

Sec. 5. EFFECTIVE DATE.

Section 2 is effective the day following final enactment. Section 1 is effective January 1, 1991.

Presented to the governor April 26, 1990

Signed by the governor May 3, 1990, 2:05 p.m.

CHAPTER 569—S.F.No. 394

An act relating to education; recommending post-secondary education administrators and faculty members take certain coursework.

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

Section 1. **REPORT ON TRAINING OF POST-SECONDARY ADMINISTRATION AND FACULTY.**

Subdivision 1. LEGISLATIVE INTENT. The Minnesota legislature recommends that (1) post-secondary administrators have training in administrative skills relevant to their position in areas such as management, affirmative action, human relations, and contract negotiations; and (2) faculty have training in educational psychology, teaching methods, and advising students. Similar training is recommended for students preparing for post-secondary teaching or administrative careers.

Subd. 2. REPORT. Each post-secondary governing board shall examine its current programs that provide initial training and continuing education for its administrators and faculty to improve their administrative, teaching, and advising skills. The boards shall report to the education committees on their existing programs and their future plans by January 15, 1991.

Presented to the governor April 26, 1990

Signed by the governor May 4, 1990, 11:39 p.m.

CHAPTER 570—H.F.No. 2103

An act relating to retirement; various retirement plans; including gambling enforcement division officers in the membership of the state patrol retirement plan; requiring regular investment performance reporting from public pension plans; modifying various retirement provisions related to state university and community college faculty members; including

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certain state lottery employees in the unclassified state employees retirement programs; modifying economic interest statement requirements for certain pension plan fiduciaries; changing schedule for actuarial valuations for the Thief River Falls police pension trust fund; excluding certain interns from public employees retirement association membership; extending retirement coverage to certain former crime bureau employees; restoring forfeited service credit for certain former St. Paul bureau of health employees; authorizing the transfer of the Moose Lake volunteer firefighters relief association; authorizing additional college supplemental retirement plan designated beneficiaries; authorizing service credit for medical leave periods in teacher retirement plans; authorizing annuitization of certain teacher postretirement amounts; expanding coverage of a public employees defined contribution plan to include elected local government employees; transferring certain employer contributions from the teachers retirement association to the individual retirement account plan for post-June 30, 1988, state university and community college faculty; modifying the Minnesota postretirement investment fund reserve transfer procedure; making certain administrative modifications in Minnesota state retirement system and in public employees retirement association laws; making certain technical corrections related to the 1989 benefit increase legislation; authorizing various purchases of credit for prior service; modifying the flexible service pension maximums for volunteer firefighters relief associations providing monthly service pensions; repealing a redundant postretirement adjustment provision; amending Minnesota Statutes 1988, sections 3A.03, subdivision 2; 11A.18, subdivision 6; 43A.34, subdivision 4; 136.81, by adding a subdivision; 352.01, subdivision 13; 352.029, subdivision 3; 352.03, subdivision 1; 352.115, subdivision 7; 352.73, by adding a subdivision; 352.96, subdivision 4; 352B.01, subdivision 2; 352B.11, subdivision 4; 352B.14, subdivision 4; 352C.09, subdivision 2; 352D.02, subdivision 1; 352D.05, subdivision 3; 353.01, subdivisions 7 and 16; 353.15, subdivision 2; 353.27, subdivisions 7 and 10; 353.46, subdivision 4; 353.657, subdivision 1; 353.83; 353D.01; 353D.02; 353D.03; 353D.04; 353D.05, subdivisions 1 and 3; 353D.06; 353D.07; 353D.08; 353D.09; 354.07, subdivision 4; 354.146, subdivision 1; 354.42, subdivisions 2 and 3; 354.46, subdivision 1; 354.52, subdivision 2; 354.55, subdivision 19; 354B.01, subdivisions 2 and 3; 356.302, subdivisions 3 and 4; 424A.02, subdivision 3; Minnesota Statutes 1989 Supplement, sections 136.81, subdivision 1; 136.82, subdivisions 1 and 2; 352.01, subdivisions 2b and 25; 352.021, subdivision 5; 352.031, subdivisions 2, 3, and by adding a subdivision; 352.115, subdivision 3; 352.116, subdivisions 1 and 1a, and by adding a subdivision; 352.93, subdivisions 2a and 3; 352B.08, subdivisions 2a and 3; 352B.11, subdivision 2; 353.01, subdivisions 2b, 11a, and 37; 353.29, subdivision 3; 353.30; 353.35; 353.651, subdivision 4; 353.656, subdivisions 1 and 3; 354.05; 354.071, subdivisions 2, 3, and by adding a subdivision; 354.44, subdivision 6; 354.45, subdivision 1a; 354.46, subdivision 2; 354.47, subdivision 1; 354.48, subdivision 3; 354.49, subdivisions 2 and 3; 354.50, subdivision 5; 354.55, subdivision 11; 354.65; 354.66, subdivision 2; 354A.011, subdivision 5a; 354A.095; 354A.31, subdivisions 4, 6, and 7; 354A.32, subdivisions 1 and 1a; 354B.02, subdivisions 2, 3, and by adding a subdivision; 354B.03, subdivisions 1 and 3; 354B.05, subdivision 3; 356.371, subdivision 3; 356.86, subdivisions 2, 4, 5, and 6; 356A.06, subdivision 4; Laws 1978, chapter 689, section 4, subdivision 2, as amended; Laws 1980, chapter 612, section 3, as amended; Laws 1989, chapter 319, articles 17, section 18; and 19, section 7, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 353D; 354; 354A; and 356; repealing Minnesota Statutes 1988, sections 11A.19, subdivisions 1 to 8; 136.81, subdivisions 2 and 3; 136.82, subdivisions 3 and 4; 136.83; 136.85; 354.05, subdivisions 23, 24, 33, and 34; 354.146, subdivision 2;

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354.62, subdivisions 1, 3, 4, 5, and 6; Minnesota Statutes 1989 Supplement, sections 11A.19, subdivision 9; 136.82, subdivisions 1 and 2; 136.84; 353.87, subdivision 5; 354.44, subdivision 7; and 354.62, subdivisions 2 and 7; and Laws 1989, chapter 335, article 1, section 50.

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

ARTICLE 1

STATE PATROL RETIREMENT PLAN MEMBERSHIP

Section 1. Minnesota Statutes 1988, section 43A.34, subdivision 4, is amended to read:

Subd. 4. **STATE PATROL, CONSERVATION AND CRIME BUREAU OFFICERS EXEMPTED.** Notwithstanding any provision to the contrary, (a) conservation officers and crime bureau officers who were first employed on or after July 1, 1973, and who are members of the state patrol retirement fund by reason of their employment, and members of the Minnesota state patrol ~~division~~ and gambling enforcement divisions of the department of public safety who are members of the state patrol retirement association by reason of their employment, shall not continue employment after attaining the age of 60 years, except for a fractional portion of one year that will enable the employee to complete the employee's next full year of allowable service as defined pursuant to section 352B.01, subdivision 3; and (b) conservation officers and crime bureau officers who were first employed and are members of the state patrol retirement fund by reason of their employment before July 1, 1973, shall not continue employment after attaining the age of 70 years.

Sec. 2. Minnesota Statutes 1989 Supplement, section 352.01, subdivision 2b, is amended to read:

Subd. 2b. **EXCLUDED EMPLOYEES.** "State employee" does not include:

- (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 for membership in the state teachers retirement association except employees of the department of education who have chosen or may choose 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;

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(5) officers and enlisted personnel in the national guard and the naval militia who are assigned to permanent peacetime duty and who under 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) receivers, jurors, notaries public, and court employees who are not in the judicial branch as defined in section 43A.02, subdivision 25, except 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) 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 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;

(15) state troopers;

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

(17) emergency employees in the classified service; except that if an emergency employee, within the same pay period, becomes a provisional or probationary employee on other than a temporary basis, the employee shall be considered a "state employee" retroactively to the beginning of the pay period;

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(18) persons described in section 352B.01, subdivision 2, clauses ~~(b) and (c)~~, ~~formerly defined as state police officers (2) to (5)~~;

(19) temporary employees in the classified service, 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 seasonal help in the classified service employed by the department of revenue;

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

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

(22) 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;

(23) 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;

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

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

(26) examination monitors employed by departments, agencies, commissions, and boards to conduct examinations required by law;

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

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

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

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

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

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

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(33) 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 after appointment that coverage is desired;

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

(35) persons employed in subsidized on-the-job training, work experience, or public service employment as enrollees under the federal Comprehensive Employment and Training Act 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;

(36) off-duty peace officers while employed by the metropolitan transit commission under section 629.40, subdivision 5; 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.

Sec. 3. Minnesota Statutes 1988, section 352B.01, subdivision 2, is amended to read:

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

(a) (1) persons referred to and employed after June 30, 1943, under Laws 1929, chapter 355, as amended or supplemented, currently employed by the state, whose salaries or compensation is paid out of state funds;

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

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

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

(5) public safety employees defined as peace officers in section 626.84, subdivision 1, paragraph (c), and employed with the division of gambling enforcement under section 299L.01.

Sec. 4. Minnesota Statutes 1988, section 352B.14, subdivision 4, is amended to read:

Subd. 4. **RETIREEs UNDER OLD LAW.** A member defined in section 352B.01, subdivision 2, clause ~~(a)~~ (1), who has retired and began collecting a retirement annuity before April 21, 1961, or any surviving spouse or child who began collecting an annuity or benefit before April 21, 1961, shall continue to receive an annuity or benefit in the amount and subject to the conditions specified in the law before April 21, 1961.

Sec. 5. **PAYMENT OF OMITTED CONTRIBUTION AMOUNTS.**

(a) A person affected by section 3 who has not made the full member contribution to the state patrol retirement plan for service before the effective date of this section shall pay the amount of omitted member contributions, plus annual compound interest at the rate of 8.5 percent. The omitted member contribution amount and interest must be paid by January 1, 1991. The person shall be paid a refund from any other Minnesota public pension plan for the period of the omitted member contributions and service credit for that period in that plan is forfeited upon receipt of the refund.

(b) Upon payment of the omitted member contribution amount under paragraph (a), the department of public safety shall pay an amount equal to the amount of the omitted member contribution multiplied by the factor of 2.224. This omitted employer contribution must be paid within 30 days of the payment of the omitted member contribution amount.

Sec. 6. **EFFECTIVE DATE.**

Sections 1 to 5 are effective on the day following final enactment.

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ARTICLE 2

PENSION PLAN INVESTMENT PERFORMANCE REPORTING

Section 1. [356.218] INVESTMENT PERFORMANCE REPORT.

Subdivision 1. REPORT REQUIRED. (a) Unless paragraph (c) applies, the chief administrative officer of a public pension plan with an associated pension fund or investment fund specified in subdivision 2 shall annually prepare and file an investment performance report meeting the contents requirements of subdivision 3. The report must be filed with or distributed as specified in paragraph (b) by April 1 each year and must cover the previous calendar year. The report must be prepared under the supervision or at the direction of the chief administrative officer and must be signed by that officer. The investment performance report is a public record.

(b) A copy of the report or a synopsis of the report must be distributed to each member of the pension plan and must be filed with the chief administrative officer of each employing unit making employer contributions to the pension plan. A copy of the report also must be filed with the executive director of the legislative commission on pensions and retirement.

(c) This section does not apply to the state board of investment. This section also does not apply to a public pension plan if all assets of the pension fund or investment fund attributable to the public pension plan are invested by the state board of investment under chapters 11A and 356A and if the executive director of the state board of investment makes public in an annual report or in other documents the fiscal year investment performance results of the pension fund or investment fund attributable to the pension plan that substantially meet the requirements of subdivision 3 for that fiscal year period.

Subd. 2. COVERED PUBLIC PENSION PLANS. The provisions of this section apply to any Minnesota public pension plan, including a local police or firefighters relief association governed by sections 69.77 or 69.771 to 69.775, that has assets with a book value of at least \$500,000 as of the end of the preceding plan year.

Subd. 3. CONTENTS OF THE INVESTMENT PERFORMANCE REPORT. The investment performance report required by this section must contain the time-weighted total rate of return results for each quarter and annually for each significant asset class or type of investment and for the portfolio as a whole. The time-weighted rate of return results must be computed using market values and the formula or formulas prescribed by the state board of investment under section 11A.04, clause (11). The person performing the calculations shall certify conformance to that formula or those formulas. The investment performance report may also include any additional investment performance or investment related information that the chief administrative officer considers necessary to provide an adequate summary of the performance of the portfolio. The addi-

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tional information must be clearly indicated as a supplement to the information required by this subdivision. The executive director of the legislative commission on pensions and retirement shall prescribe the forms on which the report must be submitted and may prescribe other directions for submitting the report.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective on July 1, 1990.

ARTICLE 3

STATE UNIVERSITY AND COMMUNITY COLLEGE

FACULTY RETIREMENT PROVISIONS

Section 1. Minnesota Statutes 1989 Supplement, section 136.81, subdivision 1, is amended to read:

Subdivision 1. **DEDUCTIONS.** The state university board and the state board for community colleges shall deduct from the salary of each person described in section 136.80, subdivision 1, a sum equal to five percent of the person's annual salary paid between \$6,000 and \$15,000. The deduction must be made in the same manner as other retirement deductions are made from the salary of the person. The employer shall make a contribution to the plan on behalf of every covered person in an amount equal to the deductions made from the salary of the person. If an agreement is made under section 356.24 for additional employer contributions, an amount equal to the additional employer contribution must be deducted from the person's annual salary above \$15,000 as specified in this subdivision. ~~The money deducted and the employer contribution must be deposited to the credit of the state university and community college supplemental retirement plan account of the teachers retirement fund. The account must be separate and distinct from other funds, accounts, or assets of the teachers retirement fund.~~ Two percent of the amount of the salary deductions and employer contributions ~~must be credited to the administrative expense reserve account of the supplemental retirement plan and must~~ may be used by the state university board and the state board for community colleges for payment of necessary and reasonable administrative expenses ~~of the supplemental retirement plan as provided in section 354.65.~~

~~Deductions taken from the salary of a person for the supplemental retirement plan in error must, upon discovery and verification, be refunded to the person. Any related employer contributions must be refunded to the employer. The executive director shall establish a reserve reflecting any gains or losses realized due to the purchase and redemption of shares representing salary deductions and employer contributions made in error. The balance of the reserve remaining after the refund of contributions made in error must be credited annually to the administrative expense reserve account.~~

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If salary deductions required under this section are omitted, the amount of the omitted salary deductions may be remitted by the person to the supplemental retirement plan investment account of the teachers retirement association within 90 days following the association's written notification to the person of the omission, but not thereafter. If the omitted salary deductions are received from the person, the required employer contribution must be paid by the employer within 30 days after the association's written notification to the employer of the amount due.

Sec. 2. Minnesota Statutes 1988, section 136.81, is amended by adding a subdivision to read:

Subd. 1a. ADMINISTRATION. The executive director of the teachers retirement association shall transfer the administration records of the supplemental retirement plan to the chancellor of the state university system and the chancellor of the state community college system on July 1, 1991. The chancellor of the state university system and the chancellor of the state community college system shall administer the supplemental retirement plan for their employees. The chancellors shall invest contributions made under this section, less amounts used for administrative expenses, as required by section 354B.05, subdivisions 2 and 3. The retirement contributions and death benefits provided by annuity contracts or custodial accounts purchased by the chancellors are owned by the plan and must be paid in accordance with the provisions of the annuity contracts or custodial accounts.

Sec. 3. Minnesota Statutes 1989 Supplement, section 136.82, subdivision 1, is amended to read:

Subdivision 1. **GENERALLY.** (a) The executive director of the teachers retirement fund shall redeem shares in the accounts of the Minnesota supplemental retirement investment fund standing in an employee's share account record under the following circumstances, but always in accordance with the laws and rules governing the Minnesota supplemental retirement investment fund:

(b) The executive director shall redeem shares under this subdivision when requested to do so in writing on forms provided by the executive director by a person having shares to the credit of the employee's share account record if the person is age 55 or older and is no longer employed by the state university board or state board for community colleges. In such case the person must receive the cash realized on the redemption of the shares. The person may direct the redemption of not more than 20 percent of the person's shares in the employee's share account record in any one year and may not direct more than one redemption in any one calendar month; provided, however, that the state university board or its designee, in the case of a person employed by the state university board, and the state board for community colleges or its designee, in the case of a person employed by the state board for community colleges, may, upon application, at their sole discretion, permit greater withdrawals in any one year.

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(c) The executive director shall redeem shares under this subdivision when requested to do so in writing, on forms provided by the executive director, by a person having shares to the credit of the employee's share account record if the person has left employment by the state university board or state board for community colleges because of a total and permanent disability as defined in section 354.05, subdivision 14. If the executive director finds that the person is totally and permanently disabled and will as a result be unable to return to similar employment, the person must receive the cash realized on the redemption of the shares. The person may direct the redemption of not more than 20 percent of the shares in the employee's share account record in any one year and may not direct more than one redemption in any one calendar month; provided, however, that the state university board or its designee, in the case of a person employed by the state university board, and the state board for community colleges or its designee, in the case of a person employed by the state board for community colleges, may, upon application, at their sole discretion, permit greater withdrawals in any one year. If the person returns to good health, the person owes no restitution to the state or a fund established by its laws for a redemption under this paragraph.

