

one percent of the amount of the bonding authority to be used for the mortgage credit certificate program.

Sec. 12. Minnesota Statutes 1992, section 474A.131, subdivision 3, is amended to read:

Subd. 3. **IRREVOCABLE ALLOCATION.** The department may not revoke an allocation received under this chapter after receiving a notice of issue or certificate notice from the issuer.

Sec. 13. **EFFECTIVE DATE.**

Sections 2, 3, 6, and 9, are effective the day following final enactment.

Presented to the governor April 26, 1994

Signed by the governor April 28, 1994, 2:25 p.m.

#### CHAPTER 528—H.F.No. 2405

*An act relating to retirement; making various administrative and minor substantive changes in the laws governing the Minnesota state retirement system, the public employees retirement association, the teachers retirement association, and police and firefighters retirement; amending Minnesota Statutes 1992, sections 352.01, subdivisions 11 and 13; 352.029, subdivision 1, and by adding subdivisions; 352.04, subdivisions 2 and 3; 352.119, by adding a subdivision; 352B.265; 352D.04, subdivision 2; 353.03, subdivisions 1 and 3a; 354.05, subdivisions 2, 21, 22, 35, and by adding subdivisions; 354.06, subdivisions 2a and 4; 354.071, subdivision 5; 354.091; 354.10, subdivisions 1 and 2; 354.41, subdivision 4, and by adding subdivisions; 354.42, subdivisions 3 and 5; 354.44, subdivisions 1a, 4, and 5a; 354.47; 354.48, subdivision 2; 354.49, subdivision 1; 354.52, subdivisions 2, 2a, 4, and by adding subdivisions; 354.66, subdivisions 2, 3, and by adding a subdivision; and 356.30, subdivision 1; Minnesota Statutes 1993 Supplement, sections 3A.02, subdivision 5; 352.22, subdivision 2; 352.93, subdivision 2a; 352.96, subdivision 4; 352B.08, subdivision 2a; 353.01, subdivisions 10, 12a, 16, and 28; 353.017, subdivisions 1, 3, and by adding subdivisions; 353.27, subdivision 7; 353.37, subdivisions 1, 2, and 4; 353.65, subdivision 3a; 353A.08, subdivision 3; 354.05, subdivision 8; and 354.46, subdivisions 1 and 5; proposing coding for new law in Minnesota Statutes, chapters 354; 356; and 423A; repealing Minnesota Statutes 1992, sections 352.15, subdivision 2; 352D.09, subdivision 6; 354.05, subdivisions 15 and 29; 354.43, subdivision 3; 354.57; 354.65; and 356.18.*

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

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## ARTICLE 1

## MINNESOTA STATE RETIREMENT SYSTEM

Section 1. Minnesota Statutes 1993 Supplement, section 3A.02, subdivision 5, is amended to read:

Subd. 5. **OPTIONAL ANNUITIES.** (a) The board of directors shall establish an optional retirement annuity in the form of a joint and survivor annuity and an optional retirement annuity in the form of a period certain and life thereafter. ~~These optional annuities are to be available only to legislators who elect to receive retirement annuities under section 356.30 and who do not meet the legislative length of service requirements under subdivision 1, paragraph (a), clause (1).~~ Except as provided in paragraph (b), these optional annuity forms must be actuarially equivalent to the normal annuity computed under this section, ~~without the automatic survivor coverage under section 3A.04~~ plus the actuarial value of any surviving spouse benefit otherwise potentially payable at the time of retirement under section 3A.04, subdivision 1. An individual selecting the optional annuity under this subdivision waives any rights to surviving spouse benefits under section 3A.04, subdivision 1.

(b) If a retired legislator selects the joint and survivor annuity option, the retired legislator must receive a normal single-life annuity if the designated optional annuity beneficiary dies before the retired legislator and no reduction may be made in the annuity to provide for restoration of the normal single-life annuity in the event of the death of the designated optional annuity beneficiary.

Sec. 2. Minnesota Statutes 1992, section 352.01, subdivision 11, is amended to read:

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

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

(2) Service by an employee for which on or before July 1, 1961, the employee chose to obtain credit for service by making payments to the fund under Minnesota Statutes 1961, section 352.24.

(3) Except as provided in clauses ~~(9)~~ (8) and ~~(10)~~ (9), service by an employee after July 1, 1957, for any calendar month in which the employee is paid salary from which deductions are made, deposited, and credited in the fund, including deductions made, deposited, and credited as provided in section 352.041.

(4) Except as provided in clauses ~~(9)~~ (8) and ~~(10)~~ (9), service by an employee after July 1, 1957, for any calendar month for which payments in lieu of salary

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

For purposes of clauses (3) and (4), except as provided in clauses ~~(9)~~ (8) and ~~(10)~~ (9), any salary paid for a fractional part of any calendar month, including the month of separation from state service, is deemed the compensation for the entire calendar month.

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

~~(6) The unused part of an employee's annual leave allowance for which the employee is paid salary.~~

~~(7) Any~~ Service covered by a refund repaid as provided in section 352.23 or 352D.05, subdivision 4, except service rendered as an employee of the adjutant general for which the person has credit with the federal civil service retirement system.

~~(8) Any~~ (7) Service before July 1, 1978, by an employee of the transit operating division of the metropolitan transit commission or by an employee on an authorized leave of absence from the transit operating division of the metropolitan transit commission who is employed by the labor organization which is the exclusive bargaining agent representing employees of the transit operating division, which was credited by the metropolitan transit commission-transit operating division employees retirement fund or any of its predecessor plans or funds as past, intermediate, future, continuous, or allowable service as defined in the metropolitan transit commission-transit operating division employees retirement fund plan document in effect on December 31, 1977.

~~(9)~~ (8) Service after July 1, 1983, by an employee who is employed on a part-time basis for less than 50 percent of full time, for which the employee is paid salary from which deductions are made, deposited, and credited in the fund, including deductions made, deposited, and credited as provided in section 352.041 or for which payments in lieu of salary deductions are made, deposited, and credited in the fund as provided in section 352.27 shall be credited on a fractional basis either by pay period, monthly, or annually based on the relationship that the percentage of salary earned bears to a full-time salary, with any salary paid for the fractional service credited on the basis of the rate of salary applicable for a full-time pay period, month, or a full-time year. For periods of part-time service that is duplicated service credit, section 356.30, subdivision 1, clauses (i) and (j), govern.

~~The~~ Allowable service determined and credited on a fractional basis shall be used in calculating the amount of benefits payable, but service as determined on a fractional basis must not be used in determining the length of service required for eligibility for benefits.

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~~(10)~~ (9) Any period of authorized leave of absence without pay that does not exceed one year and for which the employee obtained credit by payment to the fund in lieu of salary deductions. To obtain credit, the employee shall pay an amount equal to the employee and employer contribution rate in section 352.04, subdivisions 2 and 3, multiplied by the employee's hourly rate of salary on the date of return from leave of absence and by the days and months of the leave of absence without pay for which the employee wants allowable service credit. The employing department, at its option, may pay the employer amount on behalf of its employees. Payments made under this clause ~~shall~~ **must** include interest at an annual rate of 8.5 percent compounded annually from the date of termination of the leave of absence to the date payment is made unless payment is completed within one year of the return from leave of absence.

Sec. 3. Minnesota Statutes 1992, section 352.01, subdivision 13, is amended to read:

Subd. 13. **SALARY.** "Salary" means the periodical compensation paid to any employee 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 lump sum annual leave payments and overtime payments made at the time of separation from state service,~~ 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, ~~and payments made as an employer-paid fringe benefit and workers' compensation payments are not deemed to be salary. Workers' compensation payments are not considered salary.~~

Sec. 4. Minnesota Statutes 1992, section 352.04, subdivision 2, is amended to read:

Subd. 2. **EMPLOYEE CONTRIBUTIONS.** The employee contribution to the fund must be equal to ~~3.99~~ 4.07 percent of salary. These contributions must be made by deduction from salary as provided in subdivision 4.

Sec. 5. Minnesota Statutes 1992, section 352.04, subdivision 3, is amended to read:

Subd. 3. **EMPLOYER CONTRIBUTIONS.** (a) The employer contribution to the fund must be equal to ~~4.12~~ 4.2 percent of salary.

(b) By January 1 of each year, the board of directors shall report to the legislative commission on pensions and retirement, the chair of the committee on appropriations of the house of representatives, and the chair of the committee on finance of the senate on the amount raised by the employer and employee contribution rates in effect and whether the total amount is less than, the same as, or more than the actuarial requirement determined under section 356.215.

(c) If the legislative commission on pensions and retirement, based on the

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most recent valuation performed by its actuary, determines that the total amount raised by the employer and employee contributions under subdivision 2 and paragraph (b) is less than the actuarial requirements determined under section 356.215, the employer and employee rates must be increased by equal amounts as necessary to meet the actuarial requirements. The employee rate may not exceed 4.15 percent of salary and the employer rate may not exceed 4.29 percent of salary. The increases are effective on the next January 1 following the determination by the commission. The executive director of the Minnesota state retirement system shall notify employing units of any increases under this paragraph.

Sec. 6. Minnesota Statutes 1992, section 352.119, is amended by adding a subdivision to read:

**Subd. 4. DETERMINING APPLICABLE LAW.** The annuity is computed under the law in effect as of the last day for which the employee receives pay, or if on medical leave, the day the leave terminates. However, if the employee has returned to covered employment following a termination, the employee must have earned at least six months of allowable service following their return to qualify for improved benefits resulting from any law change enacted subsequent to that termination.

