

CHAPTER 262—H.F.No. 1040

An act relating to retirement; providing various benefit increases and related modifications; requiring collateralization and investment authority statement; amending Minnesota Statutes 1994, sections 3A.02, subdivision 5; 352.01, subdivision 13; 352B.02, subdivision 1a; 352B.08, subdivision 2; 352B.10, subdivision 1; 353.65, subdivision 7; 353.651, subdivision 4; 353A.083; 354.445; 354.66, subdivision 4; 354A.094, subdivision 4; 354A.12, subdivision 1; 354A.27, subdivision 1, and by adding subdivisions; 354A.31, subdivision 4, and by adding subdivisions; 354B.05, subdivisions 2 and 3; 354B.07, subdivisions 1 and 2; 354B.08, subdivision 2; 356.219, subdivision 2; 356.30, subdivision 1; 356.611; 356.865, subdivision 3; 356A.06, by adding subdivisions; 422A.05, by adding a subdivision; and 422A.09, subdivision 2; Laws 1994, chapter 499, section 2; proposing coding for new law in Minnesota Statutes, chapters 125; 354A; and 356; proposing coding for new law as Minnesota Statutes, chapter 136F; repealing Minnesota Statutes 1994, sections 3A.10, subdivision 2; 352.021, subdivision 5; 354A.27, subdivisions 2, 3, and 4; and 423B.02; Laws 1969, chapter 1088; Laws 1971, chapters 114 and 127, section 1, as amended; Laws 1978, chapters 562, section 32, and 753; Laws 1979, chapters 97 and 201, section 27; and Laws 1981, chapter 224, sections 250 and 254.

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

ARTICLE 1**STATEWIDE GENERAL EMPLOYEE PENSION PLAN
BENEFIT AND RELATED MODIFICATIONS****Section 1. [125.615] RETURN TO FULL-TIME WORK.**

A teacher with 20 or more years of allowable service credit under chapter 354 or 354A who was assigned to a part-time position under section 354.66 or 354A.094 after June 30, 1994, must be given the option of returning to full-time employment if the employer does not make the full employer contribution to the applicable pension fund under section 354.66, subdivision 4, or 354A.094, subdivision 4, after July 1, 1995. If an employer decides not to make the full employer contribution to the pension fund after July 1, 1995, it must notify any affected part-time teacher of this decision in writing within 30 days of the employer's decision. A teacher receiving this notice who wishes to return to work full time must notify the employer of intent to return to full-time employment within 30 days of receiving notice from the employer, and must return to full-time employment by the beginning of the next school year.

Sec. 2. [136F.45] EMPLOYER-PAID HEALTH INSURANCE.

(a) This section applies to a person who:

(1) retires from the state university system, the technical college system, or the community college system, or from a successor system employing state uni-

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versity, technical college, or community college faculty, with at least ten years of combined service credit in a system under the jurisdiction of the higher education board;

(2) was employed on a full-time basis immediately preceding retirement as a state university, technical college, or community college faculty member or as an unclassified administrator in one of those systems;

(3) begins drawing an annuity from the teachers retirement association or from a first class city teacher plan; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employer and the employee. The employer may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The employer shall determine the time of year the employee shall work.

(c) For a person eligible under paragraphs (a) and (b), the employing board shall make the same employer contribution for hospital, medical, and dental benefits as would be made if the person were employed full time.

(d) For work under paragraph (a), a person must receive a percentage of the person's salary at the time of retirement that is equal to the percentage of time the person works compared to full-time work.

(e) If a collective bargaining agreement covering a person provides for an early retirement incentive that is based on age, the incentive provided to the person must be based on the person's age at the time employment under this section ends. However, the salary used to determine the amount of the incentive must be the salary that would have been paid if the person had been employed full time for the year immediately preceding the time employment under this section ends.

Sec. 3. Minnesota Statutes 1994, section 352.01, subdivision 13, is amended to read:

Subd. 13. **SALARY.** "Salary" means the periodical wages, or other periodic compensation, paid to any an employee before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs. It also means wages and includes net income from fees. Lump sum sick leave payments, severance payments, lump sum annual leave payments and overtime payments made at the time of separation from state service, payments in lieu of any employer-paid group insurance coverage, including the difference

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between single and family rates that may be paid to an employee with single coverage, and payments made as an employer-paid fringe benefit ~~and~~ workers' compensation payments, employer contributions to a deferred compensation or tax sheltered annuity program, and amounts contributed under a benevolent vacation and sick leave donation program are not salary.

Sec. 4. Minnesota Statutes 1994, section 354.445, is amended to read:

354.445 NO ANNUITY REDUCTION.

(a) The annuity reduction provisions of section 354.44, subdivision 5, do not apply to a person who:

(1) retires from the state university system, technical college system, or the community college system, or from a successor system employing state university, technical college, or community college faculty, with at least ten years of combined service credit in the ~~system from which the person retires~~ a system under the jurisdiction of the higher education board;

(2) was employed on a full-time basis immediately preceding retirement as a state university, technical college, or community college faculty member or as an unclassified administrator in one of these systems;

(3) begins drawing an annuity from the teachers retirement association; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employer and the employee. The employer may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The employer shall determine the time of year the employee shall work.

(c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a) and (b) may not earn further service credit in the teachers retirement association and is not eligible to participate in the individual retirement account plan or the supplemental retirement plan established in chapter 354B as a result of service under this section. No employer or employee contribution to any of these plans may be made on behalf of such a person.

(d) For a person eligible under paragraphs (a) and (b) who earns more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired, the annuity reduction provisions of section 354.44, subdivision 5, apply only to income over \$35,000.

Sec. 5. Minnesota Statutes 1994, section 354.66, subdivision 4, is amended to read:

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Subd. 4. **RETIREMENT CONTRIBUTIONS.** Notwithstanding any provision to the contrary in this chapter relating to the salary figure to be used for the determination of contributions or the accrual of service credit, a teacher assigned to a part-time position under this section shall continue to make employee contributions to and to accrue allowable service credit in the retirement fund during the period of part-time employment on the same basis and in the same amounts as would have been paid and accrued if the teacher had been employed on a full-time basis provided that, prior to June 30 each year, or within 30 days after notification by the association of the amount due, whichever is later, the member and the employing board make that portion of the required employer contribution to the retirement fund, in any proportion which they may agree upon, that is based on the difference between the amount of compensation that would have been paid if the teacher had been employed on a full-time basis and the amount of compensation actually received by the teacher for the services rendered in the part-time assignment. The employing unit shall make that portion of the required employer contributions to the retirement fund on behalf of the teacher that is based on the amount of compensation actually received by the teacher for the services rendered in the part-time assignment in the manner described in section 354.43, subdivision 3. ~~If the teacher has 20 years or more of allowable service in the fund or 20 years or more of full-time teaching service, the employer shall make the full employer contribution to the fund based on the compensation that would have been paid if the teacher had been employed on a full-time basis.~~ The employee and employer contributions shall be based upon the rates of contribution prescribed by section 354.42. Full accrual of allowable service credit and employee contributions for part-time teaching service pursuant to this section and section 354A.094 shall not continue for a period longer than ten years.

Sec. 6. Minnesota Statutes 1994, section 354A.094, subdivision 4, is amended to read:

Subd. 4. **RETIREMENT CONTRIBUTIONS.** Notwithstanding any provision to the contrary in this chapter or the articles of incorporation or bylaws of an association relating to the salary figure to be used for the determination of contributions or the accrual of service credit, a teacher assigned to a part-time position under this section shall continue to make employee contributions to and to accrue allowable service credit in the applicable association during the period of part-time employment on the same basis and in the same amounts as would have been paid and accrued if the teacher had been employed on a full-time basis provided that, prior to June 30 each year the member and the employing board make that portion of the required employer contribution to the applicable association in any proportion which they may agree upon, that is based on the difference between the amount of compensation that would have been paid if the teacher had been employed on a full-time basis and the amount of compensation actually received by the teacher for services rendered in the part-time assignment. The employer contributions to the applicable association on behalf of the teacher shall be based on the amount of compensation actually received by the teacher for the services rendered in the part-time assignment in

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the manner described in section 354.43, subdivision 3. ~~If the teacher has 20 years or more of allowable service in the association or 20 years or more of full-time teaching service, the employer shall make the full employer contribution to the fund, based on the compensation that would have been paid if the teacher had been employed on a full-time basis.~~ The employee and employer contributions shall be based upon the rates of contribution prescribed by section 354A.12. Full membership, accrual of allowable service credit and employee contributions for part-time teaching service by a teacher pursuant to this section and section 354.66 shall not continue for a period longer than ten years.

Sec. 7. Minnesota Statutes 1994, section 354A.31, is amended by adding a subdivision to read:

Subd. 3a. NO ANNUITY REDUCTION. (a) The annuity reduction provisions of subdivision 3 do not apply to a person who:

(1) retires from the technical college system with at least ten years of service credit in the system from which the person retires;

(2) was employed on a full-time basis immediately preceding retirement as a technical college faculty member;

(3) begins drawing an annuity from a first class city teachers retirement association; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the technical college system under an agreement in which the person may not earn a salary of more than \$35,000 in a calendar year from the technical college system.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employer and the employee. The employer may require up to a one-year notice of intent to participate in the program as a condition of participation under this section. The employer shall determine the time of year the employee shall work.