(d) The executive director shall redeem shares under this subdivision in the event of the death of a person having shares to the credit of the employee's share account record and leaving a ~~surviving spouse~~ designated beneficiary, when requested to do so in writing, on forms provided by the executive director, by the ~~surviving spouse~~ designated beneficiary. The ~~surviving spouse~~ designated beneficiary must receive the cash realized on the redemption of the shares. If the designated beneficiary is a surviving spouse, the surviving spouse may direct the redemption of not more than 20 percent of the shares in the deceased ~~spouse's person's~~ employee's share account record in any one year and may not direct more than one redemption in any one calendar month; provided, however, that the state university board or its designee, in the case of a person employed by the state university board, and the state board for community colleges or its designee, in the case of a person employed by the state board for community colleges, may, upon application, their sole discretion, permit greater withdrawals in any one year. In that case the surviving spouse must receive the cash realized from the redemption of the shares. Upon the death of the surviving spouse any shares remaining in the employee's share account record must be redeemed by the executive director and the cash realized from the redemption must be distributed to the estate of the surviving spouse.

(e) In the event of the death of a person having shares to the credit of the employee's share account record and leaving no designated beneficiary, the surviving spouse must receive the cash realized on the redemption of the shares as provided in paragraph (d). If there is no surviving spouse, the executive director shall redeem all shares to the credit of the employee's share account record and pay the cash realized from the redemption to the estate of the deceased person.

(f) The executive director shall redeem shares under this subdivision when

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requested to do so in writing, on forms provided by the executive director, by a person having shares to the credit of the employee's share account record if the person is no longer employed by the state university board or state board for community colleges, but does not qualify under the provisions of paragraphs (b) to (e). In that case, the person is entitled upon application to receive one-half of the cash realized on the redemption of shares and one-half must be credited to the administrative expense reserve account of the supplemental retirement plan for payment of necessary and reasonable administrative expenses of the supplemental retirement plan as provided in section 354.65.

Sec. 4. Minnesota Statutes 1989 Supplement, section 136.82, subdivision 2, is amended to read:

Subd. 2. **REDEMPTION OF SHARES AS AN ANNUITY.** A person who has shares to the credit of the employee's share account record, who is 55 years of age or older and who is no longer employed by the state university board or the state board for community colleges or who is totally and permanently disabled pursuant to subdivision 1, paragraph (c), or who has the status of a surviving spouse of a person who has shares to the credit of the employee's share account pursuant to subdivision 1, paragraph (d) or (e), may redeem all or part of the shares to purchase an annuity by depositing the cash realized upon redemption with the executive director of the teachers retirement fund and receive in exchange an annuity for life or an optional annuity as hereinafter provided. The election to purchase an annuity may be made only once by any individual. If an election is made before the date on which the person is entitled to request redemption, the redemption shall not be made prior to the date upon which the person would be entitled to make the request. The annuity purchase rates shall be based on the annuity table of mortality adopted by the board of trustees of the teachers retirement fund for the fund as provided in section 354.07, subdivision 1, using the interest assumption specified in section 356.215, subdivision 4d. The amount of the annuity for life shall be that amount which has a present value equal to the cash realized on the redemption of the shares as of the first day of the month next following the date of the election to purchase an annuity. The board of trustees of the teachers retirement fund shall establish an optional joint and survivor annuity, an optional annuity payable for a period certain and for life thereafter, and an optional guaranteed refund annuity paying the annuitant a fixed amount for life with the guarantee that in the event of death the balance of the cash realized from the redemption of shares is payable to the designated beneficiary. The optional forms of annuity shall be actuarially equivalent to the single life annuity as defined in section 354.05, subdivision 7. In establishing these optional forms, the board of trustees shall obtain the written recommendation of the actuary retained by the legislative commission on pensions and retirement, and these recommendations shall be a part of the permanent records of the board of trustees.

Sec. 5. Minnesota Statutes 1988, section 354B.01, subdivision 2, is amended to read:

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Subd. 2. **COVERED EMPLOYMENT; STATE UNIVERSITIES.** "Covered employment," with respect to employment by the state university system, means employment in a position included in the definition of teacher under section 354.05, subdivision 2, other than that of an administrator covered by or eligible for coverage in the Minnesota state retirement system unclassified employees retirement plan. "Covered employment" does not include employment when the initial appointment is defined as less than 25 percent of a full academic year, exclusive of summer session.

Sec. 6. Minnesota Statutes 1988, section 354B.01, subdivision 3, is amended to read:

Subd. 3. **COVERED EMPLOYMENT; COMMUNITY COLLEGES.** "Covered employment," with respect to employment by the community college system, means employment in a position included in the definition of teacher under section 354.05, subdivision 2. "Covered employment" does not include employment when the initial appointment is defined as less than 25 percent of a full academic year, exclusive of summer session.

Sec. 7. Minnesota Statutes 1989 Supplement, section 354B.02, is amended by adding a subdivision to read:

Subd. 4. **PURCHASE OF PRIOR SERVICE CREDIT.** A person who is initially excluded from participation, but is subsequently appointed to a position that qualifies for participation, may purchase credit for the prior uncovered employment. This purchase must be made by paying to the employer the amount the person would have paid if the prior service had been covered employment. This payment must be made within 45 days of the start of covered employment. The employer must contribute an amount to match any contribution made by an employee under this subdivision. Contributions for prior service must be invested under this section. Once a person is employed in a position that qualifies for participation, all subsequent employment by the person is under the provisions of this plan.

Sec. 8. Minnesota Statutes 1989 Supplement, section 354B.03, subdivision 1, is amended to read:

Subdivision 1. **PROCEDURE.** If a person with less than three years of allowable service elects a transfer to the plan under section 354B.02, subdivision 2 or 3, the executive director of the teachers retirement association shall transfer from the teachers retirement fund to the plan the person's member contributions plus interest compounded annually at ~~five~~ six percent a year. The transfer must be made within 90 days from the date the executive director receives notification of the election. The transfer may not include any amount representing an employer contribution nor any amount representing the repayment of a refund received by the association after the date of enactment of this act.

Sec. 9. Minnesota Statutes 1989 Supplement, section 354B.05, subdivision 3, is amended to read:

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Subd. 3. **SELECTION OF FINANCIAL INSTITUTIONS.** The supplemental investment fund administered by the state board of investment is one of the investment options for the plan. The state university board and the community college board shall select no more than ~~three~~ two other financial institutions to provide annuity contracts or custodial accounts. Each board may at its discretion change a selection of an institution. Investment programs offered by the institutions must meet the requirements of section 401(a) or 403(b) of the Internal Revenue Code of 1986, as amended. In making their selections, the boards shall consider these criteria:

- (1) the experience and ability of the financial institution to provide retirement and death benefits suited to the needs of the covered employees;
- (2) the relationship of the benefits to their cost; and
- (3) the financial strength and stability of the institution.

The chancellor of the state university system and the chancellor of the state community college system shall redeem all shares in the accounts of the Minnesota supplemental investment fund held on behalf of personnel in the supplemental plan who elect an investment option other than the supplemental investment fund, except that shares in the guaranteed return account must not be redeemed until the expiration dates for the guaranteed investment contracts. The chancellors shall transfer the cash realized to the financial institutions selected by the state university board and the community college board under section 354B.05.

Sec. 10. INTEREST ON CERTAIN PRIOR TRANSFERS.

The increase in interest payable on transfers specified in section 8 is also payable on transfers made before the effective date of section 8. The executive director of the teachers retirement association shall calculate the transfer interest amounts payable on these prior transfers and transfer the additional interest within 60 days of the effective date of this section.

Sec. 11. TRANSFERS IN CERTAIN CASES.

Notwithstanding any provision of Minnesota Statutes, section 354B.03, to the contrary, a person in covered employment under Minnesota Statutes, chapter 354, who was first employed by the state university system board or the community college board after June 30, 1988, and before July 1, 1989, and who has no prior allowable service under chapter 354, and who elected, or elects before January 1, 1991, to have their employee contributions transferred under Minnesota Statutes, chapter 354B, shall have an amount equal to the employer contributions made on behalf of the person under Minnesota Statutes, section 354.42, subdivision 3, plus annual interest compounded annually at a rate of six percent, transferred by the executive director of the teachers retirement association from the teachers retirement fund to the individual retirement account plan under Minnesota Statutes, chapter 354B. The election must be made on a form prescribed by the executive director and must be made by January 1, 1991.

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

Sec. 12. REPEALER.

Minnesota Statutes 1988, sections 136.81, subdivisions 2 and 3; 136.82, subdivisions 3 and 4; 136.83; and 136.85, are repealed. Minnesota Statutes 1989 Supplement, sections 136.82, subdivisions 1 and 2, as amended by sections 3 and 4; and 136.84, are repealed.

Sec. 13. EFFECTIVE DATE.

Sections 1, 2, 9, and 12 are effective July 1, 1991. Sections 3 to 8, 10, and 11 are effective the day following final enactment.

ARTICLE 4

UNCLASSIFIED RETIREMENT PROGRAM MEMBERSHIP

Section 1. Minnesota Statutes 1988, section 352D.02, subdivision 1, is amended to read:

Subdivision 1. **COVERAGE.** ~~The following~~ (a) Employees enumerated in paragraph (b), if they are in the unclassified service of the state and are eligible for coverage under the general state employees retirement fund plan under chapter 352, shall participate as participants in the unclassified program under this chapter unless an the employee gives notice to the executive director of the Minnesota state retirement system within one year following the commencement of employment in the unclassified service that the employee desires coverage under the regular employee general state employees retirement plan. For the purposes of this chapter, an employee who does not file notice with the executive director shall be is deemed to have exercised the option to participate in the unclassified plan.

(b) Enumerated employees are:

(1) ~~any~~ an employee in the office of the governor, lieutenant governor, secretary of state, state auditor, state treasurer, attorney general or an employee of the state board of investment;

(2) the head of ~~any~~ a department, division, or agency created by statute in the unclassified service, an acting department head subsequently appointed to the position, or ~~any~~ an employee enumerated in section 15A.081, subdivision 1 or 15A.083, subdivision 4;

(3) ~~any~~ a permanent, full-time unclassified employee of the legislature or ~~any~~ a commission or agency of the legislature or a temporary legislative employee having shares in the supplemental retirement fund as a result of former employment covered by this chapter, whether or not eligible for coverage under the Minnesota state retirement system;

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(4) ~~any~~ a person employed in a position established ~~pursuant to~~ under section 43A.08, subdivision 1, clause (c), or subdivision 1a, or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level;

(5) the chair, chief administrator, and not to exceed nine positions at the division director or administrative deputy level of the metropolitan waste control commission as designated by the commission; the chair, executive director, and not to exceed three positions at the division director or assistant to the chair level of the regional transit board; a chief administrator who is an employee of the metropolitan transit commission; and the chair, executive director, and not to exceed nine positions at the division director or administrative deputy level of the metropolitan council as designated by the council; provided that upon initial designation of all positions provided for in this clause, no further designations or redesignations ~~shall~~ may be made without approval of the board of directors of the Minnesota state retirement system;

(6) the executive director, associate executive director, and not to exceed nine positions of the higher education coordinating board in the unclassified service, as designated by the higher education coordinating board; provided that upon initial designation of all positions provided for in this clause, no further designations or redesignations ~~shall~~ may be made without approval of the board of directors of the Minnesota state retirement system;

(7) the clerk of the appellate courts appointed ~~pursuant to~~ under article VI, section 2, of the Constitution of the state of Minnesota;

(8) the chief executive officers of correctional facilities operated by the department of corrections and of hospitals and nursing homes operated by the department of human services;

(9) ~~any~~ an employee whose principal employment is at the state ceremonial house;

(10) ~~employees~~ an employee of the Minnesota educational computing corporation; ~~and;~~

(11) ~~any~~ an employee of the world trade center board; ~~and~~

(12) an employee of the division of the state lottery in the department of gaming who is covered by the managerial plan established under section 43A.18, subdivision 3.

Sec. 2. TRANSFER OF ASSETS.

An unclassified employee of the division of the state lottery in the department of gaming on the effective date of this section who is covered by the managerial plan established under Minnesota Statutes, section 43A.18, subdivision 3, and who was covered by the general state employees retirement plan

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under Minnesota Statutes, chapter 352, while employed as an unclassified employee of the division of the state lottery may transfer accumulated employee and employer contributions made while employed with the division of the state lottery to the unclassified plan, as provided in Minnesota Statutes, section 352D.03.

Sec. 3. EFFECTIVE DATE.

Sections 1 and 2 are effective the day following final enactment and apply to any person who was employed with the division of the state lottery in the department of gaming and who is covered by the managerial plan established under Minnesota Statutes, section 43A.18, subdivision 3, before that date and after that date.

ARTICLE 5

FIDUCIARY RESPONSIBILITY MODIFICATIONS

Section 1. Minnesota Statutes 1989 Supplement, section 356A.06, subdivision 4, is amended to read:

Subd. 4. **ECONOMIC INTEREST STATEMENT.** (a) Each member of the governing board of a covered pension plan and the chief administrative officer of the plan shall file with the plan a statement of economic interest.

(b) For a covered pension plan other than a plan specified in paragraph (c), the statement must contain the information required by section 10A.09, subdivision 5, and any other information that the fiduciary or the governing board of the plan determines is necessary to disclose a reasonably foreseeable potential or actual conflict of interest.

(c) For a covered pension plan governed by sections 69.771 to 69.776 or a covered pension plan governed by section 69.77 with assets under \$8,000,000, the statement must contain the following:

(1) the person's principal occupation and principal place of business;

(2) whether or not the person has an ownership of or interest of ten percent or greater in an investment security brokerage business, a real estate sales business, an insurance agency, a bank, a savings and loan, or another financial institution; and

(3) any relationship or financial arrangement that can reasonably be expected to give rise to a conflict of interest.

(d) The statement must be filed annually with the chief administrative officer of the plan and be available for public inspection during regular office hours at the office of the pension plan.

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(e) A disclosure form meeting the requirements of the federal Investment Advisers Act of 1940, United States Code, title 15, sections 80b-1 to 80b-21 as amended, and filed with the state board of investment or the pension plan meets the requirements of this subdivision.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

ARTICLE 6

MISCELLANEOUS LOCAL PENSION MODIFICATIONS

Section 1. Laws 1978, chapter 689, section 4, subdivision 2, as amended by Laws 1981, chapter 224, section 272, is amended to read:

Subd. 2. **THIEF RIVER FALLS POLICE RETIREMENT PENSION TRUST FUND; REPORTING ACTUARIAL VALUATION.** Upon the transfer of money and the establishment of the trust fund pursuant to subdivision 1 and periodically thereafter, the board of trustees shall have an actuarial valuation ~~or survey and experience study~~ made of the trust fund in accordance with the filing requirements and applicable actuarial standards set forth in the general statute governing actuarial reporting by police and fire funds, except that the actuarial valuation and experience study need be made at least once every five years. The board of trustees shall also complete and file a financial report for the trust fund in accordance with Minnesota Statutes, Section 69.051.

Sec. 2. Laws 1980, chapter 612, section 3, as amended by Laws 1981, chapter 301, section 4, is amended to read:

Sec. 3. **SAINT PAUL AND MINNEAPOLIS, CITIES OF; EMPLOYMENT OF UNIVERSITY OR COLLEGE STUDENTS.**

Notwithstanding any contrary provision of the Saint Paul city charter and the Minneapolis city charter, or a statute, including the veterans preference act, or a civil service rule or regulation, the governing body or any board or commission of the city of Saint Paul and the city of Minneapolis having authority to hire employees may employ university, college, or professional school students pursuant to an intern or other training program when the program is sponsored or substantially financed by the state or the United States or by a philanthropic foundation or organization. Persons hired under a program shall be in the unclassified service of the city and serve at the pleasure of the body employing them. No full time appointment under this section shall exceed one year. Persons employed under this section shall be excluded from the provisions of Minnesota Statutes, Sections 268.03 to 268.24, and Minnesota Statutes, Chapters 353 and 356.

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

Sec. 3. MOOSE LAKE FIREFIGHTERS' RELIEF ASSOCIATION ASSETS.

Notwithstanding the requirements of Minnesota Statutes, section 424A.02, or any other law, for firefighters' relief association purposes the Moose Lake area fire protection district must be treated as a continuation of the fire department of the city of Moose Lake. Assets of the Moose Lake fire department relief association must be transferred to a relief association now or hereafter established by the district and service of transferred members must be considered continuous for purpose of computing retirement benefits.

Sec. 4. PURCHASE OF SERVICE CREDIT FOR ST. PAUL BUREAU OF HEALTH SERVICE.

Subdivision 1. ELIGIBILITY. A person who was born on May 28, 1941, who was initially employed by the St. Paul bureau of health in November 1963, who was covered by the St. Paul bureau of health relief association under Laws 1919, chapter 430, sections 1 to 9, as amended, by virtue of that employment, who terminated employment by the St. Paul bureau of health in August 1966, and who became a member of the general plan of the public employees retirement association in May 1967, is entitled to purchase service credit in the general plan of the public employees retirement association for any months of employment by the St. Paul bureau of health in which member contributions to the St. Paul bureau of health relief association were made.

Subd. 2. PURCHASE PAYMENT AMOUNT. (a) The person requesting the purchase of prior service shall establish in the records of the fund or 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 public employees retirement association. For a person eligible to purchase credit under subdivision 1, there must be paid to the public employees retirement association an amount on the date of payment equal to the amount computed in paragraph (b) minus the amount computed in paragraph (c).

(b) The present value, on the date of payment, of the amount of additional retirement annuity that would be obtained due to the purchase of additional service credit by the individual specified in subdivision 1, using the preretirement interest rate specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the public employees retirement association and assuming continuous future service in the public employees retirement association 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, and also assuming a future salary history that includes annual salary increases at the salary increase rate specified in Minnesota Statutes, section 356.215, subdivision 4d.