Sec. 7. Minnesota Statutes 1993 Supplement, section 352.22, subdivision 2, is amended to read:

**Subd. 2. AMOUNT OF REFUND.** Except as provided in subdivision 3, any the refund payable to a person who ceased to be a state employee by reason of termination of state service shall receive a refund is in an amount equal to employee accumulated contributions plus interest at the rate of six percent per year compounded annually. Included with the refund is any interest paid as part of repayment of a past refund, plus interest thereon from the date of repayment. Interest must be computed to the first day of the month in which the refund is processed and must be based on fiscal year or monthly balances, whichever applies.

Sec. 8. Minnesota Statutes 1993 Supplement, section 352.93, subdivision 2a, is amended to read:

**Subd. 2a. EARLY RETIREMENT.** Any covered correctional employee, or former employee if service ended after June 30, 1989, who becomes at least 50 years old and who has at least three years of allowable service is entitled upon application to a reduced 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. 9. Minnesota Statutes 1993 Supplement, 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 with the advice and consent of the board of directors shall establish rules and procedures to carry out this section including allocation of administrative costs 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 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. 10. Minnesota Statutes 1993 Supplement, section 352B.08, subdivision 2a, is amended to read:

Subd. 2a. **EARLY RETIREMENT.** Any member who has become at least 50 years old, or former member if service ended after June 30, 1989, and who has at least three years of allowable service is entitled upon application to a reduced 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. 11. Minnesota Statutes 1992, section 352B.265, is amended to read:

**352B.265 PRE-1973 INCREASE.**

Total benefits payable to a retiree or surviving spouse whose benefits were computed under the law in effect before June 1, 1973, are increased by six percent on July 1, 1982, and on July 1 of each year thereafter until July 1, 1994. Funds sufficient to pay the increases provided by this section are appropriated annually until June 30, 1995, to the executive director from the state patrol retirement fund. On June 30, 1995, amounts paid under this section must be added to and considered a portion of the annuity otherwise payable to the recipient. Assets required to fund these benefits must be transferred in accordance with section 352B.26.

Sec. 12. Minnesota Statutes 1992, section 352D.04, subdivision 2, is amended to read:

Subd. 2. The moneys used to purchase shares under this section shall be the employee and employer contributions provided in this subdivision.

(a) The employee contribution shall be an amount equal to ~~four percent of salary~~ the employee contribution specified in section 352.04, subdivision 2:

(b) The employer contribution shall be an amount equal to six percent of salary.

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These contributions shall be made by deduction from salary in the manner provided in section 352.04, subdivisions 4, 5, and 6.

**Sec. 13. [356.88] PUBLIC PENSION ADMINISTRATION LEGISLATION.**

Subdivision 1. DUE DATES. (a) Proposed administrative legislation recommended by or on behalf of the Minnesota state retirement system, the public employees retirement association, the teachers retirement association, the Minneapolis employees retirement fund, or a first class city teachers retirement fund association must be presented to the legislative commission on pensions and retirement, the governmental operations and reform committee of the senate, and the governmental operations and gaming committee of the house of representatives on or before October 1 of each year in order for the proposed administrative legislation to be acted upon during the upcoming legislative session. The executive director or the deputy executive director of the legislative commission on pensions and retirement shall provide written comments on the proposed provisions to the public pension plans by November 15 of each year.

(b) Proposed administrative legislation recommended by or on behalf of a public employee pension plan or system under paragraph (a) must address provisions:

(1) authorizing allowable service credit for leaves of absence and related circumstances;

(2) governing offsets or deductions from the amount of disability benefits;

(3) authorizing the purchase of allowable service credit for prior uncredited periods;

(4) governing subsequent employment earnings by reemployed annuitants;  
and

(5) authorizing retroactive effect for retirement annuity or benefit applications.

(c) Where possible and desirable, taking into account the differences among the public pension plans in existing law and the unique characteristics of the individual public pension fund memberships, uniform provisions relating to paragraph (b) for all applicable public pension plans must be presented for consideration during the legislative session. Supporting documentation setting forth the policy rationale for each set of uniform provisions must accompany the proposed administrative legislation.

Subd. 2. SALARY STUDY ADVISORY COMMITTEE. In an effort to treat public employees in a fair and equitable manner and to protect the financial integrity of the public pension plans, the legislative commission on pensions and retirement shall establish an advisory committee to study the definitions of salary in chapters 353, 354, and 354A to determine the high-five average consecutive years of salary component for the formula used to calculate retirement annuities and disability benefits.

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The advisory committee must be composed of at least three executive directors and executive secretaries of the seven public pension plans, and the chair, vice-chair, and executive director of the pension commission.

The advisory committee shall report its findings and recommendations to the pension commission by February 15, 1995.

Sec. 14. FISCAL YEAR 1995 ACTUARIAL VALUATIONS.

For the fiscal year 1995 actuarial valuation period, the legislative commission on pensions and retirement may authorize an alternative set of salary increase assumptions or other assumptions defined under Minnesota Statutes, section 356.215. The actuary retained by the legislative commission on pensions and retirement shall make recommendations for change based on an experience study completed in fiscal year 1994 or 1995.

Sec. 15. REPEALER.

Minnesota Statutes 1992, sections 352.15, subdivision 2; and 352D.09, subdivision 6, are repealed.

Sec. 16. EFFECTIVE DATE.

Sections 1, 2, and 5 to 16 are effective the day following final enactment. Sections 3 and 4 are effective January 1, 1995.

ARTICLE 2

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 1993 Supplement, section 353.01, subdivision 10, is amended to read:

Subd. 10. SALARY. (a) "Salary" means ~~the periodical~~:

(1) periodic compensation of a public employee, before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs, and also means "wages" and includes net income from fees; and

(2) for a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the public employees retirement association and who has elected coverage under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation, "salary" means the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the

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actual periodic compensation of the public employee after the effective date of consolidation.

(b) Salary does not mean:

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

~~Salary does not mean~~ (2) employer-paid amounts used by an employee toward the cost of insurance coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage; and certain amounts determined by the executive director to be ineligible;

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

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

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

(iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages; and

(e) (4) except as provided in ~~sections~~ section 353.86 or 353.87, compensation of any kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined in subdivisions 35 and 36; ~~is not salary.~~

(d) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the public employees retirement association and who has elected coverage under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation, "salary" means the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the actual periodical compensation of the public employee after the effective date of the consolidation.

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Sec. 2. Minnesota Statutes 1993 Supplement, section 353.01, subdivision 12a, is amended to read:

Subd. 12a. **TEMPORARY POSITION.** (1) "Temporary position" means an employment position predetermined by the employer at the time of hiring to be a period of six months or less in which a person is a public employee under subdivision 2, but not an employment position occupied by a person hired by the employer for a predetermined period of six months or less.

(2) "Temporary position" does not mean an employment position for an unlimited period in which a person serves a probationary period or works an irregular schedule.

Sec. 3. Minnesota Statutes 1993 Supplement, 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 under 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. If the 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 expiration of the leave of absence or within 20 days after termination of public service under subdivision 11a. 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 its commitment to pay 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 an annual rate of 8.5 percent compounded annually from the date of the termination of the leave of absence to the date payment is made. An employee shall return to public service ~~for~~ and receive a minimum of ~~90 calendar days~~ three months of

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allowable service to be eligible to pay employee and employer contributions for a subsequent authorized leave of absence without pay.

(d) "Allowable service" also means a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of ~~six~~ 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus ~~six~~ 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 20 days after termination of public service, whichever is sooner. The association shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave.

(e) "Allowable service" also means a period during which a member is on an authorized sick leave of absence, without pay, limited to one year. An employee who has received one year of allowable service shall return to public service ~~for~~ and receive a minimum of ~~90 calendar days~~ three months of allowable service to receive allowable service for a subsequent authorized sick leave of absence.

(f) "Allowable service" also means an authorized temporary layoff under subdivision 12. ~~The association shall grant a maximum of, limited to~~ three months allowable service per authorized temporary layoff in one calendar year. An employee who has received the maximum service allowed for an authorized temporary layoff shall return to public service ~~for~~ and receive a minimum of ~~90 calendar days~~ three months of allowable service to receive allowable service for a subsequent authorized temporary layoff.

(g) Notwithstanding any law to the contrary, "allowable service" also means a parental leave. The association shall grant a maximum of two months service credit for a parental leave, within six months after the birth or adoption, upon documentation from the member's governmental subdivision or presentation of a birth certificate or other evidence of birth or adoption to the association.

(h) "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

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of these contributions must be in accord with the contribution rates and salary limitations, if any, in effect during the leave, plus interest at an annual rate of 8.5 percent compounded annually from the date of return to public service to the date payment is made. The matching employer contribution and additional employer contribution under section 353.27, subdivisions 3 and 3a, must be paid by the governmental subdivision employing the member upon return to public service if the member makes the employee contributions. 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.

(i) 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 ~~(h)~~ (i) and section 352.01, subdivision 11.

(j) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the public employees retirement association, and who has elected the type of benefit coverage provided by the public employees police and fire fund under 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 1993 Supplement, section 353.01, subdivision 28, is amended to read:

Subd. 28. **RETIREMENT.** (a) "Retirement" means the commencement of payment of an annuity based on a date designated by the board of trustees. This date determines the rights under this chapter which occur either before or after retirement. A right to retirement is subject to termination of public service under subdivision 11a ~~and~~ or termination of membership under subdivision 11b, the earlier of which will determine the date membership and coverage cease. A right to retirement must not accrue without a complete and continuous separation for 30 days from employment as a public employee under subdivision 2.

