

Sec. 2. EFFECTIVE DATE AND APPLICATION.

Section 1 is effective August 1, 1995, and applies to rentals entered into on or after that date.

Presented to the governor May 5, 1995

Signed by the governor May 8, 1995, 3:54 p.m.

CHAPTER 141—H.F.No. 617

An act relating to retirement; various public pension plans; providing for the suspension or forfeiture of certain survivor benefits in the event of certain felonious deaths; making various individual and small group pension accommodations; making various pension plan administrative changes; recodifying the individual retirement account plan and making various other modifications; amending Minnesota Statutes 1994, sections 11A.23, subdivision 4; 352.12, subdivisions 1, 2, 2a, and 6; 352B.105; 352D.02, subdivision 1; 354.05, subdivisions 2a, 5, 35, and 40; 354.06, subdivision 4; 354.44, by adding a subdivision; 354.52, subdivision 4a; 354A.011, subdivision 27, and by adding a subdivision; 354A.12, subdivision 3d; 354A.31, by adding a subdivision; 355.61; 356.215, subdivisions 4d and 4g; 356.24, subdivision 1; 383B.48; and 383B.49; proposing coding for new law in Minnesota Statutes, chapters 354B; 354C and 356; repealing Minnesota Statutes 1994, sections 352D.02, subdivision 1a; 354B.01; 354B.015; 354B.02; 354B.035; 354B.04; 354B.045; 354B.05; 354B.06; 354B.07; 354B.08; 354B.085; 354B.09; and 354B.15; Laws 1990, chapter 570, article 3, sections 10 and 11, as amended; Laws 1993, chapters 192, section 89, and 239, article 5, section 2; and Laws 1994, chapters 508, article 1, section 14; and 572, sections 11 and 12.

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

ARTICLE 1**SUSPENSION OR FORFEITURE OF CERTAIN
SURVIVOR BENEFITS IN THE EVENT OF
CERTAIN FELONIOUS DEATHS**

**Section 1. [356.305] LOSS OF ENTITLEMENT TO BENEFITS FOR
SURVIVOR CAUSING DEATH OF PENSION PLAN MEMBER.**

Subdivision 1. DEFINITIONS. (a) Each of the words or terms defined in this subdivision has the meaning indicated.

(b) "Public pension plan" means any retirement plan or fund enumerated in section 356.20, subdivision 2, or 356.30, subdivision 3, any relief association governed by section 69.77 or sections 69.771 through 69.775, any retirement plan governed by chapter 354B or 354C, the Hennepin county supplemental

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retirement plan governed by sections 383B.46 through 383B.52, or any housing and redevelopment authority retirement plan.

(c) "Public pension plan member" means a person who is a participant covered by a public pension plan, a former participant of a public pension plan who has sufficient service to be entitled to receive a future retirement annuity or service pension, a recipient of a retirement annuity, service pension, or disability benefit from a public pension plan, or a former participant of a public pension plan who has member or employee contributions to the person's credit in the public pension plan.

(d) "Survivor" means the surviving spouse, a former spouse, a surviving child, a joint annuitant, a designated recipient of a second or remainder portion of an optional annuity form, a beneficiary, or the estate of a deceased public pension plan member, as those terms are commonly understood or defined in the benefit plan document of the public pension plan.

(e) "Survivor benefit" means a surviving spouse benefit, surviving child benefit, second or remainder portion of an optional annuity form, a death benefit, a funeral benefit, or a refund of member or employee contributions payable on account of the death of a public pension plan member as provided for in the benefit plan document of the public pension plan.

Subd. 2. SUSPENSION OF SURVIVOR BENEFITS UPON FELONY CHARGE. During the pendency of a charge of a survivor of a felony that caused the death of a public pension plan member, of criminal liability for a death by wrongful act felony, or of conspiracy to commit a death by wrongful act felony, the entitlement of that survivor to receive a survivor benefit is suspended.

Subd. 3. FORFEITURE OF SURVIVOR BENEFITS UPON FELONY CONVICTION. Upon final conviction of a survivor of a felony that caused the death of a public pension plan member, of criminal liability for a death by wrongful act felony, or of conspiracy to commit a death by wrongful act felony, the entitlement of that survivor to receive a survivor benefit is forfeited, including entitlement for any previously suspended survivor benefits under subdivision 2.

Subd. 4. SUSPENSION OR FORFEITURE ACTIONS SEPARATE. The charge of one survivor under subdivision 2 or the conviction of one survivor under subdivision 3 does not affect the entitlement of another survivor to a survivor benefit.

Subd. 5. RECOVERY OF CERTAIN BENEFITS. If monthly benefits or a refund or balance of a participant or former participant's account have already been paid to an individual who is later charged or convicted as described under this section, the executive director or chief administrative officer of the public pension plan shall attempt to recover the amounts paid. Payment may be made to the next beneficiary or survivor only in an amount equal to the amount recovered and in the amount of any future payments that would legally accrue to another survivor under the applicable laws of the retirement plan.

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Subd. 6. DISPOSITION OF FORFEITED SURVIVOR BENEFITS. If the benefit plan document governing the public pension plan does not provide for the disposition of forfeited benefits, survivor benefits forfeited under this section must be deposited in the general fund of the state.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective on the day following final enactment and applies to all applicable felony charges pending as of that date.

ARTICLE 2

INDIVIDUAL AND SMALL GROUP PENSION ACCOMMODATIONS

Section 1. PURCHASE OF FULL-SERVICE CREDIT FOR SABBATICAL LEAVE.

Subdivision 1. ELIGIBILITY. Notwithstanding Minnesota Statutes, section 354.092, subdivision 3, a member of the teachers retirement association described in subdivision 2 may make a direct payment under subdivision 3 to the association to receive service credit for a period of uncovered service due to a sabbatical leave during the 1975-1976 fiscal year for which the member failed to make employee payments on the difference between salary during the leave and the salary for a comparable period during the year immediately preceding the leave.

Subd. 2. APPLICATION. Subdivision 1 applies to a member who was on a sabbatical leave of absence during the 1975-1976 fiscal year, whose additional payment permitted for that fiscal year was \$313.46, who was attending an institute of higher education outside Minnesota during the period of the leave, and whose original payment deadline was June 30, 1977.

Subd. 3. PURCHASE PAYMENT AMOUNT. (a) To purchase credit for prior service under this section, there must be paid to the teachers retirement association an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity obtained by the purchase of the additional service credit. Calculation of this amount must be made by the executive director of the teachers retirement association using the applicable preretirement interest rate of the association specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the association. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must also assume the person's actual salary and a future salary history that includes annual salary increases at the applicable salary increase rate for the fund or association specified in Minnesota Statutes, section 356.215, subdivision 4d. In order to purchase the service credit, the individual must establish in the records of the association proof of

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the sabbatical leave for which the purchase of prior service applies. The manner of proof must be in accordance with procedures prescribed by the executive director of the association.

(b) Payment must be made in one lump sum prior to July 1, 1995.

(c) Payment of the amount calculated under this subdivision must be made by the member. However, the current or former employer of the member may, at its discretion, pay all or any portion of the payment amount that exceeds \$313.46 plus interest at the rate of 8-1/2 percent a year compounded annually from June 30, 1977, to the date on which the payment is made. If the employer agrees to payments under this paragraph, the employee must make the employee payments required under this paragraph prior to July 1, 1995. If that employee payment is made, the employing unit payment under this paragraph must be remitted to the executive director of the teachers retirement association within 30 days of receipt by the executive director of the employee payments specified under this paragraph.

Subd. 4. SERVICE CREDIT GRANT. Service credit for the purchase period or periods must be granted to the account of the eligible person upon receipt of the purchase payment amount specified in subdivision 3.

Sec. 2. CERTAIN CITY ATTORNEY; ANNUITY COMPUTATION.

A retired member of the public employees retirement association who terminated a contract for employment as city attorney for the city of West St. Paul on January 30, 1994, but who continued to perform legal services for the city as an independent contractor until the city retained a successor legal counsel on May 9, 1994, may be deemed to have terminated public service on January 30, 1994, and is eligible for the increased accrual rate retirement incentive provided by Laws 1993, chapter 192, section 108, subdivision 3, notwithstanding the fact that there was no interruption of legal service for 30 days after January 30, 1994.

Sec. 3. TEACHERS RETIREMENT ASSOCIATION; PURCHASE OF PRIOR SERVICE CREDIT.

Subdivision 1. ELIGIBILITY; MANKATO STATE UNIVERSITY PROFESSOR. (a) Notwithstanding any provision of Minnesota Statutes, section 354.094, to the contrary, an eligible person described in paragraph (b) is entitled to purchase allowable service credit in the teachers retirement association for the period described in paragraph (c) by paying the amount specified in subdivision 3.

(b) An eligible person is a person who was granted an extended leave of absence from employment by Mankato State University on June 19, 1991, for the period September 11, 1991, through June of 1994, and which leave was erroneously characterized as an educational leave.

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(c) The period for service credit purchase is the period from September 11, 1991, through June 1994.

Subd. 2. PURCHASE PAYMENT AMOUNT. (a) To purchase credit under subdivision 1, there must be paid to the teachers retirement association an amount equal to the present value on the date of payment, of the amount of the additional retirement annuity obtained by purchase of the additional service credit.

(b) Calculation of this amount must be made by the executive director of the teachers retirement association using the applicable preretirement interest rate specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the coordinated program of the retirement association. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the retirement association for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must also assume a future salary history that includes annual salary increases at the salary increase rate specified in Minnesota Statutes, section 356.215, subdivision 4d.

(c) The eligible person must establish in the records of the association proof of the leave of absence for which the purchase of service credit is requested. The manner of the proof must be in accordance with procedures prescribed by the executive director of the retirement association.