(c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a) and (b) may not earn further service credit in a first class city teachers retirement association and is not eligible to participate in the individual retirement account plan or the supplemental retirement plan established in chapter 354B as a result of service under this section. No employer or employee contribution to any of these plans may be made on behalf of such a person.

Sec. 8. Minnesota Statutes 1994, section 354B.05, subdivision 2, is amended to read:

Subd. 2. **PURCHASE OF CONTRACTS.** ~~The state university board and the community college higher education board shall arrange for the purchase of annuity contracts, fixed, variable, or a combination of fixed and variable, or custodial accounts from financial institutions selected by the state board of invest-~~

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ment under subdivision 3, to provide retirement benefits to members of the plan. The contracts or accounts must be purchased with contributions under section 354B.04 or money or assets otherwise provided by law or by authority of the ~~state university board or community college~~ higher education board and acceptable by the financial institutions from which the contracts or accounts are purchased.

Sec. 9. Minnesota Statutes 1994, section 354B.05, subdivision 3, is amended to read:

Subd. 3. **SELECTION OF FINANCIAL INSTITUTIONS.** The supplemental investment fund administered by the state board of investment is one of the investment options for the plan. The state board of investment may select up to five other financial institutions to provide annuity products. In making their selections, the board shall consider at least these criteria:

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

The state board of investment must periodically review at least every three years each financial institution selected by the state board of investment. The state board of investment may retain consulting services to assist in the periodic review, may establish a budget for its costs in the periodic review process, and may charge a proportional share of those costs to each financial institution selected by the state board of investment. All contracts must be approved by the state board of investment before execution by the ~~state university board and the community college~~ higher education board. The state board of investment shall also establish policies and procedures under section 11A.04, clause (2), to carry out this subdivision.

The chancellor of the ~~state university system and the chancellor of the state community college~~ higher education system shall redeem all shares in the accounts of the Minnesota supplemental investment fund held on behalf of personnel in the supplemental plan who elect an investment option other than the supplemental investment fund, except that shares in the fixed interest account attributable to any guaranteed investment contract as of July 1, 1994, must not be redeemed until the expiration dates for the guaranteed investment contracts. The ~~chancellors~~ chancellor shall transfer the cash realized to the financial institutions selected by the ~~state university board and the community college~~ board under this section ~~354B.05~~.

Sec. 10. Minnesota Statutes 1994, section 354B.07, subdivision 1, is amended to read:

Subdivision 1. **ESTABLISHMENT AND ELIGIBILITY.** (a) **REGULAR**

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UNCLASSIFIED EMPLOYEES. The supplemental retirement plan for personnel employed by the state university board, the state board for community colleges, the higher education board, and ~~effective July 1, 1995,~~ the technical colleges, who are in the unclassified service of the state commencing July 1 following the completion of the second year of their full-time contract is governed by this section. Once a person qualifies for participation in the supplemental plan, all subsequent service by the person as an unclassified employee of the state university board, the state board for community colleges, the higher education board, or the technical colleges is covered by the supplemental plan.

(b) **CETA UNCLASSIFIED EMPLOYEES.** An unclassified employee employed by the state university board or the state board for community colleges in subsidized on-the-job training, work experience, or public service employment as an enrollee under the federal Comprehensive Employment and Training Act is not included in the supplemental retirement plan provided for in this section after March 30, 1978, unless the unclassified employee has as of the later of March 30, 1978, or the date of employment sufficient service credit in the retirement fund providing primary retirement coverage to meet the minimum vesting requirements for a deferred retirement annuity, or the board agrees in writing to make the employer contribution required by this section on account of that unclassified employee from revenue sources other than funds provided under the federal Comprehensive Employment and Training Act, or the unclassified employee agrees in writing to make the employer contribution required by this section in addition to the member contribution.

Sec. 11. Minnesota Statutes 1994, section 354B.07, subdivision 2, is amended to read:

Subd. 2. **REDEMPTIONS.** The chancellor of the ~~state university system and the chancellor of the state community college~~ higher education system shall redeem all shares in the accounts of the Minnesota supplemental investment fund held on behalf of personnel in the supplemental plan who elect an investment option other than the supplemental investment fund, except that shares in the fixed interest account attributable to any guaranteed investment contract as of July 1, 1994, may not be redeemed until the expiration dates for the guaranteed investment contracts. The ~~chancellors~~ chancellor shall transfer the cash realized to the financial institutions selected by the ~~state university board and the community college~~ board under section 354B.05.

Sec. 12. Minnesota Statutes 1994, section 354B.08, subdivision 2, is amended to read:

Subd. 2. **ADMINISTRATION.** (a) The chancellor of the ~~state university system and the chancellor of the state community college~~ higher education system shall administer the supplemental retirement plan for their employees. The ~~chancellors~~ chancellor shall invest contributions made under this section, less amounts used for administrative expenses, as authorized by law. The retirement contributions and death benefits provided by annuity contracts or custodial

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accounts purchased by the ~~chancellors~~ chancellor are owned by the plan and must be paid in accordance with the annuity contracts or custodial accounts.

(b) Effective July 1, 1995, administration of the plan must transfer to the higher education board.

Sec. 13. Minnesota Statutes 1994, section 356.30, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

(g) For the purpose of computing annuities under this section the formula percentages used by any covered fund, except the basic program of the teachers retirement association, the public employees police and fire fund, must not exceed 2-1/2 percent per year of service for any year of service or fraction thereof. The formula percentage used by the public employees police and fire fund must not exceed 2.65 percent per year of service for any year of service or fraction thereof. The formula percentage used by the teachers retirement association must not exceed 2.63 percent per year of basic program service for any year of basic program service or fraction thereof.

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

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

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

Sec. 14. [356.306] PARTIAL PAYMENT OF PENSION PLAN REFUND.

(a) Notwithstanding any provision of law to the contrary, a member of a pension plan listed in section 356.30, subdivision 3, with at least two years of forfeited service taken from a single pension plan may repay a portion of all refunds. A partial refund repayment must comply with this section.

(b) The minimum portion of a refund repayment is one-third of the total service credit period of all refunds taken from a single plan.

(c) The cost of the partial refund repayment is the product of the cost of the total repayment multiplied by the ratio of the restored service credit to the total forfeited service credit. The total repayment amount includes interest at the annual rate of 8.5 percent, compounded annually, from the refund date to the date repayment is received.

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(d) The restored service credit is allocated based on the relationship the restored service bears to the total service credit period for all refunds taken from a single pension plan.

(e) This section does not authorize a public pension plan member to repay a refund if the law governing the plan does not authorize the repayment of a refund of member contributions.

Sec. 15. Minnesota Statutes 1994, section 356.611, is amended to read:

356.611 LIMITATION ON PUBLIC EMPLOYEE SALARIES FOR PENSION PURPOSES.

Subdivision 1. STATE SALARY LIMITATIONS. (a) Notwithstanding any provision of law, bylaws, articles of incorporation, retirement and disability allowance plan agreements, or retirement plan contracts to the contrary, the covered salary for pension purposes for a plan participant of a covered retirement fund under section 356.30, subdivision 3, may not exceed 95 percent of the salary established for the governor under section 15A.082 at the time the person received the salary.

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

(1) to the governor;

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

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

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

Subd. 2. FEDERAL COMPENSATION LIMITS. For members first contributing to a pension plan covered under section 356.30, subdivision 3, on or after July 1, 1995, compensation in excess of the limitation set forth in Internal Revenue Code 401(a)(17) shall not be included for contribution and benefit computation purposes. The compensation limit set forth in Internal Revenue Code 401(a)(17) on June 30, 1993, shall apply to members first contributing before July 1, 1995.

Sec. 16. RETROACTIVE PROVISIONS.

(a) A teacher who had at least three years of allowable service credit under Minnesota Statutes, chapter 354 or 354A, on July 1, 1994, and who worked part-time between July 1, 1994, and June 30, 1995, may be allowed to make

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contributions to and accrue allowable service credit in the applicable retirement fund, as if the teacher had been working full time, as provided in Minnesota Statutes, sections 354.66, subdivision 4, and 354A.094, subdivision 4, for service after July 1, 1994, and before June 30, 1995. If a teacher described in this paragraph wishes to obtain allowable service credit as if the teacher had been working full time for the period from July 1, 1994, to June 30, 1995, the teacher must:

(1) make a lump sum payment to the applicable pension fund within 60 days after the effective date of this section of the difference between the amount of the employer and employee contributions to the pension fund that would have been paid if the teacher had been working full time, and that amount that was actually paid for part-time service during that period; and

(2) submit to the association a letter or other document from the board of the teacher's employing district stating that the board would have agreed to the teacher's participation in the part-time mobility program during the 1994-1995 school year but for the requirement then in effect that the district make the full employer contribution to the retirement fund for teachers with 20 or more years of service, based on the compensation that would have been paid if the teacher had been employed on a full-time basis.

(b) An employer of a teacher covered by paragraph (a) must notify the teacher of the option available under paragraph (a) in writing within 30 days of the effective date of this section.

Sec. 17. EARLY RETIREMENT INCENTIVE.

The metropolitan council or the Minnesota historical society may offer its eligible employees the early retirement incentive provided in sections 17 to 25.

Sec. 18. ELIGIBILITY.