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(c) The present value of employee and employer contributions paid to the St. Paul bureau of health relief association by or on behalf of the individual eligible to purchase credit under subdivision 1. The present value will be computed assuming investment earnings on these contributions equal to the rate actually earned by the assets of active employees covered by the public employees retirement association, beginning with the date the individual specified in subdivision 1 first made contributions to the St. Paul bureau of health relief association.

Subd. 3. PAYMENT; CREDITING SERVICE. Payment must be made in one lump sum, unless the executive director of the public employees 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 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 city of St. Paul may, at its discretion, pay all or any portion of the required payment amount.

Sec. 5. EFFECTIVE DATE.

Section 1 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Thief River Falls city council and governs actuarial valuations and experience studies to be made under section 1 beginning with the next actuarial valuation and experience study required after 1989.

Section 2 is effective, if approved by both the city councils of the city of Saint Paul and the city of Minneapolis, the day after compliance by them with Minnesota Statutes, section 645.021, subdivision 3.

Sections 3 and 4 are effective the day following final enactment.

ARTICLE 7

TEACHER RETIREMENT FUND PROVISIONS

Section 1. [354.095] MEDICAL LEAVE; PAYMENT PROCEDURES.

A member of the fund who is on an authorized medical leave of absence and subsequently returns to teaching service, is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section 354.42, subdivisions 2, 3, and 5, as applied to the member's average full-time monthly salary rate on the date of return from the leave of absence plus annual interest at the

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rate of 8.5 percent per year from the midpoint date of the leave until the date of payment. The member must pay the total amount required unless the employing unit, at its option, pays the employer contributions. The total amount required must be paid before the effective date of retirement or by the end of the fiscal year following the fiscal year in which the leave of absence terminated, whichever is earlier. Payment must be accompanied by a copy of the resolution or action of the employing authority granting the leave and the employing authority, upon granting the leave, must certify the leave to the association on a form specified by the executive director. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354.48 and receive allowable service credit under this section for the same period of time.

Sec. 2. [354A.096] MEDICAL LEAVE.

Any teacher in the coordinated program of either the Minneapolis teachers retirement fund association or the St. Paul teachers retirement fund association or the new law coordinated program of the Duluth teachers retirement fund association who is on an authorized medical leave of absence and subsequently returns to teaching service is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section 354A.12, subdivisions 1 and 2, as applied to the member's average full-time monthly salary rate on the date of return from the leave of absence plus annual interest at the rate of 8.5 percent per year from the midpoint date of the leave until the date of payment. The member must pay the total amount required unless the employing unit, at its option, pays the employer contributions. The total amount required must be paid by the end of the fiscal year following the fiscal year in which the leave of absence terminated or before the member retires, whichever is earlier. Payment must be accompanied by a copy of the resolution or action of the employing authority granting the leave and the employing authority, upon granting the leave, must certify the leave to the association in a manner specified by the executive director. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354A.36 and receive allowable service credit under this section for the same period of time.

Sec. 3. ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION.

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the St. Paul teachers retirement fund association to amend its articles of incorporation or bylaws to allow basic plan members who are granted a medical leave of absence by independent school district No. 625, St. Paul, to receive up to one year service credit of that leave in accordance with the provisions of Minnesota Statutes, section 354A.096.

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

Sec. 4. DULUTH TEACHERS RETIREMENT FUND AND ST. PAUL TEACHERS RETIREMENT FUND: ALTERNATE METHOD OF PAYING ADDITIONAL LUMP SUM AMOUNT.

Notwithstanding the articles or bylaws of the Duluth teachers retirement fund association or St. Paul teachers retirement fund association, approval is granted for the Duluth teachers retirement fund association and St. Paul teachers retirement fund association to provide that a lump sum postretirement adjustment that is payable may, upon the request of the annuitant or survivor and approval of the board of trustees of the fund, be converted to a monthly annuity benefit of equivalent actuarial value. The amount of the additional annuity shall be determined by:

(1) the age of the annuitant or survivor on the date of the lump sum postretirement adjustment;

(2) use of an annuity table of mortality established by the board of trustees of the association as required by Minnesota Statutes, section 356.215; and

(3) use of the postretirement interest rate assumption specified in Minnesota Statutes, section 11A.18.

Sec. 5. EFFECTIVE DATE.

(a) Sections 1 to 4 are effective the day following final enactment.

(b) Section 1 is also effective retroactively to October 9, 1988, for a former teacher employed by independent school district No. 831 who began a long-term disability medical leave on October 10, 1988, who terminated employment on June 16, 1989, and who has retired. The contribution amounts for the leave must be based on the salary rate of the teacher in effect for the 1988-1989 school year and the contributions must be made by June 30, 1990, with interest as calculated under section 1. If the contribution amounts are paid, the person's retirement annuity must be recomputed based on the resulting additional allowable service credit and revision in the person's highest five successive years average salary and the increased annuity amount accrues as of the first day of the first month next following the date of the payment. If an optional annuity form has been selected, the increased annuity amount must be appropriately adjusted.

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

ARTICLE 8

PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN

Section 1. Minnesota Statutes 1988, section 353.01, subdivision 7, is amended to read:

Subd. 7. ~~MEMBER. A member is~~ “Member” means a person who accepts employment as a “public employee” and is not covered by the plan established in chapter 353D. A person who is a member remains a member while performing services as a public employee and while on an authorized leave of absence or an authorized temporary layoff; provided, however, (1) that any elected public officer or any person appointed to fill a vacancy in an elective office shall have the right to exercise an option to become a member by filing application for membership, but the option to become a member, once exercised, may not be withdrawn during the incumbency of the person in office; and (2) that any member who is appointed by the governor to be a state department head and elects pursuant to section 352.021, subdivision 3, not to be covered by the Minnesota state retirement system, shall remain a member of the public employees retirement association. Membership in the retirement association of any person shall terminate upon the person ceasing to be a “public employee.”

Sec. 2. Minnesota Statutes 1988, section 353D.01, is amended to read:

353D.01 AMBULANCE SERVICE PERSONNEL RETIREMENT PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN.

Subdivision 1. ESTABLISHMENT. ~~The ambulance service personnel retirement public employees defined contribution plan is administered by the public employees retirement association under supervision of the association board of directors trustees. To assist it in governing the operations of the plan, the board may appoint an advisory committee of not more than seven nine members who are representative of ambulance service operators and ambulance service personnel the employers and employees who participate in the plan.~~

Subd. 2. COVERAGE ELIGIBILITY. ~~Coverage under~~ Except as provided in section 353D.11, eligibility to participate in the retirement plan is open to an elected local government official of a governmental subdivision who elects to participate in the plan who is not a member of the public employees retirement association within the meaning of section 353.01, subdivision 7, and 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. For purposes of this chapter, an elected local government official includes a person appointed to fill a vacancy in an elective office. Elected local government official does not include an elected county sheriff. Except as provided in section 353D.11, elected local government officials and first response personnel and emergency medical service personnel who are currently covered

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by a public or private pension plan because of their employment or provision of services are not eligible to participate in the plan.

Sec. 3. Minnesota Statutes 1988, section 353D.02, is amended to read:

353D.02 ELECTION OF COVERAGE.

Eligible elected local government officials may elect to participate in the plan after being elected or appointed to a public office by filing an application to participate on a form prescribed by the executive director of the association. Participation begins on the first day of the month after the application is received in the association's office or on the date when the term of office commences, whichever date is later. An election to participate in the plan is irrevocable during incumbency in office.

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, whichever date is later. An election by a service or an individual is irrevocable.

Sec. 4. Minnesota Statutes 1988, section 353D.03, is amended to read:

353D.03 FUNDING OF PLAN.

(a) An eligible elected local government official who elects to participate in the public employees defined contribution plan shall contribute an amount equal to five percent of salary as defined in section 353.01, subdivision 10. A participating elected local government official's governmental subdivision shall contribute a matching amount.

(b) 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. 5. Minnesota Statutes 1988, section 353D.04, is amended to read:

353D.04 CONTRIBUTIONS TO PLAN.

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

(a) Contributions made by or on behalf of a participating elected local government official must be remitted to the public employees retirement association at least monthly and must be credited to the individual account established for the participating officer.

~~(b) Ambulance service contributions to the plan may be made from any source of funds available to the ambulance service. Contributions must be remitted monthly on a regular periodic basis to the association together with any member contributions paid or withheld during the preceding month. Those contributions shall~~ must be credited to the individual account of each participating member.

Sec. 6. Minnesota Statutes 1988, section 353D.05, subdivision 1, is amended to read:

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

Sec. 7. Minnesota Statutes 1988, section 353D.05, subdivision 3, is amended to read:

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 the~~ employing unit contributions to the plan, to defray the expenses of the association in administering the plan.

Sec. 8. Minnesota Statutes 1988, section 353D.06, is amended to read:

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~~ reporting forms required from an ~~ambulance service employing units~~ and the election forms required from ~~ambulance service members participants.~~ Member Reporting forms shall must contain names, identification numbers, amount of contribution by and on behalf of each ~~member participant,~~ and such other data as is required to keep an accurate ~~account~~ record of the account value of each ~~participating employ-~~ ee participant.

Sec. 9. Minnesota Statutes 1988, section 353D.07, is amended to read:

353D.07 BENEFITS.

Subdivision 1. **TYPE OF PLAN; UNIFORMITY.** (a) The plan is a defined contribution plan ~~when~~ the benefits from which are payable upon termination of

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service, retirement, disability, or death. The amount of benefits is 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 Laws 1987, chapter 372.~~

(b) In the case of ambulance service personnel, eligibility standards must be uniform among all ambulance service personnel of an ambulance service electing to participate.

Subd. 2. **PAYMENT OF BENEFITS.** Withdrawal of or a retirement benefit based on ~~member~~ individual participant contributions and employer contributions plus accrued investment income is payable immediately upon the death or termination of ~~an active member a~~ participant for a period that exceeds 30 days. 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~~ participant. As an alternative to a lump sum distribution, the ~~member~~ participant 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 OF PARTICIPANT.** If an active participant becomes permanently and totally disabled as defined in section 353.01, subdivision 19, that participant may withdraw from the account in equal monthly installments an amount, designated by the participant in increments of \$100 but not to exceed ten times the joint employer and employee contribution for the month preceding disability. The option must be exercised by filing an application on a form prescribed by the executive director. Payments begin on the first day of the month following the month in which the disability occurred. Payments end when the participant's disabled status ends or the account balance is exhausted, whichever occurs first.

Subd. 5. **DEATH OF A MEMBER PARTICIPANT.** ~~In the event of the death of~~ If an active participant dies, the total value of the account must be paid in a lump sum to the designated beneficiary or, if none, the heirs at law of the decedent.

Sec. 10. Minnesota Statutes 1988, section 353D.08, is amended to read:

353D.08 PORTABILITY.

~~Qualified Participating~~ ambulance service personnel who change employment or membership among participating ambulance services ~~must~~ shall continue participation in the plan if termination from one participating ambulance service and commencement in another participating ambulance service ~~occurs~~ occurs within 30 days.

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

Sec. 11. Minnesota Statutes 1988, section 353D.09, is amended to read:

353D.09 TAX QUALIFICATION.

The public employees retirement association shall adopt rules ~~required~~ necessary 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.

Sec. 12. [353D.11] CURRENT ELECTED PUBLIC OFFICERS.

Subdivision 1. EXERCISE OF OPTION. As of July 1, 1990, an elected local government official, who with respect to elected service is participating in, and covered by, the general employees defined benefit plan administered by the public employees retirement association under chapter 353, may elect to participate in the public employees defined contribution plan and terminate further participation in, and coverage under, the defined benefit plan. The necessary election must be made before June 30, 1991.

Subd. 2. REFUND OR DEFERRED ANNUITY. An elected public officer who, with respect to elected service is participating in, and covered by, the general employees defined benefit plan administered by the public employees retirement association under chapter 353 and who, with respect to future elected service, elects to participate in the public employees defined contribution plan, is deemed to have terminated public service for purposes of the return of the accumulated employee deductions with interest or the deferred annuity allowed under section 353.34. The termination of public service is deemed to occur as of the first day of the month following the month in which the election is made to participate in the public employees defined contribution plan and any refund of accumulated employee deductions with interest or future deferred annuity is governed by the law in effect on that day.

Sec. 13. [353D.12] CONTRIBUTIONS FOR PREVIOUS SERVICE.

Subdivision 1. ELIGIBILITY; CONTRIBUTIONS. An elected local government official who participates in the defined contribution plan under this chapter may make contributions to the plan for the service as an elected public officer rendered before the effective date of this section that was not covered by a public or private employer contributory pension plan, including a plan administered by the public employees retirement association under chapter 353.

Subd. 2. AMOUNT OF PRIOR SERVICE CONTRIBUTIONS. (a) The employee purchase amount is that amount that the participating elected local government official specifies, but combined with subdivision 6 may not exceed in total the amount of the employee and employer contributions that would

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have been payable under section 353.27, subdivisions 2, 3, and 3a, based on the actual salary or compensation of the elected local government official from public sources during the prior service and based on the rates in effect during the prior service, plus interest at an annual compound rate of six percent.

(b) In any year, the purchase amount to be paid in is subject to the limitation for defined contribution plans under section 415(c) of the federal Internal Revenue Code, as amended, or comparable contribution limitation set forth in the federal Internal Revenue Code, and applicable regulations and revenue rulings, remaining after subtracting the funding amounts under section 353D.03, paragraph (a), for that year.

Subd. 3. INSTALLMENT PAYMENTS. The purchase amount may be made in annual installments but may not exceed, combined with subdivision 6, in any installment the limitation set forth in subdivision 2, paragraph (a), or in total the limitation set forth in subdivision 2, paragraph (a).

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

Subd. 5. PRIOR SERVICE AND COMPENSATION DOCUMENTATION. The participating elected local government official shall supply sufficient documentation of the person's prior uncredited service and compensation for which the purchase payment is made.

Subd. 6. EMPLOYING UNIT PAYMENT. The employing unit of the participating elected local government official shall pay the amount of the employer contributions that could have been payable under section 353.27, subdivisions 3 and 3a, based on the actual salary or compensation of the elected local government official from public sources during the prior service, plus interest at an annual compound rate of six percent. This amount combined with any employee purchase amount and any contributions under section 353D.03, para-

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graph (a), must in any year comply with the limitation set forth in subdivision 2, paragraph (a).

Sec. 14. PURCHASE OF PRIOR SERVICE CREDIT.

Subdivision 1. ENTITLEMENT. An elected public officer who participates in the public employees retirement association defined benefit plan under Minnesota Statutes, chapter 353, may purchase service credit from the association for all or any portion of prior uncredited service as an elected public officer when the officer could have been, but was not, a member of the association on account of failure to exercise the membership option under Minnesota Statutes, section 353.01, subdivision 7.

Subd. 2. PURCHASE PAYMENT AMOUNT. To purchase credit for prior service under subdivision 1, there must be paid to the public employee retirement association an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity obtained by the purchase of the additional service credit. Calculation of this amount must be made using the applicable preretirement interest rate for the association specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the association. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the 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. The calculation must also assume a future salary history that includes annual salary increases at the applicable salary increase rate for the association specified in section 356.215, subdivision 4d. The member must establish in the records of the 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 association.

Subd. 3. PAYMENT; CREDITING SERVICE. Payment may be made in one lump sum, or in annual increments over a period not to exceed five years from the effective date of this section. If payments are made in increments, the period of allowable service purchased by each payment is credited to the account of the member upon receipt of each payment by the executive director. If payments are made in increments, the executive director must calculate the present value of the amount of the additional retirement annuity obtained by each incremental payment.

Subd. 4. OPTIONAL EMPLOYER PARTIAL PAYMENT. Payment of the amount calculated under subdivision 2 must be made by the member. However, the current or former governmental subdivision employer of the member may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 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.

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Sec. 15. **EFFECTIVE DATE.**

Sections 1 to 14 are effective on the day following final enactment.

ARTICLE 9

TRANSFERS TO MINNESOTA POSTRETIREMENT
INVESTMENT FUND

Section 1. Minnesota Statutes 1988, section 11A.18, subdivision 6, is amended to read:

Subd. 6. **PARTICIPATING PUBLIC RETIREMENT FUNDS OR PLANS; TRANSFER OF REQUIRED RESERVES.** (a) Any public retirement fund or plan authorized by law to participate in the postretirement investment fund shall no later than the last business day of the month in which the benefit payment from the postretirement investment fund begins to accrue, certify and transfer to the state board money equal to the reserves required for those retirement annuities and benefits which are payable by the public retirement fund or plan and which are specified in law to be included in the participation in the fund as determined by or determined under a procedure specified by the actuary retained by the legislative commission on pensions and retirement.

(b) If the exact amount of the actuarially determined required reserves is not readily calculable ~~as of the date of the commencement of a benefit payment on the required transfer date~~, the initial transfer must be based on the best estimate ~~by the executive director of for the teachers retirement fund involved and shall be made on a timely basis and the public employees retirement fund and may be based on the best estimate for the other participating funds~~. Any necessary adjustments based on specific calculations of actuarially determined required reserves must be made in later transfers. If a ~~best estimate initial~~ transfer is insufficient, the later transfer from the retirement fund must include interest on the amount of the required reserve insufficiency at the ~~greater of the following rates:~~

(1) ~~the average short-term investment return rate earned by the state board over the 30-day period ending with the last business day of the month before the month in which the later adjustment transfer is made; or~~

(2) the preretirement interest assumption for the retirement fund as specified in section 356.215, subdivision 4d, stated as a monthly rate.

