 1c, is amended to read:

Subd. 1c. Any person who has received credit for at least 30 years of allowable service or any person who has attained the age of at least 55 years but not more than 65 years, and who received credit for at least ~~ten~~ five years of allowable service is entitled upon application to a retirement annuity in an amount equal to the normal annuity provided in section 353.29, subdivisions 2 and 3, reduced by one-quarter of one percent for each month that the member is under age 65 at the time of retirement, except that for any member who has 30 or more years of allowable service the reduction shall be applied only for each month that the member is under age 62 at the time of retirement.

Sec. 13. Minnesota Statutes 1986, section 353.32, subdivision 1a, is amended to read:

Subd. 1a. **SURVIVING SPOUSE OPTIONAL ANNUITY.** If a member or former member who has attained the age of at least 50 years and has credit for not less than ~~ten~~ five years of allowable service, or who has credit for not less than 30 years of allowable service, regardless of age attained, dies before the annuity or disability 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 subdivision 1, or survivor benefits otherwise payable pursuant to section 353.31, an annuity equal to the 100 percent joint and survivor annuity which the member could have qualified for had the member terminated service on the date of death. 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. The annuity shall be computed as provided in sections 353.29, subdivisions 2 and 3; and 353.30, subdivisions 1, 1a, 1b and 1c. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision. No payment shall accrue beyond the end of the month in which entitlement to the 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 the deceased member. Any member may specify in writing that this subdivision shall not apply and that payment shall be made only to the designated beneficiary, as otherwise provided by this chapter.

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



Sec. 14. Minnesota Statutes 1986, section 353.33, subdivision 1, is amended to read:

Subdivision 1. **AGE, SERVICE AND SALARY REQUIREMENTS.** Any member who becomes totally and permanently disabled before age 65 and after ~~ten~~ five years of allowable service ~~or after age 50 but before age 65 with five years of allowable service, whichever is sooner,~~ shall be entitled to a disability benefit in an amount provided in subdivision 3. If such disabled person's public service has terminated at any time, at least ~~five~~ three of the required ~~ten~~ five years of allowable service must have been rendered after last becoming a member. Any member whose average salary is less than \$75 per month shall not be entitled to a disability benefit. No repayment of a refund otherwise authorized pursuant to section 353.34 and no purchase of prior service or payment made in lieu of salary deductions otherwise authorized pursuant to section 353.01, subdivision 16, 353.017, subdivision 4, or 353.36, subdivision 2 may be made after the occurrence of the disability for which an application pursuant to this section is filed.

Sec. 15. Minnesota Statutes 1986, section 353.33, subdivision 5, is amended to read:

Subd. 5. **BENEFITS PAID UNDER WORKERS' COMPENSATION LAW.** Disability benefits paid shall be reimbursed and future benefits shall be reduced by any amounts received or receivable, including temporary total, permanent total, temporary partial or permanent partial 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 disablitant 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).

Sec. 16. Minnesota Statutes 1986, section 353.33, is amended by adding a subdivision to read:

Subd. 5b. **BENEFITS PAID UNDER WORKERS' COMPENSATION LAW.** A disabled member who is eligible to receive a disability benefit under subdivision 5 as of June 30, 1987, and whose disability benefit amount had been reduced prior to July 1, 1987, as a result of the receipt of workers' compensation benefits, must have the disability benefit payment amount restored, as of July 1, 1987, calculated in accordance with subdivision 5. However, a disabled member is not entitled to receive retroactive repayment of any disability benefit amounts lost before July 1, 1987, as a result of the reduction required before that date because of the receipt of workers' compensation benefits.

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

Any disability benefit overpayments made before July 1, 1987, and occurring because of the failure to reduce the disability benefit payment to the extent required because of the receipt of workers' compensation benefits, may be collected by the association through the reduction of disability benefit or annuity payment made on or after July 1, 1987, until the overpayment is fully recovered.