A former member of the basic or police and fire fund who becomes a coordinated member upon returning to eligible, nontemporary public service, terminates employment before obtaining six months' allowable service under subdivision 16, paragraph (a), in the coordinated fund, and is eligible to receive an annuity the first day of the month after the most recent termination date shall not accrue a right to a retirement annuity under the coordinated fund. An annuity otherwise payable to the former member must be based on the laws in effect on the date of termination of the most recent service under the basic or police and fire fund and shall be retroactive to the first day of the month following that

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termination date or one year preceding the filing of an application for retirement annuity as provided by section 353.29, subdivision 7, whichever is later. The annuity payment must be suspended or reduced under the provisions of section 353.37, if earned compensation for the reemployment equals or exceeds the amounts indicated under that section. The association will refund the employee deductions made to the coordinated fund, with interest under section 353.34, subdivision 2, return the accompanying employer contributions, and remove the allowable service credits covering the deductions refunded.

(b) Notwithstanding the 30-day separation requirement, a member of the defined benefit plan under this chapter, who also participates in the public employees defined contribution plan under chapter 353D for other public service, may be paid, if eligible, a retirement annuity from the defined benefit plan while participating in the defined contribution plan.

Sec. 5. Minnesota Statutes 1993 Supplement, section 353.017, is amended by adding a subdivision to read:

Subd. 6. REEMPLOYMENT OF ANNUITANT. The annuity of a person otherwise eligible for an annuity under this chapter is subject to the provisions of section 353.37.

Sec. 6. Minnesota Statutes 1992, section 353.03, subdivision 1, is amended to read:

Subdivision 1. **MANAGEMENT; COMPOSITION; ELECTION.** The management of the public employees retirement fund is vested in a an 11-member board of trustees consisting of the state auditor and nine ten members and the state auditor who may designate a deputy auditor with expertise in pension matters as the auditor's representative on the board. The governor shall appoint ~~six~~ five trustees to four-year terms, one of whom shall be designated to represent school boards, one to represent cities, one to represent counties, ~~one who is a member of the police and fire fund,~~ one who is a retired annuitant, and one who is a public member knowledgeable in pension matters. The membership of the association, including recipients of retirement annuities and disability and survivor benefits, shall elect ~~three~~ five trustees, one of whom must be a member of the police and fire fund and one of whom must be a former member who met the definition of public employee under section 353.01, subdivisions 2 and 2a, for at least five years prior to terminating membership or a member who receives a disability benefit, for terms of four years. Except as provided in this subdivision, trustees elected by the membership of the association must be public employees and members of the association. For seven days beginning October 1 of each year preceding a year in which an election is held, the association shall accept at its office filings in person or by mail of candidates for the board of trustees. A candidate shall submit at the time of filing a nominating petition signed by 25 or more members of the fund. No name may be withdrawn from nomination by the nominee after October 15. At the request of a candidate for an elected position on the board of trustees, the board shall mail a statement of

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up to 300 words prepared by the candidate to all persons eligible to vote in the election of the candidate. The board may adopt policies to govern form and length of these statements, timing of mailings, and deadlines for submitting materials to be mailed. These policies must be approved by the secretary of state. The secretary of state shall resolve disputes between the board and a candidate concerning application of these policies to a particular statement. A candidate who:

(1) receives contributions or makes expenditures in excess of \$100; or

(2) has given implicit or explicit consent for any other person to receive contributions or make expenditures in excess of \$100 for the purpose of bringing about the candidate's election, shall file a report with the ethical practices board disclosing the source and amount of all contributions to the candidate's campaign. The ethical practices board shall prescribe forms governing these disclosures. Expenditures and contributions have the meaning defined in section 10A.01. These terms do not include the mailing made by the association board on behalf of the candidate. A candidate shall file a report within 30 days from the day that the results of the election are announced. The ethical practices board shall maintain these reports and make them available for public inspection in the same manner as the board maintains and makes available other reports filed with it. By January 10 of each year in which elections are to be held the board shall distribute by mail to the members ballots listing the candidates. No member may vote for more than one candidate for each board position to be filled. A ballot indicating a vote for more than one person for any position is void. No special marking may be used on the ballot to indicate incumbents. The last day for mailing ballots to the fund is January 31. Terms expire on January 31 of the fourth year, and positions are vacant until newly elected members are qualified. The ballot envelopes must be so designed and the ballots counted in a manner that ensures that each vote is secret.

The secretary of state shall supervise the elections. The board of trustees and the executive director shall undertake their activities consistent with chapter 356A.

Sec. 7. Minnesota Statutes 1992, section 353.03, subdivision 3a, is amended to read:

Subd. 3a. **EXECUTIVE DIRECTOR.** (a) **APPOINTMENT.** The board shall appoint, with the advice and consent of the senate, an executive director on the basis of education, experience in the retirement field, and leadership ability. The executive director shall have had at least five years' experience in an executive level management position, which has included responsibility for pensions, deferred compensation, or employee benefits. The executive director serves at the pleasure of the board. The salary of the executive director is as provided by section 15A.081, subdivision 1.

(b) **DUTIES.** The management of the association is vested in the executive director who shall be the executive and administrative head of the association.

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

The executive director shall act as adviser to the board on all matters pertaining to the association and shall also act as the secretary of the board. The executive director shall:

- (1) attend all meetings of the board;
- (2) prepare and recommend to the board appropriate rules to carry out the provisions of this chapter;
- (3) establish and maintain an adequate system of records and accounts following recognized accounting principles and controls;
- (4) designate ~~an assistant director~~, with the approval of the board, up to two persons who shall serve in the unclassified service and whose salary is set in accordance with section 43A.18, subdivision 3, appoint a confidential secretary in the unclassified service, and appoint employees to carry out this chapter, who are subject to chapters 43A and 179A in the same manner as are executive branch employees;
- (5) organize the work of the association as the director deems necessary to fulfill the functions of the association, and define the duties of its employees and delegate to them any powers or duties, subject to the control of, and under such conditions as, the executive director may prescribe;
- (6) with the approval of the board, contract for the services of an approved actuary, professional management services, and any other consulting services as necessary to fulfill the purposes of this chapter. All contracts are subject to chapter 16B. The commissioner of administration shall not approve, and the association shall not enter into, any contract to provide lobbying services or legislative advocacy of any kind. Any approved actuary retained by the executive director shall function as the actuarial advisor of the board and the executive director and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained by the legislative commission on pensions and retirement. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the legislative commission on pensions and retirement. Copies of professional management survey reports shall be transmitted to the secretary of the senate, the chief clerk of the house of representatives, and the legislative reference library as provided by section 3.195, to the executive director of the commission and to the legislative auditor at the same time as reports are furnished to the board. Only management firms experienced in conducting management surveys of federal, state, or local public retirement systems shall be qualified to contract with the director hereunder;
- (7) with the approval of the board provide in-service training for the employees of the association;
- (8) make refunds of accumulated contributions to former members and to the designated beneficiary, surviving spouse, legal representative or next of kin of deceased members or deceased-former members, as provided in this chapter;

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(9) determine the amount of the annuities and disability benefits of members covered by the association and authorize payment of the annuities and benefits beginning as of the dates on which the annuities and benefits begin to accrue, in accordance with the provisions of this chapter;

(10) pay annuities, refunds, survivor benefits, salaries, and necessary operating expenses of the association;

(11) prepare and submit to the board and the legislature an annual financial report covering the operation of the association, as required by section 356.20;

(12) prepare and submit biennial and annual budgets to the board for its approval and submit the approved budgets to the department of finance for approval by the commissioner; ~~and~~

(13) reduce all or part of the accrued interest payable under section 353.27, subdivisions 12, 12a, and 12b or 353.28, subdivision 5, upon receipt of proof by the association of an unreasonable processing delay or other extenuating circumstances of the employing unit. The executive director shall prescribe and submit for approval by the board the conditions under which such interest may be reduced; and

(14) with the approval of the board, perform such other duties as may be required for the administration of the association and the other provisions of this chapter and for the transaction of its business.

Sec. 8. Minnesota Statutes 1993 Supplement, section 353.27, subdivision 7, is amended to read:

Subd. 7. **ADJUSTMENT FOR ERRONEOUS RECEIPTS OR DISBURSEMENTS.** (a) ~~DEDUCTIONS TAKEN IN ERROR.~~ Except as provided in paragraph (b), erroneous employee deductions and erroneous employer contributions and additional employer contributions for a person, who otherwise does not qualify for membership under this chapter, are considered:

(1) valid if the initial erroneous deduction began before January 1, 1990. Upon determination of the error by the association, the person may:

(i) continue membership in the association while employed in the same position for which erroneous deductions were taken; or

(ii) file a written election to terminate membership and apply for a refund or defer an annuity under section 353.34; or

(2) invalid, if the initial erroneous employee deduction began on or after January 1, 1990. Upon determination of the error, the association shall require the employer to discontinue erroneous employee deductions and erroneous employer contributions and additional employer contributions. Upon discontinuance, the association shall refund all erroneous employee deductions to the person, with interest, under section 353.34, subdivision 2, and all erroneous

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employer contributions and additional employer contributions to the employer. No person may claim a right to continued or past membership in the association based on erroneous deductions which began on or after January 1, 1990;

(b) Erroneous deductions taken from the salary of a person who did not qualify for membership in the association by virtue of concurrent employment before July 1, 1978, which required contributions to another retirement fund or relief association established for the benefit of officers and employees of a governmental subdivision, are invalid. Upon discovery of the error, the association shall remove all service and refund all erroneous employee deductions to the person, with interest under section 353.34, subdivision 2, and all erroneous employer contributions to the employer. This paragraph has both retroactive and prospective application.

~~(3) a refund of (c) Employer contributions and employee deductions taken in error from sick leave, vacation, workers' compensation, and severance pay amounts which are not salary under section 353.01, subdivision 10, are invalid upon discovery by the association and may be made refunded at any time.~~

~~(b) ERRONEOUS DISBURSEMENT.~~ (d) 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 it that is required to adjust the deductions, must be made to the department or institution.