Interest on the amount of a required reserve insufficiency payable by a retirement fund shall be compounded on a monthly basis. No interest shall be payable from the postretirement investment fund in the event of a required reserve oversufficiency.

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(c) The state board shall confirm in writing each certification and transfer of money made by a participating public retirement fund or plan. Each participating public retirement fund or plan shall maintain adequate records to account for money transferred to or from the postretirement investment fund.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

ARTICLE 10

MINNESOTA STATE RETIREMENT SYSTEM

ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 1988, section 352.01, subdivision 13, is amended to read:

Subd. 13. **SALARY.** "Salary" means ~~any the periodical~~ compensation paid to any employee ~~including wages, allowances, and fees, but excluding amounts of severance pay, before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs. It also means wages and includes net income from fees. Lump sum sick leave payments, severance payments, and all payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to an employee with single coverage, are not deemed to be salary. Workers' compensation payments are not considered salary.~~

Sec. 2. Minnesota Statutes 1989 Supplement, section 352.021, subdivision 5, is amended to read:

Subd. 5. **CONTINUING COVERAGE.** Any state employee who has made contributions to the retirement fund for a period of one year and who, continuing in state service after that year, becomes eligible for membership in the state teachers retirement association as a full-time teacher, as defined in section 354.05, subdivision 2, or is covered by section 354.05, subdivision 2a, may continue coverage under the system by filing in its office written notice of election to continue. The election to be covered by the system under this subdivision or section 352.01, subdivision 2b, clause (3), must be made on a form approved by the director within 90 days after appointment to the position. If the option is exercised, the employee is not thereafter entitled to membership in the teachers retirement association or in the individual retirement account plan for community college and state university faculty while employed by the state in a position that entitled the employee to make this election.

Sec. 3. Minnesota Statutes 1988, section 352.029, subdivision 3, is amended to read:

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Subd. 3. **CONTRIBUTIONS.** The employee, ~~employer,~~ and ~~additional~~ employer contributions required by section 352.04, or by section 352.92 for employees covered by section 352.91, are the obligation of the employee who chooses coverage under this section. However, the employing labor organization may pay the employer ~~and employer additional~~ contributions. Contributions made by the employee must be made by salary deduction. The employing labor organization shall pay all contributions to the system as required by section 352.04, or by section 352.92 for employees covered by section 352.91.

Sec. 4. Minnesota Statutes 1988, section 352.03, subdivision 1, is amended to read:

Subdivision 1. **MEMBERSHIP OF BOARD; ELECTION; TERM.** The policy-making function of the system is vested in a board of 11 members, who ~~shall~~ must be known as the board of directors. This board shall consist of three members appointed by the governor, one of whom must be a constitutional officer or appointed state official and two of whom must be public members knowledgeable in pension matters, four state employees elected by state employees covered by the system excluding employees in categories specifically authorized to designate or elect a member by this subdivision, one employee of the transit operating division of the metropolitan transit commission designated by the executive committee of the labor organization that is the exclusive bargaining agent representing employees of the transit division, one member of the state patrol retirement fund elected by members of that fund at a time and in a manner fixed by the board, one employee covered by the correctional employees plan elected by employees covered by that plan, and one retired employee elected by disabled and retired employees of all plans administered by the system at a time and in a manner to be fixed by the board. Two state employee members, whose terms of office begin on the first Monday in ~~March~~ May after their election, must be elected biennially. Elected members and the appointed transit operating division member hold office for a term of four years, except the retired member whose term is two years, and until their successors are elected or appointed, and have qualified. An employee of the system is not eligible for membership on the board of directors. A state employee on leave of absence is not eligible for election or reelection to membership on the board of directors. The term of any board member who is on leave for more than six months automatically ends on expiration of this period.

Sec. 5. Minnesota Statutes 1988, section 352.115, subdivision 7, is amended to read:

Subd. 7. **APPLICATION FOR ANNUITY.** Application for annuity or optional annuity payment may be made by the employee at time of retirement, or by someone acting in behalf of the employee, upon proof of authority satisfactory to the director.

Sec. 6. Minnesota Statutes 1988, section 352.96, subdivision 4, is amended to read:

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Subd. 4. **EXECUTIVE DIRECTOR TO ESTABLISH RULES.** The executive director of the system shall establish rules and procedures to carry out this section including allocation of administrative costs against the assets accumulated under this section. Funds to pay these costs are appropriated from the fund or account in which the assets accumulated under this section are placed. The rules established by the executive director must conform to federal and state tax laws, regulations, and rulings, and are not subject to the administrative procedure act. Except for the marketing rules, rules adopted after July 1, 1977, relating to the options provided under subdivision 2, clauses (2) and (3), must be approved by the state board of investment. A state employee must not make payments under a plan until the plan or applicable component of the plan has been approved for tax-deferred status by the internal revenue service.

Sec. 7. **EFFECTIVE DATE.**

Sections 1 to 6 are effective the day following final enactment.

ARTICLE 11

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 1989 Supplement, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **EXCLUDED EMPLOYEES.** The following persons are excluded from the meaning of "public employee":

(1) persons who are employed for professional services where the service is incidental to regular professional duties, determined on the basis that compensation for the service amounts to no more than 25 percent of the person's total annual gross earnings for all professional duties;

(2) election officers;

(3) independent contractors and their employees;

(4) patient and inmate personnel who perform services in charitable, penal, or correctional institutions of a governmental subdivision;

(5) members of boards; and commissions; ~~boards; and others~~ who serve a governmental subdivision intermittently unless their position on the board or commission is the result of public employment within the same governmental unit;

(6) employees whose employment is not expected to continue for a period

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longer than six consecutive months, unless it involves employment for a probationary period that is part of a permanent position who are hired for a period of less than six consecutive months but not those employees who are hired for an unlimited period but are serving a probationary period. Immediately following the expiration of a six-month period of employment, if the period of employment is extended beyond the six-month period and the employee continues in public service and earns more than \$425 from one governmental subdivision in any one calendar month, the department head shall report the employee for membership and require employee deductions be made on behalf of the employee in accordance with section 353.27, subdivision 4. Membership eligibility of an employee who holds concurrent temporary employment of six months or less and part-time nontemporary positions in one governmental subdivision must be determined by the salary of each position. Membership eligibility of an employee who holds nontemporary positions in one governmental subdivision must be determined by the total salary of all positions;

(7) part-time appointed and elected employees who receive monthly whose actual compensation from one governmental subdivision does not exceeding exceed \$425 per month, and part-time employees and elected officials or whose annual compensation from one governmental subdivision is stipulated in advance, in writing, to be not more than \$5,100 per calendar year or per school year for school employees for employment expected to be of a full year's duration or more than the prorated portion of \$5,100 per employment period for employment expected to be of less than a full year's duration, except that members continue their membership until termination of public service as defined in subdivision 11a. Membership eligibility of an employee who holds concurrent part-time positions under this clause must be determined by the total salary of all such positions in one governmental subdivision. If compensation from one governmental subdivision to an employee under this paragraph exceeds \$5,100 per calendar year or school year after being stipulated in advance not to exceed that amount, the stipulation is no longer valid and contributions must be made on behalf of the employee in accordance with section 353.27, subdivision 12, from the month in which the employee's earnings first exceeded \$425;

(8) persons who first occupy an elected office after July 1, 1988, the compensation for which does not exceed \$425 per month;

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

(10) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota state retirement system, the teachers retirement association, the Duluth teachers retirement fund association, the Minneapolis teachers retirement association, the St. Paul teachers retirement fund association, the Minneapolis employees retirement fund, or any police or firefighters relief association governed by section 69.77 that has not consolidated

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with the public employees police and fire fund, or any police or firefighters relief association that has consolidated with the public employees retirement association but whose members have not elected coverage by the public employees police and fire fund as provided in sections 353A.01 to 353A.10. This clause must not be construed to prevent a person from being a member of and contributing to the public employees retirement association and also belonging to and contributing to another public pension fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time shall become a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the teachers retirement association by a teacher as defined in section 354.05, subdivision 2;

(11) police matrons who are employed in a police department of a city who are transferred to the jurisdiction of a joint city and county detention and corrections authority;

(12) persons who are excluded from coverage under the federal old age, survivors, disability, and health insurance program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended through January 1, 1987;

(13) full-time students who are enrolled and are regularly attending classes at an accredited school, college, or university and who are not employed full time by a governmental subdivision;

(14) resident physicians, medical interns, and pharmacist residents and interns who are serving in a degree or residency program in public hospitals and students who are serving in an internship or residency program sponsored by an accredited educational institution;

(15) appointed or elected officers who are paid entirely on a fee basis and who were not members on June 30, 1971;

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

(17) persons exempt from licensure under section 125.031;

(18) persons employed by the Minneapolis community development agency;

(19) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the public employees retirement association and participants in the public employees retirement fund or the public employees police and fire fund on the basis of compensation received from public

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employment service other than service as volunteer ambulance service personnel; and

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

Sec. 2. Minnesota Statutes 1989 Supplement, section 353.01, subdivision 11a, is amended to read:

Subd. 11a. **TERMINATION OF PUBLIC SERVICE.** "Termination of public service" occurs when an officer or employee ~~who~~ terminates employment ~~but or is on temporary layoff as defined in subdivision 12 and does not~~ within 30 days returns of termination or expiration of the temporary layoff return to nontemporary employment in the same governmental subdivision ~~or begins employment in another position otherwise excluded from membership is considered a member from the beginning of the reemployment unless the total period covered by all periods of employment is less than six months or the amount earned does not exceed the dollar limitations in subdivision 2b, clause (7).~~

Sec. 3. Minnesota Statutes 1988, section 353.01, subdivision 16, is amended to read:

Subd. 16. **ALLOWABLE SERVICE.** (a) "Allowable service" means service during years of actual membership in the course of which employee contributions were made, periods covered by payments in lieu of salary deductions made as provided in section 353.35, and service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect.

(b) "Allowable service" also means a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund.

(c) "Allowable service" also means a period of authorized leave of absence without pay that does not exceed one year, and during or for which a member obtained credit by payments to the fund made in place of salary deductions, provided that the payments are made in an amount or amounts based on the member's average salary on which deductions were paid for the last six months of public service, or for that portion of the last six months while the member was in public service, to apply to the period in either case immediately preceding commencement of the leave of absence; provided, however, that if the

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employee elects to pay employee contributions for the period of any leave of absence without pay, or for any portion of the leave, the employee shall also, as a condition to the exercise of the election, pay to the fund an amount equivalent to both the required employer and additional employer contributions for the employee. The payment must be made within one year from the date the leave of absence terminates. The employer by appropriate action of its governing body, made a part of its official records, before the date of the first payment of the employee contribution, may certify to the association in writing that it will cause to be paid the employer and additional employer contributions from the proceeds of a tax levy made under section 353.28. Payments under this paragraph must include interest at the rate of six percent a year from the date of the termination of the leave of absence to the date payment is made.

(d) "Allowable service" also means a period during which a member is on an authorized sick leave of absence, without pay limited to one year, ~~or an authorized temporary layoff, or a maternity leave.~~ The association will grant a maximum of two months service credit for a maternity leave upon documentation from the member's governmental subdivision. A member on personal leave of absence who provides the association with a birth certificate or other evidence of birth during the personal leave time period will be granted up to two months of service credit.

(e) "Allowable service" also means a period during which a member is on an authorized leave of absence to enter military service, provided that the member returns to public service upon discharge from military service under section 192.262 and pays into the fund employee contributions based upon the employee's salary at the date of return from military service. Payment must be made within five years of the date of discharge from the military service. The amount of these contributions must be in accord with the contribution rates and salary limitations, if any, in effect during the leave, plus interest at six percent a year compounded annually from the date of return to public service to the date payment is made. In such cases the matching employer contribution and additional employer contribution provided in section 353.27, subdivisions 3 and 3a, must be paid by the department employing the member upon return to public service, and the governmental subdivision involved may appropriate money for those payments. A member may not receive credit for a voluntary extension of military service at the instance of the member beyond the initial period of enlistment, induction, or call to active duty.

(f) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the community corrections act, chapter 401, and transferred into county service under section 401.04, "allowable service" means combined years of allowable service as defined in paragraphs (a) to (e) and section 352.01, subdivision 11.

(g) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the public employees

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police and fire fund, and who has elected coverage by the public employees police and fire fund benefit plan as provided in section 353A.08 following the consolidation, "applicable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

Sec. 4. Minnesota Statutes 1988, section 353.15, subdivision 2, is amended to read:

Subd. 2. **AUTOMATIC DEPOSITS.** The association may pay an annuity, benefit or refund to a trust company, qualified under chapter 48, that is trustee for a person eligible to receive such annuity, benefit or refund. Upon the request of a retired, disabled or former member, the association may mail or send by electronic transfer the annuity, benefit or refund check to a banking institution, savings association or credit union for deposit to such person's account or joint account with a spouse. The association may prescribe the conditions under which such payment will be made.

Sec. 5. Minnesota Statutes 1988, section 353.27, subdivision 7, is amended to read:

Subd. 7. **ADJUSTMENT FOR ERRONEOUS RECEIPTS OR DISBURSEMENTS.** (a) **ERRONEOUS DEDUCTIONS.** Deductions taken in error by the employer from the salary of an employee for the retirement fund and transmitted to the association must be refunded to the employee calculated in accordance with section 353.34, subdivision 2; and the employer contribution and the additional employer contribution, if any, for the erroneous employee contribution must be refunded to the employer, provided, however, that the association and the state social security agency may make proper adjustments of money taken as employee and employer deductions, and provided further that the refund of deductions taken in error has been made within three calendar years of the calendar year in which the initial erroneous deduction taken in error was received by the association, except for erroneous deductions of sick leave, vacation pay, and severance pay, which may be made at any time. If the refund of deductions taken in error has not been made within three calendar years of the calendar year in which the initial erroneous deduction taken in error was received by the association, the erroneous contributions are considered valid, and the years of allowable service attributable to the erroneous deductions must be credited to the member in accordance with section 353.01, subdivision 16, and, notwithstanding a law to the contrary, the employee may continue to be a member until termination of public service.

(b) **ERRONEOUS DISBURSEMENT.** In the event a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or check returned to the funds of the department making the payment, a refund of the sum deducted, or a portion of

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it that is required to adjust the deductions, must be made to the department or institution.

Sec. 6. Minnesota Statutes 1988, section 353.27, subdivision 10, is amended to read:

Subd. 10. EMPLOYERS; FURNISH COPIES OF PAYROLL ABSTRACTS. The head of each department is required to furnish the executive director with a carbon or duplicate copy of the departmental payroll abstracts for the last full pay period during the month of May for school districts and ~~December~~ the last pay period covering calendar-year earnings for all other governmental subdivisions, respectively, in each year. Instead of a duplicate copy of the payroll abstract, the employer may submit an exception report listing only those employees who worked the last full pay period of May or December, but who are not members of the association. Minimum reporting requirements to be shown on either the payroll abstract or exception report include: (1) name of the governmental subdivision and department identification; (2) the association's assigned unit number and unique code; (3) pay period coverage dates; (4) any employee deductions; (5) gross salary for the pay period; (6) each employee's year-to-date gross pay; and (7) the reason for any exclusion. The executive director shall check the copies of all payroll abstracts against the membership records of the association to ascertain whether any omissions have been made by a department head in the reporting of new public employees for membership. The head of any department shall furnish a carbon or duplicate copy of the department payroll abstract at the request of the executive director. The executive director may delegate an association employee by appointment, in accordance with section 353.03, subdivision 3a, paragraph (b), clause (5), to conduct a field audit to review the payroll records of a governmental subdivision.

Sec. 7. Minnesota Statutes 1989 Supplement, section 353.35, is amended to read:

353.35 CONSEQUENCES OF REFUND; REPAYMENT, RIGHTS RESTORED.

When any former member accepts a refund, all existing service credits and all rights and benefits to which the person was entitled prior to the acceptance of the refund ~~shall~~ must terminate and ~~shall~~ must not again be restored until the person acquires ~~not less than~~ at least 18 months allowable service credit after taking the last refund and repays all refunds taken and interest received under section 353.34, subdivisions 1 and 2, plus interest at six percent per annum compounded annually. If more than one refund has been taken, the person may repay all refunds or only the refund for the fund in which the person had most recently been a member, with interest at six percent per annum compounded annually. All refunds must be repaid within ~~three~~ six months of the last date of termination of public service.

Sec. 8. Minnesota Statutes 1988, section 353.46, subdivision 4, is amended to read:

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Subd. 4. Except as provided in section 353.84, the rights of a survivor of a former member, where such former member died prior to June 30, 1973, ~~shall~~ must be determined by the law in effect when such former member died even though a benefit is not payable until after June 30, 1973. If the survivor is also eligible to receive a retirement annuity from the association, the survivor is eligible to receive both benefits.

Sec. 9. Minnesota Statutes 1989 Supplement, section 353.656, subdivision 1, is amended to read:

Subdivision 1. **IN LINE OF DUTY; COMPUTATION OF BENEFITS.** Any member of the police and fire fund less than 55 years of age, who ~~shall become~~ becomes disabled and physically unfit to perform duties as a police officer or firefighter subsequent to June 30, 1973, as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, which ~~shall~~ has or is expected to render the member physically or mentally unable to perform duties as a police officer or firefighter for a period of at least one year, shall receive disability benefits during the period of such disability. The benefits ~~shall~~ must be in an amount equal to 50 percent of the "average salary" pursuant to subdivision 3 plus an additional 2-1/2 percent of said average salary for each year of service in excess of 20 years. Should disability under this subdivision occur before the member has at least five years of allowable service credit in the police and fire fund, the disability benefit ~~shall~~ must be computed on the "average salary" from which deductions were made for contribution to the police and fire fund.

