CHAPTER 438—H.F.No. 2417

An act relating to retirement; various Minnesota public pension plans; making various benefit and coverage modifications; redirecting various state pension aids to certain first class city teachers retirement fund associations; requiring certain school district employer contribution increases; making various administrative modifications; establishing a special task force to evaluate potential modifications in various investment performance reporting programs; amending Minnesota Statutes 1994, sections 3A.04, subdivision 4; 16A.06, by adding a subdivision; 69.021, subdivision 7; 124.916, subdivision 3; 144C.06; 352.04, subdivision 8; 352.95, subdivision 2; 352B.10, subdivision 2; 352B.11, subdivision 1; 352C.09, by adding a subdivision; 353D.01, subdivision 2; 353D.02; 353D.03; 353D.04; 354.44, subdivisions 3 and 4; 354A.12, subdivisions 2 and 3c; 356A.06, subdivisions 4 and 7; 423A.02, subdivision 1, and by adding a subdivision; 423B.01, subdivision 9; 423B.15, subdivision 3; 424A.001, by adding subdivisions; 424A.01, by adding a subdivision; 424A.02, subdivision 1; and 490.124, by adding a subdivision; Minnesota Statutes 1995 Supplement, sections 144C.07, subdivision 2; 144C.08; 354D.02, subdivision 2; 354D.03; 354D.04; 354D.06; and 356.219, subdivision 2; Laws 1989, chapter 319, article 19, section 7, subdivisions 1, as amended, and 4, as amended; and Laws 1995, chapter 252, article 1, section 16; proposing coding for new law in Minnesota Statutes, chapters 354A; and 354D; repealing Minnesota Statutes 1994, section 353D.11; Laws 1990, chapter 570, article 13, section 1, subdivision 5.

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

ARTICLE 1

DESIGNATION OF BENEFICIARY FOR REFUND UPON DEATH

Section 1. Minnesota Statutes 1994, section 3A.04, subdivision 4, is amended to read:

Subd. 4. **DEATH REFUNDS ~~TO ESTATE~~.** Upon the death of a member of the legislature or former legislator who was not receiving a retirement allowance, without either a surviving spouse ~~and without any~~ or dependent children, ~~regardless of when the death occurred,~~ the last designated beneficiary named on a form filed with the director before the death of the legislator, or if no designation is filed, the estate of the member or former legislator, upon application ~~of the representative of the estate~~, shall be entitled to a refund ~~of contributions of the deceased member of the legislature or former legislator~~ plus interest as provided in section 3A.03, subdivision 2, clause (2).

Sec. 2. Minnesota Statutes 1994, section 352B.11, subdivision 1, is amended to read:

Subdivision 1. **REFUND OF PAYMENTS.** A member who has not received other benefits under this chapter is entitled to a refund of payments made by salary deduction, plus interest, if the member is separated, either voluntarily or involuntarily, from state service that entitled the member to membership. In the event of the member's death, if there are no survivor benefits payable under this chapter, a refund is payable to the last designated beneficiary on a form filed with the director before death, or if no designation is filed, the refund is payable to the member's estate ~~is entitled to the refund~~. Interest must be computed at the rate of six percent a year, compounded annually. To receive a refund, ~~the member must apply~~ application must be made on a form prescribed by the executive director.

Sec. 3. Minnesota Statutes 1994, section 352C.09, is amended by adding a subdivision to read:

Subd. 3. **DEATH REFUND.** If a constitutional officer who has not received other benefits under this chapter dies and there are no survivor benefits payable under this chapter, a refund plus interest as provided in section 352C.09, subdivision 2, clause (1), is payable to the last designated beneficiary named on a form filed with the director before the death of the constitutional officer, or if no designation is on file, the refund is payable to the estate of the deceased constitutional officer.

Sec. 4. Minnesota Statutes 1994, section 490.124, is amended by adding a subdivision to read:

Subd. 13. **DEATH REFUND.** If a judge who has not received other benefits under this chapter dies and there are no survivor benefits payable under this chapter, a refund plus interest as provided in section 490.124, subdivision 12, is payable to the last designated beneficiary named on a form filed with the director before the death of the judge, or if no designation is on file, the refund is payable to the estate of the deceased judge.