Sec. 9. Minnesota Statutes 1993 Supplement, section 353.37, subdivision 1, is amended to read:

Subdivision 1. **SALARY MAXIMUMS.** The annuity of a person otherwise eligible for an annuity under this chapter must be suspended under subdivision 2 or reduced under subdivision 3, whichever results in the higher annual annuity amount, if the person reenters public service as a nonelective employee of a governmental subdivision in a position covered by this chapter or returns to work as an employee of a labor organization that represents public employees who are association members under this chapter and salary for the reemployment service exceeds the annual maximum earnings allowable for that age for the continued receipt of full benefit amounts monthly under the federal Old Age, Survivors and Disability Insurance Program as set by the secretary of health and human services under United States Code, title 42, section 403, in any calendar year. If the person has not yet reached the minimum age for the receipt of social security benefits, the maximum salary for the person is equal to the annual maximum earnings allowable for the minimum age for the receipt of social security benefits.

Sec. 10. Minnesota Statutes 1993 Supplement, section 353.37, subdivision 2, is amended to read:

Subd. 2. **SUSPENSION OF ANNUITY.** The association shall suspend the

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annuity on the first of the month after the month in which the salary of the reemployed annuitant exceeds the maximums set in subdivision 1, based only on those months in which the annuitant is actually employed in nonelective public service in a position covered under this chapter or employment with a labor organization that represents public employees who are association members under this chapter. An annuitant who is elected to public office after retirement may hold office and receive an annuity otherwise payable from the association.

Sec. 11. Minnesota Statutes 1993 Supplement, section 353.37, subdivision 4, is amended to read:

Subd. 4. **RESUMPTION OF ANNUITY.** The association shall resume paying a full annuity to the reemployed annuitant at the start of each calendar year until the salary exceeds the maximums under subdivision 1, or on the first of the month following termination of ~~public service or termination of membership, whichever is sooner~~ employment which resulted in the suspension of the annuity. The executive director may adopt policies regarding the suspension and reduction of annuities under this section.

Sec. 12. Minnesota Statutes 1993 Supplement, section 353.65, subdivision 3a, is amended to read:

Subd. 3a. **CHANGE IN EMPLOYEE AND EMPLOYER CONTRIBUTIONS IN CERTAIN INSTANCES.** (a) If, ~~for three~~ after four consecutive fiscal years beginning July 1, 1994, the regular actuarial valuation of the public employees police and fire fund under section 356.215 indicates that the fund has no unfunded actuarial accrued liability and that there is a sufficiency in excess of 0.5 percent of covered payroll when the total actuarial funding requirements of the fund are compared to the total support, the employee and employer contribution rates must be decreased as determined under paragraph (c) to a level such that the sufficiency equals 0.5 percent of covered payroll based on the most recent actuarial valuation.

(b) If, ~~for three~~ after four consecutive fiscal years beginning July 1, 1994, the regular actuarial valuation of the public employees police and fire fund under section 356.215 indicates that the fund has an unfunded actuarial accrued liability and that there is a deficiency in excess of 0.5 percent of covered payroll when the total actuarial funding requirements of the fund are compared to the total support, the employee and employer contribution rates must be increased as determined under paragraph (c) so that no deficiency exists based on the most recent actuarial valuation.

(c) The increase or decrease in employee and employer contribution rates required under paragraphs (a) and (b) must maintain the current ratio in employer and employee contribution rates of 40 percent employee contribution and 60 percent employer contribution.

(d) The contribution rate increase or decrease must be determined by the executive director of the public employees retirement association.

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(e) The contribution rate increase or decrease is effective on the first full payroll period beginning after June 30 ~~next~~ following ~~the third receipt by the association of the fourth~~ consecutive annual actuarial valuation disclosing the deficiency or sufficiency specified in paragraph (a) or (b).

(f) A contribution rate increase or decrease under paragraph (a) or (b) must not occur prior to receipt by the association of the 1997 regular actuarial valuation of the police and fire fund under section 356.215. A contribution rate increase or decrease under paragraph (a) or (b) must not occur within four years of a prior increase or decrease under paragraph (a) or (b).

Sec. 13. Minnesota Statutes 1993 Supplement, section 353A.08, subdivision 3, is amended to read:

Subd. 3. **ELECTION OF COVERAGE BY ACTIVE MEMBERS.** A person who is ~~employed as a police officer or as a firefighter other than a volunteer firefighter, whichever applies, by the municipality and~~ is an active member of ~~the a police or fire relief association, other than a volunteer firefighter,~~ has the option to elect benefit coverage under the relevant provisions of the public employees police and fire fund benefit plan or to retain benefit coverage provided by the relief association benefit plan in effect on the effective date of consolidation. The relevant provisions of the public employee police and fire fund benefit plan for the person electing that benefit coverage are the relevant provisions of the public employee police and fire fund benefit plan applicable to retirement annuities, disability benefits, and survivor benefits, including participation in the Minnesota postretirement investment fund, but excluding any provisions governing the purchase of credit for prior service or making payments in lieu of member contribution deductions applicable to any period which occurred before the effective date of consolidation.

An active member is eligible to make an election at one of the following times:

- (a) within six months of the effective date of consolidation;
- (b) between the date on which the active member attains the age of 49 years and six months and the date on which the active member attains the age of 50 years; or
- (c) on the date on which the active member terminates active employment for purposes of receiving a service pension or disability benefits, or within 90 days of the date the member terminates active employment and defers receipt of a service pension, whichever applies.

Sec. 14. Minnesota Statutes 1992, section 356.30, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY; COMPUTATION OF ANNUITY.** (1) Notwithstanding any provisions to the contrary of the laws governing the funds enu-

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merated in subdivision 3, a person who has met the qualifications of clause (2) may elect to receive a retirement annuity from each fund in which the person has at least six months allowable service, based on the allowable service in each fund, subject to the provisions of clause (3).

(2) A person may receive upon retirement a retirement annuity from each fund in which the person has at least six months allowable service, and augmentation of a deferred annuity calculated under the laws governing each public pension plan or fund named in subdivision 3, from the date the person terminated all public service if:

(a) the person has allowable service totaling an amount that allows the person to receive an annuity in any two or more of the enumerated funds; and

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

(c) ~~the person has not begun to receive an annuity from any enumerated fund or the person has made application for benefits from all funds~~ the effective dates of the retirement annuity with each fund under which the person chooses to receive an annuity are within a six-month one-year period.

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

(a) The laws governing annuities must be the law in effect on the date of ~~final~~ termination from the last period of public service under a covered fund with which the person earned a minimum of one-half year of allowable service credit during that employment.

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

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

(d) Allowable service in all the funds must be combined in determining eligibility for and the application of each fund's provisions in respect to actuarial reduction in the ~~benefit~~ annuity amount for retirement prior to normal retirement.

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

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

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(g) For the purpose of computing ~~benefits~~ annuities under this section the formula percentages used by any covered fund, except the public employees police and fire fund, must not exceed 2-1/2 percent per year of service for any year of service or fraction thereof. The formula percentage used by the public employees police and fire fund must not exceed 2.65 percent per year of service for any year of service or fraction thereof.

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

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

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

#### Sec. 15. EFFECTIVE DATE.

Sections 1, 2, 4, 6, and 10 to 13 are effective July 1, 1994. Section 3 is effective May 1, 1994. Sections 5, 7, and 9 are effective January 1, 1994. Sections 8 and 14 are effective retroactive to July 1, 1993.

### ARTICLE 3

#### TEACHERS RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 1992, section 354.05, subdivision 2, is amended to read:

Subd. 2. **TEACHER.** (a) "Teacher" includes any means:

(1) a person who renders service as a teacher, supervisor, principal, superintendent, or librarian, nurse, counselor, social worker, therapist, or psychologist in the public schools of the state located outside of the corporate limits of the cities of the first class as those cities were so classified on January 1, 1979, or in the state colleges and universities system, or in any charitable or state institution including, penal and corrective, or correctional institutions supported, in whole or in part, by public funds of a governmental subdivision, or who is engaged in educational administration in connection with the state public school system, including the state colleges and university system and state community college

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system, but excluding the University of Minnesota, whether the position be a public office or an employment, not including members or officers of any general governing or managing board or body ~~connected with the systems; or the officers of common, independent, special, or associated school districts; or unorganized territory.~~ The term shall also include;

(2) an employee of the teachers retirement association unless the employee is covered by the Minnesota state retirement system by virtue of prior employment by the association; ~~and any nurse, counselor, social worker, therapist or psychologist who renders service in the public schools as defined above or in state universities.~~ The term shall also include any;

(3) a person who renders teaching service on a part-time basis and who also renders other services for a school district single employing unit. In such cases, ~~the teachers retirement association shall have the authority to executive director shall determine whether all or none of the combined employment shall be service is covered by the teachers retirement association, however a person whose teaching service comprises at least 50 percent of the combined employment salary is a member of the association for all services with the single employing unit.~~

(b) The term does not include mean:

(1) an employee described in section 352D.02, subdivision 1a, who is hired after the effective date of Laws 1986, chapter 458: ~~The term does not mean any;~~

(2) a person who works for a school or institution as an independent contractor. ~~The term shall not include any as defined by the Internal Revenue Service;~~

(3) a person employed in subsidized on-the-job training, work experience or public service employment as an enrollee under the federal Comprehensive Employment and Training Act from and after March 30, 1978, unless the person has, as of the later of March 30, 1978 or the date of employment, sufficient service credit in the retirement fund to meet the minimum vesting requirements for a deferred retirement annuity, or the employer agrees in writing on forms prescribed by the executive 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 Training and Employment Act, or the person agrees in writing on forms prescribed by the executive director to make the required employer contribution in addition to the required employee contribution. ~~The term shall not include any;~~