Sec. 10. Minnesota Statutes 1989 Supplement, section 353.656, subdivision 3, is amended to read:

Subd. 3. **NONDUTY DISABILITY BENEFIT.** Any member who becomes disabled after not less than one year of allowable service, 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 of that sickness or injury the member has been or is expected to be unable to perform duties as a police officer or firefighter for a period of at least one year, ~~shall be~~ is entitled to receive a disability benefit. The benefit ~~shall~~ must 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~~ under section 353.651. If a disability under this subdivision occurs after one but in less than 15 years of allowable service, the disability benefit ~~shall~~ must be the same as though the member had at least 15 years service. For ~~any 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. 11. Minnesota Statutes 1988, section 353.657, subdivision 1, is amended to read:

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Subdivision 1. In the event any member of the police and fire fund ~~shall die~~ dies from any cause before retirement or after becoming disabled and receiving disability benefits if no optional annuity form was elected under section 353.656, subdivision 1a, the association shall grant survivor benefits to any a surviving spouse who had the same legal residence as the member at the time of death and who was married to the member for a period of at least one year, except that if death occurs in the line of duty no time limit is required, and to a dependent child or children, unmarried and under the age of 18 years. The spouse and child or children ~~shall be~~ are entitled to monthly benefits as provided in the following subdivisions.

Sec. 12. Minnesota Statutes 1988, section 353.83, is amended to read:

353.83 ADDITIONAL PAYMENTS TO CERTAIN ANNUITANTS.

Payments of retirement annuities pursuant to this chapter, to annuitants who (a) retired prior to July 1, 1962, (b) had at least 20 years of allowable service credit in the public employees retirement association upon their termination of public employment, and (c) receive annuities of less than \$200 per month ~~shall must~~, retroactive to July 1, 1967, be supplemented by additional payments ~~by of \$15 per month from~~ of \$15 per month from the public employees retirement association ~~from moneys in the general fund of the state of Minnesota in the amount of \$15 per month; provided that such, if the annuitants have not previously qualified for the additional payments pursuant to under this section, and provided further that in no case shall the annuities plus the additional payments do not exceed \$200 per month. These additional payments shall must be made in the same manner and at the same time retirement annuities are paid and shall must be included in the warrants on which the annuities are so paid. The supplemental payment herein provided shall be excluded from additional payments are to be added to and considered a portion of the annuity otherwise payable to the recipient and must be included in the computation of any monthly survivor benefit or optional annuity which may become due and payable to any person following the death of an annuitant who, during life, received a benefit pursuant to under this section. If an annuitant entitled to receive additional payment under this section should die dies before such retroactive payment is received, payment shall must be made upon demand to the designated beneficiary in an amount equal to the accumulated benefit from July 1, 1967, to the date of death, without interest.~~

Sec. 13. **REPEALER.**

Minnesota Statutes 1989 Supplement, section 353.87, subdivision 5, is repealed.

Sec. 14. **EFFECTIVE DATE.**

Sections 1 to 13 are effective the day following final enactment.

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ARTICLE 12

TECHNICAL CORRECTIONS

Section 1. Minnesota Statutes 1988, section 3A.03, subdivision 2, is amended to read:

Subd. 2. **REFUND.** (1) Any person who has made contributions pursuant to subdivision 1 who is no longer a member of the legislature is entitled to receive upon application to the director a refund of all contributions credited to the member's account with interest at the rate of ~~five~~ six percent per annum compounded annually.

(2) The refund of contributions as provided in clause (1) above terminates all rights of a former member of the legislature or survivors of the former member under this chapter. Should the former member of the legislature again be a member of the legislature after having taken a refund as provided above, the member shall be considered a new member. However, a new member may reinstate the rights and credit for service forfeited, provided the new member repays all refunds taken plus interest ~~thereon~~ at the rate of six percent per annum compounded annually.

(3) No person shall be required to apply for or accept a refund.

Sec. 2. Minnesota Statutes 1989 Supplement, section 352.01, subdivision 25, is amended to read:

Subd. 25. **NORMAL RETIREMENT AGE.** "Normal retirement age" means age 65 for a person who first became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a covered employee after June 30, 1989, normal retirement age means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended.

Sec. 3. Minnesota Statutes 1989 Supplement, section 352.031, subdivision 2, is amended to read:

Subd. 2. **NOTICE OF TERMINATION OR DENIAL.** If the executive director terminates a benefit or denies an application or a written request of any person claiming a right under chapter 352, other than sections 352.96 and 352.97; chapters 3A, 352B, 352C, and 352D; sections 490.121 to 490.133; or the applicable sections of chapters 355 and 356, the executive director ~~must~~ shall serve upon that person written notice containing:

(1) the reasons for the termination or denial;

(2) notice that the person may petition the board for a review of the termination or denial and that the petition for review must be filed within 60 days of the receipt of the written notice;

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(3) a statement that relevant documentation submitted by the petitioner to the executive director must be received in the office of the Minnesota state retirement system at least 30 days before the meeting prescribed in subdivision 4;

(4) a statement that failure to petition the board within 60 days will preclude the person from contesting in any other court procedure or administrative hearing, the issues determined by the executive director; and

~~(4)~~ (5) a copy of this section.

Sec. 4. Minnesota Statutes 1989 Supplement, section 352.031, subdivision 3, is amended to read:

Subd. 3. **PETITION FOR REVIEW.** A person who claims a right under subdivision 2 and whose benefit has been terminated or whose application or written request has been denied may petition for a review of that decision by the board. A petition under this section must be served upon the executive director personally, or by mail postmarked no later than 60 days after the petitioner received the notice required by subdivision 2. The petition must include the sworn, notarized statement of the reasons the petitioner believes the decision of the executive director should be reversed or modified and may include relevant documentation. Relevant documentation submitted by the petitioner to the executive director must be received in the office of the Minnesota state retirement system at least 30 days before the meeting prescribed in subdivision 4.

Sec. 5. Minnesota Statutes 1989 Supplement, section 352.031, is amended by adding a subdivision to read:

Subd. 5a. **EXECUTIVE DIRECTOR'S ORDER.** Notwithstanding subdivisions 4 and 5, if the executive director determines with respect to a petition that no relevant facts are in dispute, the executive director shall inform the board of that determination, and the board may issue findings of fact, a decision, reasons for the decision, and a final order and serve it upon the petitioner as provided in subdivision 8. If a petitioner receives an adverse decision, the petitioner may appeal the board's final order under subdivision 9.

Sec. 6. Minnesota Statutes 1989 Supplement, section 352.115, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT ANNUITY FORMULA.** (a) This paragraph, in conjunction with section 352.116, subdivision 1, applies to a person who became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 352.116, subdivision 1a, produces a higher annuity amount, in which case paragraph (b) will apply. The employee's average salary, as defined in subdivision 2, multiplied by one percent per year of allowable service for the first ten years and 1.5 percent for each later year of allowable service and pro

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rata for completed months less than a full year shall determine the amount of the retirement annuity to which the employee is entitled.

(b) This paragraph applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with section 352.116, subdivision 1a, is higher than it is when calculated under paragraph (a), in conjunction with section 352.116, subdivision 1. The employee's average salary, as defined in subdivision 2, multiplied by 1.5 percent for each year of allowable service and pro rata for months less than a full year shall determine the amount of the retirement annuity to which the employee is entitled.

Sec. 7. Minnesota Statutes 1989 Supplement, section 352.116, subdivision 1, is amended to read:

Subdivision 1. **REDUCED ANNUITY BEFORE NORMAL RETIREMENT AGE.** This subdivision applies only to a person who first became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under section 352.115, subdivision 3, paragraph (a), in conjunction with this subdivision than when calculated under section 352.115, subdivision 3, paragraph (b), in conjunction with subdivision 1a.

(a) Any employee who is eligible for a retirement annuity under section 352.115, subdivision 1, and who retires before normal retirement age with credit for at least three but less than 30 years of allowable service shall be paid the normal retirement annuity provided in section 352.115, paragraph (a), reduced by one-quarter of one percent for each month that the employee is under normal retirement age at the time of retirement. An employee who is eligible for a retirement annuity under section 352.115, subdivision 1, and who retires prior to age 62 with credit for at least 30 years of allowable service shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (a), reduced by one-quarter of one percent for each month that the employee is under age 62 at the time of retirement.

(b) Any person whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in section 352.115, subdivisions 2 and 3, paragraph (a), without any reduction by reason of early retirement.

Sec. 8. Minnesota Statutes 1989 Supplement, section 352.116, subdivision 1a, is amended to read:

Subd. 1a. **ACTUARIAL REDUCTION FOR EARLY RETIREMENT.** This subdivision applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity is higher

when calculated under section 352.115, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 352.115, subdivision 3, paragraph (a), in conjunction with subdivision 1. ~~As~~ A covered employee who retires before the normal retirement age shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (b), reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

Sec. 9. Minnesota Statutes 1989 Supplement, section 352.116, is amended by adding a subdivision to read:

Subd. 3c. EFFECTIVE DATE OF BOUNCE-BACK ANNUITY. In the event of the death of the designated optional annuity beneficiary before the retired employee or disabiltant, the restoration of the normal single life annuity under subdivision 3a or 3b will take effect as of the first of the month following the date of death of the designated optional annuity beneficiary or on the first of the month following one year before the date on which a certified copy of the death certificate of the designated optional annuity beneficiary is received in the office of the Minnesota state retirement system, whichever date is later.

Sec. 10. Minnesota Statutes 1988, section 352.73, is amended by adding a subdivision to read:

Subd. 1a. PAYMENT ADDED. The supplemental benefit payable under subdivision 1 is to be added to and considered a portion of the annuity otherwise payable to the recipient.

Sec. 11. Minnesota Statutes 1989 Supplement, section 352.93, subdivision 2a, is amended to read:

Subd. 2a. EARLY RETIREMENT. Any covered correctional employee who has attained the age of becomes at least 50 years old and who has at least five three years of allowable service is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 2, reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable if the employee deferred receipt of the annuity from the day the annuity begins to accrue to age 55.

Sec. 12. Minnesota Statutes 1989 Supplement, section 352.93, subdivision 3, is amended to read:

Subd. 3. PAYMENTS; DURATION AND AMOUNT. The annuity under this section shall begin to accrue as provided in section 352.115, subdivision 8, 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 attains normal retirement

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age, whichever occurs first, except that payment must not cease before the first of the month following the month in which the employee becomes 62. It must then be reduced to the amount as calculated at normal retirement age under section 352.115, except that if this amount, when added to that portion of the social security benefit based on state service the employee is would be eligible to receive at the time, is less than the benefit payable under subdivision 2, the retired employee shall receive an amount that when added to the social security benefit will equal the amount payable under subdivision 2. If the employee retired prior to age 55, the reduced benefit as calculated under section 352.115 must be actuarially reduced as provided in subdivision 2a.

When an annuity is reduced under this subdivision, the percentage adjustments, if any, that have been applied to the original annuity under section 11A.18, before the reduction, must be compounded and applied to the reduced annuity. A former correctional employee employed by the state in a position covered by the regular plan or the unclassified employees retirement program between the age of 58 and normal retirement age shall receive a partial return of correctional contributions at retirement with six percent interest based on the following formula:

Employee contributions contributed as a correctional employee in excess of the contributions the employee would have contributed as a regular employee	X	Years and complete months of regular service between age 58 and the normal retirement age number of years between age 58 and normal retirement age
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Sec. 13. Minnesota Statutes 1989 Supplement, section 352B.08, subdivision 2a, is amended to read:

Subd. 2a. **EARLY RETIREMENT.** Any member who has ~~attained the age of~~ become at least 50 years old and who has at least ~~five~~ three years of allowable service is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 2, reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable if the member deferred receipt of the annuity from the day the annuity begins to accrue to age 55.

Sec. 14. Minnesota Statutes 1989 Supplement, section 352B.08, subdivision 3, is amended to read:

Subd. 3. **OPTIONAL ANNUITY FORMS.** In lieu of the single life annuity provided in subdivision 2, the member or former member ~~with five years or more of service~~ may elect an optional annuity form. The board of the Minneso-

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ta state retirement system shall establish a joint and survivor annuity, payable to a designated beneficiary for life, adjusted to the actuarial equivalent value of the single life annuity. The board shall also establish an additional optional annuity with an actuarial equivalent value of the single life annuity in the form of a joint and survivor annuity which provides that the elected annuity be reinstated to the single life annuity provided in subdivision 2, if after commencing the elected joint and survivor annuity, the designated beneficiary dies before the member, which reinstatement is not retroactive but takes effect for the first full month occurring after the death of the designated beneficiary. The board may also establish other actuarial equivalent value optional annuity forms. In establishing actuarial equivalent value optional annuity forms, each optional annuity form shall have the same present value as a regular single life annuity using the mortality table adopted by the board and the interest assumption specified in section 356.215, subdivision 4d, and the board shall obtain the written recommendation of the commission-retained actuary. These recommendations shall be a part of the permanent records of the board.

Sec. 15. Minnesota Statutes 1989 Supplement, section 352B.11, subdivision 2, is amended to read:

Subd. 2. DEATH; PAYMENT TO SPOUSE AND CHILDREN. If a member serving actively as a member, a member receiving the disability benefit provided by section 352B.10, subdivision 1, or a former member receiving a disability benefit as provided by section 352B.10, subdivision 2, dies from any cause, the surviving spouse and dependent children are entitled to benefit payments as follows:

(a) A member with at least three 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 became or would have become 55.

(b) The surviving spouse of a member who had credit for less than three years of service shall receive, for life, a monthly annuity equal to 50 percent of that part 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 three years service and who died after ~~attaining~~ becoming 55 years ~~of age old~~, may elect to receive a 100 percent joint and survivor annuity, for life, notwithstanding a subsequent remarriage, in lieu of the annuity prescribed in paragraph (b).

(d) The surviving spouse of any member who had credit for three years or more and who was not 55 years ~~of age old~~ at death, shall receive the benefit equal to 50 percent of the average monthly salary as described in clause (b) until the deceased member would have ~~reached the age of~~ become 55 years ~~old~~, and beginning the first of the month following that date, may elect to receive the 100

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percent joint and survivor annuity. If the surviving spouse remarries before the deceased member's 55th ~~birthdate~~ birth date, benefits or annuities shall cease as of the date of remarriage. Remarriage after 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 part of the average monthly salary of the former member from which deductions were made for retirement. A dependent child over 18 and under 23 years of age also may receive the monthly benefit provided in this section, 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 part 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 must be made to the surviving spouse, or if there is none, to the legal guardian of the child. The maximum monthly benefit for any one family must not be less than 50 nor exceed 70 percent of the average monthly salary for any number of children.

(f) If the member dies under circumstances that entitle the surviving spouse and dependent children to receive benefits under the workers' compensation law, the workers' compensation benefits received by them must not be deducted from the benefits payable under this section.

(g) The surviving spouse of a deceased former member who had credit for three or more years of allowable service, but not the spouse of a former member receiving a disability benefit under section 352B.10, subdivision 2, is entitled to receive the 100 percent joint and survivor annuity at the time the deceased member would have ~~reached the age of~~ become 55 years ~~old~~, if the surviving spouse has not remarried before that date. If a former member dies who does not qualify for other benefits under this chapter, the surviving spouse or, if none, the children or heirs are entitled to a refund of the accumulated deductions left in the fund plus interest at the rate of six percent per year compounded annually.

Sec. 16. Minnesota Statutes 1988, section 352B.11, subdivision 4, is amended to read:

Subd. 4. **REENTRY INTO STATE SERVICE.** When a former member, who has become separated from state service that entitled the member to membership and has received a refund of retirement payments, reenters the state service in a position that entitles the member to membership, that member shall receive credit for the period of prior allowable state service if the member repays into the fund the amount of the refund, plus interest on it at the rate of ~~five~~ six percent per year, at any time before subsequent retirement. Repayment may be made in installments or in a lump sum.

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Sec. 17. Minnesota Statutes 1988, section 352C.09, subdivision 2, is amended to read:

Subd. 2. (1) Any person who has made contributions pursuant to subdivision 1 who is no longer a constitutional officer or commissioner is entitled to receive upon application to the director a refund of all contributions credited to the individual's account with interest at the rate of ~~five~~ six percent per annum compounded annually.

(2) The refund of contributions as provided in clause (1) above terminates all rights of a former constitutional officer or commissioner or survivors thereof under the provisions of this chapter. Should the former constitutional officer or commissioner again hold such office after having taken a refund as provided above, the former officer or commissioner shall be considered a new member and may reinstate the rights and credit for service forfeited provided all refunds previously taken are repaid with interest at six percent per annum compounded annually.

(3) No person shall be required to apply for or accept a refund.

Sec. 18. Minnesota Statutes 1988, section 352D.05, subdivision 3, is amended to read:

Subd. 3. Thirty days after termination of covered employment or at any time thereafter, a participant ~~shall be~~ is entitled, upon application, to withdraw the cash value of the participant's total shares or ~~may~~ leave such shares on deposit with the supplemental retirement fund. Shares not withdrawn ~~shall~~ must remain on deposit with the supplemental retirement fund until the former participant ~~attains the age of~~ becomes at least ~~58~~ 55 years ~~old~~, and applies for an annuity as ~~provided in~~ under section 352D.06, subdivision 1.