Sec. 17. Minnesota Statutes 1986, section 353.34, subdivision 3, is amended to read:

Subd. 3. **DEFERRED ANNUITY; ELIGIBILITY; COMPUTATION.** Any person with at least ~~ten~~ five years of allowable service when termination of public service occurs shall have the option of leaving the accumulated deductions in the fund and thereby be entitled to a deferred retirement annuity commencing at age 65 or for a deferred early retirement annuity pursuant to section 353.30, subdivisions 1, 1a, 1b or 1c. The deferred annuity shall be computed in the manner provided in section 353.29, subdivisions 2 and 3, on the basis of the law in effect on the date of termination of public service and shall be augmented as provided in section 353.71, subdivision 2. Any person qualified to apply for a deferred retirement annuity may revoke this option at any time prior to the commencement of deferred annuity payments by making application for a refund. The person shall payments by making application for a refund. The person shall be entitled to a refund of accumulated member contributions within 30 days following date of receipt of the application by the executive director.

Sec. 18. Minnesota Statutes 1986, section 353.651, subdivision 1, is amended to read:

Subdivision 1. **AGE AND ALLOWABLE SERVICE REQUIREMENTS.** Upon separation from public service, any police officer or firefighter member who has attained the age of at least 55 years and who received credit for not less than ~~ten~~ five years of allowable service is entitled upon application to a retirement annuity. Such retirement annuity is known as the "normal" retirement annuity.

Sec. 19. Minnesota Statutes 1986, section 353.651, subdivision 2, is amended to read:

Subd. 2. **AVERAGE SALARY.** In calculating the annuity under subdivision 3, "average salary" means an amount equivalent to the average of the highest salary earned as a police officer or firefighter upon which employee contributions were paid for any five successive years of allowable service.

The five successive years average salary may not include any reduced salary paid during a period in which the employee is entitled to benefit payments from workers' compensation for temporary disability unless the average salary is higher, including this period.

Sec. 20. Minnesota Statutes 1986, section 353.656, subdivision 2, is amended to read:

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

Subd. 2. **BENEFITS PAID UNDER WORKERS' COMPENSATION LAW.**

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 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 disabliant 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).

Sec. 21. Minnesota Statutes 1986, section 353.656, is amended by adding a subdivision to read:

Subd. 2a. A disabled member who is eligible to receive a disability benefit under subdivision 2 as of June 30, 1987, and whose disability benefit amount had been reduced prior to July 1, 1987, as a result of the receipt of workers' compensation benefits, must have the disability benefit payment amount restored, as of July 1, 1987, calculated in accordance with subdivision 2. However, a disabled member is not entitled to receive retroactive repayment of any disability benefit amounts lost before July 1, 1987, as a result of the reduction required before that date because of the receipt of workers' compensation benefits.

Any disability benefit overpayments made before July 1, 1987, and occurring because of the failure to reduce the disability benefit payment to the extent required because of the receipt of workers' compensation benefits, may be collected by the association through the reduction of disability benefit or annuity payment made on or after July 1, 1987, until the overpayment is fully recovered.

Sec. 22. Minnesota Statutes 1986, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. If a member who has attained the age of at least 50 years and has credit for not less than ~~ten~~ five 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 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

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2 and 3, and 353.30, subdivision 3. 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. 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. 23. Minnesota Statutes 1986, section 353.71, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY.** Any person who has been a member of the public employees retirement association, or the Minnesota state retirement system, or the teachers retirement association, or any other public retirement system in the state of Minnesota having a like provision, except a fund providing benefits for police officers or firefighters governed by sections 69.77 or 69.771 to 69.776, shall be entitled when qualified to an annuity from each fund if the total allowable service in all funds or in any two of these funds totals ~~ten~~ five or more years, provided no portion of the allowable service upon which the retirement annuity from one fund is based is again used in the computation for benefits from another fund and provided further that the person has not taken a refund from any one of these funds since the person's membership in that association or system last terminated. The annuity from each fund shall be determined by the appropriate provisions of the law except that the requirement that a person must have at least ~~ten~~ five years of allowable service in the respective association or system shall not apply for the purposes of this section provided the combined service in two or more of these funds equals ~~ten~~ five or more years.

Sec. 24. Minnesota Statutes 1986, section 354.44, subdivision 1, is amended to read:

Subdivision 1. **REQUIREMENTS AS TO AGE AND SERVICE.** Any member or former member who ceases or has ceased to render teaching services in any school or institution covered by the provisions of this chapter, and who has attained the age of at least 55 years with not less than ~~ten~~ five years allowable service, or who has received credit for not less than 30 years allowable service regardless of age, is entitled upon written application to a retirement annuity.