Sec. 5. **EFFECTIVE DATE.**

Sections 1 to 4 are effective July 1, 1996.

ARTICLE 2

ADMINISTRATIVE PROVISIONS RELATING TO THE MINNESOTA STATE RETIREMENT SYSTEM

Section 1. Minnesota Statutes 1994, section 352.04, subdivision 8, is amended to read:

Subd. 8. **DEPARTMENT REQUIRED TO PAY OMITTED SALARY DEDUCTIONS.** (a) If a department fails to take deductions past due for a period of 60 days or less from an employee's salary as provided in this section, those deductions must be taken on later payroll abstracts.

(b) If a department fails to take deductions past due for a period in excess of 60 days from an employee's salary as provided in this section, the department, and not the employee, ~~shall~~ must pay on later payroll abstracts the employee and employer contributions and an amount equivalent to 8.5 percent of the total amount due in lieu of interest, or if the delay in payment exceeds one year, 8.5 percent compound annual interest.

(c) If a department fails to take deductions past due for a period of 60 days or less and the employee is no longer in state service so that the required deductions cannot be taken from the salary of the employee, the department ~~shall~~ must nevertheless pay the required employer contributions. If any department fails to take deductions past due for a period in excess of 60 days and the employee is no longer in state service, the omitted contributions ~~shall~~ must be recovered under paragraph (b).

(d) If an employee from whose salary required deductions were past due for a period of 60 days or less leaves state service before the payment of the omitted deductions and subsequently returns to state service, the unpaid amount is considered the equivalent of a refund. The employee accrues no right by reason of the unpaid amount, except that the employee may pay the amount of omitted deductions as provided in section 352.23.

Sec. 2. Minnesota Statutes 1994, section 352.95, subdivision 2, is amended to read:

Subd. 2. **NON-JOB-RELATED DISABILITY.** Any covered correctional employee who, after at least one year of covered correctional service, becomes disabled and physically or mentally unfit to perform the duties of the position because of sickness or injury occurring while not engaged in covered employment, is entitled to a disability benefit based on covered correctional service only. The disability benefit must be computed as provided in section 352.93, subdivisions 1 and 2, and computed as though the employee had at least 15 years of covered correctional service.

Sec. 3. Minnesota Statutes 1994, section 352B.10, subdivision 2, is amended to read:

Subd. 2. **DISABLED WHILE NOT ON DUTY.** If a member terminates employment after at least one year of service because of sickness or injury occurring while not on duty and not engaged in state work entitling the member to membership, and the ~~termination is necessary because the member cannot perform duties, the member is entitled to receive a disability benefit~~ member becomes disabled and physically or mentally unfit to perform the duties of the position because of sickness or injury occurring while not engaged in covered employment, the member is entitled to disability benefits. The benefit must be in the same amount and computed in the same way as if the member were 55 years old at the date of disability and the annuity were paid under section 352B.08. If disability under this clause occurs after one but before 15 years service, the disability benefit must be computed as though the member had 15 years service.

Sec. 4. **EFFECTIVE DATE.**

Sections 1 to 3 are effective July 1, 1996.

ARTICLE 3

ADMINISTRATIVE PROVISIONS RELATING TO THE TEACHERS RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 1994, section 354.44, subdivision 3, is amended to read:

Subd. 3. **APPLICATION FOR RETIREMENT.** ~~Application for retirement must be made by the member or by someone authorized to act in the member's behalf.~~ A member or a person authorized to act on behalf of the member may make application for retirement provided the age and service requirements under subdivision 1 are satisfied on or before the member's retirement annuity accrual date under subdivision 4. The application may be made no earlier than 120 days before the termination of teaching service. The application must be made on a form prescribed by the executive director and is not complete until all necessary supporting documents are received by the executive director.