Sec. 19. Minnesota Statutes 1989 Supplement, section 353.01, subdivision 37, is amended to read:

Subd. 37. **NORMAL RETIREMENT AGE.** "Normal retirement age" means age 65 for a person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a public employee after June 30, 1989, "normal retirement age" means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended.

Sec. 20. Minnesota Statutes 1989 Supplement, section 353.29, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT ANNUITY FORMULA.** (a) This paragraph, in conjunction with section 353.30, subdivisions 1, 1a, 1b, and 1c, applies to any member who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b),

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in conjunction with section 353.30, subdivision 5, produces a higher annuity amount, in which case paragraph (b) will apply. The average salary as defined in subdivision 2, multiplied by two percent for each year of allowable service for the first ten years and thereafter by 2.5 percent per year of allowable service and completed months less than a full year for the "basic member", and one percent for each year of allowable service for the first ten years and thereafter by 1.5 percent per year of allowable service and completed months less than a full year for the "coordinated member," shall determine the amount of the "normal" retirement annuity.

(b) This paragraph applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member whose annuity amount, when calculated under this paragraph and in conjunction with section 353.30, subdivision 5, is higher than it is when calculated under paragraph (a), in conjunction with section 353.30, subdivisions 1, 1a, 1b, and 1c. The average salary, as defined in subdivision 2, multiplied by 2.5 percent for each year of allowable service and completed months less than a full year for a basic member and 1.5 percent per year of allowable service and completed months less than a full year for a coordinated member, shall determine the amount of the normal retirement annuity.

Sec. 21. Minnesota Statutes 1989 Supplement, section 353.30, is amended to read:

353.30 ANNUITIES UPON RETIREMENT.

Subdivision 1. Upon separation from public service, any person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and who has attained the age of become at least 58 years old but not more than normal retirement age and who received credit for not less than 20 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, paragraph (a), reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement.

Subd. 1a. Any person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose attained age plus credited allowable service totals 90 years is entitled upon application to a retirement annuity in an amount equal to the normal annuity provided in section 353.29, subdivisions 2 and 3, paragraph (a), without any reduction in annuity by reason of such early retirement.

Subd. 1b. Any person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, with 30 years or more of allowable service credit, who elects early retirement under subdivision 1, shall receive an annuity in an amount equal to the normal annuity provided under section 353.29, subdivisions 2 and 3, paragraph (a), reduced

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by one-quarter of one percent for each month that the member is under age 62 at the time of retirement.

Subd. 1c. Any person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and who has received credit for at least 30 years of allowable service or who has ~~attained the age of~~ become at least 55 years old but not normal retirement age, and has received credit for at least three 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, paragraph (a), reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement, except that for any member who has 30 or more years of allowable service the reduction shall be applied only for each month that the member is under age 62 at the time of retirement.

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

Subd. 3a. **BOUNCE-BACK ANNUITY.** (a) If a former member or disabilitant selects a joint and survivor annuity option under subdivision 3, the former member or disabilitant must receive a normal single life annuity if the designated optional annuity beneficiary dies before the former member or disabilitant. Under this option, no reduction may be made in the person's annuity to provide for restoration of the normal single life annuity in the event of the death of the designated optional annuity beneficiary.

(b) A former member or disabilitant who selected an optional joint and survivor annuity before July 1, 1989, but did not choose an option that provides that the normal single life annuity is payable to the former member or the disabilitant if the designated optional annuity beneficiary dies first, is eligible for restoration of the normal single life annuity if the designated optional annuity beneficiary dies first, without further actuarial reduction of the person's annuity. A former member or disabilitant who selected an optional joint and survivor annuity, but whose designated optional annuity beneficiary died before July 1, 1989, shall receive a normal single life annuity after that date, but shall not receive retroactive payments for periods before that date.

(c) A former member or disabilitant who took a further actuarial reduction to elect an optional joint and survivor annuity that provides that the normal annuity is payable to the former member or disabilitant if the designated option-

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al beneficiary dies first but has not died before July 1, 1989, shall have their annuity increased as of July 1, 1989, to the amount the person would have received if, at the time of retirement or disability, the person had selected only optional survivor coverage that would not have provided for restoration of the normal annuity upon the death of the designated optional annuity beneficiary. Any annuity or benefit increase under this paragraph is effective only for payments made after June 30, 1989, and is not retroactive for payments made before July 1, 1989.

Subd. 3b. **BOUNCE-BACK ANNUITY.** (a) The board of trustees must provide a joint and survivor annuity option to members of the police and fire fund. Under this option, a former member or disabilitant must receive a normal single life annuity if the designated optional annuity beneficiary dies before the former member or disabilitant. Under this option, no reduction may be made in the person's annuity to provide for restoration of the normal single life annuity in the event of the death of the designated optional annuity beneficiary.

(b) A former member or disabilitant of the police and fire fund who selected an optional joint and survivor annuity before July 1, 1989, but did not choose an option that provides that the normal single life annuity is payable to the former member or the disabilitant if the designated optional annuity beneficiary dies first, is eligible for restoration of the normal single life annuity if the designated optional annuity beneficiary dies first, without further actuarial reduction of the person's annuity. A former member or disabilitant who selected an optional joint and survivor annuity, but whose designated optional annuity beneficiary died before July 1, 1989, shall receive a normal single life annuity after that date, but shall not receive retroactive payments for periods before that date.

(c) A former member or disabilitant who took a further actuarial reduction to elect an optional joint and survivor annuity that provides that the normal annuity is payable to the former member or disabilitant if the designated optional beneficiary dies first but has not died before July 1, 1989, shall have their annuity increased as of July 1, 1989, to the amount the person would have received if, at the time of retirement or disability, the person had selected only optional survivor coverage that would not have provided for restoration of the normal annuity upon the death of the designated optional annuity beneficiary. Any annuity or benefit increase under this paragraph is effective only for payments made after June 30, 1989, and is not retroactive for payments made before July 1, 1989.

Subd. 3c. EFFECTIVE DATE OF BOUNCE-BACK ANNUITY. In the event of the death of the designated optional annuity beneficiary before the retired employee or disabilitant, the restoration of the normal single life annuity under subdivision 3a or 3b will take effect on the first of the month following the date of death of the designated optional annuity beneficiary or on the first of the month following one year before the date on which a certified copy of the death

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certificate is received in the office of the public employees retirement association, whichever date is later.

Subd. 4. ~~Any~~ Monthly payments to which any person may be entitled under this chapter may be reduced ~~in amount~~ upon application ~~of the person entitled thereto~~ to the association, provided that the person shall first relinquish in writing all claim to that part of the full monthly payment which is the difference between the monthly payment which that person would be otherwise entitled to receive and the monthly payment which that person will receive. The reduced monthly payment shall be payment in full of all amounts due under this chapter for the month for which the payment is made and acceptance of the reduced monthly payment releases the retirement association from all obligation to pay to the person the difference between the amount of the reduced monthly payment and the full amount of the monthly payment which the person would otherwise have received. Upon application of the person who is entitled to such monthly payment, it may be increased prospectively to not more than the amount to which the person would have been entitled had no portion thereof been waived.

Subd. 5. **ACTUARIAL REDUCTION FOR EARLY RETIREMENT.** This subdivision applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under section 353.29, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 353.29, subdivision 3, paragraph (a), in conjunction with subdivision 1, 1a, 1b, or 1c. An employee who retires before normal retirement age shall be paid the retirement annuity provided in section 353.29, subdivision 3, paragraph (b), reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

Sec. 22. Minnesota Statutes 1989 Supplement, section 353.651, subdivision 4, is amended to read:

Subd. 4. **EARLY RETIREMENT.** Any police officer or firefighter member who has ~~attained the age of~~ become at least 50 years old and who has at least ~~five~~ three years of allowable service is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity from the day the annuity begins to accrue until the member attains age 55.

Sec. 23. Minnesota Statutes 1989 Supplement, section 354.05, subdivision 38, is amended to read:

Subd. 38. **NORMAL RETIREMENT AGE.** "Normal retirement age" means age 65 for a person who first became a member of the fund or a member of a

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pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a member of the fund after June 30, 1989, normal retirement age means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended.

Sec. 24. Minnesota Statutes 1988, section 354.07, subdivision 4, is amended to read:

Subd. 4. It shall be the duty of the board from time to time to certify to the state board of investment for investment as much of the funds in its hands as shall not be needed for current purposes. ~~Such funds that are certified to the variable annuity division shall include employee deductions as well as an equal amount for state's matching.~~ Such funds that are certified as to investment in the postretirement investment fund shall include the amount as required for the total reserves needed for the purposes described in section 354.63. The state board of investment shall thereupon transfer such assets to the appropriate fund provided herein, in accordance with the procedure set forth in ~~sections 354.62 and section~~ section 354.63, or invest and reinvest an amount equal to the sum so certified in such securities as are now or may hereafter be duly authorized legal investments for state employees retirement fund and all such securities so transferred or purchased shall be deposited with the state treasurer. All interest from these investments shall be credited to the appropriate funds and used for current purposes or investments, except as hereinafter provided. The state board of investment shall have authority to sell, convey, and exchange such securities and invest and reinvest the funds when it deems it desirable to do so, and shall sell securities upon request of the officers of the association when such officers determine funds are needed for its purposes. All of the provisions regarding accounting procedures and restrictions and conditions for the purchase and sale of securities for the state employees retirement fund shall apply to the accounting, purchase and sale of securities for the teachers' retirement fund.

Sec. 25. Minnesota Statutes 1989 Supplement, section 354.071, subdivision 2, is amended to read:

Subd. 2. **NOTICE OF TERMINATION OR DENIAL.** If the executive director terminates a benefit or denies an application or a written request of any person claiming a right under this chapter or the applicable sections of chapters 136, 355, and 356, the executive director must serve upon that person a written notice. The notice must contain:

- (1) the reasons for the termination or denial;
- (2) notice that the person may petition the board for a review of the termination or denial and that the petition for review must be filed within 60 days of the receipt of the written notice;
- (3) a statement that relevant documentation submitted by the petitioner to the executive director must be received in the office of the teachers retirement association at least 30 days before the meeting prescribed in subdivision 4;

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(4) a statement that failure to petition the board within 60 days will preclude the person from contesting in any other court procedure or administrative hearing, the issues determined by the executive director; and

(4) (5) a copy of this section.

Sec. 26. Minnesota Statutes 1989 Supplement, section 354.071, subdivision 3, is amended to read:

Subd. 3. **PETITION FOR REVIEW.** A person who claims a right under subdivision 2 and whose benefit has been terminated or whose application or written request has been denied may petition for a review of that decision by the board. A petition under this section must be served upon the executive director personally, or by mail postmarked no later than 60 days after the petitioner received the notice required by subdivision 2. The petition must include the sworn, notarized statement of the reasons the petitioner believes the decision of the executive director should be reversed or modified and may include relevant documentation. Relevant documentation submitted by the petitioner to the executive director must be received in the office of the teachers retirement association at least 30 days before the meeting prescribed in subdivision 4.

Sec. 27. Minnesota Statutes 1989 Supplement, section 354.071, is amended by adding a subdivision to read:

Subd. 5a. **EXECUTIVE DIRECTOR'S ORDER.** Notwithstanding subdivisions 4 and 5, if the executive director determines with respect to a petition that no relevant facts are in dispute, the executive director shall inform the board of that determination, and the board may issue findings of fact, a decision, reasons for the decision, and a final order and serve it upon the petitioner as provided in subdivision 8. If a petitioner receives an adverse decision, the petitioner may appeal the board's final order under subdivision 9.

Sec. 28. Minnesota Statutes 1988, section 354.146, subdivision 1, is amended to read:

Subdivision 1. Every member who has rendered teaching service or was on an authorized leave of absence after June 30, 1972 is covered by the full formula program except that those members who have contributed to the variable annuity fund are covered by the combined formula and variable annuity program. The benefit of a former member who does not return to teaching service prior to before retirement shall be determined under the program in effect at the time of termination.

Sec. 29. Minnesota Statutes 1988, section 354.42, subdivision 2, is amended to read:

Subd. 2. The employee contribution to the fund shall be an amount equal to 4-1/2 percent of the salary of every coordinated member and 8-1/2 percent of

the salary of every basic member. This contribution shall be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, such member's employee contribution shall be based on the entire salary received. ~~For purposes of financing the various options related to the variable annuity division, employee variable annuity contributions will be credited in accordance with section 354.62, subdivision 2.~~

Sec. 30. Minnesota Statutes 1988, section 354.42, subdivision 3, is amended to read:

Subd. 3. The employer contribution to the fund shall be an amount equal to 4-1/2 percent of the salary of each coordinated member and 8-1/2 percent of the salary of each basic member. This contribution shall be made in the manner provided in section 354.43. ~~For purposes of financing the various options related to the variable annuity division, employer contributions equal to the employee variable annuity contributions prescribed in section 354.62, subdivision 2, shall be allocated at the same time to the employer variable annuity contribution account in section 354.62, subdivision 3.~~

Sec. 31. Minnesota Statutes 1989 Supplement, section 354.44, subdivision 6, is amended to read:

Subd. 6. **COMPUTATION OF FORMULA PROGRAM RETIREMENT ANNUITY.** (1) The formula retirement annuity hereunder shall be computed in accordance with the applicable provisions of the formulas stated in clause (2) or (4) on the basis of each member's average salary for the period of the member's formula service credit. ~~For the purposes of computing the formula benefits under the formula and variable program, if a combination of these formulas is used, the formula percentages used will be those percentages in each formula as continued for the respective years of service from one formula to the next.~~

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

(2) This clause, in conjunction with clause (3), applies to a person who first became a member of the fund or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless clause (4), in conjunction with clause (5), produces a higher annuity amount, in which case clause (4) applies. The average salary as defined in clause (1), multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled:

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

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Each year of service thereafter	1.5 percent per year	2.5 percent per year
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(3)(i) This clause applies only to a person who first became a member of the fund or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under clause (2), in conjunction with this clause than when calculated under clause (4), in conjunction with clause (5).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in clause (2) ~~and subdivision 7, paragraph (a);~~ reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in clause (2), without any reduction by reason of early retirement.

(4) This clause applies to a member who has become at least 55 years old and first became a member of the fund after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this clause and in conjunction with clause (5), is higher than it is when calculated under clause (2), in conjunction with clause (3). The average salary, as defined in clause (1) multiplied by 2.5 percent for each year of service for a basic member and by 1.5 percent for each year of service for a coordinated member shall determine the amount of the retirement annuity to which the member is entitled.

(5) This clause applies to a person who has become at least 55 years old and first becomes a member of the fund after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under clause (4) in conjunction with this clause than when calculated under clause (2), in conjunction with clause (3). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in clause (4) ~~and subdivision 7, paragraph (b);~~ reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

Sec. 32. Minnesota Statutes 1989 Supplement, section 354.45, subdivision 1a, is amended to read:

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Subd. 1a. **BOUNCE-BACK ANNUITY.** (a) If a former member or disabilitant selects a joint and survivor annuity option under subdivision 1, the former member or disabilitant must receive a normal single life annuity if the designated optional annuity beneficiary dies before the former member or disabilitant. Under this option, no reduction may be made in the person's annuity to provide for restoration of the normal single life annuity in the event of the death of the designated optional annuity beneficiary.

(b) A former member or disabilitant who selected an optional joint and survivor annuity before July 1, 1989, but did not choose an option that provides that the normal single life annuity is payable to the former member or the disabilitant if the designated optional annuity beneficiary dies first, is eligible for restoration of the normal single life annuity if the designated optional annuity beneficiary dies first, without further actuarial reduction of the person's annuity. A former member or disabilitant who selected an optional joint and survivor annuity, but whose designated optional annuity beneficiary died before July 1, 1989, shall receive a normal single life annuity after that date, but shall not receive retroactive payments for periods before that date.

(c) The restoration of the normal single life annuity under this subdivision will take effect on the first of the month following the date of death of the designated optional annuity beneficiary or on the first of the month following one year before the date on which a certified copy of the death certificate of the designated optional annuity beneficiary is received in the office of the teachers retirement association, whichever date is later.

Sec. 33. Minnesota Statutes 1988, section 354.46, subdivision 1, is amended to read:

Subdivision 1. **BASIC PROGRAM; BENEFITS FOR SPOUSE AND CHILDREN OF TEACHER.** If a basic member who has at least 18 months of allowable service credit and who has an average salary as defined in section 354.44, subdivision 6 equal to or greater than \$75 dies prior to retirement or if a former basic member who, at the time of death, was totally and permanently disabled and receiving disability benefits pursuant to section 354.48 dies prior to attaining the age of 65 years, the surviving dependent spouse and dependent children of the basic member or former basic member shall be entitled to receive a monthly benefit as follows:

- (a) Surviving dependent spouse 50 percent of the basic member's monthly average salary paid in the last full fiscal year preceding death
- (b) Each dependent child ten percent of the basic member's monthly average salary paid in the last full fiscal year preceding death

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Payments for the benefit of any dependent child under the age of 22 years shall be made to the surviving parent, or if there be none, to the legal guardian of the child. The maximum monthly benefit shall not exceed \$1,000 for any one family, and the minimum benefit per family shall not be less than 50 percent of the basic member's average salary, subject to the foregoing maximum. The surviving dependent spouse benefit shall terminate upon remarriage, and the surviving dependent children's benefit shall be reduced pro tanto when any surviving child is no longer dependent.