Sec. 25. Minnesota Statutes 1986, section 354.46, subdivision 2, is amended to read:

Subd. 2. **DEATH WHILE ELIGIBLE DESIGNATED BENEFICIARY BENEFIT.** The surviving spouse of any member or former member who has

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attained the age of at least 50 years and has credit for at least ~~ten~~ five years of allowable service or who has credit for at least 30 years of allowable service irrespective of age shall be entitled to joint and survivor annuity coverage in the event of death of the member prior to retirement. If the surviving spouse does not elect to receive a surviving spouse benefit provided pursuant to subdivision 1, if applicable, or does not elect to receive a refund of accumulated member contributions provided pursuant to section 354.47, subdivision 1, or 354.62, subdivision 5, clause (3), whichever is applicable, the surviving spouse shall be entitled to receive, upon written application on a form prescribed by the executive director, a benefit equal to the second portion of a 100 percent joint and survivor annuity as provided pursuant to section 354.45 and computed pursuant to section 354.44, subdivision 2, 6 or 7, whichever is applicable. 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 354.44, subdivisions 6 and 7, and 354.60 apply to a deferred annuity payable under this section. If the member was a participant in the variable annuity division, the applicable portion of the benefit shall be computed pursuant to section 354.62, subdivision 5, clause (1). The benefit shall be payable for life.

Sec. 26. Minnesota Statutes 1986, section 354.48, subdivision 1, is amended to read:

Subdivision 1. **AGE, SERVICE AND SALARY REQUIREMENTS.** Any member who became totally and permanently disabled after at least ~~ten~~ five years of allowable service ~~or after age 50 with five years of allowable service, whichever is sooner~~ shall be entitled to a disability benefit in an amount provided in subdivision 3. If such disabled person's teaching service has terminated at any time, at least ~~five~~ three of the required ~~ten~~ five years of allowable service must have been rendered after last becoming a member. Any member whose average salary is less than \$75 per month shall not be entitled to disability benefits.

Sec. 27. Minnesota Statutes 1986, section 354.49, subdivision 3, is amended to read:

Subd. 3. Any person who has attained the age of at least 65 with less than ~~ten~~ five years of credited allowable service shall be entitled to receive a refund in an amount equal to the person's accumulated deductions plus interest in lieu of a proportionate annuity pursuant to section 356.32 except those covered under the provisions of section 354.44, subdivisions 6 or 7 in which case the refund shall be an amount equal to the accumulated deductions credited to the person's account as of June 30, 1957 and after July 1, 1957 the accumulated deductions plus interest at the rate of five percent compounded annually.

Sec. 28. Minnesota Statutes 1986, section 354.60, is amended to read:

**354.60 SERVICE IN OTHER PUBLIC RETIREMENT FUNDS; ANNUITY.**

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

Any person who has been a member of the Minnesota state retirement system or the public employees retirement association including the public employees retirement association police and fire fund or the teachers retirement association or the Minnesota state patrol retirement association, or any other public employee retirement system in the state of Minnesota having a like provision but excluding all other funds providing benefits for police officers or firefighters shall be entitled when qualified to an annuity from each fund if the person's total allowable service in all three funds or in any two of these funds totals ~~ten~~ five or more years, provided no portion of the allowable service upon which the retirement annuity from one fund is based is again used in the computation for benefits from another fund and provided further that the person has not taken a refund from any one of these three funds since the person's membership in that association has terminated. The annuity from each fund shall be determined by the appropriate provisions of the law except that the requirement that an annuitant have at least ~~ten~~ five years' membership service or ~~ten~~ five years of allowable service in the respective association shall not apply for the purposes of this section provided the combined service in two or more of these funds equals ~~ten~~ five or more years.

Sec. 29. Minnesota Statutes 1986, section 354A.31, subdivision 1, is amended to read:

Subdivision 1. **AGE AND SERVICE REQUIREMENTS.** Any coordinated member or former coordinated member who has ceased to render teaching service for the school district in which the teachers retirement fund association exists and who has either attained the age of at least 55 years with not less than ~~ten~~ five years of allowable service credit or received credit for not less than 30 years of allowable service regardless of age, shall be entitled upon written application to a retirement annuity.

Sec. 30. Minnesota Statutes 1986, section 354A.31, subdivision 5, is amended to read:

Subd. 5. **UNREDUCED NORMAL RETIREMENT ANNUITY.** Upon retirement at age 65 with at least ~~ten~~ five years of service credit or at age 62 with at least 30 years of service credit, a coordinated member shall be entitled to a normal retirement annuity calculated pursuant to subdivision 4.