(d) The portion of the total cost of the purchase payable by the eligible person is specified in subdivision 3. The remaining portion of total cost is to be paid by the employing unit as specified in subdivision 4.

Subd. 3. ELIGIBLE PERSON PAYMENT. (a) To receive credit for the period of service credit purchase specified in subdivision 1, paragraph (c), the eligible person specified in subdivision 1, paragraph (b), must pay a member contribution equivalent amount.

(b) The member contribution equivalent amount is an amount equal to the applicable employee contribution rate specified in Minnesota Statutes, section 354.42, applied to the person's actual salary rate in the year immediately preceding the extended leave, plus 8.5 percent annually compounded interest from June 30 of each year of the leave until payment is made. Payment must be made in a lump sum. Authority to make the member contribution equivalent amount expires 90 days after the effective date of this section or at the time of retirement, whichever is earlier.

Subd. 4. MANDATORY EMPLOYING UNIT PAYMENT. (a) Within 30 days of the receipt by the executive director of the teachers retirement association of the payment from the eligible person under subdivision 3, the employer employing the eligible person described in subdivision 1, paragraph (b), immediately before the leave described in subdivision 1, shall pay the difference between the amounts specified in subdivisions 2 and 3.

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(b) The mandatory employing unit payment amount is payable by the governmental employing unit by July 1, 1998. Payments made after July 1, 1995, are payable with compound annual interest at the rate of 8.5 percent from July 1, 1995, until the date payment is made.

Subd. 5. SERVICE CREDIT GRANT. Service credit for the purchase period must be granted to the account of the eligible person upon receipt of the purchase payment amount specified in subdivision 2.

Sec. 4. PURCHASE OF PRIOR SERVICE CREDIT.

Subdivision 1. ELIGIBILITY. (a) Notwithstanding Minnesota law to the contrary, an employee of Swift county who is a current coordinated member of the public employee retirement association, who was born in 1948, who first had sufficient salary to meet minimum statutory salary thresholds for association membership on March 1, 1990, but who was not reported for membership until January 1991, may purchase allowable service credit in the public employees retirement association for the periods of uncovered service during which the employee had sufficient salary to meet minimum statutory salary thresholds for public employee retirement association membership.

(b) In order to purchase the service credit, the individual must establish in the records of the association proof of the service for which the purchase of prior service applies, and proof that the individual had sufficient salary during all or part of that period to meet minimum statutory salary thresholds for public employee retirement association membership. Payments cannot be made if the executive director determines that the member was eligible for coverage during this period by another Minnesota public pension plan other than a volunteer fire plan to which Minnesota Statutes, section 69.771, subdivision 1, applies. The manner of proof must be in accordance with procedures prescribed by the executive director of the association.

Subd. 2. PURCHASE PAYMENT AMOUNT. (a) To purchase credit for prior service under this section, there must be paid to the public employees retirement association an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity obtained by the purchase of the additional service credit. Calculation of this amount must be made by the executive director of the public employees retirement association using the applicable preretirement interest rate of the association specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the association. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must also assume the person's actual salary and a future salary history that includes annual salary increases at the applicable salary increase rate for the fund or association specified in Minnesota Statutes, section 356.215, subdivision 4d.

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(b) Payment must be made in one lump sum prior to July 1, 1996.

(c) Payment of the amount calculated under this subdivision must be made by the member. However, the current or former employer of the member may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 8-1/2 percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this paragraph, the employee must make the employee payments required under this paragraph prior to July 1, 1996. If that employee payment is made, the employing unit payment under this paragraph must be remitted to the executive director of the public employees retirement association within 60 days of receipt by the executive director of the employee payments specified under this paragraph.

Subd. 3. SERVICE CREDIT GRANT. Service credit for the purchase period or periods must be granted to the account of the eligible person upon receipt of the purchase payment amount specified in subdivision 2.

Sec. 5. EFFECTIVE DATE.

(a) Section 1 is effective the day following final enactment.

(b) Section 2 is effective the day following final enactment and the annuity payable under section 2 must be recalculated and paid retroactively to the date that the annuity was first paid to the retiree.

(c) Section 3 is effective July 1, 1995.

(d) Section 4 is effective the day following final enactment.

ARTICLE 3

PENSION PLAN ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 1994, section 352.12, subdivision 1, is amended to read:

Subdivision 1. **DEATH BEFORE TERMINATION OF SERVICE.** If an employee dies before state service has terminated and neither a survivor annuity nor a reversionary annuity is payable, or if a former employee who has sufficient service credit to be entitled to an annuity dies before the benefit has become payable, the director shall make a refund to the last designated beneficiary or, if there is none, to the surviving spouse or, if none, to the employee's surviving children in equal shares or, if none, to the employee's surviving parents in equal

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shares or, if none, to the representative of the estate in an amount equal to the accumulated employee contributions plus interest at the rate of six percent per annum compounded annually. Interest must be computed as provided in section 352.22, subdivision 2, to the first day of the month in which the refund is processed ~~and based on fiscal year balances~~. Upon the death of an employee who has received a refund that was later repaid in full, interest must be paid on the repaid refund only from the date of repayment. If the repayment was made in installments, interest must be paid only from the date installment payments began. The designated beneficiary, surviving spouse, or representative of the estate of an employee who had received a disability benefit is not entitled to interest upon any balance remaining to the decedent's credit in the fund at the time of death, unless death occurred before any payment could be negotiated.

Sec. 2. Minnesota Statutes 1994, section 352.12, subdivision 2, is amended to read:

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

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

(c) If the employee was under age 55 and has credit for at least three years of allowable service credit on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1 or 1a, to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

The surviving spouse eligible for ~~surviving spouse~~ benefits under paragraph (a) may apply for the annuity at any time after the date on which the ~~deceased~~ employee or former employee would have attained the required age for retirement based on the ~~employee's~~ allowable service earned. The surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for the annuity at any time after the employee's death. The annuity must be computed under sections 352.115, subdivisions 1, 2, and 3, and 352.116, subdivi-

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sions 1, 1a, and 3. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision. The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse, or upon expiration of a term certain benefit payment to a surviving spouse under subdivision 2a. An amount equal to the excess, if any, of the accumulated contributions credited to the account of the deceased employee in excess of the total of the benefits paid and payable to the surviving spouse must be paid to the deceased employee's or former employee's last designated beneficiary or, if none, as specified under subdivision 1.

Any employee or former employee may request in writing that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

Sec. 3. Minnesota Statutes 1994, section 352.12, subdivision 2a, is amended to read:

Subd. 2a. **SURVIVING SPOUSE COVERAGE TERM CERTAIN.** In lieu of the 100 percent optional annuity under subdivision 2, or refund under subdivision 1, the surviving spouse of a deceased employee or former employee may elect to receive survivor coverage in a term certain of five, ten, 15, or 20 years, but monthly payments must not exceed 75 percent of the average high-five monthly salary of the deceased employee or former employee. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 2.

If a survivor elects a term certain annuity and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Sec. 4. Minnesota Statutes 1994, section 352.12, subdivision 6, is amended to read:

Subd. 6. **DEATH AFTER SERVICE TERMINATION.** Except as provided in subdivision 1, if a former employee covered by the system dies and has not received an annuity, a retirement allowance, or a disability benefit, a refund must be made to the last designated beneficiary or, if there is none, to the surviving spouse or, if none, to the employee's surviving children in equal shares or, if none, to the employee's surviving parents in equal shares or, if none, to the representative of the estate in an amount equal to accumulated employee contributions. The refund must include interest at the rate of six percent per year compounded annually. The interest must be computed to the first day of the month in which the refund is processed and be based on fiscal year balances as provided in section 352.22, subdivision 2.

Sec. 5. Minnesota Statutes 1994, section 352B.105, is amended to read:

352B.105 TERMINATION OF DISABILITY BENEFITS.

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Disability benefits payable under section 352B.10 shall terminate at the end of the month the beneficiary becomes ~~55~~ 65 years old. If the beneficiary is still disabled when the beneficiary becomes ~~55~~ 65 years old, the beneficiary shall be deemed to be a retired member and, if the beneficiary had chosen an optional annuity under section 352B.10, subdivision 5, shall receive an annuity in accordance with the terms of the optional annuity previously chosen. If the beneficiary had not chosen an optional annuity under section 352B.10, subdivision 5, the beneficiary may choose to receive either a normal retirement annuity computed under section 352B.08, subdivision 2, or an optional annuity as provided in section 352B.08, subdivision 3. An optional annuity must be chosen within 90 days of attaining age 65 or reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. If an optional annuity is chosen, the optional annuity shall begin to accrue the first of the month following attainment of age 65 or the five-year anniversary of the effective date of the disability benefit, whichever is later.

Sec. 6. Minnesota Statutes 1994, section 354.05, subdivision 5, is amended to read:

Subd. 5. **MEMBER OF FUND ASSOCIATION.** "Member of ~~fund~~ association" means every teacher who ~~joins and~~ contributes to the teachers retirement fund as provided in this chapter who has not retired, except a teacher covered by section 354B.02, subdivision 2 or 3, who elects to participate in the individual retirement account plan under chapter 354B, or a teacher who exercises an option to elect coverage under another public pension plan enumerated in section 356.30, subdivision 3. Any former member of the ~~fund~~ association who is retired and subsequently resumes teaching service is a member of the ~~fund~~ association only for purposes of social security coverage.

Sec. 7. Minnesota Statutes 1994, 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 employee-paid fringe benefits, tax sheltered annuities, deferred compensation, or any combination of these employee-paid items are deducted.