If the basic member and the surviving dependent spouse are killed in a common disaster and if the total of all survivors benefits payable pursuant to this subdivision is less than the accumulated deductions plus interest payable, the surviving dependent children shall receive the difference in a lump sum payment.

If the survivor benefits provided in this subdivision exceed in total the monthly average salary of the deceased basic member, these benefits shall be reduced to an amount equal to the deceased basic member's monthly average salary.

Prior to payment of any survivor benefit pursuant to this subdivision, in lieu of that benefit, the surviving dependent spouse may elect to receive the joint and survivor annuity provided pursuant to subdivision 2, or may elect to receive a refund of accumulated deductions with interest in a lump sum as provided pursuant to ~~sections~~ section 354.47, subdivision 1 ~~or 354.62, subdivision 5, clause (3)~~. If there are any surviving dependent children, the surviving dependent spouse may elect to receive the refund of accumulated deductions only with the consent of the district court of the district in which the surviving dependent child or children reside.

Sec. 34. Minnesota Statutes 1989 Supplement, 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 attained the age of at least 50 years and has credit for at least three 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

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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. 35. Minnesota Statutes 1989 Supplement, section 354.47, subdivision 1, is amended to read:

Subdivision 1. **DEATH BEFORE RETIREMENT.** (1) If a member dies before retirement and is covered pursuant to the provisions of section 354.44, subdivision 2, and neither an optional annuity, nor a reversionary annuity, nor a benefit pursuant to section 354.46, subdivision 1, is payable to the survivors if the member was a basic member, the surviving spouse, or if there is no surviving spouse, the designated beneficiary shall be entitled to an amount equal to the member's accumulated deductions with interest credited to the account of the member to the date of death.

(2) If a member dies before retirement and is covered pursuant to the provisions of section 354.44, ~~subdivisions~~ subdivision 6 and 7, and neither an optional annuity, nor reversionary annuity, nor the benefit described in section 354.46, subdivision 1, is payable to the survivors if the member was a basic member, the surviving spouse, or if there is no surviving spouse, the designated beneficiary shall be entitled to an amount equal to the member's accumulated deductions credited to the account of the member as of June 30, 1957, and from July 1, 1957, to the date of death the member's accumulated deductions plus interest at the rate of six percent per annum compounded annually.

~~(3) The amounts payable in clause (1) or (2) are in addition to the amount payable in section 354.62, subdivision 5, for the member's variable annuity account.~~

Sec. 36. Minnesota Statutes 1989 Supplement, section 354.48, subdivision 3, is amended to read:

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

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The benefit granted shall be determined by the following:

- (a) the amount of the accumulated deductions;
- (b) interest actually earned on these accumulated deductions to the date the benefit begins to accrue;
- (c) interest for the years from the date the benefit begins to accrue to the date the member attains normal retirement age at the rate of three percent;
- (d) annuity purchase rates based on an appropriate annuity table of mortality established by the board as provided in section 354.07, subdivision 1, and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

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

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

(2) The disability benefit granted to members covered under section 354.44, subdivision 6 ~~or 7~~, shall be computed in the same manner as the annuity provided in section 354.44, subdivision 6 ~~or 7~~; whichever is applicable. The disability benefit shall be the formula annuity without the reduction for each month the member is under normal retirement age when the benefit begins to accrue.

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

Sec. 37. Minnesota Statutes 1989 Supplement, section 354.49, subdivision 2, is amended to read:

Subd. 2. Except as provided in section 354.44, subdivision 1, any person

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

Sec. 38. Minnesota Statutes 1989 Supplement, section 354.49, subdivision 3, is amended to read:

Subd. 3. Any person who has attained normal retirement age with less than three 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, subdivision 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 six percent compounded annually.

Sec. 39. Minnesota Statutes 1989 Supplement, section 354.50, subdivision 5, is amended to read:

Subd. 5. ~~Notwithstanding section 354.62, subdivision 5, clause (4),~~ A member who received a refund of variable account accumulations may repay this refund to the member's formula account under this section.

Sec. 40. Minnesota Statutes 1988, section 354.52, subdivision 2, is amended to read:

Subd. 2. Each school board or managing body shall, on or before August 1, each year, report to the teachers retirement board giving an itemized summary of the total amount withheld from the salaries of teachers for ~~regular teacher's teachers~~ retirement deductions ~~and for variable annuity deductions~~; and such other information as the executive director may require. If the itemized summary is received after August 1 in any year, there shall be a penalty not to exceed \$25 for each month or portion thereof which the summary is delinquent, as determined by the board of trustees. The penalty shall be paid by the school board or the managing body.

Sec. 41. Minnesota Statutes 1989 Supplement, section 354.55, subdivision 11, is amended to read:

Subd. 11. **DEFERRED ANNUITY; AUGMENTATION.** Any person covered under section 354.44, ~~subdivisions~~ subdivision 6 and 7, who ceases to render teaching service, may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement. Eligibility

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for an annuity under this subdivision shall be governed pursuant to section 354.44, subdivision 1, or 354.60.

The amount of the deferred retirement annuity shall be determined by section 354.44, ~~subdivisions~~ subdivision 6 and 7, and augmented as provided in this subdivision. The required reserves related to that portion of the annuity which had accrued when the member ceased to render teaching service shall be augmented by interest compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There shall be no augmentation if this period is less than three months or if this period commences prior to July 1, 1971. The rates of interest used for this purpose shall be five percent compounded annually commencing July 1, 1971, until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former member attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period shall be augmented by interest pursuant to this subdivision. The sum of the augmented required reserves so determined shall be the basis for purchasing the deferred annuity. If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has credit with this fund. If a person does not render teaching service in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of the resumption of teaching service shall be those applicable to new members. The mortality table and interest assumption used to compute the annuity shall be the applicable mortality table established by the board under section 354.07, subdivision 1, and the interest rate assumption under section 356.215 in effect when the member retires. A period of uninterrupted service for the purposes of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

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

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

The requirements and provisions for retirement before normal retirement age contained in section 354.44, subdivision 6, clause (3) or (5), shall also apply to an employee fulfilling the requirements with a combination of service as provided in section 354.60.

The augmentation provided by this subdivision applies to the benefit provided in section 354.46, subdivision 2.

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

Sec. 42. Minnesota Statutes 1988, section 354.55, subdivision 19, is amended to read:

Subd. 19. Any member or retired former member who is covered by the formula ~~or formula and variable programs~~ in effect after June 30, 1973 and who made payments to the fund pursuant to Minnesota Statutes 1965, section 354.511 shall upon request receive a refund of such payments.

Sec. 43. Minnesota Statutes 1989 Supplement, section 354.65, is amended to read:

354.65 ADMINISTRATIVE EXPENSES.

Necessary and reasonable administrative expenses incurred by the teachers retirement association must be prorated and allocated to the teachers retirement fund; and the organization's participation in ~~both the Minnesota variable annuity investment fund and~~ the Minnesota supplemental investment fund in accordance with policies and procedures established by the board of trustees of the teachers retirement association.

Sec. 44. Minnesota Statutes 1989 Supplement, section 354.66, subdivision 2, is amended to read:

Subd. 2. A teacher in the public elementary schools, secondary schools, or technical institutes or in the community college system or the state university system of the state who has 20 years or more of allowable service in the fund or 20 years or more of full-time teaching service in Minnesota public elementary schools, secondary schools, or technical institutes or in the community college system or the state university system, or a teacher in the community college system or state university system who has attained at least age 55 and has ten years or more of allowable service in the fund or ten years or more of full-time teaching service as described in this subdivision, may, by agreement with the board of the employing district, be assigned to teaching service within the district in a part-time teaching position.

Sec. 45. Minnesota Statutes 1989 Supplement, section 354A.011, subdivision 15a, is amended to read:

Subd. 15a. **NORMAL RETIREMENT AGE.** "Normal retirement age" means age 65 for a person who first became a member of the coordinated program of the Minneapolis or St. Paul teachers retirement fund association or the new law coordinated program of the Duluth teachers retirement fund association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first became a member of the coordi-

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nated program of the Minneapolis or St. Paul teachers retirement fund association or the new law coordinated program of the Duluth teachers retirement fund association after June 30, 1989, normal retirement age means the higher of age 65 or retirement age, as defined in United States Code, title 42, section 416(l), as amended. For a person who is a member of the basic program of the Minneapolis or St. Paul teachers retirement fund association or the old law coordinated program of the Duluth teachers retirement fund association, normal retirement age means the age at which a teacher becomes eligible for a normal retirement annuity computed upon meeting the age and service requirements specified in the applicable provisions of the articles of incorporation or bylaws of the respective teachers retirement fund association.

Sec. 46. Minnesota Statutes 1989 Supplement, section 354A.095, is amended to read:

354A.095 MATERNITY LEAVE.

~~A~~ Basic or coordinated ~~member~~ members of the St. Paul teachers retirement fund association and ~~old or~~ new coordinated members of the Duluth teachers retirement fund association, who are granted parental or maternity leave of absence by the employing authority, are entitled to obtain service credit not to exceed one year for the period of leave upon payment to the applicable fund by the end of the fiscal year following the fiscal year in which the leave of absence terminated. The amount of the payment must include the total required employee and employer contributions for the period of leave prescribed in section 354A.12. Payment must be based on the member's average monthly salary upon return to teaching service, and is payable without interest. Payment must be accompanied by a certified or otherwise adequate copy of the resolution or action of the employing authority granting or approving the leave.

Sec. 47. Minnesota Statutes 1989 Supplement, section 354A.31, subdivision 4, is amended to read:

Subd. 4. **COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY.** (a) The normal coordinated retirement annuity shall be an amount equal to a retiring coordinated member's average salary multiplied by the retirement annuity formula percentage. Average salary for purposes of this section shall mean an amount equal to the average salary upon which contributions were made for the highest five successive years of service credit, but which shall not in any event include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of service credit if this service credit is less than five years.

(b) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (c), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (c) will apply. The retirement annuity formula percentage for purposes of this

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paragraph is one percent per year for each year of coordinated service for the first ten years and ~~1-1/2~~ 1.5 percent for each year of coordinated service thereafter.

(c) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (b), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~1-1/2~~ 1.5 percent for each year of coordinated service.

Sec. 48. Minnesota Statutes 1989 Supplement, section 354A.31, subdivision 6, is amended to read:

Subd. 6. **REDUCED RETIREMENT ANNUITY.** This subdivision applies only to a person who first became a coordinated member or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision ~~(4)~~ 4, paragraph (b), in conjunction with this subdivision than when calculated under subdivision 4, paragraph (c), in conjunction with subdivision 7.

(a) Upon retirement at an age ~~prior to~~ before normal retirement age with three 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 calculated using the retirement annuity formula percentage in subdivision (4), paragraph (b), reduced by one-quarter of one percent for each month that the coordinated member is under normal retirement age 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.

(b) Any coordinated member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal retirement annuity calculated using the retirement annuity formula percentage in subdivision (4), paragraph (b), without any reduction by reason of early retirement.

Sec. 49. Minnesota Statutes 1989 Supplement, section 354A.31, subdivision 7, is amended to read:

Subd. 7. **ACTUARIAL REDUCTION FOR EARLY RETIREMENT.** This subdivision applies to a person who has become at least 55 years old and first becomes a coordinated member after June 30, 1989, and to any other coordinated member who has become at least 55 years old and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), in conjunction with this subdivision than when calculated

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under subdivision 4, paragraph (b), in conjunction with subdivision 6. A coordinated member who retires before the full benefit age shall be paid the retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

Sec. 50. Minnesota Statutes 1989 Supplement, section 354A.32, subdivision 1, is amended to read:

Subdivision 1. **OPTIONAL FORMS GENERALLY.** The boards of the Minneapolis and the St. Paul teachers retirement fund associations shall each establish for the coordinated program and the board of the Duluth teachers retirement fund association shall establish for the new law coordinated program an optional retirement annuity which shall take the form of a joint and survivor annuity. Each board may also in its discretion establish an optional annuity which shall take the form of an annuity payable for a period certain and for life thereafter. Each board shall also establish an optional retirement annuity that guarantees payment of the balance of the annuity recipient's accumulated deductions to a designated beneficiary upon the death of the annuity recipient. Except as provided in subdivision 1a, optional annuity forms shall be the actuarial equivalent of the normal forms provided in section 354A.31. In establishing these optional annuity forms, the board shall obtain the written recommendation of the commission-retained actuary. The recommendation shall be a part of the permanent records of the board.

Sec. 51. Minnesota Statutes 1989 Supplement, section 354A.32, subdivision 1a, is amended to read:

Subd. 1a. **BOUNCE-BACK ANNUITY.** (a) If a former coordinated member or disabilitant has selected a joint and survivor annuity option under subdivision 1, the former member or disabilitant must receive a normal single life annuity if the designated optional annuity beneficiary dies before the former member or disabilitant. Under this option, no reduction may be made in the person's annuity to provide for restoration of the normal single life annuity in the event of the death of the designated optional annuity beneficiary.

(b) A former coordinated member or disabilitant who selected an optional joint and survivor annuity before July 1, 1989, but did not choose an option that provides that the normal single life annuity is payable to the former member or the disabilitant if the designated optional annuity beneficiary dies first, is eligible for restoration of the normal single life annuity if the designated optional annuity beneficiary dies first, without further actuarial reduction of the person's annuity. A former member or disabilitant who selected an optional joint and survivor annuity, but whose designated optional annuity beneficiary died

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before July 1, 1989, shall receive a normal single life annuity after that date, but shall not receive retroactive payments for periods before that date.

(c) A former coordinated member or disabilitant who took a further actuarial reduction to elect an optional joint and survivor annuity that provides that the normal annuity is payable to the former member or disabilitant if the designated optional beneficiary dies first but has not died before July 1, 1989, shall have the annuity increased as of July 1, 1989, to the amount the person would have received if, at the time of retirement or disability, the person had selected only optional survivor coverage that would not have provided for restoration of the normal annuity upon the death of the designated optional annuity beneficiary. Any annuity or benefit increase under this paragraph is effective only for payments made after June 30, 1989, and is not retroactive for payments made before July 1, 1989.

(d) The restoration of the normal single life annuity under this subdivision will take effect on the first of the month following the date of death of the designated optional annuity beneficiary or on the first of the month following one year before the date on which a certified copy of the death certificate of the designated optional annuity beneficiary is received in the office of the appropriate teachers retirement fund association, whichever date is later.

Sec. 52. Minnesota Statutes 1989 Supplement, section 354B.02, subdivision 2, is amended to read:

Subd. 2. **PERSONS WITH CERTAIN PRIOR ALLOWABLE SERVICE.** A person with less than three years of prior allowable service as a member of the teachers retirement association other than in covered employment under section 354B.01, subdivision 2 or 3, and who is first employed in covered employment after June 30, 1989, ~~may remain~~ remains a member of the teacher's retirement association for all purposes ~~or~~, but a coordinated member may elect to participate in the plan. This election to participate in the plan must be made within 60 days of the start of covered employment.

Sec. 53. Minnesota Statutes 1989 Supplement, section 354B.02, subdivision 3, is amended to read:

Subd. 3. **OPTIONAL PARTICIPATION.** A person with less than three years of allowable service who was first employed in covered employment before July 1, 1989, and who is a coordinated member of the teachers retirement association, may elect to transfer retirement coverage to the plan under section ~~6~~ 354B.03. The election must be made on a form provided by the executive director. An election to transfer retirement coverage to the plan must be made before July 1, 1992, and is irrevocable. When a member transfers coverage to the plan, all existing service credits with the association to which the person was entitled before the transfer terminate and may not be restored.

Sec. 54. Minnesota Statutes 1989 Supplement, section 354B.03, subdivision 1, is amended to read:

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Subdivision 1. **PROCEDURE TRANSFER.** If a person with less than three years of allowable service elects a transfer to the plan under section 354B.02, subdivision 2 or 3, the executive director of the teachers retirement association shall transfer from the teachers retirement fund to the plan the person's member contributions plus interest compounded annually at five percent a year. The transfer must be made within 90 days from the date the executive director receives notification of the election. The transfer may not include any amount representing an employer contribution ~~nor any amount representing the repayment of a refund received by the association after the date of enactment of this act.~~

Sec. 55. Minnesota Statutes 1989 Supplement, section 354B.03, subdivision 3, is amended to read:

Subd. 3. **ELECTION.** A person with ~~more than three or more~~ years of allowable service credit who was first employed in covered employment before July 1, 1989, or after June 30, 1989, as provided in section 354B.02, subdivision 2, may elect coverage by the plan before July 1, 1992. If coverage is elected, accumulated employer and employee contributions and allowable service credit ~~shall~~ must remain with the teachers retirement fund and that person ~~shall remain~~ is eligible for a deferred annuity from that fund augmented with interest at the rate of five percent computed as specified in section 354.55, subdivision 11. Future contributions only shall be made to the plan. An election made under this subdivision is irrevocable.

Sec. 56. Minnesota Statutes 1988, section 356.302, subdivision 3, is amended to read:

Subd. 3. **GENERAL EMPLOYEE PLAN ELIGIBILITY REQUIREMENTS.** A disabled member of a covered retirement plan who has credit for allowable service in a combination of general employee retirement plans is entitled to a combined service disability benefit if the member:

- (1) is less than 65 years of age on the date of application for the disability benefit;
- (2) has become totally and permanently disabled;
- (3) has credit for allowable service in any combination of general employee retirement plans totaling at least ~~five~~ three years;
- (4) has credit for at least six months of allowable service with the current general employee retirement plan before the commencement of the disability;
- (5) has at least ~~five~~ three continuous years of allowable service credit by the general employee retirement plan or has at least a total of ~~five~~ three years of allowable service credit by a combination of general employee retirement plans in a 72-month period during which no interruption of allowable service credit from a termination of employment exceeded 29 days; and

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(6) is not receiving a retirement annuity or disability benefit from any covered general employee retirement plan at the time of the commencement of the disability.