Sec. 31. Minnesota Statutes 1986, section 354A.31, subdivision 6, is amended to read:

Subd. 6. **REDUCED RETIREMENT ANNUITY.** Upon retirement at an age prior to age 65 with ~~ten~~ five years of service credit or prior to age 62 with at least 30 years of service credit, a coordinated member shall be entitled to a retirement annuity in an amount equal to the normal retirement annuity reduced by one-half of one percent for each month that the coordinated member is under the age of 65 if the coordinated member has less than 30 years of service credit or is under the age of 62 if the coordinated member has at least 30 years of service credit but is over the age of 59, and reduced by one-fourth of one percent for each month that the coordinated member is under the age of 60.

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

Sec. 32. Minnesota Statutes 1986, section 354A.35, subdivision 2, is amended to read:

Subd. 2. **DEATH WHILE ELIGIBLE TO RETIRE; SURVIVING SPOUSE OPTIONAL ANNUITY.** The surviving spouse of any coordinated member who has attained the age of at least 50 years and has credit for at least ~~ten~~ five years of service or has credit for at least 30 years of service regardless of age shall be entitled to joint and survivor annuity coverage in the event of death of the member prior to retirement. 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. The member's surviving spouse shall be paid a joint and survivor annuity as provided in section 354A.32 and computed pursuant to section 354A.31. Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity payable under this section. The benefits shall be payable for life.

Sec. 33. Minnesota Statutes 1986, section 354A.36, subdivision 1, is amended to read:

Subdivision 1. **MINIMUM AGE, SERVICE AND SALARY REQUIREMENTS.** Any coordinated member who has ~~either at least ten~~ at least five years of allowable service credit ~~or attained the age of at least 50 years with at least five years of allowable service credit~~, has an average salary of at least \$75 per month and has become totally and permanently disabled shall be entitled to a disability benefit. If the disabled coordinated member's allowable service credit has not been continuous, at least ~~five~~ three years of the required allowable service shall be required to have been rendered subsequent to the last interruption in service.

Sec. 34. Minnesota Statutes 1986, section 354A.39, is amended to read:

**354A.39 SERVICE IN OTHER PUBLIC RETIREMENT FUNDS; ANNUITY.**

Any person who has been a member of the Minnesota state retirement system, the public employees retirement association including the public employees retirement association police and fire fund, the teachers retirement association, the Minnesota state patrol retirement association, the legislators retirement plan, the constitutional officers retirement plan, the Minneapolis employees retirement fund, the Duluth teachers retirement fund association new law coordinated program, the Minneapolis teachers retirement fund association coordinated program, the St. Paul teachers retirement fund association coordinated program, or any other public employee retirement system in the state of Minnesota having a like provision but excluding all other funds providing retirement benefits for police officers or firefighters shall be entitled when qualified to an annuity from each fund if the person's total allowable service in all of the funds or in any two or more of the funds totals ~~ten~~ five or more years, provided that no portion of the allowable service upon which the retirement annuity from one fund is based is used again in the computation for a retirement annuity from another fund and provided further that the person has not taken a refund from any of funds or

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

associations since the person's membership in the fund or association has terminated. The annuity from each fund or association shall be determined by the appropriate provisions of the law governing each fund or association, except that the requirement that a person must have at least ~~ten~~ five years of allowable service in the respective fund or association shall not apply for the purposes of this section, provided that the aggregate service in two or more of these funds equals ~~ten~~ five or more years.

Sec. 35. Minnesota Statutes 1986, section 356.30, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY; COMPUTATION OF ANNUITY.** (1) Notwithstanding any provisions to the contrary of the laws governing the funds enumerated in subdivision 3, a person who has met the qualifications of clause (2) may elect to receive a retirement annuity from each fund in which the person has at least six months allowable service, based on the allowable service in each fund, subject to the provisions of clause (3).

(2) A person may receive upon retirement, in lieu of any augmentation of deferred annuities provided by laws governing the funds enumerated in subdivision 3, a retirement annuity from each fund in which the person has at least six months allowable service if

(a) the person has allowable service totaling ~~ten~~ five or more years in any two or more of the enumerated funds;

(b) the person has at least six months of allowable service with the last such fund earned during the last period of employment; and

(c) the person has not begun to receive an annuity from any enumerated fund or the person has made application for benefits from all funds within a six-month period.