(4) a person holding a part-time adult supplementary technical college license who renders part-time teaching service in a technical college if (1) (i) the service is incidental to the regular nonteaching occupation of the person; and (2) (ii) the applicable technical college stipulates annually in advance that the part-time teaching service will not exceed 300 hours in a fiscal year and retains the stipulation in its records; and (3) (iii) the part-time teaching service actually does not exceed 300 hours in a fiscal year. ~~The term also shall not include; or~~

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(5) a person exempt from licensure pursuant to section 125.031 ~~or any person who was excluded from membership prior to January 1, 1981, pursuant to Laws 1978, chapter 556, section 1, and Laws 1980, chapter 342, section 8, if the person annually certifies on a form prescribed by the executive director that the person has established and is contributing to an individual retirement account which is based on nonteaching employment.~~

Sec. 2. Minnesota Statutes 1993 Supplement, section 354.05, subdivision 8, is amended to read:

Subd. 8. **DEPENDENT CHILD.** ~~For the purpose of survivor benefit eligibility under section 354.46, subdivision 1, "Dependent child" means any a biological or adopted child of a deceased member who has not reached the age of 18, or who is under age 22 and is a full-time student throughout the normal school year, unmarried and dependent for more than one-half of support upon the member. It also includes any means a child of the member conceived while living during the member's lifetime and born after the member's death.~~

Sec. 3. Minnesota Statutes 1992, section 354.05, is amended by adding a subdivision to read:

Subd. 14a. SURVIVING SPOUSE. "Surviving spouse" means the spouse of a deceased member or a disabilitant who was legally married to the member at the time of death.

Sec. 4. Minnesota Statutes 1992, section 354.05, subdivision 21, is amended to read:

Subd. 21. **RETIREMENT.** "Retirement" means the withdrawal of a member from active teaching service who is paid a retirement annuity thereafter and commences with the date designated by the retirement board when the retirement annuity ~~shall first accrue~~ accrues to the former member after withdrawal from active teaching service and application for an annuity under section 354.44, subdivisions 3 and 4. The effective date of retirement must occur for an annuity plan selection to take effect. This date ~~shall determine~~ determines any rights specified in this chapter which occur either before or after retirement; ~~as the case may be.~~

Sec. 5. Minnesota Statutes 1992, section 354.05, subdivision 22, is amended to read:

Subd. 22. **DESIGNATED BENEFICIARY.** "Designated beneficiary" means the person, trust, or organization designated by a retiree or member to receive the benefits to which a beneficiary is entitled under this chapter. A beneficiary designation is valid only if it is made on an appropriate form provided by the executive director ~~and that is signed by the member and two witnesses to the member's signature.~~ The properly completed form is must be received by the fund postmarked on or before the date of death of the retiree or member. If a retiree or a member does not designate such a person, trust, or organization, or if the person designated predeceases the retiree or the member, or the trust or organization ceases to exist before the death of the retiree or the member, the

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designated beneficiary ~~in such cases~~ means the estate of the deceased retiree or member.

Sec. 6. Minnesota Statutes 1992, section 354.05, subdivision 35, is amended to read:

Subd. 35. **SALARY.** (a) "Salary" means the compensation, upon which member contributions are required and made, that is paid to a teacher before ~~any allowable reductions permitted under the federal Internal Revenue Code of 1986, as amended through December 31, 1988, for employee selected~~ employee-paid fringe benefits, tax sheltered annuities, deferred compensation, or any combination of these employee-paid items are deducted.

(b) "Salary" does not include ~~mean~~:

(1) lump sum annual leave payments;

(2) lump sum wellness and sick leave payments;

(3) payments in lieu of any employer-paid group insurance coverage, ~~including~~;

(4) payments for the difference between single and family premium rates; that may be paid to a member with single coverage;

~~(4)~~ (5) employer-paid fringe benefits including, but not limited to, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or automobile allowances and expenses;

(6) any form of payment made in lieu of any other employer- paid fringe benefit or expense;

~~(5)~~ (7) any form of severance payments;

~~(6)~~ (8) workers' compensation payments;

~~(7)~~ (9) disability insurance payments including self-insured disability payments; ~~or~~

~~(8)~~ (10) payments to school principals and all other administrators for services in addition to the normal work year contract if these additional services are performed on an extended duty day, Saturday, Sunday, holiday, annual leave day, sick leave day, or any other nonduty day;

(11) payments under section 356.24, subdivision 1, clause (4)(ii); and

(12) payments made under section 125.12, subdivision 7, except for payments for sick leave accumulated under the provisions of a uniform school district policy that applies equally to all similarly situated persons in the district.

Sec. 7. Minnesota Statutes 1992, section 354.05, is amended by adding a subdivision to read:

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Subd. 40. TIMELY RECEIPT. An application, payment, return, claim, or other document that is not personally delivered to the association before the applicable due date is considered to be a timely receipt if officially postmarked on or before the due date or delivered or filed under section 645.151.

Sec. 8. Minnesota Statutes 1992, section 354.06, subdivision 2a, is amended to read:

Subd. 2a. **DUTIES OF EXECUTIVE DIRECTOR.** The management of the association is vested in the executive director who shall be the executive and administrative head of the association. The executive director shall act as advisor to the board on all matters pertaining to the association and shall also act as the secretary of the board. The executive director shall:

- (1) attend all meetings of the board;
- (2) prepare and recommend to the board appropriate rules to carry out the provisions of this chapter;
- (3) establish and maintain an adequate system of records and accounts following recognized accounting principles and controls;
- (4) designate an assistant executive director in the unclassified service and two assistant executive directors in the classified service with the approval of the board, and appoint such employees, both permanent and temporary, as are necessary to carry out the provisions of ~~said~~ this chapter;
- (5) organize the work of the association as the director deems necessary to fulfill the functions of the association, and define the duties of its employees and delegate to them any powers or duties, subject to the director's control and under such conditions as the director may prescribe;
- (6) with the approval of the board, contract and set the compensation for the services of an approved actuary, professional management services, and any other consulting services ~~as may be necessary and fix the compensation therefor. Such~~ These contracts ~~shall~~ are not be subject to the competitive bidding procedure prescribed by chapter 16B. ~~Professional management services may not be contracted for more often than once in every six years. Any~~ An approved actuary retained by the executive director shall function as the actuarial advisor of the board and the executive director and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained by the legislative commission on pensions and retirement. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the legislative commission on pensions and retirement. Copies of professional management survey reports ~~shall~~ must be transmitted to the secretary of the senate, the chief clerk of the house of representatives, and the legislative reference library as provided by section 3.195, to the executive director of the commission and to the legislative auditor at the same time as reports are furnished to the board. Only management firms experienced in conducting management surveys

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of federal, state, or local public retirement systems ~~shall be~~ are qualified to contract with the executive director hereunder;

(7) with the approval of the board, provide in-service training for the employees of the association;

(8) make refunds of accumulated contributions to former members and to the designated beneficiary, surviving spouse, legal representative, or next of kin of deceased members or deceased former members, ~~as provided in~~ under this chapter;

(9) determine the amount of the annuities and disability benefits of members covered by the association and authorize payment of the annuities and benefits beginning as of the dates on which the annuities and benefits begin to accrue, ~~in accordance with the provisions of~~ under this chapter;

(10) pay annuities, refunds, survivor benefits, salaries, and necessary operating expenses of the association;

(11) prepare and submit to the board and the legislature an annual financial report covering the operation of the association, as required by section 356.20;

(12) certify funds available for investment to the state board of investment;

(13) with the advice and approval of the board, request the state board of investment to sell securities on determining that funds are needed for the purposes of the association;

(14) prepare and submit biennial and annual budgets to the board and with the approval of the board submit those budgets to the department of finance; and

(15) with the approval of the board, perform such other duties as may be required for the administration of the association and the other provisions of this chapter and for the transaction of its business. The executive director may:

(i) reduce all or part of the accrued interest and fines payable by an employing unit for reporting requirements under section 354.52, based on an evaluation of any extenuating circumstances of the employing unit;

(ii) assign association employees to conduct field audits of an employing unit to ensure compliance with the provisions of this chapter; and

(iii) recover overpayments, if not repaid to the association, by suspending or reducing the payment of a retirement annuity, refund, disability benefit, survivor benefit, or optional annuity under this chapter until the overpayment, plus interest, has been recovered.

Sec. 9. Minnesota Statutes 1992, section 354.06, subdivision 4, is amended to read:

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Subd. 4. **TREASURER; DUTIES.** All members of the board shall serve without compensation ~~but~~. A member shall receive necessary expenses while attending all to attend meetings of the board or meetings of any committee and its committees, and association functions and presentations authorized by the board; to. The necessary expenses must be paid out of the fund. Necessary expenses may include the salary of any substitute teacher which the employing unit is required to hire. The board may reimburse the employing unit for the salary of the substitute teacher. Members of the board shall suffer no loss of compensation from their employing units by reason of service on or for the association, the board, or any committee authorized by the board. Necessary expenses may include the salary of any substitute teacher which the employing unit is required to hire in the absence of the board member. The board may reimburse the employing unit for the cost of the substitute teacher.

Sec. 10. Minnesota Statutes 1992, section 354.071, subdivision 5, is amended to read:

Subd. 5. **PETITION FOR REVIEW HEARING.** The board shall hold a timely hearing on a petition for review. ~~The board shall and~~ make its decision on a petition solely on the proceedings and the relevant documentation as submitted and the proceedings of the hearing. At the hearing, the petitioner, the petitioner's attorney, ~~and~~ the executive director, and an assistant executive director may state and discuss with the board their positions with respect to the petition. The board may allow further documentation to be placed in the record at during or subsequent to after the board meeting at which the petition is considered hearing. If the board allows additional documentation into the record at during or subsequent to after the board meeting hearing, it may make a final determination on the petition at that board meeting hearing only upon the agreement of both the petitioner and the executive director.