An employee of a public employer specified in section 17 is eligible to receive the early retirement incentive if the employee:

(1) has at least 25 years of combined service credit in any covered fund or funds listed in Minnesota Statutes, section 356.30, subdivision 3, or for purposes of the incentive in section 19, subdivision 2 only, is at least 65 years old and has at least one year of combined service credit in these covered funds;

(2) upon retirement is immediately eligible for a retirement annuity from a defined benefit plan, if the person is a member of a defined benefit plan;

(3) is at least 55 years of age; and

(4) retires on or after May 23, 1995, and before January 31, 1996.

Sec. 19. EARLY RETIREMENT INCENTIVE.

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Subdivision 1. CHOICE. An eligible employee may not choose both the incentive in subdivision 2 and the incentive in subdivision 3. The public employers specified in section 17 that choose to offer the early retirement incentive must offer included employees eligible for both incentives a choice between the incentive in subdivision 2 or 3.

Subd. 2. FORMULA INCREASE OPTION. For an employee covered by a retirement plan established in Minnesota Statutes, section 352.115, 352.116, 353.29, or 353.30, or chapter 354 or 422A, who selects the incentive under this subdivision, the multiplier percentage used to calculate the retirement annuity must be increased for each year of service credit up to 30 years. The amount of the increase is:

(1) .25 for each year of service credit calculated under Minnesota Statutes, section 352.115, 352.116, 353.29, or 353.30, or chapter 422A; and

(2) .10 for each year of service credit calculated under Minnesota Statutes, chapter 354 or 354A.

If an employee has more than 30 years of service credit, the increased multiplier applies only to the first 30 years.

Subd. 3. INSURANCE OPTION. For an employee who selects the incentive under this subdivision, the employer must pay for hospital, medical, and dental insurance under the following conditions and limitations. An employee is eligible for this employer-paid insurance only if the person:

(1) is eligible for employer-paid insurance under a collective bargaining agreement or personnel plan in effect on the day before the effective date of sections 17 to 25;

(2) has at least as many months of service with the current employer as the number of months younger than age 65 the person is at the time of retirement; and

(3) is under age 65.

Sec. 20. LIMIT ON REHIRING.

A public employer may not rehire an employee who retires under sections 17 to 25.

Sec. 21. RETIREMENT.

For purposes of sections 17 to 25, an employee retires when the employee terminates active employment and applies for retirement benefits.

Sec. 22. CONDITIONS; INSURANCE COVERAGE.

A retired employee is eligible for single and dependent insurance coverages and employer payments to which the employee was entitled immediately before

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retirement, subject to any changes in coverage and employer and employee payments through collective bargaining or personnel plans for employees in positions equivalent to the position from which the employee retired. The retired employee is not eligible for employer-paid life insurance. Eligibility ceases when the retired employee attains the age of 65, chooses not to receive the retirement benefits for which the employee has applied, or becomes eligible for employer-paid health insurance from a new employer. Coverages must be coordinated with relevant health insurance benefits provided through the federally sponsored Medicare program.

Sec. 23. INCLUSION.

A public employer that offers incentives under sections 17 to 25 shall designate the positions or group of positions affected by downsizing or restructuring that will qualify for participation in its early retirement plan and may exclude otherwise eligible employees.

Sec. 24. PAYMENT OF COST OF EARLY RETIREMENT INCENTIVE.

(a) A public employer referenced in section 17 which offers an early retirement incentive under section 19 must make an additional employer contribution to the applicable retirement plan from which an employee retired under the incentive program.

(b) The additional employer contribution is an amount equal to the difference in the amount of the reserve transfer under Minnesota Statutes, section 11A.18, or 422A.06, subdivision 8, with the early retirement incentive under section 19, subdivision 2, and without the early retirement incentive. The additional employer contribution must be paid prior to July 1, 1997. The public employer shall also pay compound interest on the additional employer contribution at an annual rate of 8.5 percent from the effective date of the retirement to the date of the payment of the additional employer contribution.

Sec. 25. APPLICATION OF OTHER LAWS.

Unilateral implementation of sections 17 to 25 by a public employer is not an unfair labor practice for purposes of Minnesota Statutes, chapter 179A. The requirement in sections 17 to 25 for an employer to pay health insurance coverage costs for certain retired employees is not subject to the limits in Minnesota Statutes, section 179A.20, subdivision 2a.

Sec. 26. REPEALER.

Minnesota Statutes 1994, sections 3A.10, subdivision 2; and 352.021, subdivision 5, are repealed.

Sec. 27. EFFECTIVE DATE.

(a) Sections 1, 10, and 15 are effective on July 1, 1995.

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(b) Sections 3 and 16 are effective on the day following final enactment.

(c) Sections 5, 6, and 7 are effective on July 1, 1995 and apply to teaching service rendered after that date.

(d) Section 13 is effective retroactively to May 16, 1994.

(e) Sections 17 to 25 are effective on the day after final enactment.

(f) Section 26 is effective on July 1, 1995 and is not intended to reduce the service credit of a legislator for service recorded by the Minnesota state retirement system before July 1, 1995.

(g) Section 14 is effective on January 1, 1996.

ARTICLE 2

LOCAL GENERAL EMPLOYEE PENSION PLAN
BENEFIT AND RELATED MODIFICATIONS

Section 1. [354A.026] DULUTH TEACHERS RETIREMENT FUND ASSOCIATION; EXCEPTION TO CERTAIN ACTUARIAL VALUATION PROVISIONS.

Notwithstanding any provision of section 356.215, subdivision 4g, to the contrary, the amortization target date for use in determining the amortization contribution requirement in any actuarial valuation of the Duluth teachers retirement fund association after the date of enactment must be June 30, 2020.

Sec. 2. Minnesota Statutes 1994, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. **EMPLOYEE CONTRIBUTIONS.** The contribution required to be paid by each member of a teachers retirement fund association shall not be less than the percentage of total salary specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth teachers retirement association	
old law and new law coordinated programs	4.5 5.5 percent
Minneapolis teachers retirement association	
basic program	8.5 percent
coordinated program	4.5 percent

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St. Paul teachers retirement
association

basic program	8 percent
coordinated program	4.5 percent

Contributions shall be made by deduction from salary and must be remitted directly to the respective teachers retirement fund association at least once each month.

Sec. 3. Minnesota Statutes 1994, section 354A.27, subdivision 1, is amended to read:

Subdivision 1. ELIGIBILITY POSTRETIREMENT ADJUSTMENT MODIFICATION. A person receiving a retirement annuity, disability benefit, or surviving spouse benefit or annuity from the Duluth teachers retirement fund association who has received the annuity or benefit for at least one year may be entitled to receive a lump sum postretirement adjustment under subdivision 2, in the discretion of the board of trustees under subdivision 3. Any postretirement adjustment payable from the Duluth teachers retirement fund association must be computed and paid according to this section.

Sec. 4. Minnesota Statutes 1994, section 354A.27, is amended by adding a subdivision to read:

Subd. 5. CALCULATION OF POSTRETIREMENT ADJUSTMENTS.
(a) Annually, after June 30, the board of trustees determines the amount of any postretirement adjustment using the procedures in this subdivision and subdivision 6.

(b) Each person who has been receiving an annuity or benefit under the articles of incorporation, bylaws, or under this section for at least 12 months as of the date of the postretirement adjustment shall be eligible for a postretirement adjustment. The postretirement adjustment shall be payable each January 1. The postretirement adjustment shall be equal to two percent of the annuity or benefit to which the person is entitled one month prior to the payment of the postretirement adjustment.

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

Subd. 6. ADDITIONAL INCREASE. (a) In addition to the postretirement increases granted under subdivision 5, an additional percentage increase must be computed and paid under this subdivision.

(b) The board of trustees shall determine the number of annuitants or benefit recipients who have been receiving an annuity or benefit for at least 12 months as of the current June 30. These recipients are entitled to receive the surplus investment earnings additional postretirement increase.

(c) Annually, as of each June 30, the board shall determine the five-year

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

annualized rate of return attributable to the assets of the Duluth teachers retirement fund association under the formula or formulas specified in section 11A.04, clause (11).

(d) The board shall determine the amount of excess five-year annualized rate of return over the preretirement interest assumption as specified in section 356.215.

(e) The additional percentage increase must be determined by multiplying the quantity one minus the rate of contribution deficiency, as specified in the most recent actuarial report of the actuary retained by the legislative commission on pensions and retirement, times the rate of return excess as determined in paragraph (d).

(f) The additional increase is payable to all eligible annuitants or benefit recipients on the following January 1.

Sec. 6. Minnesota Statutes 1994, section 354A.31, subdivision 4, is amended to read:

Subd. 4. COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; MINNEAPOLIS AND ST. PAUL FUNDS. (a) This subdivision applies to the coordinated programs of the Minneapolis teachers retirement fund association and the St. Paul teachers retirement fund association.

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

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph ~~(e)~~ (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph ~~(e)~~ (d) will apply. The retirement annuity formula percentage for purposes of this paragraph is one percent per year for each year of coordinated service for the first ten years and 1.5 percent for each year of coordinated service thereafter.

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

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

Sec. 7. Minnesota Statutes 1994, section 354A.31, is amended by adding a subdivision to read:

Subd. 4a. COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; DULUTH FUND. (a) This subdivision applies to the new law coordinated program of the Duluth teachers retirement fund association.

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

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is 1.13 percent per year for each year of coordinated service for the first ten years and 1.63 percent for each subsequent year of coordinated service.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is 1.63 percent for each year of coordinated service.