(b) "Salary" does not 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;
- (4) payments for the difference between single and family premium rates that may be paid to a member with single coverage;
- (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;

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

(7) any form of severance payments;

(8) workers' compensation payments;

(9) disability insurance payments including self-insured disability payments;

(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. 8. Minnesota Statutes 1994, section 354.05, subdivision 40, is amended to read:

Subd. 40. **TIMELY RECEIPT.** An application, payment, return, claim, or other document that is not personally delivered to the association on or 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. 9. Minnesota Statutes 1994, section 354.06, subdivision 4, is amended to read:

Subd. 4. ~~**TREASURER; DUTIES BOARD; EXPENSES.**~~ All members of the board shall serve without compensation. A member shall receive necessary expenses to attend meetings of the board and its committees, and association functions and presentations authorized by the board. The necessary expenses must be paid out of the fund. 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 1994, section 354.44, is amended by adding a subdivision to read:

Subd. 9. **DETERMINING APPLICABLE LAW.** An employee who returns to covered service following a termination and who is not receiving a retirement annuity under this section must have earned at least 85 days of credited service following the return to covered service to be eligible for improved benefits resulting from any law change enacted subsequent to that termination.

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Sec. 11. Minnesota Statutes 1994, section 354.52, subdivision 4a, is amended 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, date of birth, 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.

Sec. 12. Minnesota Statutes 1994, section 354A.12, subdivision 3d, is amended to read:

Subd. 3d. **SUPPLEMENTAL ADMINISTRATIVE EXPENSE ASSESSMENT.** (a) The active and retired membership of the Minneapolis teachers retirement fund association and of the St. Paul teachers retirement fund association is responsible for defraying supplemental administrative expenses other than investment expenses of the respective teacher retirement fund association.

(b) Investment expenses of the teachers retirement fund association are those expenses incurred by or on behalf of the retirement fund in connection with the investment of the assets of the retirement fund other than investment security transaction costs. Other administrative expenses are all expenses incurred by or on behalf of the retirement fund for all other retirement fund

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functions other than the investment of retirement fund assets. Investment and other administrative expenses must be accounted for using generally accepted accounting principles and in a manner consistent with the comprehensive annual financial report of the teachers retirement fund association for the immediately previous fiscal year under section 356.20.

(c) Supplemental administrative expenses other than investment expenses of a first class city teacher retirement fund association are those expenses for the fiscal year that exceed the amount computed by applying the most recent percentage of pay administrative expense amount, other than investment expenses, for the teachers retirement association governed by chapter 354 to the covered payroll of the respective teachers retirement fund association for the fiscal year.

(d) The board of trustees of each first class city teachers retirement fund association shall allocate the total dollar amount of supplemental administrative expenses other than investment expenses among the various active and retired membership groups of the teachers retirement fund association and shall assess the various membership groups their respective share of the supplemental administrative expenses other than investment expenses, in amounts determined by the board of trustees. The supplemental administrative expense assessments must be paid by the membership group in a manner determined by the board of trustees of the respective teachers retirement association. Supplemental administrative expenses payable by the active members of the pension plan must be picked up by the employer in accordance with section 356.62.

(e) With respect to the St. Paul teachers retirement fund association, the supplemental administrative expense assessment must be fully disclosed to the various active and retired membership groups of the teachers retirement fund association. The chief administrative officer of the St. Paul teachers retirement fund association shall prepare a supplemental administrative expense assessment disclosure notice, which must include the following:

(1) the total amount of administrative expenses of the St. Paul teachers retirement fund association, the amount of the investment expenses of the St. Paul teachers retirement fund association, and the net remaining amount of administrative expenses of the St. Paul teachers retirement fund association;

(2) the amount of administrative expenses for the St. Paul teachers retirement fund association that would be equivalent to the teachers retirement association noninvestment administrative expense level described in paragraph (c);

(3) the total amount of supplemental administrative expenses required for assessment calculated under paragraph (c);

(4) the portion of the total amount of the supplemental administrative expense assessment allocated to each membership group and the rationale for that allocation;

(5) the manner of collecting the supplemental administrative expense assessment from each membership group, the number of assessment payments required during the year, and the amount of each payment or the procedure used to determine each payment; and

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(6) any other information that the chief administrative officer determines is necessary to fairly portray the manner in which the supplemental administrative expense assessment was determined and allocated.

(f) The disclosure notice must be provided annually in the annual report of the association.

(g) The supplemental administrative expense assessments must be deposited in the applicable teachers retirement fund upon receipt.

(h) Any omitted active membership group assessments that remain undeducted and unpaid to the teachers retirement fund association for 90 days must be paid by the respective school district. The school district may recover any omitted active membership group assessment amounts that it has previously paid. The teachers retirement fund association shall deduct any omitted retired membership group assessment amounts from the benefits next payable after the discovery of the omitted amounts.

Sec. 13. Minnesota Statutes 1994, section 354A.31, is amended by adding a subdivision to read:

Subd. 8. DETERMINING APPLICABLE LAW. An employee who returns to covered service following a termination and who is not receiving a retirement annuity under this section must have earned at least 85 days of credited service following the return to covered service to be eligible for improved benefits resulting from any law change enacted subsequent to that termination.

Sec. 14. Minnesota Statutes 1994, section 356.215, subdivision 4d, is amended to read:

Subd. 4d. **INTEREST AND SALARY ASSUMPTIONS.** (a) For funds governed by chapters ~~352~~, 352B, ~~353~~, 353C, and ~~354~~ by sections 352.90 through 352.951 and 353.63 through 353.68, the actuarial valuation must use a preretirement interest assumption of 8.5 percent, a postretirement interest assumption of five percent, and a future salary increase assumption of 6.5 percent.

(b) For funds governed by chapter 354A, the actuarial valuation must use preretirement and postretirement assumptions of 8.5 percent and a future salary increase assumption of 6.5 percent, but the actuarial valuation must reflect the payment of postretirement adjustments to retirees, based on the methods specified in the bylaws of the fund as approved by the legislature. For a fund governed by chapter 422A, the actuarial valuation shall use a preretirement interest assumption of six percent, a postretirement interest assumption of five percent, and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.04 multiplied by the salary for the preceding year.

(c) For all other funds not specified in paragraph (a), (b), ~~or~~ (d), or (e), the actuarial valuation must use a preretirement interest assumption of five percent, a postretirement interest assumption of five percent, and a future salary increase assumption of 3.5 percent.

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(d) For funds governed by chapters 3A, 352C, and 490, the actuarial valuation must use a preretirement interest assumption of 8.5 percent, a postretirement interest assumption of five percent, and a future salary increase assumption of 6.5 percent in each future year in which the salary amount payable is not determinable from section 3.099, 15A.081, subdivision 6, or 15A.083, subdivision 1, whichever applies, or from applicable compensation council recommendations under section 15A.082.

(e) For funds governed by sections 352.01 through 352.86, 353.01 through 353.46, and chapter 354, the actuarial valuation must use a preretirement interest assumption of 8.5, a postretirement interest assumption of five percent, and a graded rate future salary increase assumption as follows:

	<u>General state</u>	<u>General public</u>	<u>Teachers</u>
	<u>employees</u>	<u>employees</u>	<u>retirement</u>
	<u>retirement</u>	<u>retirement</u>	<u>plan</u>
<u>age</u>	<u>plan</u>	<u>plan</u>	<u>plan</u>
<u>16</u>	<u>7.2500%</u>	<u>8.71%</u>	<u>7.25%</u>
<u>17</u>	<u>7.2500</u>	<u>8.71</u>	<u>7.25</u>
<u>18</u>	<u>7.2500</u>	<u>8.70</u>	<u>7.25</u>
<u>19</u>	<u>7.2500</u>	<u>8.70</u>	<u>7.25</u>
<u>20</u>	<u>7.2500</u>	<u>7.70</u>	<u>7.25</u>
<u>21</u>	<u>7.1454</u>	<u>7.70</u>	<u>7.25</u>
<u>22</u>	<u>7.1094</u>	<u>7.70</u>	<u>7.25</u>
<u>23</u>	<u>7.0725</u>	<u>7.70</u>	<u>7.20</u>
<u>24</u>	<u>7.0363</u>	<u>7.70</u>	<u>7.15</u>
<u>25</u>	<u>7.0000</u>	<u>7.60</u>	<u>7.10</u>
<u>26</u>	<u>7.0000</u>	<u>7.51</u>	<u>7.05</u>
<u>27</u>	<u>7.0000</u>	<u>7.39</u>	<u>7.00</u>
<u>28</u>	<u>7.0000</u>	<u>7.30</u>	<u>7.00</u>
<u>29</u>	<u>7.0000</u>	<u>7.20</u>	<u>7.00</u>
<u>30</u>	<u>7.0000</u>	<u>7.20</u>	<u>7.00</u>
<u>31</u>	<u>7.0000</u>	<u>7.10</u>	<u>7.00</u>
<u>32</u>	<u>7.0000</u>	<u>7.10</u>	<u>7.00</u>
<u>33</u>	<u>7.0000</u>	<u>7.00</u>	<u>7.00</u>
<u>34</u>	<u>7.0000</u>	<u>7.00</u>	<u>7.00</u>
<u>35</u>	<u>7.0000</u>	<u>6.90</u>	<u>7.00</u>
<u>36</u>	<u>6.9019</u>	<u>6.80</u>	<u>7.00</u>
<u>37</u>	<u>6.8074</u>	<u>6.70</u>	<u>7.00</u>
<u>38</u>	<u>6.7125</u>	<u>6.60</u>	<u>6.90</u>
<u>39</u>	<u>6.6054</u>	<u>6.50</u>	<u>6.80</u>
<u>40</u>	<u>6.5000</u>	<u>6.40</u>	<u>6.70</u>
<u>41</u>	<u>6.3540</u>	<u>6.30</u>	<u>6.60</u>
<u>42</u>	<u>6.2087</u>	<u>6.30</u>	<u>6.50</u>
<u>43</u>	<u>6.0622</u>	<u>6.30</u>	<u>6.35</u>
<u>44</u>	<u>5.9048</u>	<u>6.20</u>	<u>6.20</u>
<u>45</u>	<u>5.7500</u>	<u>6.20</u>	<u>6.05</u>
<u>46</u>	<u>5.6940</u>	<u>6.09</u>	<u>5.90</u>