Sec. 11. Minnesota Statutes 1992, section 354.091, is amended to read:

354.091 **SERVICE CREDIT.**

In computing the time of service of a teacher, the length of a legal school year in the district or institution where such service was rendered ~~shall~~ must constitute a year under sections 354.05 to 354.10, provided ~~such~~ the year is not less than the legal minimum school year of this state. No person shall ~~be allowed~~ receive credit for more than one year of teaching service for any fiscal year. Commencing July 1, 1961, (1) if a teacher teaches only a fractional part of a day, credit ~~shall~~ must be given for a day of teaching service for each five hours taught, and (2) if a teacher teaches at least 170 full days in any fiscal year, credit ~~shall~~ must be given for a full year of teaching service, and (3) if a teacher teaches for only a fractional part of the year, credit ~~shall~~ must be given for such fractional part of the year as the term of service rendered bears to 170 days. A person who teaches in the state colleges and university system shall receive a full year of service credit based on the number of days in the system's full school year if it is less than 170 days. Teaching service performed prior to July 1, 1961,

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shall ~~must~~ be computed ~~pursuant to~~ under the law in effect at the time it was rendered.

~~In no event shall any~~ A teacher ~~shall not~~ lose or gain retirement service credit as a result of the employer converting to a four-day work week. If the employer does convert to a four-day work week, the forms for reporting and procedures for determining service credit shall be determined by the executive director with the approval of the board of trustees.

Sec. 12. [354.096] FAMILY LEAVE.

Subdivision 1. CERTIFICATION. Upon granting a family leave to a member, an employing unit must certify the leave to the association on a form specified by the executive director before the end of the fiscal year during which the leave was granted.

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

(b) The member may make payment, without interest, to the association by the end of the fiscal year following the fiscal year in which the leave terminated or before the effective date of the member's retirement, whichever is earlier.

Subd. 3. SUBSEQUENT ELIGIBILITY. The member shall return to public service after the leave period under United States Code, title 42, section 12631, to receive allowable service for a subsequent authorized family leave.

Sec. 13. Minnesota Statutes 1992, section 354.10, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTION; EXCEPTIONS.** The right of a teacher to take advantage of the benefits provided by this chapter, is a personal right only and is not assignable. All money to the credit of a teacher's account in the fund or any money payable to the teacher from the fund belongs to the state of Minnesota until actually paid to the teacher or a beneficiary ~~pursuant to the provisions of~~ under this chapter. ~~Any power of attorney, The association may acknowledge a properly completed power of attorney form.~~ An assignment or attempted assignment of a teacher's interest in the fund, or of the beneficiary's interest therein in the fund, by a teacher or a beneficiary is void and is exempt from taxation under chapter 291 and from garnishment or levy under attachment or execution, except as provided in subdivision 2 or 3, or section 518.58, 518.581, or 518.611.

Sec. 14. Minnesota Statutes 1992, section 354.10, subdivision 2, is amended to read:

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Subd. 2. **AUTOMATIC DEPOSITS.** ~~The board may pay an annuity or benefit to a banking institution, qualified under chapter 48, that is a trustee for a person eligible to receive the annuity or benefit. Upon completion receipt of the proper properly completed forms as provided by the executive director, the annuity or benefit amount may be electronically transferred or the annuity or benefit check may be mailed to a banking institution, savings association, or credit union for deposit to the recipient's individual account or joint account with the recipient's spouse or any other person designated by the recipient. Any An overpayment to a joint account after the death of the annuity or benefit recipient must be repaid to the fund by the joint tenant if the overpayment is not repaid to the fund by the banking institution, savings association, or credit union. The board may prescribe the conditions which govern these procedures.~~

Sec. 15. Minnesota Statutes 1992, 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.~~

Sec. 16. Minnesota Statutes 1992, section 354.42, subdivision 5, is amended to read:

Subd. 5. **ADDITIONAL EMPLOYER CONTRIBUTION.** To amortize the unfunded actuarial accrued liability computed under the entry age actuarial cost method and disclosed under the annual actuarial valuations prepared by the commission-retained actuary under section 356.215, an additional employer contribution shall be made in the amount of 3.64 percent of the salary of each member.

This contribution must be made in the manner provided in section ~~354.43~~ 354.52, subdivision 4.

By January 1 of each year, the board of directors shall report to the legislative commission on pensions and retirement, the chair of the committee on appropriations of the house of representatives, and the chair of the committee on finance of the senate on the amount raised by the additional employer contribution rate in effect and whether that amount is less than, the same as, or more than the required amortization contribution determined under section 356.215.

Sec. 17. Minnesota Statutes 1992, section 354.44, subdivision 1a, is amended to read:

Subd. 1a. **MANDATORY RETIREMENT PROPORTIONATE ANNUITY.** ~~Notwithstanding the provisions of sections 43A.11 or 197.455 to 197.48, a member who is serving as a faculty member or administrator under a contract of unlimited tenure or similar arrangement providing for unlimited tenure at an institution of higher education, as defined in section 1201(a) of the federal~~

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Higher Education Act of 1965, as amended through January 1, 1987, shall terminate employment at the end of the academic year in which the member teaches the age of 70. For purposes of this subdivision, an academic year shall be deemed to end August 31. No other member shall be subject to a mandatory retirement age provision. A member who terminates employment at any time during the academic year at the end of which the person is at the normal retirement age or older shall, for the purpose of determining eligibility for a proportional retirement annuity, be considered to have been required to terminate employment at normal retirement age or older pursuant to section 356.32. Nothing contained in this subdivision shall preclude an employing unit covered by this chapter from employing a retired teacher as a substitute or part-time teacher. Any person who has attained normal retirement age, who is employed as a substitute or part-time teacher, and who earns an amount equal to the annual maximum earnings allowable for that age for the continued receipt of full benefit amounts monthly under the federal old age, survivors and disability insurance program as set by the secretary of health and human services pursuant to the provisions of United States Code, title 42, section 403, in any academic year from employment as a substitute or part-time teacher, shall terminate employment for the remainder of that academic year. No person who has attained normal retirement age and who has retired under this chapter may resume membership in the retirement association as a result of subsequent employment as a substitute or part-time teacher. For purposes of this subdivision, an academic year ends August 31.

Sec. 18. Minnesota Statutes 1992, section 354.44, subdivision 4, is amended to read:

Subd. 4. TIME AND MANNER OF PAYMENTS. A member may make application to the board for a retirement annuity any time after the member has satisfied the age and service requirements of this chapter for retirement except that no application for retirement may be made more than 60 days before termination of teaching service. The annuity payment shall begin to accrue after the termination of teaching service, or after the application for retirement has been filed with the board, whichever is later, as follows:

- (a) on the 16th day of the month of termination or filing if the termination or filing occurs on or before the 15th day of the month or
- (b) on the first day of the month following the month of termination or filing if the termination or filing occurs on or after the 16th day of the month, or
- (c) on July 1 for all school principals and other administrators who receive a full annual contract salary during the fiscal year for performance of a full year's contract duties.

If an application for retirement is filed with the board during the 90-day six-month period immediately following the termination of teaching service, the annuity may begin to accrue as if the application for retirement had been filed with the board on the date teaching service terminated or a later date occurring

within the six-month period as specified by the member. ~~In no event may~~ An annuity must not begin to accrue more than one month before the date of final salary receipt.

Sec. 19. Minnesota Statutes 1992, section 354.44, subdivision 5a, is amended to read:

Subd. 5a. **EXEMPTION FOR INTERIM SUPERINTENDENT.** A person who performs services as an interim superintendent because of the death, disability, termination, or resignation of the previous superintendent is exempt from the earnings limitations and reductions in annuity payments in subdivision 5 for up to 90 working days of service as an interim superintendent. During this period of up to 90 working days, the school board may pay the interim superintendent at any rate, up to the rate paid to the previous superintendent. This exemption applies only if the school board hiring the interim superintendent submits an application for the exemption ~~to~~ on a form prescribed by the executive director, and the executive director approves the application before the services as interim superintendent begin. The application must certify that the school board has unanimously approved the exemption from the earnings limitations and reductions. The executive director may prescribe a form for the application. A school board ~~may~~ shall not apply for more than one exemption in a fiscal year. No more than three exemptions may be approved for any person. Only one exemption may be approved for any person in a fiscal year. The exemption under this subdivision does not apply to a person who retires from a school district and within one year after retirement returns to the same school district as an interim superintendent.

Sec. 20. Minnesota Statutes 1993 Supplement, 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 before attaining age 65 or reaching the five-year anniversary of the effective date of the disability benefit, whichever is later, the surviving ~~dependent~~ spouse and dependent children of the basic member or former basic member ~~shall be~~ are 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

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

Payments for the benefit of any dependent child under the age of 22 years ~~shall~~ must be made to the surviving parent, or if there be none, to the legal guardian of the child. The maximum monthly benefit ~~shall~~ must not exceed \$1,000 for any one family, and the minimum benefit per family ~~shall~~ must not be less than 50 percent of the basic member's average salary, subject to the foregoing maximum. The surviving dependent children's benefit ~~shall~~ must 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~~ must 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 section 354.47, subdivision 1. 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. 21. Minnesota Statutes 1993 Supplement, section 354.46, subdivision 5, is amended to read:

Subd. 5. **PAYMENT TO DESIGNATED BENEFICIARY.** ~~Any~~ A member and the spouse of the member may make a joint specification in writing on a form prescribed by the executive director that the benefits provided in subdivision 2, or in section 354.47, subdivision 1, ~~shall~~ must be paid only to a designated beneficiary. For purposes of ~~this~~ subdivision 2, a designated beneficiary may only be either a former spouse or a biological or adopted child; ~~either biological or adopted~~, of the member; ~~but more than one beneficiary may be designated for the benefit provided in section 354.47, subdivision 1.~~

Sec. 22. Minnesota Statutes 1992, section 354.47, is amended to read:

**354.47 REFUND PAYMENT AFTER DEATH.**

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



Subdivision 1. **DEATH BEFORE RETIREMENT.** (1) If a member dies before retirement and is covered ~~pursuant to the provisions of~~ under section 354.44, subdivision 2, and neither an optional annuity, nor a reversionary annuity, nor a benefit ~~pursuant to~~ under 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~~ is 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~~ under section 354.44, subdivision 6, 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~~ is 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.