Sec. 2. Minnesota Statutes 1994, section 354.44, subdivision 4, is amended to read:

Subd. 4. **~~TIME AND MANNER OF PAYMENTS~~ RETIREMENT ANNUITY ACCRUAL DATE.** ~~A member may make application to the board for a retirement annuity any time after the member has satisfied the age and service requirements of this chapter for retirement except that an application for retirement must not be made more than 60 days before termination of teaching service. The~~ (a) An annuity payment begins to accrue, providing that the age and service requirements under subdivision 1 are satisfied, after the termination of teaching service, or after the application for retirement has been filed with the board, whichever is later, as follows:

~~(a)~~ (1) on the 16th day of the month of termination or filing if the termination or filing occurs on or before the 15th day of the month~~,~~;

~~(b)~~ (2) on the first day of the month following the month of termination or filing if the termination or filing occurs on or after the 16th day of the month~~, or~~;

~~(c)~~ (3) on July 1 for all school principals and other administrators who receive a full annual contract salary during the fiscal year for performance of a full year's contract duties; or

(4) a later date to be the first or 16th day of a month within the six-month period immediately following the termination of teaching service as specified under paragraph (b) by the member.

(b) If an application for retirement is filed with the board during the six-month period immediately following the termination of teaching service, the annuity may begin to accrue as if the application for retirement had been filed with the board on the date teaching service terminated or a later date ~~occurring within the six-month period as specified by the member~~ under paragraph (a), clause (4). An annuity must not begin to accrue more than one month before the date of final salary receipt.

Sec. 3. **EFFECTIVE DATE.**

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

ARTICLE 4

INCREASED FUNDING FOR THE MINNEAPOLIS AND ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATIONS

Section 1. Minnesota Statutes 1994, section 16A.06, is amended by adding a subdivision to read:

Subd. 9. **FIRST CLASS CITY TEACHER RETIREMENT FUNDS AIDS REPORTING.** Each year, on or before April 15, the commissioner of finance shall report to

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the chairs of the senate finance committee and the house ways and means committee on expenditures for state aids to the Minneapolis and Saint Paul teacher retirement fund associations under sections 354A.12 and 423A.02, subdivision 3. This report shall include the amounts expended in the most recent fiscal year and estimates of expected expenditures for the current and next fiscal year.

Sec. 2. Minnesota Statutes 1994, section 69.021, subdivision 7, is amended to read:

Subd. 7. **APPORTIONMENT OF FIRE STATE AID TO MUNICIPALITIES AND RELIEF ASSOCIATIONS.** ~~(1)~~ (a) The commissioner shall apportion the fire state aid relative to the premiums reported on the Minnesota Firetown Premium Reports filed under this chapter to each municipality and/or firefighters' relief association~~,~~.

(b) The commissioner shall calculate an initial fire state aid allocation amount for each municipality or fire department under paragraph (c) and a minimum fire state aid allocation amount for each municipality or fire department under paragraph (d). The municipality or fire department must receive the larger fire state aid amount.

(c) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 5, without inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, allocated one–half in proportion to the population as shown in the last official statewide federal census for each fire town and one–half in proportion to the market value of each fire town, including the market value of tax exempt property, but excluding the market value of minerals. In the case of incorporated or municipal fire departments furnishing fire protection to other cities, towns, or townships as evidenced by valid fire service contracts filed with the commissioner, the distribution ~~shall~~ must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments shall be made to subsequent apportionments. In the case of municipalities or independent fire departments qualifying for the aid, the commissioner shall calculate the state aid for the municipality or relief association on the basis of the population and the market value of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with the commissioner. If one or more fire departments are furnishing contracted fire service to a city, town, or township, only the population and market value of the area served by each fire department ~~shall~~ may be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the market value of each service area. The agreement ~~shall~~ must be in writing and must be filed with the commissioner.

(d) The minimum fire state aid allocation amount is the amount in addition to the initial fire state allocation amount that is derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, and allocated to municipalities with volunteer firefighter relief associations based on the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for the calendar year 1993 to the office of the state auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or fire departments with volunteer firefighter relief associations receive in total at least a minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of 30 firefighters.

(e) The fire state aid ~~shall~~ must be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall, within 30 days of

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receipt of the fire state aid, transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment.

(f) The commissioner may make rules to permit the administration of the provisions of this section. Any adjustments needed to correct prior misallocations must be made to subsequent apportionments.