Sec. 8. Minnesota Statutes 1994, section 356.865, subdivision 3, is amended to read:

Subd. 3. COST. The cost of the payments made under this section is the responsibility of the state. ~~The annual amortization amount must~~ For state fiscal years 1992 to 2001 inclusive, there is appropriated annually \$550,000 from the general fund to the commissioner of finance to be added, in quarterly installments, to the annual state contribution amount determined under section 422A.101, subdivision 3; effective July 1, 1994.

Sec. 9. Minnesota Statutes 1994, section 422A.05, is amended by adding a subdivision to read:

Subd. 8. HEALTH INSURANCE. The retirement board may authorize the executive director or the executive director's designee to:

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

(1) offer the beneficiaries of the fund the option of having their health insurance premiums deducted automatically from their monthly benefit amounts and paid to a designated insurer; and

(2) provide beneficiaries information about available group health insurance plan options.

Beneficiaries who elect to avail themselves of this service are ultimately responsible for the timely payment of premiums and the payment of premiums in the proper amount.

Sec. 10. Minnesota Statutes 1994, section 422A.09, subdivision 2, is amended to read:

Subd. 2. The contributing class shall consist of all employees not included in the exempt class, who become prospective beneficiaries of the fund created by sections 422A.01 to 422A.25.

A member of the contributing class who is granted a leave of absence without pay by the member's employer to serve as an employee or agent of a labor union primarily representing members of the contributing class may continue as a member of the contributing class during the period of such leave of absence by depositing each month with the fund the amount of the contribution of the employee as required by sections 422A.01 to 422A.25 which amount shall be the normal employee contribution.

The contributions referred to in this subdivision shall be based on the salary for the position or its equivalent held by the member immediately prior to such leave of absence subject to any adjustment thereof during the period of such leave.

Sec. 11. INITIAL ADJUSTMENT.

Subdivision 1. LUMP-SUM POSTRETIREMENT ADJUSTMENT TRANSITION. For all annuitants and beneficiaries of the association who previously received a lump-sum postretirement adjustment, before calculation of the first postretirement adjustment under sections 5 and 6, their annual retirement annuity or benefit shall be permanently increased by the amount of their previous lump-sum postretirement adjustment.

Subd. 2. ANNUITIZED POSTRETIREMENT ADJUSTMENT TRANSITION. For all annuitants and beneficiaries of the association who chose to annuitize previous lump-sum postretirement adjustments, before calculation of the first postretirement adjustment under sections 5 and 6, their annual retirement annuity or benefit shall include the benefits supported by the accumulated annuitized value due to annuitizing their previous lump-sum postretirement adjustments.

Sec. 12. DULUTH OLD PLAN BYLAWS; AUTHORITY GRANTED TO INCREASE FORMULAS.

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

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the Duluth teachers retirement fund association to amend its articles of incorporation or bylaws by increasing the formula percentage used in computing annuities for old law coordinated program members in the Duluth teachers retirement fund association to 1.38 percent for each year of service.

Sec. 13. **DULUTH OLD PLAN BYLAWS.**

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, the Duluth teachers retirement fund association shall amend its articles of incorporation or bylaws to conform to sections 2, 3, 4, 5, and 11.

Sec. 14. **REPEALER.**

Minnesota Statutes 1994, section 354A.27, subdivisions 2, 3, and 4, are repealed.

Sec. 15. **EFFECTIVE DATE.**

(a) Section 2 is effective on the first day of the first payroll period beginning after July 1, 1995.

(b) Sections 3, 4, 5, 11, 13, and 14 are effective November 1, 1995.

(c) Sections 1, 6, 7, and 12 are effective May 15, 1995.

(d) Sections 9 and 10 are effective on the day following final enactment.

(e) Section 8 is effective on the day following final enactment.

ARTICLE 3

**PUBLIC SAFETY EMPLOYEE PENSION PLAN
BENEFIT AND RELATED MODIFICATIONS**

Section 1. Minnesota Statutes 1994, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. **MEMBER CONTRIBUTIONS.** Each member shall pay a sum equal to ~~8.5~~ 8.92 percent of the member's salary, which shall constitute the member contribution to the fund.

Sec. 2. Minnesota Statutes 1994, section 352B.08, subdivision 2, is amended to read:

Subd. 2. **NORMAL RETIREMENT ANNUITY.** The annuity must be paid in monthly installments. The annuity shall be equal to the amount determined by multiplying the average monthly salary of the member by ~~2-1/2~~ 2.65 percent for each year and pro rata for completed months of service.

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

Sec. 3. Minnesota Statutes 1994, section 352B.10, subdivision 1, is amended to read:

Subdivision 1. **INJURIES, PAYMENT AMOUNTS.** Any member who becomes disabled and physically or mentally unfit to perform duties as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, shall receive disability benefits while disabled. The benefits must be paid in monthly installments equal to the member's average monthly salary multiplied by ~~50~~ 53 percent, plus an additional ~~2-1/2~~ 2.65 percent for each year and pro rata for completed months of service in excess of 20 years, if any.

Sec. 4. Minnesota Statutes 1994, section 353.651, subdivision 4, is amended to read:

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

Sec. 5. Minnesota Statutes 1994, section 353A.083, is amended to read:

353A.083 PERA-P&F BENEFIT PLAN APPLICABLE TO PRE-1993 CONSOLIDATIONS.

Subdivision 1. PRE-1993 CONSOLIDATIONS. For any consolidation account in effect on May 24, 1993, the public employee police and fire fund benefit plan applicable to consolidation account members who have elected or will elect that benefit plan coverage under section 353A.08 is the pre-July 1, 1993, public employees police and fire fund benefit plan unless the applicable municipality approves the extension of the post-June 30, 1993, public employees police and fire fund benefit plan to the consolidation account.

Subd. 2. PRE-1995 CONSOLIDATIONS. For any consolidation account in effect on July 1, 1995, the public employee police and fire fund benefit plan applicable to consolidation account members who have elected or will elect that benefit plan coverage under section 353A.08 is the pre-July 1, 1995, public employees police and fire fund benefit plan unless the applicable municipality approves the extension of the post-June 30, 1995, public employees police and fire fund benefit plan to the consolidation account.

Sec. 6. Minnesota Statutes 1994, section 356.30, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

(g) For the purpose of computing annuities under this section the formula percentages used by any covered fund, except the public employees police and

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fire fund and the state patrol retirement fund, must not exceed 2-1/2 percent per year of service for any year of service or fraction thereof. The formula percentage used by the public employees police and fire fund and the state patrol retirement fund must not exceed 2.65 percent per year of service for any year of service or fraction thereof.

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

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

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

Sec. 7. Laws 1994, chapter 499, section 2, is amended to read:

Sec. 2. EFFECTIVE DATE.

Section 1 is effective on the first of the month next following:

(1) receipt of an affirmative written determination from the ~~Secretary of the federal Department of Health and Human Services~~ Social Security Administration of ineligibility for coverage under the federal old age, survivors, and disability insurance; and

(2) approval by the Hennepin county board and compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, except that, for section 1 to be deemed approved, a certificate of approval must be filed within the year following receipt of the written affirmative determination from the Social Security Administration, or before January 1, 1998, whichever is earlier.

Sec. 8. REPEALER; WILLMAR VOLUNTEER FIRE DISABILITY PROVISION.

Laws 1971, chapter 127, section 1, as amended by Laws 1979, chapter 201, section 28, is repealed.

Sec. 9. EFFECTIVE DATE.

(a) Section 1 is effective on the first day of the first full pay period occurring after July 1, 1995.

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

(b) Sections 2, 3, and 6 are effective on July 1, 1995.

(c) Section 7 is effective on the day following final enactment.

(d) Sections 4 and 5 are effective on July 1, 1996.

(e) Section 8 is effective on the day following approval by the city council of the city of Willmar and compliance with Minnesota Statutes, section 645.021.

ARTICLE 4

ADDITIONAL POLICE AND FIRE AMORTIZATION AID

Section 1. Minnesota Statutes 1994, section 353.65, subdivision 7, is amended to read:

Subd. 7. **EXCESS CONTRIBUTIONS HOLDING ACCOUNT.** (a) The excess contributions holding account is established in the public employees retirement association. Excess contributions established by section 69.031, subdivision 5, paragraphs (2), clauses (b) and (c), and (3) must be deposited in the account. These contributions and all investment earnings associated with them must be regularly transferred as provided in paragraph (b).

(b) From the amount of the excess contributions and associated investment earnings:

(1) \$1,000,000 must be transferred annually to the ambulance service personnel longevity award and incentive suspense account established by section 144C.03, subdivision 2; and

(2) any remaining balance, after deduction of the additional amortization aid allocation, if any, under paragraph (d), must be transferred to the general fund.

(c) If a law is enacted creating a police officer stress reduction program, and money is appropriated for the program, an amount equal to the appropriation must be transferred from the excess contributions holding account to the stress reduction program before money is ~~transferred to the general fund~~ allocated under paragraph (b), clause (2).

(d) On October 1, 1997, and annually on each October 1 thereafter, one-half of the money in the excess contributions holding account under paragraph (b), clause (2), collected during the immediately preceding July 1 through June 30 period must be allocated by the commissioner of revenue to all local police or salaried firefighter relief associations governed by and in full compliance with section 69.77 that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31, and to all local police or salaried firefighter consolidation accounts

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

governed by chapter 353A that are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented Minnesota Statutes 1994, section 353A.083, if the effective date of the consolidation preceded May 24, 1993, and that have implemented article 3, section 5, if the effective date of the consolidation preceded the date of enactment, on the basis of the relief association or consolidation account's proportional share of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, or June 30, 1994, whichever applies.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective on the day following enactment.