(3) The retirement annuity from each fund shall be based upon the allowable service in each fund, except that:

(a) The laws governing annuities shall be the law in effect on the date of final termination from the last public service under a covered fund.

(b) The "average salary" on which the annuity from each covered fund in which the employee has credit in a formula plan shall be based on the employee's highest five successive years of covered salary during the entire service in covered funds.

(c) The formula percentages to be used by each fund shall be those percentages prescribed by each fund's formula as continued for the respective years of allowable service from one fund to the next, recognizing all previous allowable service with the other covered funds.

(d) Allowable service in all the funds shall be combined in determining

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



eligibility for and the application of each fund's provisions in respect to actuarial reduction in the benefit amount for retirement prior to normal retirement.

(e) The benefit amount payable for any allowable service under a nonformula plan of a covered fund shall not be affected but such service and covered salary shall be used in the above calculation.

(f) This section shall not apply to any person whose final termination from the last public service under a covered fund is prior to May 1, 1975.

(g) For the purpose of computing benefits under this section the formula percentages used by any covered fund shall in no event exceed 2-1/2 percent per year of service for any year of service or fraction thereof.

(h) Any period of time for which a person has credit in more than one of the covered funds shall be used only once for the purpose of determining total allowable service.

(i) If the period of duplicated service credit is more than six months, or the person has credit for more than six months with each of the funds, each fund shall apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all funds for the period.

(j) If the period of duplicated service credit is less than six months, or when added to other service credit with that fund is less than six months, the service credit shall be ignored and a refund of contributions made to the person in accord with that fund's refund provisions.

#### Sec. 36. [423A.19] REDUCED VESTING REQUIREMENT.

Subdivision 1. REDUCED VESTING. Notwithstanding any law to the contrary, for a police or salaried firefighters relief association that implements the provision with municipal approval as provided in subdivision 4, a person with at least five years of service credited by the relief association is entitled, upon termination of active service and reaching at least the required normal retirement age, to receive a pro rata monthly service pension. The pro rata monthly service pension must be calculated in the amount and manner specified by the board of trustees, but not to exceed that portion of the service pension payable upon meeting the minimum age and years of service requirements that bears the same relationship that the person's actual years and portions of years of service bear to the minimum service requirement.

Subd. 2. SURVIVOR BENEFIT COVERAGE. A person entitled to or receiving a reduced vesting service pension as provided in subdivision 1 is entitled to surviving spouse benefit coverage, surviving child benefit coverage, or both, if all other qualification requirements are met. The survivor benefit must be calculated in the amount and manner specified by the board of trustees, but

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

not to exceed that portion of survivor benefit payable to a survivor of a deceased retired member who had met the minimum years of service requirement that bears the same relationship that the actual years and portions of years of service of the person bear to the minimum service requirement for a service pension.

Subd. 3. POSTRETIREMENT ADJUSTMENTS. A reduced vesting service pension as provided in subdivision 1 or a survivor benefit payable on behalf of a deceased person entitled to or receiving a reduced vesting service pension as provided in subdivision 2 is entitled to postretirement adjustments if the comparable pension or benefit payable when the full minimum service requirement has been met is subject to postretirement adjustments. The postretirement adjustment must be the same percentage increase as the postretirement adjustment for the comparable pension or benefit payable when the full minimum service requirement has been met.

Subd. 4. IMPLEMENTATION. The reduced vesting requirement must be implemented by a local relief association through an amendment to the bylaws of the relief association with approval by the governing body of the municipality as required by section 69.77, subdivision 2i. The bylaw amendment may not be effective until a certified copy of it and the municipal approval has been filed by the municipal clerk with the executive director of the legislative commission on pensions and retirement, the state auditor, and the secretary of state.

Sec. 37. EFFECTIVE DATE.

Sections 1 to 36 are effective July 1, 1987.

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ARTICLE 10

PUBLIC PENSION PLAN LEGAL OPINIONS

Section 1. Minnesota Statutes 1986, section 8.07, is amended to read:

**8.07 OPINIONS; COUNTY, CITY, TOWN, PUBLIC PENSION FUND, SCHOOL ATTORNEYS, COMMISSIONER OF EDUCATION.**

The attorney general on application shall give an opinion, in writing, to county, city, town, public pension fund attorneys, or the attorneys for the board of a school district or unorganized territory on questions of public importance; and on application of the commissioner of education shall give an opinion, in writing, upon any question arising under the laws relating to public schools. On all school matters such opinion shall be decisive until the question involved shall be decided otherwise by a court of competent jurisdiction.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective on July 1, 1987.