~~(2)~~ Subd. 7a. **APPORTIONMENT OF POLICE STATE AID.** (a) The commissioner shall apportion the state peace officer aid to each municipality and to the county in the following manner:

~~(a)~~ (1) For all municipalities maintaining police departments and the county, the state aid ~~shall~~ must be distributed in proportion to the total number of peace officers, as determined under section 69.011, subdivision 1, clause (g), and subdivision 2, clause (b), employed by each municipality and by the county for 12 calendar months and the proportional or fractional number who were employed less than 12 months;

~~(b)~~ (2) For each municipality which contracts with the county for police service, a proportionate amount of the state aid distributed to the county based on the full–time equivalent number of peace officers providing contract service ~~shall~~ must be credited against the municipality's contract obligation; and

~~(c)~~ (3) For each municipality which contracts with another municipality for police service, a proportionate amount of the state aid distributed to the municipality providing contract service based on the full–time equivalent number of peace officers providing contract service on a full–time equivalent basis ~~shall~~ must be credited against the contract obligation of the municipality receiving contract service~~;~~.

~~(d)~~ (b) No municipality entitled to receive state peace officer aid ~~shall~~ may be apportioned less state peace officer aid for any year under Laws 1976, chapter 315, than the amount which was apportioned to it for calendar year 1975 based on premiums reported to the commissioner for calendar year 1974; provided, the amount of state peace officer aid to other municipalities within the county and to the county ~~shall~~ must be adjusted in proportion to the total number of peace officers in the municipalities and the county, so that the amount of state peace officer aid apportioned ~~shall~~ does not exceed the amount of state peace officer aid available for apportionment.

Sec. 3. Minnesota Statutes 1994, section 124.916, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT LEVIES.** (1) In addition to the excess levy authorized in 1976 any district within a city of the first class which was authorized in 1975 to make a retirement levy under Minnesota Statutes 1974, section 275.127 and chapter 422A may levy an amount per pupil unit which is equal to the amount levied in 1975 payable 1976, under Minnesota Statutes 1974, section 275.127 and chapter 422A, divided by the number of pupil units in the district in 1976–1977.

(2) In 1979 and each year thereafter, any district which qualified in 1976 for an extra levy under clause (1) shall be allowed to levy the same amount as levied for retirement in 1978 under this clause reduced each year by ten percent of the difference between the amount levied for retirement in 1971 under Minnesota Statutes 1971, sections 275.127 and 422.01 to 422.54 and the amount levied for retirement in 1975 under Minnesota Statutes 1974, section 275.127 and chapter 422A.

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(3) In 1991 and each year thereafter, a district to which this subdivision applies may levy an additional amount required for contributions to the Minneapolis employees retirement fund as a result of the maximum dollar amount limitation on state contributions to the fund imposed under section 422A.101, subdivision 3. The additional levy shall not exceed the most recent amount certified by the board of the Minneapolis employees retirement fund as the district's share of the contribution requirement in excess of the maximum state contribution under section 422A.101, subdivision 3.

(4) For taxes payable in 1994 and thereafter, special school district No. 1, Minneapolis, and independent school district No. 625, St. Paul, may levy for the increase in the employer retirement fund contributions, under Laws 1992, chapter 598, article 5, section 1. Notwithstanding section 121.904, the entire amount of this levy may be recognized as revenue for the fiscal year in which the levy is certified. This levy shall not be considered in computing the aid reduction under section 124.155.

(5) If the employer retirement fund contributions under section 354A.12, subdivision 2a, are increased for fiscal year 1994 or later fiscal years, special school district No. 1, Minneapolis, and independent school district No. 625, St. Paul, may levy in payable 1994 or later an amount equal to the amount derived by applying the net increase in the employer retirement fund contribution rate of the respective teacher retirement fund association between fiscal year 1993 and the fiscal year beginning in the year after the levy is certified to the total covered payroll of the applicable teacher retirement fund association. Notwithstanding section 121.904, the entire amount of this levy may be recognized as revenue for the fiscal year in which the levy is certified. This levy shall not be considered in computing the aid reduction under section 124.155. If an applicable school district levies under this paragraph, they may not levy under paragraph (4).