ARTICLE 5

HIGHER EDUCATION SYSTEM EARLY RETIREMENT
EMPLOYER-PAID HEALTH INSURANCE PREMIUM INCENTIVE

Section 1. STATE COLLEGE AND UNIVERSITY EARLY RETIREMENT INCENTIVES.

Subdivision 1. INTENT. To avoid the disruptive effects of employee layoffs due to campus consolidations, mergers, and budget reductions resulting in downsizing within the Minnesota state colleges and universities and the higher education coordinating board, an employer-funded early retirement incentive is made available in this section to employees of the state universities, community colleges, technical colleges, the existing system central offices, and the higher education coordinating board.

Subd. 2. EMPLOYER PARTICIPATION. The early retirement incentives provided in this section may be offered to eligible employees in the state university, community college, technical college systems, the higher education board, and the higher education coordinating board. The incentives apply to personnel in any state university, community college, or technical college department being downsized or where a reduction in force has been declared by the president of the institution. In the case of personnel in the chancellor's office, a reduction in force must be declared by the chancellor or the chancellor's designee or the executive director of the higher education coordinating board. Positions that are not assigned to a specific department or support positions that are assigned campus-wide or to a specific department are considered to be campus-wide in jurisdiction and eligible for this incentive as part of the reduction-in-force declaration.

Subd. 3. ELIGIBILITY. A person identified in subdivision 2 is eligible to receive the incentives if the person:

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

(1) has at least 15 years of combined service credit in any Minnesota public pension plans governed by Minnesota Statutes, section 356.30, subdivision 3, and the plan governed by Minnesota Statutes, chapter 354B;

(2) upon retirement is immediately eligible for a retirement annuity from a defined benefit plan if the person is a member of a defined benefit plan;

(3) is at least 55 years of age; and

(4) either retires before January 31, 1996, or, for a person who first becomes eligible for this incentive between January 31, 1996, and December 31, 1996, retires before January 31, 1997.

Subd. 4. INCENTIVE. Persons who retire under this section are eligible to receive employer-paid hospital, medical, and dental insurance, subject to the conditions in subdivision 5 and at the level and under conditions existing at the time of retirement.

Subd. 5. LIMITS ON REHIRING. Persons retiring under the provisions of this section may not be reemployed by the state or hired under a professional technical contract in any capacity except:

(1) under conditions of a stated emergency, and then only if the rehire or contract is approved by the higher education board or the higher education coordinating board under procedures adopted by the boards; and

(2) if rehired as adjunct faculty as defined in the appropriate bargaining agreement, or, if rehired by another executive branch agency of state government, if the retired employee works only on a seasonal, temporary, or intermittent basis as defined in Minnesota Statutes, section 43A.02, subdivision 23, or 179A.03, subdivision 14, clause (f), for no more than 1,044 hours in any consecutive 12-month period.

Subd. 6. CONDITIONS; INSURANCE COVERAGE. (a) A retired employee is eligible for single and dependent insurance coverages and employer payments to which the person was entitled immediately before retirement, subject to any changes in coverage and employer and employee payments through collective bargaining or personnel plans for employees in positions equivalent to the position from which the employee retired. The retired employee is not eligible for employer-paid life insurance. Eligibility ceases when the retired employee reaches age 65, when the person chooses not to receive the retirement benefits for which the person has applied, or when the person is eligible for employer-paid health insurance from a new employer. Coverages must be coordinated with relevant health insurance benefits provided through the federally sponsored Medicare program.

(b) If an employing unit referenced in subdivision 1 offers the incentive under this section and is subsequently eliminated or reorganized, the successor organization, if any, is obligated to pay the insurance premium incentive.

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

Subd. 7. APPLICATION OF OTHER LAWS. Unilateral implementation of this section by a public employer is not an unfair labor practice for the purposes of Minnesota Statutes, chapter 179A. The requirement in this section for an employer to pay health insurance costs for certain retired employees is not subject to the limits in Minnesota Statutes, section 179A.20, subdivision 2a.

**Sec. 2. NOTIFICATION OF SUBSEQUENT HEALTH COVERAGE:
PENALTY FOR NOTIFICATION FAILURE.**

(a) An employee who accepts the early retirement incentive benefit under section 1 agrees as a condition of receipt of the incentive to notify the higher education board or the higher education coordinating board within 30 days of the event that the person is eligible for employer-paid health insurance from subsequent employment.

(b) Failure to make the notification required in paragraph (a) obligates the person to reimburse the higher education board or the higher education coordinating board for any insurance premiums that it paid since the person became eligible for the subsequent employment health insurance coverage.

Sec. 3. EFFECTIVE DATE.

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

ARTICLE 6

**PUBLIC PENSION PLAN COLLATERALIZATION REQUIREMENT
AND INVESTMENT AUTHORITY STATEMENT**

Section 1. Minnesota Statutes 1994, section 356A.06, is amended by adding a subdivision to read:

Subd. 8a. COLLATERALIZATION REQUIREMENT. (a) The governing board of a covered pension plan shall designate a national bank, an insured state bank, an insured credit union, or an insured thrift institution as the depository for the pension plan for assets not held by the pension plan's custodian bank.

(b) Unless collateralized as provided under paragraph (c), a covered pension plan may not deposit in a designated depository an amount in excess of the insurance held by the depository in the federal deposit insurance corporation, the federal savings and loan insurance corporation, or the national credit union administration, whichever applies.

(c) For an amount greater than the insurance under paragraph (b), the depository must provide collateral in compliance with section 118.01 or with any comparable successor enactment relating to the collateralization of municipal deposits.

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

Sec. 2. Minnesota Statutes 1994, section 356A.06, is amended by adding a subdivision to read:

Subd. 8b. DISCLOSURE OF INVESTMENT AUTHORITY; RECEIPT OF STATEMENT. (a) For this subdivision, the term "broker" means a broker, broker-dealer, investment advisor, investment manager, or third party agent who transfers, purchases, sells, or obtains investment securities for, or on behalf of, a covered pension plan.

(b) Before a covered pension plan may complete an investment transaction with or in accord with the advice of a broker, the covered pension plan shall provide annually to the broker a written statement of investment restrictions applicable under state law to the covered pension plan or applicable under the pension plan governing board investment policy.

(c) A broker must acknowledge in writing annually the receipt of the statement of investment restrictions and must agree to handle the covered pension plan's investments and assets in accord with the provided investment restrictions. A covered pension plan may not enter into or continue a business arrangement with a broker until the broker has provided this written acknowledgment to the chief administrative officer of the covered pension plan.

Sec. 3. **EFFECTIVE DATE.**

Sections 1 and 2 are effective January 1, 1996.

ARTICLE 7

MEDICAL CENTER EMPLOYEES

Section 1. **EMPLOYEES.**

This section applies if the Itasca county medical center is sold, leased, or transferred to a private entity. Notwithstanding any provision of Minnesota Statutes, sections 356.24 and 356.25 to the contrary, to facilitate the orderly transition of employees affected by the sale, lease, or transfer, the county may, in its discretion, make, from assets to be transferred to the private entity, payments to a qualified pension plan established for the transferred employees by the private entity, to provide benefits substantially similar to those the employees would have been entitled to under the provisions of the public employees retirement association, Minnesota Statutes 1994, sections 353.01 to 353.46.

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

ARTICLE 8**LEGISLATORS' SURVIVOR BENEFITS**

Section 1. Minnesota Statutes 1994, section 3A.02, subdivision 5, is amended to read:

Subd. 5. **OPTIONAL ANNUITIES.** (a) The board of directors shall establish an optional retirement annuity in the form of a joint and survivor annuity and an optional retirement annuity in the form of a period certain and life thereafter. Except as provided in paragraph (b), these optional annuity forms must be actuarially equivalent to the normal annuity computed under this section, plus the actuarial value of any surviving spouse benefit otherwise potentially payable at the time of retirement under section 3A.04, subdivision 1. An individual selecting ~~the~~ an optional annuity under this subdivision waives any rights to surviving spouse benefits under section 3A.04, subdivision 1.

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

(c) The surviving spouse of a legislator who has attained at least age 60 and who dies while a member of the legislature may elect an optional joint and survivor annuity under paragraph (a), in lieu of surviving spouse benefits under section 3A.04, subdivision 1.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

ARTICLE 9**VOLUNTEER FIREFIGHTER REPORTING**

Section 1. Minnesota Statutes 1994, section 356.219, subdivision 2, is amended to read:

Subd. 2. **CONTENT AND TIMING OF REPORTS.** (a) The following information shall be included in the report required by subdivision 1:

- (1) the market value of all investments at the close of the reporting period;
- (2) regular payroll-based contributions to the fund;
- (3) other contributions and revenue paid into the fund, including, but not limited to, state or local non-payroll-based contributions, repaid refunds, and buybacks;

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

- (4) total benefits paid to members;
- (5) fees paid for investment management services;
- (6) salaries and other administrative expenses paid; and
- (7) total return on investment.

The report must also include a written statement of the investment policy in effect on June 30, 1988, and any investment policy changes made subsequently and shall include the effective date of each policy change. The information required under this subdivision must be reported separately for each investment account or investment portfolio included in the pension fund.