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<u>47</u>	<u>5.6375</u>	<u>6.00</u>	<u>5.75</u>
<u>48</u>	<u>5.5822</u>	<u>5.90</u>	<u>5.70</u>
<u>49</u>	<u>5.5405</u>	<u>5.80</u>	<u>5.65</u>
<u>50</u>	<u>5.5000</u>	<u>5.70</u>	<u>5.60</u>
<u>51</u>	<u>5.4384</u>	<u>5.70</u>	<u>5.55</u>
<u>52</u>	<u>5.3776</u>	<u>5.70</u>	<u>5.50</u>
<u>53</u>	<u>5.3167</u>	<u>5.70</u>	<u>5.45</u>
<u>54</u>	<u>5.2826</u>	<u>5.70</u>	<u>5.40</u>
<u>55</u>	<u>5.2500</u>	<u>5.70</u>	<u>5.35</u>
<u>56</u>	<u>5.2500</u>	<u>5.70</u>	<u>5.30</u>
<u>57</u>	<u>5.2500</u>	<u>5.70</u>	<u>5.25</u>
<u>58</u>	<u>5.2500</u>	<u>5.70</u>	<u>5.25</u>
<u>59</u>	<u>5.2500</u>	<u>5.70</u>	<u>5.25</u>
<u>60</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>61</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>62</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>63</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>64</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>65</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>66</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>67</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>68</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>69</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>
<u>70</u>	<u>5.2500</u>	<u>5.00</u>	<u>5.25</u>

Sec. 15. Minnesota Statutes 1994, section 356.215, subdivision 4g, is amended to read:

Subd. 4g. **AMORTIZATION CONTRIBUTIONS.** (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation must contain an exhibit indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability. For funds governed by chapters 3A, 352, 352B, 352C, 353, 353C, 354, 354A, and 490, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared. For funds governed by chapter 3a, sections 352.90 through 352.951, chapter 352B, chapter 352C, sections 353.63 through 353.68, chapter 353C, chapter 354A, and chapter 490, the level percent additional contribution must be calculated assuming annual payroll growth of 6.5 percent. For funds governed by sections 352.01 through 352.86 and chapter 354, the level percent additional contribution must be calculated assuming an annual payroll growth of five percent. For the fund governed by sections 353.01 through 353.46, the level percent additional contribution must be calculated assuming an annual payroll growth of six percent. For all other funds, the additional annual contribution must be calculated on a level annual dollar amount basis.

(b) For any fund other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has

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not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding for the first actuarial valuation made after June 1, 1989, and each successive actuarial valuation is the first actuarial valuation date occurring after June 1, 2020.

(c) For any fund or plan other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding must be determined using the following procedure:

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

(ii) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the unfunded actuarial accrued liability amount determined under item (i) by the established date for full funding in effect before the change must be calculated using the interest assumption specified in subdivision 4d in effect before the change;

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

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable interest assumption specified in subdivision 4d in effect after any applicable change;

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

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

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

(d) For the Minneapolis employees retirement fund, the established date for full funding is June 30, 2020.

(e) For the public employees retirement association police and fire fund, an excess of valuation assets over actuarial accrued liability will be amortized in the same manner over the same period as an unfunded actuarial accrued liability but will serve to reduce the required contribution instead of increasing it.

Sec. 16. Minnesota Statutes 1994, section 356.24, subdivision 1, is amended to read:

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

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

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

(3) to the individual retirement account plan established by sections 354B.01 to 354B.05;

~~(3)~~ (4) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;

~~(4)~~ (5) for employees other than personnel employed by the state university board or the community college board and covered by section 354B.07, subdivision 1, ~~to~~

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

(ii) ~~payment of the applicable portion of the premium on a tax sheltered annuity contract qualified under section 403(b) of the federal Internal Revenue Code, purchased from a qualified insurance company; if provided for in a personnel policy of the public employer or in the collective bargaining agreement of between the public employer with and the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year per employee;~~

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

(ii) in payment of the applicable portion of the premium on a tax-sheltered annuity contract qualified under section 403(b) of the Internal Revenue Code, if purchased from a qualified insurance company, and if the employing unit has complied with any applicable pension plan provisions of the Internal Revenue Code with respect to the tax-sheltered annuity program during the preceding calendar year; or

(5) (6) for personnel employed by the state university board or the community college board and covered by sections 352D.02, subdivision 1a, and 354B.07, subdivision 1, to the supplemental retirement plan under sections 354B.07 to 354B.09, if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year for each employee.

(b) A qualified insurance company is a company that:

(1) meets the definition in section 60A.02, subdivision 4;

(2) is licensed to engage in life insurance or annuity business in the state;

(3) is determined by the commissioner of commerce to have a rating within the top two rating categories by a recognized national rating agency or organization that regularly rates insurance companies; and

(4) is determined by the state board of investment to be among the ten applicant insurance companies with competitive options and investment returns on annuity products. The state board of investment determination must be made on or before January 1, 1993, and must be reviewed periodically. The state board of investment may retain actuarial services to assist it in this determination and in its periodic review. The state board of investment may annually establish a budget for its costs in any determination and periodic review processes. The state board of investment may charge a proportional share of all

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costs related to the periodic review to those companies currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids in a determination process to each company selected by the state board of investment. All contracts must be approved before execution by the state board of investment. The state board of investment shall establish policies and procedures under section 11A.04, clause (2), to carry out this paragraph.

(c) A personnel policy for unrepresented employees or a collective bargaining agreement may establish limits on the number of vendors under paragraph (b), clause (4) (5), that it will utilize and conditions under which the vendors may contact employees both during working hours and after working hours.

Sec. 17. Minnesota Statutes 1994, section 383B.48, is amended to read:

383B.48 PURCHASE OF SHARES IN MINNESOTA SUPPLEMENTAL INVESTMENT FUND.

At the time a person becomes eligible for coverage and elects to obtain coverage by the Hennepin county supplemental retirement program and ~~prior to July before November 1~~ of each subsequent year, a participant in the Hennepin county supplemental retirement program shall indicate in writing on a form provided by the county of Hennepin the account of the Minnesota supplemental investment fund in which the participant wishes salary deductions and county matching contributions attributable to salary deductions to be invested for ~~that fiscal year~~ the subsequent 12-month period. For that ~~fiscal year~~ 12-month period the county of Hennepin shall purchase with the salary deductions and county matching funds attributable to the salary deductions shares in the appropriate account of the Minnesota supplemental investment fund in accordance with the indicated preferences of the participant. However, the county of Hennepin has the authority to determine which accounts of the Minnesota supplemental investment fund will be available for participant investment. The shares purchased ~~shall~~ must stand in the name of the county of Hennepin. A record ~~shall~~ must be kept by the county of Hennepin indicating the number of shares in each account of the Minnesota supplemental investment fund purchased with the salary deductions and county matching funds attributable to the salary deductions of each participant. The record ~~shall~~ must be known as the "participant's share account record." The participant's share account record ~~shall~~ must show, in addition to the number of shares ~~therein in the account~~, any cash balance of salary deductions or county matching funds attributable to those deductions which stand uninvested in shares. At the option of the county of Hennepin, and subject to any terms and conditions established and communicated in writing by the county to a participant, the participant may designate no more often than once each ~~fiscal year~~ calendar quarter that ~~prior~~ salary deductions and county matching contributions attributable to the salary deductions ~~from prior fiscal years~~, together with any interest earned, be reinvested in another account of the Minnesota supplemental investment fund made available by the county of Hennepin.

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Sec. 18. Minnesota Statutes 1994, section 383B.49, is amended to read:

383B.49 SUPPLEMENTAL RETIREMENT BENEFITS; REDEMPTION OF SHARES.

When requested to do so, in writing, on forms provided by the county, by a participant, surviving spouse, a guardian of a surviving child or ~~an estate~~ a personal representative, whichever is applicable, the county of Hennepin shall redeem shares in the accounts of the Minnesota supplemental investment fund standing in a participant's share account record under the following circumstances and in accordance with the laws and regulations governing the Minnesota supplemental investment fund:

(1) A participant who is no longer employed by the county of Hennepin ~~shall be~~ is entitled to receive the cash realized on the redemption of the shares to the credit of the participant's share account record of the person. The participant may request the redemption of all or a portion of the shares in the participant's share account record of the person, but may not request more than one redemption in any one calendar year. If only a portion of the shares in the participant's share account record is requested to be redeemed the person may request to redeem not less than 20 percent of the shares in any one calendar year and the redemption must be completed in no more than five years. An election is irrevocable except that a participant may request an amendment of the election to redeem all of the person's remaining shares. All requests under this paragraph are subject to application to and approval of the Hennepin county board, in its sole discretion.

(2) In the event of the death of a participant leaving a surviving spouse, the surviving spouse ~~shall be~~ is entitled to receive the cash realized on the redemption of all or a portion of the shares in the participant's share account record of the deceased spouse, but in no event may the spouse request more than one redemption in each calendar year. If only a portion of the shares in the participant's share account record is requested to be redeemed, the surviving spouse may request the redemption of not less than 20 percent of the shares in any one calendar year. Redemption must be completed in no more than five years. An election is irrevocable except that the surviving spouse may request an amendment of the election to redeem all of the participant's remaining shares. All requests under this paragraph are subject to application to and approval of the Hennepin county board, in ~~their~~ its sole discretion. Upon the death of the surviving spouse, any shares remaining in the participant's share account record ~~shall must~~ must be redeemed by the county of Hennepin and the cash realized ~~therefrom~~ from the redemption distributed to the estate of the surviving spouse.