(6) In addition to the levy authorized under paragraph (5), special school district No. 1, Minneapolis, may also levy payable in 1997 or later an amount equal to the contributions under section 423A.02, subdivision 3, and may also levy in payable 1994 or later an amount equal to the state aid contribution under section 354A.12, subdivision 3b. Independent school district No. 625, St. Paul, may levy payable in 1997 or later an amount equal to the supplemental contributions under section 423A.02, subdivision 3. Notwithstanding section 121.904, the entire amount of ~~this levy~~ these levies may be recognized as revenue for the fiscal year in which the levy is certified. ~~This levy~~ These levies shall not be considered in computing the aid reduction under section 124.155.

Sec. 4. **[354A.105] MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION; PURCHASE OF ALLOWABLE SERVICE CREDIT FOR TEACHING SERVICE OUTSIDE MINNESOTA.**

(a) Notwithstanding any law, article of incorporation, or bylaw provision of the Minneapolis teachers retirement fund association to the contrary, an active member who has engaged in other elementary or secondary public school teaching employment either outside the state of Minnesota, but rendered in the United States, or for the federal government before first becoming a member of the association and who has met the qualifications of paragraph (b) may elect to purchase and receive allowable service credit in the applicable program of the association for qualified prior service in other elementary or secondary public school teaching employment that satisfies the requirements of paragraph (c) by making the required payment under paragraph (d).

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(b) A member may elect to purchase allowable service credit for other elementary or secondary public school teaching employment under this subdivision if:

(1) the member has at least three years of allowable service credit in the applicable program of the association; and

(2) the member did not and could not receive accrued benefits by leaving the person's accumulated member contributions with any other retirement system under the applicable law in effect at the termination of the other public employment.

(c) Service in other elementary or secondary public school teaching employment rendered in the United States qualifies for purchase under this subdivision if the service to be credited:

(1) does not exceed the lesser of ten years or the member's total years of allowable teaching service in the Minneapolis public schools at the time of the purchase;

(2) is equivalent to full–time allowable service as determined in accordance with the statutes and rules applicable to the association at the time of the purchase;

(3) is purchased in full year increments;

(4) is not for a period of service that has been used by the member to qualify for an annuity from any other public school retirement fund or system, as certified by the chief administrative officer of the applicable retirement system; and

(5) is not available to be used for the purpose of qualifying the member for a disability benefit from the association.

(d) For a person eligible to purchase credit for qualifying service under this subdivision, there must be paid to the association an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity that would be obtained by virtue of the purchase of the additional service credit, using the applicable preretirement interest rate specified in section 356.215, subdivision 4d, and the mortality table adopted for the retirement fund association and assuming continuous future service in the retirement fund association until the age at which the minimum requirements are met for normal retirement with an annuity unreduced for retirement before the normal retirement age, including the provisions of section 356.30, and also assuming a future salary history that includes increases at the applicable rate assumed under section 356.215, subdivision 4d.

(e) Payments under this section must be made only by the member. The employer unit may not make any payment to or on behalf of any member for the purpose of purchasing service credit under this section.

(f) This section is repealed effective July 1, 2005. On or before January 1, 2006, special school district No. 1 and the Minneapolis teachers retirement fund association shall jointly report to the legislature and the governor on the effects of the provisions under this section on the district, fund, and members. The report shall include information on use of the service credit purchase provisions, the usefulness of this section in promoting the recruitment and retention objectives of the district, and the portability of pension benefits for teachers and school administrative personnel.

Sec. 5. Minnesota Statutes 1994, section 354A.12, subdivision 2, is amended to read:

Subd. 2. **RETIREMENT CONTRIBUTION LEVY DISALLOWED.** Except as provided in subdivision 3b~~, paragraph (d)~~ and in section 423A.02, subdivision 3, with respect to the city of Minneapolis and special school district No. 1 and in section 423A.02, subdivision 3, with respect to independent school district No. 625, notwithstanding any law to the contrary, levies for teachers retirement fund associations in cities of the first class, including levies for any employer social security taxes for teachers covered by the Duluth teachers retirement fund association or the Minneapolis teachers retirement fund association or the St. Paul teachers retirement fund association, are disallowed.