(b) For public pension plans other than volunteer firefighters' relief associations governed by sections 69.77 or 69.771 to 69.775, the information specified in paragraph (a) must be provided separately for each quarter for the fiscal years of the pension fund ending during calendar years 1989 through 1991 and on a monthly basis thereafter. For volunteer firefighters' relief associations governed by sections 69.77 or 69.771 to 69.775, the information specified in paragraph (a) must be provided separately each quarter.

(c) Firefighters' relief associations that have assets with a market value of less than \$300,000 must begin collecting the required information January 1, 1996, and must submit the required information to the state auditor on or before October 1, ~~1995~~ 1997, and subsequently within six months of the end of each fiscal year. Other associations must submit the required information through fiscal year 1993 to the state auditor on or before October 1, 1994, and subsequently within six months of the end of each fiscal year.

ARTICLE 10

LOCAL PENSION PLAN MODIFICATIONS

Section 1. EVELETH POLICE AND FIREFIGHTERS; BENEFIT INCREASE.

Notwithstanding any general or special law to the contrary, in addition to the current pensions and other retirement benefits payable, the pensions and retirement benefits payable to retired police officers and firefighters and their surviving spouses by the Eveleth police and fire trust fund are increased by \$100 a month. Increases are retroactive to January 1, 1995. If the city of Eveleth fails to contribute an amount required in a given year sufficient to amortize the unfunded actuarial accrued liability of the police and fire trust fund by December 31, 1998, the increases under this section in the following year are not payable.

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**Sec. 2. DULUTH TEACHERS RETIREMENT FUND ASSOCIATION;
SPECIAL SERVICE PURCHASE AUTHORIZATION FOR CERTAIN FORMER
DULUTH TECHNICAL COLLEGE TEACHERS.**

(a) A retired member of the Duluth teachers retirement fund association who:

(1) was born on April 29, 1932;

(2) was initially employed by independent school district No. 709 on September 8, 1970;

(3) terminated employment as a teacher at the Duluth technical college on July 1, 1994;

(4) retired from the Duluth teachers retirement fund association effective on July 15, 1994; and

(5) did not receive certification of eligibility for an early separation incentive from the chancellor of the higher education board in a timely fashion, but did eventually receive the required certification on October 24, 1994;

may purchase two years of additional service credit from the Duluth teachers retirement fund association as provided in Laws 1994, chapter 572, section 3, subdivision 3, paragraph (e), clause (2), item (i), as though otherwise qualified, to have the person's retirement annuity from the Duluth teachers retirement fund association recomputed based on the additional service credit, and to have any medical insurance premiums that the person paid subsequent to retirement reimbursed by the Duluth technical college on the basis of the provisions of Laws 1994, chapter 572, section 3, subdivision 3, paragraph (e), clause (1).

(b) The purchase of additional service credit must be made before July 1, 1995.

(c) The recomputed retirement annuity must be based on any optional annuity form selected upon retirement and must be subject to the early retirement reduction imposed upon retirement. The recomputed annuity accrues as of the effective date of retirement and any omitted retirement annuity amounts from the date of retirement to the date of recomputation must be paid in a lump sum as soon as practicable following the recomputation and must include annual interest on the omitted amounts at the rate of six percent, expressed as a monthly rate, and compounded monthly.

(d) If the retired member seeks reimbursement for medical insurance premiums, the retired member must furnish the president of the Duluth technical college with reasonable verification of medical insurance coverage and of prior medical insurance premiums paid.

Sec. 3. MINNEAPOLIS EMPLOYEES RETIREMENT FUND; TEMPORARY OPTION.

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Notwithstanding any law to the contrary, a retired member of the Minneapolis employees retirement fund who elected a joint and survivor optional annuity form at the time of retirement and who has a living designated optional annuity recipient may select a substitute joint and survivor option under which the retired member will receive a normal single-life annuity if the previously designated recipient dies before the retired member. This substitute optional annuity must be the actuarial equivalent of the joint and survivor annuity option amount in effect at the time this option substitution is selected, as determined by an actuary selected by the legislative commission on pensions and retirement. This option must be exercised before July 1, 1996, according to procedures specified by the board of the Minneapolis employees retirement fund.

**Sec. 4. WEST ST. PAUL POLICE CONSOLIDATION ACCOUNT;
CERTAIN SURVIVING SPOUSE BENEFITS.**

(a) Notwithstanding Minnesota Statutes, section 353A.08, the surviving spouse of a person described in paragraph (b) is entitled to receive survivor benefits provided under paragraph (c).

(b) This section applies to the surviving spouse of a person who was:

(1) employed as a police chief by the city of West St. Paul;

(2) an active member of the West St. Paul police relief association on February 8, 1993, when the governing body of West St. Paul, in accordance with Minnesota Statutes, section 353A.04, subdivision 5, gave preliminary approval to the consolidation of the association with the public employees retirement association;

(3) whose intention, upon consolidation, to elect benefits provided under the relevant provisions of the public employees retirement association police and fire fund benefit plan was recognized by the governing body of West St. Paul in a resolution adopted March 16, 1994;

(4) who died in April 1993, before the governing body of West St. Paul, on August 23, 1993, gave final approval to the consolidation in accordance with Minnesota Statutes, section 353A.04, subdivision 8; and

(5) who was thus unable, before his death, to carry out his intent to elect public employees retirement association benefits under Minnesota Statutes, section 353A.08.

(c) As of the effective date of this section, benefits for the surviving spouse identified in paragraph (b) computed under provisions of the West St. Paul police relief association plan terminate and survivor benefits computed under relevant provisions of the public employees retirement association police and fire plan commence. The relevant provisions of the public employees retirement association police and fire plan are survivor benefits computed under section 353.657, assuming the deceased police officer was covered by that plan at the

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time of death. The benefit will include adjustments, if any, under section 353.271. Retroactive payment of benefits is not authorized.

Sec. 5. EDEN PRAIRIE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION SERVICE PENSIONS.

Subdivision 1. SERVICE PENSION VESTING REQUIREMENT. (a) Notwithstanding any provision of Minnesota Statutes, section 424A.02, subdivision 2, to the contrary, if the bylaws of the relief association so provide, the Eden Prairie volunteer firefighters relief association may pay an unreduced service pension to a member of the association who has terminated active service as a firefighter in the Eden Prairie fire department, who has at least ten years of service as an active firefighter in good standing with the department and at least ten years of membership in good standing in the association, and who meets all other applicable eligibility requirements of the association for entitlement to a service pension.

(b) Notwithstanding any provision of Minnesota Statutes, section 424A.02, subdivision 2, to the contrary, if the bylaws of the association so provide, the association may pay a reduced service pension to a member of the association who has terminated active service as a firefighter in the department, who has at least five years of service but less than ten years of service as an active firefighter in good standing with the department and at least five years but less than ten years as a member in good standing in the association, and who meets all other applicable eligibility requirements of the association for entitlement to a service pension. The amount of the reduced service pension is the amount determined by multiplying the total service pension amount as specified in the articles of incorporation or bylaws of the association that is appropriate for the number of completed years of service to the credit of the retiring member by the applicable percentage, as follows:

<u>Completed years of service</u>	<u>Applicable percentage</u>
<u>5</u>	<u>40 percent</u>
<u>6</u>	<u>52 percent</u>
<u>7</u>	<u>64 percent</u>
<u>8</u>	<u>76 percent</u>
<u>9</u>	<u>88 percent</u>
<u>10 and thereafter</u>	<u>100 percent.</u>

Subd. 2. POSTRETIREMENT SERVICE PENSION ADJUSTMENTS FOR DEFERRED RETIREES. (a) A "deferred retiree" is a former Eden Prairie volunteer firefighter who has completed at least five years of service as a firefighter in good standing with the Eden Prairie volunteer fire department and five years as a member in good standing in the Eden Prairie volunteer firefighters relief association and has separated from active service as a firefighter before attaining the earliest age for immediate receipt of service pension from the association as provided in the articles of incorporation or the bylaws of the association.

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(b) Notwithstanding any provision of Minnesota Statutes, section 424A.02 to the contrary, if the articles of incorporation or bylaws of the association so provide, and if the Eden Prairie city council approves the deferred service pension increase under Minnesota Statutes, sections 69.773, subdivision 6, and 424A.02, subdivision 10, a deferred retiree who has credit for at least 15 years of active service with the department and who has not elected to receive a lump sum service pension as an alternative to a monthly service pension, may receive the same postretirement increase in the amount of that deferred monthly service pension that is approved and is payable to an association service pension recipient under Minnesota Statutes, section 424A.02, subdivision 9a.

(c) A deferred retiree who has credit for less than 15 years of active service with the department is not eligible for a postretirement increase.

Sec. 6. RETURNING ANNUITANT.

(a) Notwithstanding any provision of Minnesota Statutes, section 353.37 to the contrary, an eligible person described in paragraph (b) will be treated as specified in paragraph (c).

(b) An eligible person is a person who:

(1) was born on December 9, 1936;

(2) terminated from the Carlton county human services department as a financial eligibility specialist and retired from the public employees retirement association on April 1, 1992; and

(3) returned to Carlton county employment as a financial worker.