(3) In the event of the death of a participant leaving no surviving spouse, but leaving a minor surviving child or minor surviving children, the guardianship estate of the minor child is, or the guardianship estates of the minor children ~~shall be~~ are, entitled to receive the cash realized on the redemption of all shares to the credit of the participant's share account record of the deceased par-

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ticipant. In the event of minor surviving children, the cash realized ~~shall~~ must be paid in equal shares to the guardianship estates of the minor surviving children.

(4) In the event of the death of a participant leaving no surviving spouse and no minor surviving children, the estate of the deceased participant ~~shall be~~ is entitled to receive the cash realized on the redemption of all shares to the credit of the participant's share account record of the deceased participant.

Sec. 19. FIRST CLASS CITY TEACHER PLANS; DETERMINING APPLICABLE LAW.

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, the Minneapolis teachers retirement fund association, the St. Paul teachers retirement fund association, and the Duluth teachers retirement fund association shall amend the articles of incorporation or bylaws of the respective association. This authorization is to provide that an employee who has service credit in the basic plan of the Minneapolis teachers retirement fund association, or the St. Paul teachers retirement fund association, or an employee with service credit in the Duluth teachers retirement fund association old law plan, who returns to covered service following a termination and who is not receiving a retirement annuity from the respective plan, must have earned at least 85 days of credited service following the return to covered service to be eligible for improved benefits resulting from any law change enacted subsequent to the termination.

Sec. 20. INSTRUCTION TO REVISOR.

In the next and subsequent issues of Minnesota Statutes, the revisor of statutes shall substitute "association" for "fund" in every instance where reference is to the teachers retirement organization in chapters 354 and 356. For purposes of this section, "organization" means the entity that administers the plans under chapter 354. The revisor shall substitute "fund" for "association" in every instance where reference is to the fund which receives contributions and is used to accumulate and invest assets to meet liabilities created by benefits offered under terms of the plan.

Sec. 21. EFFECTIVE DATE.

(a) Sections 1 through 9, 11, 12, 14, 15, 20, and 21, are effective on the day following final enactment.

(b) Sections 10, 13, and 19, are effective on July 1, 1995.

(c) Section 16 is effective the day following final enactment and applies to tax-sheltered annuity programs receiving employer matching contributions in operation at any time during the 1995 calendar year.

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ARTICLE 4

IRAP RECODIFICATION AND MODIFICATIONS

Section 1. Minnesota Statutes 1994, section 11A.23, subdivision 4, is amended to read:

Subd. 4. **COVERED RETIREMENT FUNDS AND PLANS.** The provisions of this section shall apply to the following retirement funds and plans:

(1) ~~State university and state community college~~ higher education board supplemental retirement plan established ~~pursuant to sections 354B.07 to 354B.09 under chapter 354C;~~

(2) state employees retirement fund established pursuant to chapter 352;

(3) correctional employees retirement plan established pursuant to chapter 352;

(4) state patrol retirement fund established pursuant to chapter 352B;

(5) unclassified employees retirement plan established pursuant to chapter 352D;

(6) public employees retirement fund established pursuant to chapter 353;

(7) public employees police and fire fund established pursuant to chapter 353;

(8) teachers' retirement fund established pursuant to chapter 354;

(9) judges' retirement fund established pursuant to chapter 490; and

(10) any other funds required by law to be invested by the board.

Sec. 2. Minnesota Statutes 1994, section 352D.02, subdivision 1, is amended to read:

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

(b) Enumerated employees are:

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

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

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

(4) a person ~~other than an employee of the state board of technical colleges~~ who is employed in a position established under section 43A.08, subdivision 1, clause (3), ~~or subdivision 1a;~~ or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level;

(5) the regional administrator, or executive director of the metropolitan council, general counsel, division directors, operations managers, and other positions as designated by the council, all of which may not exceed 27 positions at the council; and the chair, provided that upon initial designation of all positions provided for in this clause, no further designations or redesignations may be made without approval of the board of directors of the Minnesota state retirement system;

(6) the executive director, associate executive director, and not to exceed nine positions of the higher education coordinating board in the unclassified service, as designated by the higher education coordinating board before January 1, 1992, or subsequently redesignated with the approval of the board of directors of the Minnesota state retirement system, unless the person has elected coverage by the individual retirement account plan under chapter 354B;

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

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

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

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

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

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

(13) an employee of the state board of technical colleges employed in a position established under section 43A.08, subdivision 1, clause (3), or 1a, unless the person has elected coverage by the individual retirement account plan under chapter 354B; and

(14) an employee of the higher education board in a position established under section 136E.04, subdivision 2, unless the person has elected coverage by the individual retirement account plan under chapter 354B.

Sec. 3. Minnesota Statutes 1994, section 354.05, subdivision 2a, is amended to read:

Subd. 2a. **EXCEPTIONS.** (a) Notwithstanding subdivision 2, a person specified in paragraph (b) is not a member of the fund except for purposes of social security coverage unless ~~(1) the person is covered by section 354B.02, subdivision 2, and remains a member of the fund for all purposes or; (2) the person is covered by section 354B.02, subdivision 1 or 5, or 354B.035 354B.21, and elects coverage by the teachers retirement association.~~

(b) A teacher is excluded from fund membership other than social security coverage under paragraph (a) if first employed as:

~~(1) a teacher in the state university system after June 30, 1989;~~

~~(2) a teacher in the state community college system after June 30, 1989; or~~

~~(3) a teacher in a technical college authorized under chapter 136C or 136D after June 30, 1995 the person is covered by the individual retirement account plan established under chapter 354B.~~

Sec. 4. Minnesota Statutes 1994, section 354A.011, is amended by adding a subdivision to read:

Subd. 14a. DISTRICT. "District" or "school district" means the employing school district or the higher education board.

Sec. 5. Minnesota Statutes 1994, section 354A.011, subdivision 27, is amended to read:

Subd. 27. **TEACHER.** "Teacher" means any person who renders service in a public school district located in the corporate limits of one of the cities of the first class which was so classified on January 1, 1979, as any of the following:

(a) a full-time employee in a position for which a valid license from the state department of education is required;

(b) an employee of the teachers retirement fund association located in the city of the first class unless the employee has exercised the option pursuant to

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Laws 1955, chapter 10, section 1, to retain membership in the Minneapolis employees retirement fund established pursuant to chapter 422A;

(c) a part-time employee in a position for which a valid license from the state department of education is required; or

(d) a part-time employee in a position for which a valid license from the state department of education is required who also renders other nonteaching services for the school district unless the board of trustees of the teachers retirement fund association determines that the combined employment is on the whole so substantially dissimilar to teaching service that the service shall not be covered by the association.

The term shall not mean any person who renders service in the school district as any of the following:

(1) an independent contractor or the employee of an independent contractor;

(2) an employee who is a full-time teacher covered by another teachers retirement fund association established pursuant to this chapter or chapter 354;

(3) an employee exempt from licensure pursuant to section 125.031; or

(4) an employee who is a teacher in a technical college located in a city of the first class unless the person elects coverage by the applicable first class city teacher retirement fund association under section ~~354B.02~~ 354B.21, subdivision 1, or ~~354B.035, 2; or~~

(5) an employee who is a part-time teacher in a technical college in a city of the first class and who has elected coverage by the applicable first class city teacher retirement fund association under section 354B.21, subdivision 2, but (1) the teaching service is incidental to the regular nonteaching occupation of the person; (2) the applicable technical college stipulates annually in advance that the part-time teaching service will not exceed 300 hours in a fiscal year; and (3) the part-time teaching actually does not exceed 300 hours in the fiscal year to which the certification applies.

Sec. 6. Minnesota Statutes 1994, section 355.61, is amended to read:

355.61 SOCIAL SECURITY COVERAGE FOR CERTAIN STATE UNIVERSITY OR COMMUNITY COLLEGE FACULTY MEMBERS EMPLOYED BY THE HIGHER EDUCATION BOARD.

Plan participants ~~under section 354B.02, subdivision 1, and persons electing participation under section 354B.02, subdivision 2 or 3, 354B.21~~ remain members of the teachers retirement association for purposes of social security coverage only, and remain covered by the applicable agreement entered into under section 355.02, but are not members of the teachers retirement association for any other purpose while employed in covered employment.

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Sec. 7. Minnesota Statutes 1994, section 356.24, subdivision 1, is amended to read:

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

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

(2) to a plan that provides solely for group health, hospital, disability, or death benefits, to the individual retirement account plan established by ~~sections 354B.01 to 354B.05~~ chapter 354B;

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

(4) for employees other than personnel employed by the state university board or the community college board and covered by ~~section 354B.07, subdivision 1~~ the higher education board supplemental retirement plan under chapter 354C, to:

(i) the state of Minnesota deferred compensation plan under section 352.96; or

(ii) payment of the applicable portion of the premium on a tax sheltered annuity contract qualified under section 403(b) of the federal Internal Revenue Code, purchased from a qualified insurance company; if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year per employee; or

(5) for personnel employed by the state university board or the community college board and not covered by ~~sections 352D.02, subdivision 1a, and 354B.07, subdivision 1~~ clause (4), to the supplemental retirement plan under ~~sections 354B.07 to 354B.09~~ chapter 354C, if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year for each employee.

(b) A qualified insurance company is a company that:

(1) meets the definition in section 60A.02, subdivision 4;

(2) is licensed to engage in life insurance or annuity business in the state;

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(3) is determined by the commissioner of commerce to have a rating within the top two rating categories by a recognized national rating agency or organization that regularly rates insurance companies; and

(4) is determined by the state board of investment to be among the ten applicant insurance companies with competitive options and investment returns on annuity products. The state board of investment determination must be made on or before January 1, 1993, and must be reviewed periodically. The state board of investment may retain actuarial services to assist it in this determination and in its periodic review. The state board of investment may annually establish a budget for its costs in any determination and periodic review processes. The state board of investment may charge a proportional share of all costs related to the periodic review to those companies currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids in a determination process to each company selected by the state board of investment. All contracts must be approved before execution by the state board of investment. The state board of investment shall establish policies and procedures under section 11A.04, clause (2), to carry out this paragraph.