Sec. 6. Minnesota Statutes 1994, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. **TERMINATION OF SUPPLEMENTAL CONTRIBUTIONS AND DIRECT ~~STATE~~ MATCHING AND STATE AID.** (a) The supplemental contributions payable to the Minneapolis teachers retirement fund association by special school district No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, or to the St. Paul teachers retirement fund association by independent school district No. 625 under section 423A.02, subdivision 3, the direct state aid under subdivision 3a to the St. Paul teachers retirement association, and the direct matching and state aid under subdivision 3b to the Minneapolis teachers retirement fund association terminates for the respective fund at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained by the legislative commission on pensions and retirement, equals or exceeds the accrued liability funding ratio for the teachers retirement association, as determined in the most recent actuarial report for the teachers retirement association by the actuary retained by the legislative commission on pensions and retirement.

(b) If the direct matching, supplemental, or state aid is terminated for the St. Paul teachers retirement fund association or the Minneapolis teachers retirement fund association under paragraph (a), it may not again be received by that fund.

(c) If either the Minneapolis teachers retirement fund association or the St. Paul teachers retirement fund association remain funded at less than the funding ratio applicable to the teachers retirement association when the provisions of paragraph (b) become effective, then any state aid not distributed to that association must be immediately transferred to the other association.

Sec. 7. Minnesota Statutes 1994, section 356A.06, subdivision 7, is amended to read:

Subd. 7. **EXPANDED LIST OF AUTHORIZED INVESTMENT SECURITIES.** (a) **AUTHORITY.** Except to the extent otherwise authorized by law or bylaws, a covered pension plan not described by subdivision 6, paragraph (a), may invest its assets only in accordance with this subdivision.

(b) **SECURITIES GENERALLY.** The covered pension plan has the authority to purchase, sell, lend, or exchange the securities specified in paragraphs (c) to (g), including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned as units in commingled trusts that own the securities described in paragraphs (c) to (g).

(c) **GOVERNMENT OBLIGATIONS.** The covered pension plan may invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which funds may be invested under this paragraph include guaranteed or insured issues of (1) the United States, its agencies, its instrumentalities, or organizations created and regulated by an act of Congress; (2) Canada and its provinces, provided the principal and interest is payable in United States dollars; (3) the states and their municipalities, political subdivisions, agencies, or instrumentalities; (4) the International Bank for Reconstruction and Development, the Inter–American Development Bank, the Asian Development Bank, the African Development Bank, or any other United States government sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars.

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

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

(2) obligations must be rated among the top four quality categories by a nationally recognized rating agency.

(e) **OTHER OBLIGATIONS.** (1) The covered pension plan may invest funds in bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage participation certificates and pools, <u>asset backed securities,</u> repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions:

(i) bankers acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency;

(ii) certificates of deposit are limited to those issued by (A) United States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies; or (B) credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration;

(iii) commercial paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency;

(iv) mortgage participation or pass through certificates evidencing interests in pools of first mortgages or trust deeds on improved real estate located in the United States where the loan to value ratio for each loan as calculated in accordance with section 61A.28, subdivision 3, does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3;

(v) collateral for repurchase agreements and reverse repurchase agreements is limited to letters of credit and securities authorized in this section;

(vi) guaranteed investment contracts are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply with the requirements of this subdivision; ~~and~~

(vii) savings accounts are limited to those fully insured by federal agencies; and

(viii) asset backed securities must be rated in the top four quality categories by a nationally recognized rating agency.

(2) Sections 16A.58 and 16B.06 do not apply to certificates of deposit and collateralization agreements executed by the covered pension plan under clause (1), item (ii).

(3) In addition to investments authorized by clause (1), item (iv), the covered pension plan may purchase from the Minnesota housing finance agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The covered pension plan may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The covered pension plan may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the covered pension plan comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The covered pension plan may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

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

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

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

(g) **OTHER INVESTMENTS.** (1) In addition to the investments authorized in paragraphs (b) to (f), and subject to the provisions in clause (2), the covered pension plan may invest funds in:

(i) venture capital investment businesses through participation in limited partnerships and corporations;

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

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

(iv) resource investments through limited partnerships, private placements, and corporations; and

(v) international securities.