(c) As of the effective date of this section, annuity payments from the public employees retirement association terminate for an eligible person described in paragraph (b). As of that date the person is considered to have elected a deferred annuity under Minnesota Statutes, section 353.34, subdivision 3, with deferred annuity payments to commence upon the termination of the person's present employment. During the person's present employment, the person is entitled to participation in the public employees unclassified plan, and the person and the county shall make the contributions required under Minnesota Statutes, section 353D.03, paragraph (a).

Sec. 7. REPEALER.

Minnesota Statutes 1994, section 423B.02, is repealed effective March 1, 1995.

Sec. 8. EFFECTIVE DATE.

(a) Section 1 is effective on approval by the Eveleth city council and compliance with Minnesota Statutes, section 645.021.

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(b) Section 2 is effective on the day following approval by the board of education of independent school district No. 709 and compliance with Minnesota Statutes, section 645.021.

(c) Section 3 is effective on approval by the Minneapolis city council and compliance with Minnesota Statutes, section 645.021.

(d) Section 4 is effective on the day following approval by the governing body of the city of West St. Paul and compliance with Minnesota Statutes, section 645.021, subdivision 2.

(e) Section 5 is effective on the day following compliance with Minnesota Statutes, section 69.773, subdivision 6, approval by the Eden Prairie city council, and compliance with Minnesota Statutes, section 645.021, subdivision 3.

(f) Section 6 is effective on the day following approval by the Carlton county board and compliance with Minnesota Statutes, section 645.021.

ARTICLE 11

CRYSTAL-NEW HOPE VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION CONSOLIDATION

Section 1. CONSOLIDATED CRYSTAL-NEW HOPE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION; CREATION.

Notwithstanding any provision of law to the contrary, if the cities of Crystal and New Hope enter into a joint powers agreement under Minnesota Statutes, section 471.59, to establish and operate a joint powers fire department, the Crystal volunteer firefighters relief association and the New Hope volunteer firefighters relief association shall consolidate into a single volunteer firefighters relief association. The consolidated volunteer firefighters relief association must be governed by sections 1 to 7 and the applicable provisions of Minnesota Statutes, chapters 69, 356, 356A, and 424A.

Sec. 2. CONSOLIDATED VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION.

Subdivision 1. ESTABLISHMENT. The consolidated volunteer firefighters relief association for the joint powers fire department serving the cities of Crystal and New Hope must be incorporated under Minnesota Statutes, chapter 317A. The incorporators of the consolidated relief association must include at least one board member of the Crystal volunteer firefighters relief association and at least one board member of the former New Hope volunteer firefighters relief association. The consolidated relief association must be incorporated within 90 days of the establishment of the joint powers fire department. The joint powers fire department is established on the date specified in the joint powers agreement.

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Subd. 2. GOVERNANCE OF CONSOLIDATED VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION. (a) Notwithstanding Minnesota Statutes, section 424A.04, subdivision 1, the consolidated volunteer firefighters relief association is governed by a board of trustees consisting of nine members, as provided in the bylaws of the consolidated relief association, composed of:

(1) six firefighters in the joint fire department elected by the membership of the consolidated relief association; and

(2) three appointed members, including the fire chief of the joint fire department, one member appointed by the city council of the city of New Hope, and one member appointed by the city council of the city of Crystal.

(b) The board must have three officers, including a president, a secretary, and a treasurer. The membership of the consolidated volunteer firefighters relief association must elect the three officers from the nine board members. A board of trustees member may not hold more than one officer position at the same time.

(c) The board of trustees must administer the affairs of the relief association consistent with sections 1 to 7 and the applicable provisions of Minnesota Statutes, chapters 69, 356A, and 424A.

Subd. 3. SPECIAL AND GENERAL FUNDS. (a) The consolidated volunteer firefighters relief association must establish and maintain a special fund and may establish and maintain a general fund.

(b) The special fund must be established and maintained as provided in Minnesota Statutes, section 424A.05.

(c) The general fund must be established and maintained as provided in Minnesota Statutes, section 424A.06.

Sec. 3. CONSOLIDATION OF FORMER RELIEF ASSOCIATIONS.

Subdivision 1. EFFECTIVE DATE OF CONSOLIDATION. On the first business day occurring 30 days after the establishment of the consolidated volunteer firefighters relief association under section 2, which is the effective date of consolidation, the administration, records, assets, and liabilities of the prior Crystal volunteer firefighters relief association and of the prior New Hope volunteer firefighters relief association transfer to the consolidated volunteer firefighters relief association and the Crystal volunteer firefighters relief association and the New Hope volunteer firefighters relief association cease to exist as legal entities.

Subd. 2. TRANSFER OF ADMINISTRATION. On the effective date of consolidation, the administration of the prior relief associations is transferred to the board of trustees of the consolidated volunteer firefighters relief association.

Subd. 3. TRANSFER OF RECORDS. On the effective date of consolida-

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tion, the secretary and the treasurer of the Crystal volunteer firefighters relief association and the secretary and the treasurer of the New Hope volunteer firefighters relief association shall transfer all records and documents relating to the prior relief associations to the secretary and the treasurer of the consolidated volunteer firefighters relief association.

Subd. 4. TRANSFER OF SPECIAL FUND ASSETS AND LIABILITIES.

(a) On the effective date of consolidation, the secretary and the treasurer of the Crystal volunteer firefighters relief association and the secretary and the treasurer of the New Hope volunteer firefighters relief association shall cause to occur the transfer of the assets of the special fund of the applicable relief association to the special fund of the consolidated relief association. Unless the applicable secretary and treasurer decide otherwise, the assets may be transferred as investment securities rather than as cash. The transfer must include any accounts receivable. The applicable secretary shall settle any accounts payable from the special fund of the relief association before the effective date of consolidation.

(b) Upon the transfer of the assets of the special fund of a prior relief association, the pension liabilities of that special fund become the obligation of the special fund of the consolidated volunteer firefighters relief association.

(c) Upon the transfer of the prior relief association special fund assets, the board of trustees of the consolidated volunteer firefighters relief association has legal title to and management responsibility for the transferred assets as trustees for persons having a beneficial interest in those assets arising out of the benefit coverage provided by the prior relief association.

(d) The consolidated volunteer firefighters relief association is the successor in interest for all claims for and against the special funds of the prior Crystal volunteer firefighters relief association and the prior New Hope volunteer firefighters relief association, or the cities of Crystal and New Hope with respect to the special funds of the prior relief associations. The status of successor in interest does not apply to any claim against a prior relief association, the city in which that relief association is located, or any person connected with the prior relief association or the city, based on any act or acts that were not done in good faith and that constituted a breach of fiduciary responsibility under common law or Minnesota Statutes, chapter 356A.

Subd. 5. DISSOLUTION OF PRIOR GENERAL FUND BALANCES.

Before the effective date of consolidation, the secretary of the Crystal volunteer firefighters relief association and the secretary of the New Hope volunteer firefighters relief association shall settle any accounts payable from the respective general fund or any other relief association fund in addition to the relief association special fund. Any investments held by a fund of the prior relief associations in addition to the special fund must be liquidated before the effective date of consolidation as the bylaws of the relief association provide. Before consolidation, the respective relief associations shall pay all applicable general fund

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expenses from their respective general funds and any balance remaining in the general fund or in a fund other than the relief association special fund as of the effective date of consolidation must be paid to the new general fund of the consolidated volunteer relief association.

Subd. 6. TERMINATION OF PRIOR RELIEF ASSOCIATIONS. Following the transfer of administration, records, special fund assets, and special fund liabilities from the prior relief associations to the consolidated volunteer firefighters relief association, the Crystal volunteer firefighters relief association and the New Hope volunteer firefighters relief association cease to exist as legal entities. The city manager of the city of Crystal and the city manager of the city of New Hope must notify the following government officials of the termination of the respective relief associations and of the establishment of the consolidated volunteer firefighters relief association:

- (1) Minnesota secretary of state;
- (2) Minnesota state auditor;
- (3) Minnesota commissioner of revenue; and
- (4) commissioner of the federal Internal Revenue Service.

Sec. 4. EFFECT ON PREVIOUS BENEFIT PLAN COVERAGE.

Subdivision 1. BENEFIT COVERAGE FOR CURRENT RETIRED MEMBERS. (a) A person who is receiving a monthly service pension, a monthly disability benefit, or a monthly survivorship benefit from the Crystal volunteer firefighters relief association or from the New Hope volunteer firefighters relief association on the effective date of consolidation is entitled to a continuation of that pension or benefit, including any death benefit or monthly survivorship benefit provided for in the benefit plan document of the applicable prior relief association in effect on the day before the effective date of the consolidation, from the consolidated volunteer firefighters relief association. Unless paragraph (b) applies, the amount of the pension or benefit payable after the effective date of consolidation must be identical to the amount payable before the effective date of consolidation. The pension or benefit payable after the effective date of consolidation is subject to the same terms, conditions, and qualifications as were in effect before the effective date of consolidation.

(b) If the board of trustees of the consolidated volunteer firefighters relief association establishes the option, a pension or benefit recipient to whom paragraph (a) applies is entitled to elect an alternative pension or benefit amount as offered by the relief association board. To provide this alternative pension or benefit, the relief association board may arrange for a lump-sum payment or the purchase of an annuity contract for the pension or benefit recipient in place of a direct payment from the relief association to the person. The annuity contract may be purchased only from an insurance company that is licensed to do business in this state, regularly undertakes life insurance and annuity business, and

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is rated by a recognized national rating agency or organization as being among the top 25 percent of all insurance companies undertaking life insurance and annuity business. The alternative pension or benefit payable monthly may be in an amount greater than the pension or benefit payable before the effective date of consolidation, but may not exceed the maximum service pension or benefit payable under Minnesota Statutes, chapter 424A. In electing the alternative pension or benefit payable under an annuity contract from a qualified insurance company, the affected person must waive in writing the person's eligibility and entitlement to any direct future pension or benefit payments from the consolidated volunteer firefighters relief association.