Subd. 1a. UNCASHED ANNUITY OR BENEFIT WARRANTS. Uncashed annuity or benefit warrants issued before the recipient's death are payable to the designated beneficiary, and if none, to the recipient's estate.

Subd. 2. **BENEFITS OF \$1,500 OR LESS.** If a member or a former member dies without having a surviving designated beneficiary and the amount to the credit of the decedent is \$1,500 or less, the board of trustees may 90 days after the date of death, in the absence of probate proceedings, make payment to the surviving spouse of the decedent. This payment ~~shall be~~ is a bar to recovery of this payment from the association by any other person or persons. Any accrued retirement annuity, disability, or survivor benefit may be paid in the same manner.

Sec. 23. Minnesota Statutes 1992, section 354.48, subdivision 2, is amended to read:

Subd. 2. **APPLICATIONS.** ~~Any~~ A person described in subdivision 1, or another person authorized to act on behalf of the person, may make application for a total and permanent disability benefit only within the 18-month period following the termination of teaching service. This benefit accrues from the day following the commencement of disability or the day following the last day for which salary is paid, whichever is later, but ~~may~~ does not begin to accrue more than ~~90 days~~ six months before the date the application is filed with the executive director. If salary is being received for either annual or sick leave during the period, payments accrue from the day following the last day for which this salary is paid.

Sec. 24. Minnesota Statutes 1992, section 354.49, subdivision 1, is amended to read:

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Subdivision 1. ~~Any~~ A person who ceases to render teaching service in any school or institution to which the provisions of this chapter apply ~~shall be is~~ entitled to a refund provided in subdivision 2, or a deferred retirement annuity under section 354.55, subdivision 11. ~~An~~ application for a refund ~~may~~ must not be made ~~no~~ sooner than 30 days after termination of teaching service if the applicant has not again become a teacher. This payment ~~will~~ must be made within 90 days after receipt of application for refund or upon completion of processing the report made pursuant to section 354.52, subdivision 2 whichever is later.

Sec. 25. Minnesota Statutes 1992, section 354.52, subdivision 2, is amended to read:

Subd. 2. **ANNUAL SUMMARY REPORTS.** On or before August 1 each year, ~~each school board or managing body a~~ representative authorized by an employing unit must report to the executive director giving an itemized summary of the total amount withheld from the salaries of teachers for ~~teachers~~ retirement deductions and all other information required by the executive director requires. ~~If the itemized summary is received after August 1 in any year, there is a penalty not to exceed \$50 for each month or portion thereof which the summary is delinquent, as determined by the executive director. The penalty must be paid by the school board or the managing body.~~

Sec. 26. Minnesota Statutes 1992, section 354.52, subdivision 2a, is amended to read:

Subd. 2a. **ANNUAL POSTRETIREMENT INCOME REPORTS.** On or before each February 15, ~~each school board or managing body a~~ representative authorized by an employing unit must report to the executive director the amount of income earned during the previous calendar year by each retiree for teaching service performed after retirement. This annual report must be based on reemployment income as defined in section 354.44, subdivision 5, and it must be made on a form provided by the executive director. Signing the report has the force and effect of an oath as to the correctness of the amount of postretirement reemployment income earned. ~~If the required report is received after February 15 in any year there is a penalty not to exceed \$50 for each month or portion thereof which the report is late, as determined by the executive director. The penalty must be paid by the school board or managing body.~~

Sec. 27. Minnesota Statutes 1992, section 354.52, subdivision 4, is amended to read:

Subd. 4. **REPORTING AND REMITTANCE REQUIREMENTS.** At least once each month, ~~the chief administrative officer of each~~ representative authorized by an employing school district or managing body of schools and institutions to which the provisions of this chapter apply unit shall transmit all amounts due to the association and furnish a signed statement indicating the amount due and transmitted, ~~and shall transmit a statement containing such~~ with other information as required by the executive director ~~shall~~ require. Sign-

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ing the statement ~~shall have~~ has the force and effect of an oath as to the correctness of the amount due and transmitted. ~~Any~~ An amount ~~thus~~ due and not transmitted ~~shall accrue~~ accrues interest at an annual rate of 8.5 percent compounded annually commencing 15 days after the date first due until the amount is transmitted and ~~shall must~~ be paid by the employing school district or other managing body unit. ~~The state treasurer shall credit all money received or withheld pursuant to the provisions of this chapter to the fund and the reports and date received by the state treasurer from each reporting agency shall be available for the board. Any person willfully failing to perform any of the duties imposed by this section shall be guilty of a misdemeanor. These payments and other employing unit obligations not remitted within 60 days of notification by the association must be certified to the commissioner of finance who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.~~

Sec. 28. Minnesota Statutes 1992, section 354.52, is amended by adding a subdivision to read:

Subd. 4a. MEMBER DATA REPORTING REQUIREMENTS. (a) An employing unit shall initially provide the following member data or any of that data not previously provided to the association for payroll warrants dated after June 30, 1995, in a format prescribed by the executive director. Data changes and the dates of those changes must be reported to the association on an ongoing basis for the payroll cycle in which they occur with the data under subdivision 4b. Data on the member includes:

(1) legal name, address, association member number, employer-assigned employee number, and social security number;

(2) association status, including, but not limited to, basic, coordinated, exempt annuitant, exempt technical college teacher, and exempt independent contractor or consultant;

(3) employment status, including, but not limited to, full time, part time, intermittent, substitute, or part-time mobility;

(4) employment position, including, but not limited to, teacher, superintendent, principal, administrator, or other;

(5) employment activity, including, but not limited to, hire, termination, resumption of employment, disability, or death;

(6) leaves of absence;

(7) county district number assigned by the association for the employing unit;

(8) data center identification number, if applicable; and

(9) other information as may be required by the executive director.

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Sec. 29. Minnesota Statutes 1992, section 354.52, is amended by adding a subdivision to read:

Subd. 4b. PAYROLL CYCLE REPORTING REQUIREMENTS. An employing unit shall provide the following data to the association for payroll warrants dated after June 30, 1995, for each payroll cycle in a format prescribed by the executive director:

- (1) association member number;
- (2) employer-assigned employee number;
- (3) social security number;
- (4) amount of each salary deduction;
- (5) amount of salary as defined in section 354.05, subdivision 35, from which each deduction was made;
- (6) reason for payment;
- (7) service credit;
- (8) the beginning and ending dates of the payroll period covered and the date of actual payment;
- (9) fiscal year of salary earnings;
- (10) total remittance amount including employee, employer, and additional employer contributions; and
- (11) other information as may be required by the executive director.

Sec. 30. Minnesota Statutes 1992, section 354.52, is amended by adding a subdivision to read:

Subd. 6. NONCOMPLIANCE CONSEQUENCES. An employing unit that does not comply with the reporting requirements under this section shall pay a fine of \$5 per calendar day until the association receives the required data.

Sec. 31. Minnesota Statutes 1992, section 354.66, is amended by adding a subdivision to read:

Subd. 1c. PARTICIPATION. Participation in the part-time mobility program must be based on a full fiscal year and the employment pattern of the teacher during the most recent fiscal year.

Sec. 32. Minnesota Statutes 1992, section 354.66, subdivision 2, is amended to read:

Subd. 2. A teacher in the public elementary schools; secondary schools, or technical colleges or in the community college system or the state university sys-

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tem 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 colleges 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~~ attains 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. The association must receive a copy of the agreement before October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4.

Sec. 33. Minnesota Statutes 1992, section 354.66, subdivision 3, is amended to read:

Subd. 3. For purposes of this section, the term "part-time teaching position" shall mean a teaching position within the district in which the teacher is employed for at least 50 full days or a fractional equivalent thereof as prescribed in section 354.091, and for which the teacher is compensated in an amount not exceeding 67 percent of the compensation established by the board for a full-time teacher with identical education and experience ~~within~~ with the ~~district~~ employing unit. The compensation of a teacher in the state colleges and university system may exceed the 67 percent limit if the teacher does not teach just one of the three quarters in the system's full school year, provided no additional services are performed while the teacher participates in the program.

Sec. 34. **REPEALER.**

Minnesota Statutes 1992, sections 354.05, subdivisions 15 and 29; 354.43, subdivision 3; 354.57; 354.65; and 356.18, are repealed.

Sec. 35. **EFFECTIVE DATE.**

Sections 1 to 27 and 30 to 34 are effective the day following final enactment. Sections 28 and 29 are effective July 1, 1995.

## ARTICLE 4

### RESTRICTIONS ON CERTAIN PUBLIC PENSION

#### PLAN MEMBERSHIP AUTHORIZATIONS

Section 1. Minnesota Statutes 1992, section 352.029, subdivision 1, is amended to read:

Subdivision 1. **QUALIFICATIONS.** ~~An employee of a labor organization that is an exclusive bargaining agent representing state employees or~~ Unless spe-

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cifically excluded under section 352.01, subdivision 2b, a state employee on leave of absence without pay to provide service as an employee or officer of a labor organization that is an exclusive bargaining agent representing state employees, ~~may choose to elect~~ under subdivision 2 to be covered by the general state employees retirement plan of the Minnesota state retirement system for service with the labor organization unless specifically excluded under section 352.01, subdivision 2b, subject to the limitations set forth in subdivisions 2a and 2b.