(2) The investments authorized in clause (1) must conform to the following provisions:

(i) the aggregate value of all investments made according to clause (1) may not exceed 35 percent of the market value of the fund for which the covered pension plan is investing;

(ii) there must be at least four unrelated owners of the investment other than the state board for investments made under clause (1), item (i), (ii), (iii), or (iv);

(iii) covered pension plan participation in an investment vehicle is limited to 20 percent thereof for investments made under clause (1), item (i), (ii), (iii), or (iv); and

(iv) covered pension plan participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The covered pension plan may not engage in any activity as a limited partner which creates general liability.

Sec. 8. Minnesota Statutes 1994, section 423A.02, subdivision 1, is amended to read:

Subdivision 1. **AMORTIZATION STATE AID.** (a) A municipality in which is located a local police or salaried firefighters' relief association to which the provisions of section 69.77, apply, that had an unfunded actuarial accrued liability in the most recent relief association actuarial valuation, is entitled, upon application as required by the commissioner of revenue, to receive local police and salaried firefighters' relief association amortization state aid if the municipality and the appropriate relief association both comply with the applicable provisions of sections 69.031, subdivision 5, 69.051, subdivisions 1 and 3, and 69.77. If a municipality loses entitlement for amortization state aid in any year because its local relief association no longer has an unfunded actuarial accrued liability, the municipality is not entitled to amortization state aid in any subsequent year.

(b) The total amount of amortization state aid to all entitled municipalities must not exceed $5,055,000.

(c) Subject to the adjustment for the city of Minneapolis provided in this paragraph, the amount of amortization state aid to which a municipality is entitled annually is an amount equal to the level annual dollar amount required to amortize, by December 31, 2010, the unfunded actuarial accrued liability of the special fund of the appropriate relief association as reported in the December 31, 1978, actuarial valuation of the relief association prepared under sections 356.215 and 356.216, reduced by the dollar amount required to pay the interest on the unfunded actuarial accrued liability of the special fund of the relief association for calendar year 1981 set at the rate specified in Minnesota Statutes 1978, section 356.215, subdivision 4, clause (4). For the city of Minneapolis, the amortization state aid amount thus determined must be reduced by $747,232 on account of the Minneapolis police relief association and by $772,768 on account of the Minneapolis fire department relief association. If the amortization state aid amounts determined under this paragraph exceed the amount appropriated for this purpose, the amortization state aid for actual allocation must be reduced pro rata.

(d) Payment of amortization state aid to municipalities must be made directly to the municipalities involved in ~~four~~ three equal installments on ~~March 15,~~ July 15, September 15, and November 15 annually. Upon receipt of amortization state aid, the municipal treasurer shall transmit the aid amount to the treasurer of the local relief association for immediate deposit in the special fund of the relief association.

(e) The commissioner of revenue shall prescribe and periodically revise the form for and content of the application for the amortization state aid.

Sec. 9. Minnesota Statutes 1994, section 423A.02, is amended by adding a subdivision to read:

Subd. 3. **REALLOCATION OF AMORTIZATION OR SUPPLEMENTARY AMORTIZATION STATE AID.** (a) Seventy percent of the difference between $5,720,000 and the current year amortization aid or supplemental amortization aid distributed under subdivisions 1 and 1a that is not distributed for any reason to a municipality for use by a local police or salaried fire relief association must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 70 percent of the amounts derived under this paragraph to the Minneapolis teachers retirement fund association and 30 percent to the St. Paul teachers retirement fund association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments shall be made on or before June 30 each fiscal year. The amount required under this paragraph is appropriated annually from the general fund to the commissioner of revenue. If either the Minneapolis teachers retirement fund association or the St. Paul teachers retirement fund association becomes funded at the funding ratio applicable to the teachers retirement association based on the actuarial reports prepared by the actuary for the legislative commission on pensions and retirement, then the commissioner shall distribute that fund's share under this paragraph to the other fund. The appropriation under this paragraph terminates when both funds become fully funded. Amounts remaining in the undistributed balance account at the end of the biennium cancel to the general fund.