Subd. 2. BENEFIT COVERAGE FOR CURRENT DEFERRED MEMBERS. (a) A person who is not an active member of the Crystal volunteer firefighters relief association or an active member of the New Hope volunteer firefighters relief association but who has sufficient service credit with one of the relief associations to be entitled to a future service pension from the appropriate relief association remains entitled to the receipt of that service pension, upon application, when the person attains at least the minimum age for receipt of a service pension unless the person elects an alternative service pension under paragraph (b). A deferred member may transfer the member's current service pension to a member's individual account established under subdivision 3, paragraph (c), subject to the same conditions of individual accounts for active members, and remain entitled to receipt of a service pension when the member reaches the normal retirement age.

(b) If the board of trustees of the consolidated volunteer firefighters relief association establishes the option for benefit recipients under subdivision 1, the deferred service pensioner described in paragraph (a) may elect the same alternative service pension as established under subdivision 1, paragraph (b), except that the deferred service pensioner may not receive the alternative service pension at an age younger than the normal retirement age in effect for the prior applicable relief association.

Subd. 3. BENEFIT COVERAGE FOR NEW FIREFIGHTERS AND CURRENT VESTED AND NONVESTED ACTIVE MEMBERS. (a) The benefit coverage for persons who become firefighters for the joint fire department for the first time after the effective date of consolidation and for persons who are active members of the consolidated volunteer firefighters relief association as of the effective date of consolidation is a defined contribution plan governed under this subdivision and Minnesota Statutes, section 424A.02, subdivision 4.

(b) For an active member of the consolidated volunteer firefighters relief association as of the effective date of consolidation, that member's prior service as a firefighter in the prior Crystal fire department or the prior New Hope fire department must be converted into a dollar accumulation by multiplying each full year of prior service as a firefighter in the prior fire department of Crystal or the prior fire department of New Hope by not less than \$3,000. A member's prior service of a partial year will be converted into a dollar accumulation by

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prorating the full year of prior service yearly amount by the number of months served in the partial year. The total calculated dollar accumulation must be credited to the member's individual account established under paragraph (c).

(c) For each active member of the consolidated volunteer firefighters relief association covered by the defined contribution plan, an individual account must be established, as provided in Minnesota Statutes, section 424A.02, subdivision 4, with an initial balance based on the conversion accumulation determined under paragraph (b), if applicable. Notwithstanding Minnesota Statutes, section 424A.02, subdivision 4, the amount of fire state aid and the amount of regular municipal contributions must be credited to individual active firefighter accounts as specified in section 6, subdivision 4.

Sec. 5. ACTUARIAL VALUATIONS REQUIRED.

(a) Unless all benefit recipients and deferred service pensioners elect alternative pensions or benefits under section 4, subdivisions 1, paragraph (b); and 2, paragraph (b), a special actuarial valuation of the consolidated volunteer firefighters relief association must be prepared as soon as practicable following the benefit selection under section 4, subdivision 1. The actuarial valuation must be prepared under the applicable provisions of Minnesota Statutes, sections 356.215 and 356.216.

(b) Subsequent actuarial valuations must be prepared as required under Minnesota Statutes, section 69.773, subdivisions 2 and 3, if any person is entitled or is reasonably anticipated to be entitled to a direct future monthly benefit from the consolidated relief association.

Sec. 6. ANNUAL RELIEF ASSOCIATION FUNDING.

Subdivision 1. SOURCES. In addition to investment income earned by the special fund, the sources of the annual funding of the consolidated volunteer firefighters relief association are the fire state aid received by the city of Crystal, the fire state aid received by the city of New Hope, the regular municipal contribution from the city of Crystal, and the regular municipal contribution from the city of New Hope.

Subd. 2. FIRE STATE AID. The fire state aid received by the city of Crystal and the fire state aid received by the city of New Hope must be deposited in the special fund of the consolidated volunteer firefighters relief association, for allocation as provided in subdivision 4.

Subd. 3. REGULAR MUNICIPAL CONTRIBUTION. (a) Annually, as part of the municipal budget setting process, the city council of the city of Crystal and the city council of the city of New Hope must jointly establish the amount of the regular municipal contribution by each city to the consolidated volunteer firefighters relief association.

(b) The regular municipal contribution in total must be at least equal to (1)

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the amount of the fire state aid received by the city of Crystal and the fire state aid received by the city of New Hope, plus (2) whatever additional amount is needed to equal the sum determined by multiplying \$1,811 by the total of the number of active firefighters who are members of the consolidated volunteer firefighters relief association.

(c) The established amount for each city must be included in the budget of the respective city, and, if not payable from a municipal revenue source other than the city's property tax levy or fire state aid, must be included in the property tax levy of the respective city. The regular municipal contribution must be allocated in the manner specified in subdivision 4.

(d) If a direct service pension or entitlement is payable under section 4, subdivision 1, paragraph (a); or subdivision 2, paragraph (a), to a retiree or deferred retiree, the applicable city remains responsible for any amount of service pension that is payable beyond the relief association assets allocated for the retiree or deferred retiree. Following any actuarial valuation of the consolidated relief association, if there is a net mortality loss attributable to the applicable city, the city shall make a contribution in addition to the regular municipal contribution under paragraphs (a) to (c) equal to the amount of that net mortality loss. The municipal contribution under this paragraph is payable on or before the last business day of the month next following the completion of the actuarial valuation.

Subd. 4. ALLOCATION OF FUNDING AMOUNTS. (a) The annual fire state aid and the regular municipal contribution, after deduction for payment of administrative expenses as specified in subdivision 5, must be allocated to individual active firefighter accounts based on the level of firefighting services rendered by the individual active firefighter as stated in the bylaws of the consolidated volunteer firefighters relief association.

(b) Investment income earned by the special fund of the consolidated relief association must be allocated to each individual account based on the proportion of the total assets of the special fund represented by the account.

Subd. 5. PAYMENT OF RELIEF ASSOCIATION ADMINISTRATIVE EXPENSES. (a) The payment of authorized administrative expenses of the consolidated volunteer firefighters relief association shall be from the special fund of the relief association according to Minnesota Statutes, section 69.80, and as provided for in the bylaws of the consolidated relief association and approved by the board of trustees of the consolidated relief association. The allocation of these administrative expenses to the individual member accounts must occur as provided in the bylaws of the consolidated relief association.

(b) The payment of any other expenses of the consolidated relief association shall be from the general fund of the consolidated relief association according to Minnesota Statutes, section 69.80, and as provided for in the bylaws of the consolidated relief association and approved by the board of trustees of the consolidated relief association.

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Sec. 7. VALIDATION OF CURRENT BENEFIT PLANS AND PRIOR ACTIONS.

Notwithstanding any provisions of Laws 1969, chapter 1088, as amended by Laws 1978, chapters 562, section 32, and 753; Laws 1979, chapter 201, section 44; or Laws 1981, chapter 224, section 250; or Laws 1971, chapter 114, as amended by Laws 1979, chapters 97, and 201, sections 27 and 44; and Laws 1981, chapter 224, section 254, the benefit plans of the Crystal volunteer firefighters relief association and of the New Hope volunteer firefighters relief association as reflected in each relief association's articles of incorporation and bylaws as of December 15, 1993, are hereby ratified and validated. Any acts previously taken by the Crystal volunteer firefighters relief association and by the New Hope volunteer firefighters relief association with those ratified articles of incorporation and bylaws are also ratified and validated.

Sec. 8. REPEALER OF PRIOR SPECIAL LAWS.

Laws 1969, chapter 1088; Laws 1971, chapter 114; Laws 1978, chapters 562, section 32, and 753; Laws 1979, chapters 97, and 201, section 27; and Laws 1981, chapter 224, sections 250 and 254, are repealed.

Sec. 9. EFFECTIVE DATE.

Sections 1 to 7 are effective on the day following final approval by the city council of the city of Crystal and by the city council of the city of New Hope and compliance with Minnesota Statutes, section 645.021, subdivision 3. Section 8 is effective on the effective date of consolidation of the Crystal volunteer firefighters relief association and the New Hope volunteer firefighters relief association.

Presented to the governor May 30, 1995

Signed by the governor June 1, 1995, 1:57 p.m.

CHAPTER 263—S.F.No. 1705

An act relating to legislative enactments; correcting miscellaneous noncontroversial oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Minnesota Statutes 1994, section 144A.071, subdivision 4a, as amended; 256B.0625, subdivision 13, as amended; 256B.0913, subdivision 15, as added; 256B.0915, subdivision 3a, as added; 256D.44, subdivision 3, as amended; and 323.02, subdivision 9, as amended; Laws 1995, chapter 68, section 14; Senate File 106, sections 16 and 142; Senate File 1110, articles 2, section 40; 5, section 41; 6, sections 123 and 125; 7, section 8; and 10, section 26; House File 1856, articles 2, section 22; and 4, section 4, subdivision 5; and House File 1864, article 6, section 2, subdivision 1.

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