(c) A personnel policy for unrepresented employees or a collective bargaining agreement may establish limits on the number of vendors under paragraph (b), clause (4), that it will utilize and conditions under which the vendors may contact employees both during working hours and after working hours.

Sec. 8. [354B.20] DEFINITIONS.

Subdivision 1. IN GENERAL. Unless the content or subject matter indicates otherwise, as used in this chapter the terms in this section have the meanings given them.

Subd. 2. BOARD. "Board" means the higher education board.

Subd. 3. CHANCELLOR. "Chancellor" means the chancellor of the board.

Subd. 4. COVERED EMPLOYMENT. (a) "Covered employment" means employment by a person eligible for coverage by this retirement program under section 354B.21 in a faculty position or in an eligible unclassified administrative position.

(b) "Covered employment" does not mean employment specified in paragraph (a) by a faculty member employed in a state university or a community college if the person's initial appointment is specified as constituting less than 25 percent of a full academic year, exclusive of summer session, for the applicable institution.

Subd. 5. COVERED SALARY. (a) "Covered salary" means the periodic compensation paid to the participant before deductions for deferred compensation, supplemental retirement coverage, or other voluntary salary reduction program.

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(b) "Covered salary" does not mean lump sum sick leave payments, severance payments, payments in lieu of employer-paid group insurance coverage, payments based on differences between single employer-paid group insurance coverage and insurance coverage including dependents, or workers' compensation payment.

Subd. 6. ELIGIBLE UNCLASSIFIED ADMINISTRATIVE POSITION. "Eligible unclassified administrative position" means the following:

- (1) the chancellor of the board;
- (2) a president of a state college or university; or
- (3) an excluded administrator employed in a state university or college, by the board, or by the higher education coordinating board.

Subd. 7. EMPLOYING UNIT. "Employing unit," if the agency employs any persons covered by the individual retirement account plan under section 354B.21, means:

- (1) the board;
- (2) the higher education coordinating board; and
- (3) the higher education facilities authority.

Subd. 8. FACULTY. "Faculty" means an employment position that meets the definition of either section 354.05, subdivision 2, or 354A.011, subdivision 27.

Subd. 9. FIRST CLASS CITY TEACHER RETIREMENT FUND ASSOCIATION. "First class city teacher retirement fund association" means a retirement plan, fund, and plan administration established under chapter 354A.

Subd. 10. GENERAL STATE EMPLOYEES RETIREMENT PLAN. "General state employees retirement plan" means the retirement plan administered by the Minnesota state retirement system and governed by sections 352.01 to 352.73.

Subd. 11. HIGHER EDUCATION BOARD. "Higher education board" means the governing board for the state universities, the community colleges, and the technical colleges established by section 136E.01.

Subd. 12. PARTICIPANT. "Participant" means a person who is employed in covered employment by the board and who elects coverage by the plan under section 354B.21.

Subd. 13. PLAN. "Plan" means the individual retirement account plan established by this chapter.

Subd. 14. PLAN ADMINISTRATOR. "Plan administrator" means the board employee or an independent contract agent designated by the board to perform the primary administrative functions relating to the plan.

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Subd. 15. SABBATICAL LEAVE. "Sabbatical leave" means a sabbatical leave as specified in the applicable collective bargaining agreement or personnel policy of the board for its employees.

Subd. 16. STATE UNCLASSIFIED EMPLOYEES RETIREMENT PROGRAM. "State unclassified employees retirement program" means the retirement program established by chapter 352D.

Subd. 17. SUPPLEMENTAL PLAN. "Supplemental plan" means the retirement program established by chapter 354C.

Subd. 18. TEACHERS RETIREMENT PLAN. "Teachers retirement plan" means the retirement plan established by chapter 354.

Sec. 9. [354B.21] COVERAGE.

Subdivision 1. ELIGIBILITY. The following persons are eligible to have coverage by the individual retirement account plan and to be participants in the plan:

(1) employees of the board who are employed as faculty in an employment classification included in the state university instructional unit, the community college instructional unit, or the technical college instructional unit under section 179A.10, subdivision 2;

(2) the chancellor and employees of the board in eligible unclassified administrative positions;

(3) the employees in eligible unclassified administrative positions in the state universities;

(4) the employees in eligible unclassified administrative positions in the technical colleges; and

(5) the employees in eligible unclassified administrative positions of the higher education coordinating board or of the community colleges.

Subd. 2. COVERAGE; ELECTION. (a) An eligible person is entitled to elect coverage by the plan. If the eligible person does not make a timely election of coverage by the plan, the person has the coverage specified in subdivision 3.

(b) For eligible persons who were employed by the former state university system or the former community college system before May 1, 1995, the person has the retirement coverage that the person had for employment immediately before May 1, 1995.

(c) For all other eligible persons, the election of coverage must be made within 90 days of the date of enactment of this act or 90 days of receiving notice from the employer of the options available under this section, whichever occurs later.

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Subd. 3. DEFAULT COVERAGE. If an eligible person fails to elect coverage by the plan under subdivision 2 or if the person fails to make a timely election, the following retirement coverage applies:

(1) for employees of the board who are employed in faculty positions in the state universities or in the community colleges, the retirement coverage is by the plan established by this chapter;

(2) for employees of the board who are employed in faculty positions in the technical colleges, the retirement coverage is by the teachers retirement association established under chapter 354, unless the employee was a member of a first class city teacher retirement fund established under chapter 354A on June 30, 1995, and then the retirement coverage is by the Duluth teachers retirement fund association if the person was a member of that plan on June 30, 1995, or the Minneapolis teachers retirement fund association if the person was a member of that plan on June 30, 1995, or the St. Paul teachers retirement fund association if the person was a member of that plan on June 30, 1995; and

(3) for employees of the board who are employed in eligible unclassified administrative positions, the retirement coverage is by the plan established by this chapter.

Subd. 3a. CONTINUATION OF PLAN COVERAGE IN CERTAIN INSTANCES. For a person with retirement coverage by a first class city teacher retirement fund association instead of the individual retirement account plan under subdivision 3, clause (2), coverage by the applicable retirement fund association continues for the duration of the person's employment by the higher education board unless, within 90 days of a change in employment within the Minnesota state colleges and universities system, the person elects the individual retirement account plan for all future employment by the higher education board.

Subd. 3b. COVERAGE OF CERTAIN FORMER TECHNICAL COLLEGE FACULTY MEMBERS. A person who was employed as a teacher by a technical college before July 1, 1995, and who subsequently is reclassified into a different employment position while continuing to perform the same or essentially the same employment duties and consequently shifts from the technical college instructional collective bargaining unit to another state collective bargaining unit retains coverage by the teachers retirement association or the applicable first class city teachers retirement fund association, whichever applies.

Subd. 3c. ELECTION OF TRA COVERAGE IN CERTAIN INSTANCES. (a) A person who was employed as a teacher by a technical college before July 1, 1995, and who has retirement coverage for that technical college teacher employment by a first class city teacher retirement fund association under chapter 354A may elect to have future higher education system teacher employment retirement coverage by the teacher retirement association governed by chapter 354.

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(b) The election to transfer prospective retirement coverage under paragraph (a) must be made by the technical college teacher by October 1, 1995, or within 90 days of initially being employed by the higher education system, whichever is later. The election must be made in writing on a form prescribed by the executive director of the teachers retirement association. The election, once filed with the executive director of the teachers retirement association, is irrevocable.

(c) An election to transfer prospective retirement coverage under paragraph (a) does not affect prior allowable service credit under section 354A.011, subdivision 4. The transfer of prospective retirement coverage does not make the person eligible for a refund of member contributions during the course of the person's employment by the higher education system.

Subd. 4. COVERAGE IN THE EVENT OF ACTING, INTERIM, OR TEMPORARY APPOINTMENTS. (a) A person previously employed by the board and subsequently appointed by the board to an acting, interim, or temporary faculty or eligible unclassified administrative position by the board retains the retirement coverage that the person had in the prior board position. If the participant's status becomes permanent, the participant has the option to make an election of retirement coverage appropriate to the retirement plan in which the employment position should have retirement coverage consistent with subdivision 2.

(b) A person who is appointed to an acting, interim, or temporary faculty position by the board and who was not employed in a faculty position by the board immediately before that appointment must elect coverage as provided in subdivision 2.

Subd. 5. PAYMENT FOR CERTAIN PRIOR UNCOVERED SERVICE. (a) A person employed in a faculty position by the board who was initially excluded from participation in the individual retirement account plan coverage, who was not covered by any other Minnesota public pension plan for that service, and who is subsequently eligible to participate in the individual retirement account plan may make member contributions for that period of prior uncovered teaching employment or eligible unclassified administrative employment with the board.

(b) The member contributions for prior uncovered board service are the amount that the person would have paid if the prior service had been covered employment. The payment must be made to the individual retirement account plan administrator and may be made only by payroll deduction. The payment must be made by the later of:

(1) 45 days of the start of covered employment; or

(2) the end of the fiscal year in which covered employment began.

(c) The board must contribute an amount to match any contribution made by a plan participant under this subdivision.

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(d) Payments of contributions for prior uncovered board service under this subdivision must be invested in the same manner as the regular contributions made by or on behalf of the plan participant.

Subd. 6. CONTINUATION OF COVERAGE. Once a person is employed in a position that qualifies for participation in the individual retirement account plan and elects to participate in the plan, all subsequent service by the person as a faculty member employed by the board or other employing unit is covered by the individual retirement account plan.