Sec. 2. Minnesota Statutes 1992, section 352.029, is amended by adding a subdivision to read:

Subd. 2a. LIMITATIONS ON SALARY FOR BENEFITS AND CONTRIBUTIONS. (a) The covered salary for a labor organization employee who qualifies for membership under this section or section 352.75 is limited to the lesser of:

(1) the employee's actual salary as defined under section 352.01, subdivision 13; or

(2) 75 percent of the salary of the governor as set under section 15A.082.

(b) The limited covered salary determined under this subdivision must be used in determining employee, employer, and employer additional contributions under section 352.04, subdivisions 2 and 3, and in determining retirement annuities and other benefits under this chapter and chapter 356.

Sec. 3. Minnesota Statutes 1992, section 352.029, is amended by adding a subdivision to read:

Subd. 2b. EARNING RESTRICTIONS APPLY. A retirement annuity is only payable, if the person has met any other applicable requirements, upon the termination by the person who elected coverage under subdivision 1 of employment by the labor organization. The reemployed annuitant earnings limitation set forth in section 352.115, subdivision 10, applies in the event that the person who elected coverage under subdivision 1 retires and is subsequently reemployed while an annuitant by the labor organization or by any other entity employing persons who are covered by the Minnesota state retirement system by virtue of that employment.

Sec. 4. Minnesota Statutes 1993 Supplement, section 353.017, subdivision 1, is amended to read:

Subdivision 1. QUALIFICATIONS. Unless specifically exempt under section 353.01, subdivision 2b, a former member of the association, or a current coordinated member of the association who is on an authorized leave of absence, and who is an employee of a labor organization that represents public employees who are association members may elect, under subdivision 2, to continue to be a coordinated member with respect to service with employment by

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the labor organization ~~unless specifically exempt under section 353.01, subdivision 2b~~ subject to the limitations set forth in subdivisions 4 and 7.

Sec. 5. Minnesota Statutes 1993 Supplement, section 353.017, subdivision 3, is amended to read:

Subd. 3. **CONTRIBUTIONS.** The employee, employer and additional employer contributions ~~shall be~~ are the obligation of the employee who elects coverage herein in accord with this chapter; provided, however, the employer, labor organization, may pay the employer and additional employer contributions. The employer shall, in any event, deduct the necessary contributions from the employee's salary, subject to the limitations under subdivision 7, and remit all contributions to the public employees retirement association ~~pursuant to under~~ under section 353.27, subdivisions 4, 7, 10, 11, and 12.

Sec. 6. Minnesota Statutes 1993 Supplement, section 353.017, is amended by adding a subdivision to read:

Subd. 4. TERMINATION OF MEMBERSHIP FOR RETIREMENT ELIGIBILITY. A retirement annuity is only payable, if the person has met any other applicable requirements, upon the termination by the person who elected coverage under subdivision 1 of employment by the labor organization. The reemployed annuitant's earnings limitation set forth in section 353.37, subdivision 1, applies in the event that the person who elected coverage under subdivision 1 retires and is subsequently reemployed while an annuitant by the labor organization or by any other entity employing persons who are covered by the public employees retirement association by virtue of that employment.

Sec. 7. Minnesota Statutes 1993 Supplement, section 353.017, is amended by adding a subdivision to read:

Subd. 7. LIMITATIONS ON SALARY AND CONTRIBUTIONS. The covered salary for a labor organization employee who qualifies for membership under this section is limited to the lesser of:

(1) the employee's actual salary as defined under section 353.01, subdivision 10; or

(2) 75 percent of the salary of the governor as set under section 15A.082.

The limited covered salary determined under this subdivision must be used in determining employee and employer contributions under section 353.27, subdivisions 2, 3, and 3a, and in determining retirement annuities and other benefits under this chapter and chapter 356.

Sec. 8. Minnesota Statutes 1992, section 354.41, subdivision 4, is amended to read:

Subd. 4. Any (a) A person who is a former member on an authorized leave of absence and is presently employed by the Minnesota federation of teachers or

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its affiliated branches within the state, the Minnesota education association, the Minnesota association of school principals, the Minnesota association of secondary school principals or the Minnesota association of school administrators may elect to be a coordinated member in the fund based on ~~such that~~ employment; provided, subject to the limitations set forth in subdivisions 4a and 4b. However, ~~that no person shall also be is~~ entitled to ~~such~~ membership under this section if the person also is a member of a teachers retirement association in a city of the first class organized ~~pursuant to~~ under chapter 354A for the same period of service. ~~For such persons so employed on June 30, 1975, the election must be made prior to July 1, 1976. For such persons so employed after June 30, 1975,~~

(b) The election must be made ~~upon~~ within 90 days of commencing employment by the labor organization.

Sec. 9. Minnesota Statutes 1992, section 354.41, is amended by adding a subdivision to read:

**Subd. 4a. LIMITATIONS ON SALARY AND CONTRIBUTIONS.** The covered salary for a labor organization employee who qualifies for membership under this section is limited to the lesser of:

(1) the employee's actual salary as defined under section 354.05, subdivision 35; or

(2) 75 percent of the salary of the governor as set under section 15A.082.

The limited covered salary determined under this subdivision must be used in determining employee, employer, and employer additional contributions under section 354.42, subdivisions 2, 3, and 5, and in determining retirement annuities and other benefits under this chapter and chapter 356.

Sec. 10. Minnesota Statutes 1992, section 354.41, is amended by adding a subdivision to read:

**Subd. 4b. EARNING RESTRICTIONS APPLY.** A retirement annuity is only payable, if the person has met any other applicable requirements, upon the termination by the person who elected coverage under subdivision 4 of employment by the labor organization. The reemployed annuitant earnings limitation set forth in section 354.44, subdivision 5, applies in the event that the person who elected coverage under subdivision 4 retires and is subsequently reemployed while an annuitant by the labor organization or by any other entity employing persons who are covered by the Minnesota teachers retirement association by virtue of that employment.

Sec. 11. [356.611] **LIMITATION ON PUBLIC EMPLOYEE SALARIES FOR PENSION PURPOSES.**

(a) Notwithstanding any provision of law, bylaws, articles or incorporation, retirement and disability allowance plan agreements, or retirement plan contracts to the contrary, the covered salary for pension purposes for a plan partici-

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part of a covered retirement fund under section 356.30, subdivision 3, may not exceed 95 percent of the salary established for the governor under section 15A.082 at the time the person received the salary.

(b) This section does not apply to a salary paid:

(1) to the governor;

(2) to an employee of a political subdivision in a position that is excluded from the limit as specified under section 43A.17, subdivision 9; or

(3) to a state employee in a position for which the commissioner of employee relations has approved a salary rate that exceeds 95 percent of the governor's salary.

(c) The limited covered salary determined under this section must be used in determining employee and employer contributions and in determining retirement annuities and other benefits under the respective covered retirement fund and under this chapter.

#### Sec. 12. EFFECTIVE DATE.

(a) Sections 1 to 11 are effective the day following final enactment.

(b) Sections 1, 4, and 8 apply to labor organization employees initially employed in that employment position after the effective date specified in paragraph (a). Sections 2, 5, 7, 9, and 11 apply to the plan salary and contributions after July 1, 1994, for labor organization employees who were employees in that employment position before the effective date specified in paragraph (a).

### ARTICLE 5

#### PUBLIC EMPLOYEES RETIREMENT ASSOCIATION.

##### Section 1. CONSOLIDATED LOCAL RELIEF ASSOCIATIONS; RETIREMENT COVERAGE OPTION.

Notwithstanding the 180-day limitation contained in Minnesota Statutes, section 353A.08, subdivision 3, an active member of a former local relief association that consolidated with the public employees retirement association before July 1, 1993, may make an election to have retirement benefit coverage provided by the public employees police and fire fund as authorized by the cited law. An election under this section must be made within six months after the effective date of this section, and shall in all other respects be governed by Minnesota Statutes, section 353A.08, and other applicable laws.

##### Sec. 2. EFFECTIVE DATE.

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

Section 1 is effective on July 1, 1994.

ARTICLE 6

LOCAL POLICE AND FIRE

Section 1. [423A.171] BYLAW AMENDMENTS.

(a) Notwithstanding a provision of section 69.48; 423.387, subdivision 1; 423.58, subdivision 1; 423.810, subdivision 1; 423B.10; or 424.24, subdivision 1, or other law governing a local police or salaried firefighters relief association to the contrary, the board of trustees of a local relief association governed by section 69.77 or its successor board under chapter 353A or 353B, with municipal approval as provided in section 69.77, subdivision 2i, may amend the bylaws of the relief association to provide that a surviving spouse benefit is payable to a surviving spouse who married a deferred or retired member after the member's retirement, provided the marriage occurred at least five years before the death of the member.

(b) If the surviving spouse benefit change described in paragraph (a) is made, the change applies to a surviving spouse benefit payable on the effective date of the change and to the potential surviving spouses of all deferred or retired members of the relief association who have that status on the effective date of the change.

(c) The bylaw amendment is not effective until a certified copy of the amendment and the municipal approval has been filed by the municipal clerk with the executive director of the legislative commission on pensions and retirement, the state auditor, and the secretary of state.

(d) Notwithstanding the provisions of section 353B.11, a surviving spouse benefit change made under this section for a relief association that has consolidated with the public employees retirement association is effective upon approval by the public employees retirement association and the municipality pursuant to clause (c).

Presented to the governor April 26, 1994

Signed by the governor April 28, 1994, 2:25 p.m.

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