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

## ARTICLE 11

## MISCELLANEOUS CORRECTIONS

**Section 1. CORRECTION; FIRST CLASS CITY TEACHERS RETIREMENT FUND AUDIT RESPONSIBILITY.**

Subdivision 1. **CORRECTION TO REFERENCE.** Minnesota Statutes 1986, section 354A.021, subdivision 7, added by H.F. No. 1213, article 7, section 1, if enacted at the 1987 regular session, is amended to read:

Subd. 7. **AUDIT BY LEGISLATIVE AUDITOR.** The books and accounts of each teachers retirement fund association must be examined and audited periodically as considered necessary by the state auditor. A full and detailed report of the examination and audit must be made and a copy provided to the teachers retirement fund association board of trustees. The cost of any examination and audit must be paid by the teachers retirement fund association in accordance with section 6.56. For purposes of section 6.56, each teachers retirement fund association is considered a state agency local governmental entity equivalent to a county, city, town, or school district.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective July 1, 1987.

**Sec. 2. CORRECTION; EFFECTIVE DATE.**

Subdivision 1. **CLARIFICATION OF EFFECTIVE DATE.** A law styled as H.F. No. 1213, article 7, section 2, if enacted at the 1987 regular session, is amended to read:

**Sec. 2. EFFECTIVE DATE.**

This article is effective July 1, 1987, regarding the responsibility to audit all financial transactions occurring after June 30, 1987.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective on the day following final enactment.

**Sec. 3. CORRECTION; ERRONEOUS DATE REFERENCE.**

Subdivision 1. **DATE REFERENCE CORRECTION.** A law styled as H.F. No. 1026, section 81, if enacted at the 1987 regular session, is amended to read:

**Sec. 81. TRANSITIONAL PROVISION.**

In establishing the correctional employees retirement fund under section 20, the board of directors of the Minnesota state retirement system shall allocate the assets currently held by the state employees retirement fund between that fund and the newly created fund. The assets shall be allocated based on the actuarial valuations of the state employees retirement plan and the correctional employees retirement plan prepared by the actuary retained by the legislative commis-

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sion on pensions and retirement as of July 1, ~~1986~~ 1987, and adjusted for the actual receipts of contributions and investment income and actual disbursements of benefits, refunds, and administrative expenses attributable to the correctional employees retirement plan occurring between July 1, 1987, and the date on which the correctional employees retirement fund is established.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective on the day following final enactment of H.F. No. 1026, at the 1987 regular session.

Approved June 2, 1987

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### CHAPTER 373—H.F.No. 1351

*An act relating to natural resources; authorizing the taking of elk and amending related laws; authorizing compensation for certain crop damage caused by elk; appropriating money; amending Minnesota Statutes 1986, sections 3.736, subdivision 3; 97A.421, subdivision 6; 97A.431, subdivision 3; 97A.465, subdivisions 1 and 3; 97A.471, subdivision 3; 97A.475, subdivision 2; 97A.525, subdivision 1; 97A.535; 97B.201; proposing coding for new law in Minnesota Statutes, chapters 3; 97A; and 97B.*

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

Section 1. Minnesota Statutes 1986, section 3.736, subdivision 3, is amended to read:

Subd. 3. **EXCLUSIONS.** Without intent to preclude the courts from finding additional cases where the state and its employees should not, in equity and good conscience, pay compensation for personal injuries or property losses, the legislature declares that the state and its employees are not liable for the following losses:

(a) Any loss caused by an act or omission of a state employee exercising due care in the execution of a valid or invalid statute or rule;

(b) Any loss caused by the performance or failure to perform a discretionary duty, whether or not the discretion is abused;

(c) Any loss in connection with the assessment and collection of taxes;

(d) Any loss caused by snow or ice conditions on any highway or public sidewalk that does not abut a publicly-owned building or a publicly-owned parking lot, except when the condition is affirmatively caused by the negligent acts of a state employee;

(e) Any loss caused by wild animals in their natural state, except as provided in section 2;

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