Sec. 10. [354B.22] IRAP COVERAGE IN ADDITION TO SOCIAL SECURITY COVERAGE.

Subdivision 1. SOCIAL SECURITY COVERAGE. (a) Any employee of the board or other employing unit who elects coverage by this chapter is a member of the teachers retirement association solely for purposes of coverage by the federal old age, survivors, disability and health insurance program, and are covered by the agreement made under section 355.02.

(b) A person with federal social security coverage through teachers retirement association membership under paragraph (a) is not a member of the teachers retirement association for any other purpose while employed as a teacher by the board, and membership in the teachers retirement association for this limited purpose conveys no rights or benefit entitlement under chapter 354.

Subd. 2. PUBLIC PENSION COVERAGE AS CONDITION OF EMPLOYMENT. Coverage by a public pension plan under section 354B.21 is a condition of initial employment or continued employment as a faculty member or eligible unclassified administrative position by the board or other employing unit.

Sec. 11. [354B.23] CONTRIBUTIONS.

Subdivision 1. MEMBER CONTRIBUTION RATE. (a) Except as provided in paragraph (b), the member contribution rate for participants in the individual retirement account plan is 4.5 percent of salary.

(b) For participants in the individual retirement account plan who were otherwise eligible to elect retirement coverage in the state unclassified employees retirement program, the member contribution rate is the rate specified in section 352D.04, subdivision 2, paragraph (a).

Subd. 2. MEMBER CONTRIBUTION METHOD. Member contributions must be made by payroll deduction during each pay period.

Subd. 3. EMPLOYER CONTRIBUTION RATE. The employer contribution rate on behalf of participants in the individual retirement account plan is six percent of salary.

Subd. 4. EMPLOYER CONTRIBUTION METHOD. The employer con-

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tribution must be made by the employing unit of a plan participant during each pay period. The employer contribution must be made from the available revenue sources of the employing unit.

Subd. 5. OMITTED MEMBER DEDUCTIONS. (a) If the employing unit that employs a plan participant fails to deduct the member contribution from the participant's salary and a period of less than 60 days from the date on which the deduction should have been made has elapsed, the employing unit must obtain the omitted member deduction by an additional payroll deduction during the pay period next following the discovery of the omission.

(b) If the employing unit of a plan participant fails to deduct the member contribution from the participant's salary and that omission continues for at least 60 days from the date on which the deduction should have been made, the employing unit must pay the amount representing the omitted member contribution, and the full required employer contribution, plus compound interest at an annual rate of 8.5 percent. The contributions and any interest must be made within one year of the date on which the omission was discovered.

Subd. 6. TRANSFER OF CERTAIN TRA MEMBER CONTRIBUTION AMOUNTS TO IRAP. (a) Notwithstanding any provisions of chapter 354 to the contrary, a former member of the teachers retirement association who has less than three years of allowable service credit under section 354.05, subdivision 13, and who is a member of the individual retirement account plan may elect to transfer to the plan an amount equal to the refund that the person could have received under section 354.49, subdivision 2, if the person had been eligible to receive a refund.

(b) The transfer must be made from the teachers retirement association directly to the individual retirement account plan and credited to the appropriate account.

(c) No amount under this subdivision may be paid directly to the former teachers retirement association member.

(d) The election of this transfer must be made on a form prescribed by the executive director of the teachers retirement association, after consultation with the plan administrator.

Sec. 12. [354B.24] SABBATICAL LEAVE.

Subdivision 1. CONTINUATION OF COVERAGE. A person who is a participant in the individual retirement plan, and who goes on an approved sabbatical leave, must remain a participant in the plan for any period during which the person receives a salary from the board or during which the person makes an optional contribution provided for in subdivision 3.

Subd. 2. MANDATORY CONTRIBUTIONS. (a) From the salary paid to the person during the course of an approved sabbatical leave, the employing unit

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must deduct a member contribution as required under section 354B.23, subdivision 1.

(b) The employing unit must make the employer contribution on behalf of the plan participant as provided in section 354B.23, subdivision 3.

Subd. 3. OPTIONAL ADDITIONAL CONTRIBUTIONS. (a) A plan participant on an approved sabbatical leave may make an optional additional member contribution. The optional additional member may not exceed the applicable member contribution rate specified in section 354B.23, subdivision 1, applied to the difference between the amount of salary actually received during the sabbatical leave and the amount of salary actually received for a comparable period of an identical length to the sabbatical leave that occurred during the fiscal year immediately preceding the sabbatical leave.

(b) Any optional additional member contribution must be made before the last day of the fiscal year next following the fiscal year in which the sabbatical leave terminates. The optional additional member contribution may not include interest.

(c) When an optional additional member contribution is made, the employing unit must make the employer contribution at the rate set forth in section 354B.23, subdivision 3, on the salary that was the basis for the optional additional member contribution under paragraph (a).

(d) An employer contribution required under this section must be made no later than 60 days after the date on which the optional additional member contribution was made.

Subd. 4. REINSTATEMENT RIGHTS. Notwithstanding the provisions of any sabbatical leave agreements, regular and optional additional member contributions and employer contributions under this section are permissible only if the plan participant retains the right to full reinstatement to an employment position with the applicable employing unit both during and at the conclusion of the sabbatical leave.

Sec. 13. [354B.25] INDIVIDUAL RETIREMENT ACCOUNT PLAN ADMINISTRATION.

Subdivision 1. GENERAL GOVERNANCE. The individual retirement account plan is the administrative responsibility of the higher education board. The higher education board may administer the plan directly or may contract out for administrative services with a qualified third-party plan administrative entity.

Subd. 2. ANNUITY CONTRACTS AND CUSTODIAL ACCOUNTS. (a) The plan administrator shall arrange for the purchase of fixed annuity contracts, variable annuity contracts, a combination of fixed and variable annuity contracts, or custodial accounts from financial institutions which have been selected

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by the state board of investment under subdivision 3, as the investment vehicle for the retirement coverage of plan participants and to provide retirement benefits to plan participants. Custodial accounts from financial institutions shall include open-end investment companies registered under the federal Investment Company Act of 1940, as amended.

(b) The annuity contracts or accounts must be purchased with contributions under section 354B.23 or with money or assets otherwise provided by law by authority of the board and deemed acceptable by the applicable financial institution.

(c) In addition to contracts and accounts from financial institutions, the Minnesota supplemental investment fund established under section 11A.17 and administered by the state board of investment is one of the investment options for the individual retirement account plan.

Subd. 3. SELECTION OF FINANCIAL INSTITUTIONS. (a) The financial institutions provided for under subdivision 2 must be selected by the state board of investment. Financial institutions include open-end investment companies registered under the federal Investment Company Act of 1940, as amended.

(b) The state board of investment may select up to five financial institutions to provide annuity contracts, custodial accounts, or a combination, as investment options for the individual retirement account plan in addition to the Minnesota supplemental investment fund. In making its selection, at a minimum, the state board of investment shall consider at least the following:

(1) the experience and ability of the financial institution to provide retirement and death benefits that are suited to meet the needs of plan participants;

(2) the relationship of those retirement and death benefits provided by the financial institution to their cost; and

(3) the financial strength and stability of the financial institution.

(c) After selecting a financial institution, the state board of investment must periodically review each financial institution selected under paragraph (b). The periodic review must occur at least every three years. In making its review, the state board of investment may retain appropriate consulting services to assist it in its periodic review, establish a budget for the cost of the periodic review process, and charge a proportional share of these costs to the reviewed financial institution.

(d) Contracts with financial institutions under this section must be executed by the board and must be approved by the state board of investment before execution.

(e) The state board of investment shall also establish policies and procedures under section 11A.04, clause (2), to carry out the provisions of this subdivision.

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Subd. 4. BENEFIT OWNERSHIP. The retirement benefits provided by the annuity contracts and custodial accounts of the individual retirement account plan are held for the benefit of plan participants and must be paid according to this chapter and of the plan document.

Subd. 5. INDIVIDUAL RETIREMENT ACCOUNT PLAN ADMINISTRATIVE EXPENSES. (a) The reasonable and necessary administrative expenses of the individual retirement account plan must be paid by plan participants in the following manner:

(1) from plan participants with amounts invested in the Minnesota supplemental investment fund, the plan administrator may charge an administrative expense assessment as provided in section 11A.17, subdivisions 10a and 14; and

(2) from plan participants with amounts through annuity contracts and custodial accounts purchased under subdivision 2, paragraph (a), the plan administrator may charge an administrative expense assessment of a designated amount, not to exceed two percent of member and employer contributions, as those contributions are made.

(b) Any administrative expense charge that is not actually needed for the administrative expenses of the individual retirement account plan must be refunded to member accounts.

Sec. 14. [354B.26] DEFERRED ANNUITY ENTITLEMENT FOR CERTAIN FORMER TRA MEMBERS.

Notwithstanding any provision of chapter 354 to the contrary, a person covered by this chapter who had less than three years of prior allowable service credit in the teachers retirement association is entitled to a deferred annuity and augmentation under section 354.55, subdivision 11.

Sec. 15. [354B.30] PROHIBITION ON LOANS OR PRETERMINATION DISTRIBUTIONS.

(a) No participant may obtain a loan from the plan or obtain any distribution from the plan at a time before the participant terminates the employment that gave rise to plan coverage.

(b) No amounts to the credit of the plan are assignable either in law or in equity, are subject to state estate tax, or are subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.611.

Sec. 16. [354C.10] ESTABLISHMENT.

A supplemental retirement plan is established for certain employees of the higher education board. The supplemental retirement plan is the continuation of the plan established by Laws 1967, chapter 808, sections 1 to 6, as amended.