Sec. 57. Minnesota Statutes 1988, section 356.302, subdivision 4, is amended to read:

Subd. 4. **PUBLIC SAFETY PLAN ELIGIBILITY REQUIREMENTS.** A disabled member of a covered retirement plan who has credit for allowable service in a combination of public safety employee retirement plans is entitled to a combined service disability benefit if the member:

(1) is less than 55 years of age old on the date of application for the disability benefit;

(2) has become occupationally disabled;

(3) has credit for allowable service in any combination of public safety employee retirement plans totaling at least one year if the disability is duty-related or totaling at least ~~five~~ three years if the disability is not duty-related;

(4) has credit for at least six months of allowable service with the current public safety employee retirement plan before the commencement of the disability; and

(5) is not receiving a retirement annuity or disability benefit from any covered public safety employee retirement plan at the time of the commencement of the disability.

Sec. 58. Minnesota Statutes 1989 Supplement, section 356.371, subdivision 3, is amended to read:

Subd. 3. **REQUIREMENT OF NOTICE TO MEMBER'S SPOUSE.** If a public pension fund provides optional retirement annuity forms which include a joint and survivor optional retirement annuity form potentially applicable to the surviving spouse of a member, the chief administrative officer of the public pension fund shall send a copy of the written statement required by subdivision 2 to the spouse of the member before the member's election of an optional retirement annuity.

Following the election of ~~an optional a~~ a retirement annuity ~~form~~ by the member, a copy of the completed retirement annuity application and retirement annuity beneficiary form must be sent by the public pension fund to the spouse of the retiring member. A signed acknowledgment must be required from the spouse confirming receipt of a copy of the completed retirement annuity application and retirement annuity beneficiary form. If the required signed acknowledgment is not received from the spouse within 30 days, the public pension fund must send another copy of the completed retirement annuity application and retirement annuity beneficiary form to the spouse by certified mail.

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

Sec. 59. Minnesota Statutes 1989 Supplement, section 356.86, subdivision 2, is amended to read:

Subd. 2. **AMOUNT OF POSTRETIREMENT ADJUSTMENT; PAYMENT.** (a) For any person receiving an annuity or benefit on November 30, 1989, and entitled to receive a postretirement adjustment under subdivision 1, the postretirement adjustment is a lump sum payment calculated under paragraph (b) or (c).

(b) For coordinated plan ~~members~~ annuity or benefit recipients, the postretirement adjustment in 1989 is \$25 for each full year of allowable service credited to the person by the respective retirement fund. In 1990 and each following year, the postretirement adjustment is the amount payable in the preceding year increased by the same percentage applied to regular annuities paid from the postretirement fund or, for the retirement funds specified in subdivision 3, clauses (6), (7), and (8), by the same percentage applied under the articles of incorporation and bylaws of these funds.

(c) For basic plan ~~members~~ annuity or benefit recipients, the postretirement adjustment in 1989 is the greater of:

(1) \$25 for each full year of allowable service credited to the person by the respective retirement fund; or

(2) the difference between:

(i) the product of \$400 times the number of full years of allowable service credited to the person by the respective retirement fund; and

(ii) the sum of the benefits payable to the person from any Minnesota public employee pension plan, and cash benefits payable to the person from the social security administration.

In 1990 and each following year, each eligible basic plan ~~member~~ annuity or benefit recipient shall receive the amount received in the preceding year increased by the same percentage applied to regular annuities paid from the postretirement fund or, for the retirement funds specified in subdivision 3, clauses (6), (7), and (8), by the same percentage applied under the articles of incorporation and bylaws of these funds.

(d) The postretirement adjustment provided for in this section is payable for those persons receiving an annuity or benefit on November 30, 1989, on December 1, 1989. In subsequent years, the adjustment must be paid on December 1; ~~unless the beneficiary to those persons receiving an annuity or benefit on the preceding November 30. A person who is entitled eligible may elect to participate in an optional annuity or benefit receipt schedule under subdivision 4.~~ This section does not authorize the payment of a postretirement adjustment to an estate if the annuity or benefit recipient dies before the November 30 eligibil-

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ity date. Notwithstanding section 356.18, the postretirement adjustment provided for in this section must be paid automatically unless the intended recipient files a written notice with the retirement fund requesting that the postretirement adjustment not be paid.

Sec. 60. Minnesota Statutes 1989 Supplement, section 356.86, subdivision 4, is amended to read:

Subd. 4. **OPTIONAL ~~BENEFIT~~ POSTRETIREMENT ADJUSTMENT PAYMENT SCHEDULE.** Basic plan annuity or benefit recipients receiving adjustments under subdivision 2, paragraph (c), clause (2), and whose adjustment exceeds 20 percent of their Minnesota plan annuity or benefit may elect to have the amount of the ~~benefit~~ adjustment paid in equal monthly amounts instead of receiving a benefit adjustment lump sum payment on December 1 of each year, 1989. Selection of this option must be made by the recipient in writing on forms prepared by the retirement association. This option may be revoked by the recipient in writing prior to November 1 preceding the December 1 lump sum distribution. Upon the death of the annuity or benefit recipient, any remaining unpaid monthly amounts shall be paid to the surviving spouse, or if no spouse survives, to the annuity or benefit recipient's beneficiary or estate.

Sec. 61. Minnesota Statutes 1989 Supplement, section 356.86, subdivision 5, is amended to read:

Subd. 5. **SOCIAL SECURITY INFORMATION.** To be eligible for a benefit postretirement adjustment calculated under subdivision 2, paragraph (c), clause (2), a person must authorize the social security administration to release to the retirement association information on the person's social security cash benefits. This authorization must be received by the retirement association before the December 1, 1989, payment date.

Sec. 62. Minnesota Statutes 1989 Supplement, section 356.86, subdivision 6, is amended to read:

Subd. 6. **REPORT.** By September 30, 1990, the retirement funds listed in subdivision 3 shall report to the legislature and the commissioner of finance on the number of annuity and benefit recipients eligible for each type of adjustment established in subdivision 2, the annual cost of each type of adjustment, and the estimated actuarial liability associated with each.

Sec. 63. Laws 1989, chapter 319, article 19, section 7, subdivision 4, is amended to read:

Subd. 4. **AMOUNT OF ANNUAL POSTRETIREMENT PAYMENT.** The amount determined under subdivision 3 must be applied in accordance with this subdivision. The relief association shall apply the first one-half of one percent of assets which constitute excess investment income to the payment of an annual postretirement payment as specified in this subdivision. The second one-half of

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one percent of assets which constitute excess investment income shall be applied to reduce the state amortization state aid or supplementary amortization state aid payments otherwise due to the relief association under section 423A.02 for the current calendar year. The relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed one-half of one percent of the assets of the fund. Payment of the annual postretirement payment must be in a lump sum amount on June 1 following the determination date in any year. Payment of the annual postretirement payment may be made only if the time weighted total rate of return exceeds by two percent the actual percentage increase in the current monthly salary of a top grade patrol officer or a top grade firefighter, whichever applies, in the most recent fiscal year and the yearly average percentage increase of the time weighted total rate of return of the fund for the previous five years exceeds by two percent the yearly average percentage increase in monthly salary of a top grade patrol officer or a top grade firefighter, whichever applies, of the previous five years. The total amount of all payments to members may not exceed the amount determined under subdivision 3. Payment to each eligible member must be calculated by dividing the total number of pension units to which eligible members are entitled into the excess investment income available for distribution to members, and then multiplying that result by the number of units to which each eligible member is entitled to determine each eligible member's annual postretirement payment. Payment to each eligible member may not exceed an amount equal to the total monthly benefit that the eligible member was entitled to in the prior year under the terms of the benefit plan of the relief association or each eligible member's proportionate share of the excess investment income, whichever is less.

Sec. 64. REPEALER.

Minnesota Statutes 1988, sections 11A.19, subdivisions 1, 2, 3, 4, 5, 6, 7, and 8; 354.05, subdivisions 23, 24, 33, and 34; 354.146, subdivision 2; and 354.62, subdivisions 1, 3, 4, 5, and 6; Minnesota Statutes 1989 Supplement, sections 11A.19, subdivision 9; 354.44, subdivision 7; and 354.62, subdivisions 2 and 7, are repealed.

Sec. 65. EFFECTIVE DATE.

Sections 1 to 64 are effective the day following final enactment.

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ARTICLE 13

PURCHASES OF CREDIT FOR PRIOR SERVICE

Section 1. BUY-BACK OF PRIOR SERVICE CREDIT.

Subdivision 1. MILITARY AFFAIRS. A person who was employed by the department of military affairs between April 14, 1967, and December 31, 1974, may purchase service credit from the Minnesota state retirement system for periods of that employment for which allowable service credit has not been obtained.

Subd. 2. ST. CLOUD CITY COUNCIL. A person who began service as an elected member of the St. Cloud city council on April 20, 1980, and who began participating in the public employees retirement association on February 19, 1989, may purchase credit for prior service as an elected member of the city council from April 20, 1980, to February 18, 1989.

Subd. 3. AITKIN COUNTY OFFICIAL. A member of the public employees retirement association with prior service as an elected county official in Aitkin county between January 4, 1971, and December 31, 1975, may purchase allowable service credit in the association for that period of service.

Subd. 4. ST. LOUIS PARK. A person who was born on July 31, 1927, who is the city attorney for the city of Brooklyn Park, and who was a member of the city council for the city of St. Louis Park from January 1, 1960, to January 1, 1968, is entitled to purchase credit from the public employees retirement association for that period of service if not otherwise credited as allowable service by the association.

Subd. 5. PURCHASE. Notwithstanding Minnesota Statutes, section 352.01, subdivision 11, any member of the Minnesota state retirement system currently employed by the Willmar Regional Treatment Center who left state service to attend the University of Michigan, Ann Arbor, between February 1966 and April 1968 may obtain allowable service credit for that period.

Subd. 6. PERA. A basic member of the public employees retirement association who was employed by the city of White Bear Lake from March 1, 1966, to February 1979, employed by the metropolitan transit commission on February 23, 1979, and who received a reduced salary based on service with the metropolitan transit commission between November 4, 1987, and March 1, 1988, may elect to exclude that service from calculation of the highest five successive years average salary used to determine the person's annuity from the public employees retirement association.

Subd. 7. PURCHASE PAYMENT AMOUNT. To purchase credit for prior service under subdivisions 1 to 5 there must be paid to the applicable fund an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity obtained by the purchase of the additional serv-

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ice credit. To make an exclusion under subdivision 6, there must be paid to the public employees retirement association an amount equal to the difference in the present value, on the date of payment, of the additional retirement annuity obtained by the exclusion of service between November 4, 1987, and March 1, 1988, from calculation of the highest five successive years average salary. Calculation of this amount must be made using the applicable preretirement interest rate specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the fund. The calculation must assume continuous future service in the association 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. The calculation must also assume a future salary history that includes annual salary increases at the salary increase rate specified in section 356.215, subdivision 4d. The person requesting the purchase of prior service shall establish in the records of the fund or association sufficient 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 association.

Subd. 8. PAYMENT; CREDITING SERVICE. Payment must be made in one lump sum, unless the executive director of the fund or 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 the account of the person or the period of service excluded from calculation of the high five only after receipt of full payment by the executive director.

Subd. 9. OPTIONAL EMPLOYER PARTIAL PAYMENT. Payment is the obligation of the person entitled to purchase credit for the prior service. However, the current or former employer of a person specified in subdivisions 1 to 6 may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period of prior service applied to the actual salary rates in effect during the period 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. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

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ARTICLE 14

MISCELLANEOUS RETIREMENT PROVISIONS

Section 1. Minnesota Statutes 1988, section 424A.02, subdivision 3, is amended to read:

Subd. 3. **FLEXIBLE SERVICE PENSION MAXIMUMS.** On or before August 1 of each year as part of the certification of the financial requirements and minimum municipal obligation made pursuant to section 69.772, subdivision 4, or 69.773, subdivision 5, the secretary or some other official of the relief association designated in the bylaws of each relief association shall calculate and certify to the governing body of the applicable qualified municipality the average amount of available financing per active covered firefighter for the most recent three-year period. The amount of available financing shall include any amounts of fire state aid received or receivable by the relief association, any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief association calculated pursuant to sections 69.772, subdivision 2; 69.773, subdivisions 2 and 4; or 69.774, subdivision 2, if any. The maximum service pension which the relief association may provide for in its bylaws for payment to a member retiring after the calculation date when the minimum age and service requirements specified in subdivision 1 are met shall be determined using the applicable following table.

For a relief association where the governing bylaws provide for a monthly service pension to a retiring member, if the average amount of available financing per active covered firefighter does not exceed the minimum average amount specified below, then the maximum monthly service pension amount per month for each year of service credited which may be provided for in the bylaws shall be the greater of: (1) the service pension amount provided for in the bylaws on the date of calculation; or (2) the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter:

Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
\$...	\$.25
37	.50
75	1.00
112	1.50
149	2.00
186	2.50
224	3.00
261	3.50
298	4.00
336	4.50

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373	5.00
447	6.00
522	7.00
597	8.00
671	9.00
746	10.00
820	11.00
895	12.00
969	13.00
1044	14.00
1119	15.00
1193	16.00
1268	17.00
1342	18.00
1417	19.00
1491	20.00
1566	21.00
1640	22.00
1678 or more	22.50
<u>1715</u>	<u>23.00</u>
<u>1790</u>	<u>24.00</u>
<u>1865</u>	<u>25.00</u>
<u>1940</u>	<u>26.00</u>
<u>2015</u>	<u>27.00</u>
<u>2090</u>	<u>28.00</u>
<u>2165</u>	<u>29.00</u>
<u>2240</u> or more	<u>30.00</u>

For a relief association in which the governing bylaws provide for a lump sum service pension to a retiring member, if the average amount of available financing per active covered firefighter does not exceed the minimum average amount specified below, then the maximum lump sum service pension amount for each year of service credited which may be provided for in the bylaws shall be the greater of: (1) the service pension amount provided for in the bylaws on the date of the calculation; or (2) the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter:

Minimum Average Amount of Available Financing per Firefighter	Maximum Lump Sum Service Pension Amount Payable for Each Year of Service
\$.	\$10
10	20
14	30
20	40
24	50
28	60
38	80

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48	100
58	120
68	140
76	160
86	180
96	200
116	240
134	280
154	320
172	360
192	400
212	440
230	480
250	520
268	560
288	600
308	640
326	680
346	720
364	760
384	800
432	900
480	1000
528	1100
576	1200
624	1300
672	1400
720	1500
768	1600
816	1700
864	1800
912	1900
960	2000
1008	2100
1056	2200
1104	2300
1152	2400
1200	2500
1248	2600
1296	2700
1344	2800
1392	2900
1440 or more	3000

For a relief association in which the governing bylaws provide for a monthly benefit service pension as an alternative form of service pension payment to a

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lump sum service pension at the option of the retiring member, the maximum service pension amount shall be determined using the applicable table contained in this subdivision.

Sec. 2. REPEAL OF REDUNDANT POSTRETIREMENT ADJUSTMENT.

Subdivision 1. Laws 1989, chapter 335, article 1, section 50, is repealed.

Subd. 2. This section is effective retroactively to July 1, 1989.

Sec. 3. Laws 1989, chapter 319, article 17, section 18, is amended to read:

Sec. 18. EFFECTIVE DATE.

Sections 1 to 47 15 are effective July 1, 1989. Sections 16 and 17 are effective May 16, 1989.

Sec. 4. EFFECTIVE DATE.

Sections 1 and 3 are effective on the day following final enactment.

Presented to the governor April 26, 1990

Signed by the governor May 8, 1990, 8:30 p.m.

CHAPTER 571—H.F.No. 2081

An act relating to state government; regulating state employment practices; regulating the setting of certain salaries; ratifying certain salaries; amending Minnesota Statutes 1988, sections 15A.081, subdivision 7b, and by adding a subdivision; 15A.083, subdivisions 5, 7, and by adding a subdivision; 43A.04, subdivisions 1, 3, and by adding a subdivision; 43A.10, subdivisions 7 and 8; 43A.12, subdivision 5; 43A.13, subdivisions 2, 3, 4, 5, 6, and 7; 43A.15, subdivision 10; 43A.17, subdivisions 1 and 8; 43A.18, subdivisions 4 and 5, and by adding a subdivision; 43A.191, subdivisions 2 and 3; 43A.23, subdivision 1; 43A.27, subdivision 4; 43A.316, subdivisions 2, 3, 5, 7, and 8; 43A.37, subdivision 1; 176.421, by adding a subdivision; 176B.02; 237.51, subdivision 5; 268.0121, subdivision 3; 473.405, subdivision 12; and 487.13; Minnesota Statutes 1989 Supplement, sections 43A.08, subdivision 1; 43A.316, subdivisions 9 and 10; and 214.04, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 43A; repealing Minnesota Statutes 1988, section 43A.081, subdivisions 1, 2, and 5; and Minnesota Statutes 1989 Supplement, section 485.018, subdivision 7.

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

Section 1. Minnesota Statutes 1988, section 15A.081, subdivision 7b, is amended to read:

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