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Sec. 17. **[354C.11] COVERAGE.**

Personnel employed by the higher education board who are in the unclassified service of the state, and who have completed at least two years of employment by the board or a predecessor board with a full-time contract are participants in the supplemental retirement plan, effective on the next following July 1, if the person is employed in an eligible unclassified administrative position as defined in section 354B.20, subdivision 6, or is employed in an employment classification included in one of the following collective bargaining units under section 179A.10, subdivision 2:

- (1) the state university instructional unit;
- (2) the community college instructional unit;
- (3) the technical college instructional unit; and
- (4) the state university administrative unit.

Sec. 18. **[354C.12] SALARY DEDUCTIONS AND MATCHING EMPLOYER CONTRIBUTIONS.**

Subdivision 1. BASIC CONTRIBUTIONS AND DEDUCTIONS. (a) The employer of personnel covered by the supplemental retirement plan as provided in section 354C.11 shall deduct a sum equal to five percent of the annual salary of the person between \$6,000 and \$15,000.

(b) The basic contribution deduction must be made in the same manner as other retirement deductions are made from the salary of the person under section 352.04, subdivision 4; 352D.04, subdivision 2; 354.42, subdivision 2; or 354A.12, whichever applies.

(c) The employer shall also make a contribution to the supplemental retirement plan on behalf of covered personnel equal to the salary deduction made under paragraph (a).

Subd. 2. OMITTED DEDUCTIONS. If the employer of personnel covered by the supplemental retirement plan as provided in section 354C.11 fails to deduct the member basic contribution from the covered employee's salary and a period of less than 60 days from the date on which the deduction should have been made has elapsed, the employer must obtain the omitted member deduction by an additional payroll deduction during the pay period next following the discovery of the omission. If the employer fails to deduct the member basic contribution from the covered employee's salary and that omission continues for at least 60 days from the date on which the member basic contribution deduction should have been made, the employer must pay the amount representing the omitted member basic contribution, and the full required omitted employer basic contribution, plus compound interest at an annual rate of 8.5 percent. The contributions must be made within one year of the date on which the omission was discovered.

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Subd. 3. ADDITIONAL DEDUCTIONS AND CONTRIBUTIONS. If an agreement is made under section 356.24 for an additional employee deduction and an additional matching employer contribution, an amount equal to the additional employee contribution must be deducted from the employee's salary above \$15,000. The employer must match the additional employee contribution deduction.

Subd. 4. ADMINISTRATIVE EXPENSES. The higher education board is authorized to pay the necessary and reasonable administrative expenses of the supplemental retirement plan. The administrative fees or charges must be paid by participants in the following manner:

(1) from participants whose contributions are invested with the state board of investment, the plan administrator may recover administrative expenses in the manner provided by section 11A.17, subdivisions 10a and 14; or

(2) from participants where contributions are invested through contracts purchased from any other authorized source, the plan administrator may assess an amount of up to two percent of the employee and employer contributions.

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

Sec. 19. [354C.13] ADMINISTRATION.

The higher education board shall administer the supplemental retirement plan.

Sec. 20. [354C.14] INVESTMENT OF DEDUCTIONS AND CONTRIBUTIONS.

(a) The higher education board shall invest the deductions and contributions under section 354C.12, after deduction of administrative expenses under section 354C.12, subdivision 4, in annuity contracts or custodial accounts from financial institutions selected by the state board of investment under section 354B.25, subdivision 3.

(b) The retirement contributions and death benefits provided by annuity contracts or custodial accounts purchased by the higher education board are owned by the supplemental retirement plan and must be paid in accordance with those annuity contracts or custodial account agreements.

Sec. 21. [354C.15] REDEMPTION OF SUPPLEMENTAL INVESTMENT FUND SHARES.

(a) The higher education board shall redeem all shares in the accounts of the Minnesota supplemental investment fund held on behalf of personnel covered by the supplemental retirement plan upon the election by the person of an investment option other than the supplemental investment fund, except as provided in paragraph (b).

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

(b) The redemption of shares in the fixed interest account attributable to a guaranteed investment contract as of July 1, 1994, may not occur until the expiration date of the applicable guaranteed investment contract.

(c) The higher education board shall transfer the cash realized from a redemption of Minnesota supplemental investment fund shares to the financial institution or institutions selected by the state board of investment under section 354B.25, subdivision 3.

Sec. 22. [354C.16] PAYMENT OF BENEFITS.

(a) The withdrawal of member contributions, employer contributions, and accrued investment income, or a retirement benefit based on those amounts is payable immediately upon the death or termination of employment of the employee.

(b) An application by the employee or made on behalf of the employee by an appropriate third party must be filed before any payment of benefits may occur.

Sec. 23. [354C.165] PROHIBITION ON LOANS OR PRETERMINATION DISTRIBUTIONS.

(a) No participant may obtain a loan from the plan or obtain any distribution from the plan at a time before the participant terminates the employment that gave rise to plan coverage.

(b) No amounts to the credit of the plan are assignable either in law or in equity, are subject to state estate tax, or are subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.611.

Sec. 24. [354C.17] TAX SHELTER PROVISIONS.

Subdivision 1. AGREEMENTS; SALARY ADJUSTMENTS. For the purpose of permitting participation in a tax shelter for employment income under the applicable pension provisions of the Internal Revenue Code, the higher education board may enter into agreements with its employees to reduce or to adjust downward the salaries for persons covered by the supplemental retirement plan under section 354C.11, and to pay as the employer an amount equivalent to the salary reduction or the salary downward adjustment in the same manner as deductions would have been paid by the employee under section 354C.12, subdivision 1.

Subd. 2. RULES. The higher education board may adopt rules and procedures consistent with this chapter to permit, if possible, participation in a tax shelter under the applicable provisions of the Internal Revenue Code.

Sec. 25. [354C.18] RULES.

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

(a) The higher education board may adopt rules to administer this chapter.

(b) The higher education board may deposit member contributions in a nontreasury account established under chapter 136, an account or accounts established under section 11A.17, or other appropriate accounts operated by the state board of investment for investment under procedures established by the state board of investment.

Sec. 26. NO EFFECT ON CURRENT COVERAGE AND PRIOR SERVICE CREDIT AND CONTRIBUTIONS.

(a) Nothing in sections 7 to 17 is intended to remove any current participant in the individual retirement account plan from future coverage by that plan for continued employment in the same employment position or to add any person to individual retirement account plan coverage or eligibility who was not eligible for that coverage under the laws in effect before July 1, 1995.

(b) Nothing in sections 7 to 17 may be construed to disqualify any period of employment covered by the individual retirement account plan or to disqualify any contributions to the credit of participants in the individual retirement account plan as reflected in plan records as of June 30, 1995.

Sec. 27. NO EFFECT ON CURRENT COVERAGE AND PRIOR SERVICE CREDIT AND CONTRIBUTIONS.

(a) Nothing in this recodification article is intended to affect the eligibility for coverage or the coverage by the supplemental retirement plan of any person covered by that plan on June 30, 1995.

(b) Nothing in this recodification article may be construed to disqualify any contributions to the credit of any person covered by the supplemental retirement plan as reflected in plan records as of June 30, 1995.

Sec. 28. EFFECT OF UNCLASSIFIED PROGRAM COVERAGE CHANGE.

The change in eligibility for retirement coverage by the unclassified employees retirement program of the Minnesota state retirement system provided for in sections 2, 9, subdivision 3; and 31, paragraph (d) may not be interpreted to disqualify from future retirement coverage by the unclassified employees retirement program any person who is a member of the unclassified employees retirement program on the date of enactment and may not be interpreted to disqualify from eligibility to elect future retirement coverage by the unclassified employees retirement program any person who was employed in state service any time before the date of enactment and who subsequently is employed in an eligible unclassified administrative position under section 8, subdivision 6.

Sec. 29. INSTRUCTION TO REVISOR.

In Minnesota Statutes 1995 Supplement and subsequent editions, the revi-

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sor of statutes shall correct any references to any provision of Minnesota Statutes, chapter 136E, in this article, replacing the incorrect reference with the appropriate reference.

Sec. 30. INSTRUCTION TO REVISOR.

In Minnesota Statutes 1995 Supplement and subsequent editions, the revisor of statutes shall renumber as chapter 354D the professional and supervisory employee individual retirement account law that is currently coded as chapter 354C and shall appropriately revise any statutory cross-references in light of that recoding.

Sec. 31. REPEALER.

(a) Minnesota Statutes 1994, sections 354B.01; 354B.015; 354B.02; 354B.035; 354B.04; 354B.045; 354B.05; and 354B.15, are repealed.

(b) Laws 1990, chapter 570, article 3, sections 10 and 11, as amended by Laws 1992, chapter 420, section 1, and Laws 1993, chapter 239, article 2, section 7; Laws 1993, chapters 192, section 89, and 239, article 5, section 2; and Laws 1994, chapters 508, article 1, section 14; and 572, sections 11 and 12, are repealed.

(c) Minnesota Statutes 1994, sections 354B.06; 354B.07; 354B.08; 354B.085; and 354B.09, are repealed.

(d) Minnesota Statutes 1994, section 352D.02, subdivision 1a, is repealed.

Sec. 32. EFFECTIVE DATE.

Sections 1 to 31 are effective on July 1, 1995.

Presented to the governor May 8, 1995

Signed by the governor May 10, 1995, 10:17 a.m.

CHAPTER 142—H.F.No. 927

An act relating to domestic abuse; eliminating hearing requirements in certain cases; providing for notices; amending Minnesota Statutes 1994, sections 13.99, by adding a subdivision; and 518B.01, subdivisions 4, 5, 7, and by adding a subdivision.

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

Section 1. Minnesota Statutes 1994, section 13.99, is amended by adding a subdivision to read:

Subd. 101c. DOMESTIC ABUSE PETITIONER'S RESIDENCE. Court

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