(b) In order to receive amortization and supplementary amortization aid under paragraph (a), independent school district No. 625, St. Paul, must make contributions to the St. Paul teachers retirement fund association in accordance with the following schedule:

Fiscal Year	Amount
1996	$0
1997	$0
1998	$200,000
1999	$400,000
2000	$600,000
2001 and thereafter	$800,000

(c) In order to receive amortization and supplementary amortization aid under paragraph (a), special school district No. 1, Minneapolis, and the city of Minneapolis must each make contributions to the Minneapolis teachers retirement fund association in accordance with the following schedule:

Fiscal Year	City amount	School district amount
1996	$0	$0
1997	$0	$0
1998	$250,000	$250,000
1999	$400,000	$400,000
2000	$550,000	$550,000
2001	$700,000	$700,000
2002	$850,000	$850,000
2003 and thereafter	$1,000,000	$1,000,000

(d) Money contributed under paragraph (a) and either paragraph (b) or (c), as applicable, must be credited to a separate account in the applicable teachers retirement fund and may not be used in determining any benefit increases. The separate account terminates for a fund when the aid payments to the fund under paragraph (a) cease.

(e) Thirty percent of the difference between $5,720,000 and the current year amortization aid or supplemental amortization aid under subdivisions 1 and 1a that is not distributed for any reason to a municipality for use by a local police or salaried firefighter relief association must be distributed under section 69.021, subdivision 7, paragraph (d), as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations. The amount required under this paragraph is appropriated annually to the commissioner of revenue.

Sec. 10. Minnesota Statutes 1994, section 423B.01, subdivision 9, is amended to read:

Subd. 9. **EXCESS INVESTMENT INCOME.** "Excess investment income" means the amount, if any, by which the average time weighted total rate of return earned by the fund in the most recent prior five fiscal ~~year~~ years has exceeded the actual average percentage increase in the current monthly salary of a first grade patrol officer in the most recent prior five fiscal ~~year~~ years plus two percent, and must be expressed as a dollar amount and may not exceed one percent of the total assets of the fund ~~and does not exist unless the yearly average percentage increase of the time weighted total rate of return of the fund for the previous five years exceeds by two percent the yearly average percentage increase in monthly salary of a first grade patrol officer during the previous five calendar years.~~

Sec. 11. Minnesota Statutes 1994, section 423B.15, subdivision 3, is amended to read:

Subd. 3. **AMOUNT OF ANNUAL POSTRETIREMENT PAYMENT.** The amount determined under subdivision 2 must be applied in accordance with this subdivision. The relief association shall apply the first one–half of excess investment income to the payment of an annual postretirement payment as specified in this subdivision. The second one–half of excess investment income must be applied to reduce the state amortization state aid or supplementary amortization state aid payments otherwise due to the relief association under section 423A.02 for the current calendar year. The relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed one–half of one percent of the assets of the fund. Payment of the annual postretirement payment must be in a lump sum amount on June 1 following the determination date in any year. Payment of the annual postretirement payment may be made only if the average time weighted total rate of return for the most recent prior five years exceeds by two percent the actual average percentage increase in the current monthly salary of a top grade patrol officer in the most recent prior five fiscal ~~year and the yearly average percentage increase of the time weighted total rate of return of the fund for the previous five years exceeds by two percent the yearly average percentage increase in monthly salary of a top grade patrol officer of the previous five~~ years. The total amount of all payments to members may not exceed the amount determined under this subdivision. Payment to each eligible member must be calculated by dividing the total number of pension units to which eligible members are entitled into the excess investment income available for distribution to members, and then multiplying that result by the number of units to which each eligible member is entitled to determine each eligible member's annual postretirement payment. Payment to each eligible member may not exceed an amount equal to the total monthly benefit that the eligible member was entitled to in the prior year under the terms of the benefit plan of the relief association or each eligible member's proportionate share of the excess investment income, whichever is less.

A person who received a pension or benefit for the entire 12 months before the determination date is eligible for a full annual postretirement payment. A person who received a pension or benefit for less than 12 months before the determination date is eligible for a prorated annual postretirement payment.

Sec. 12. Laws 1989, chapter 319, article 19, section 7, subdivision 1, as amended by Laws 1992, chapter 471, article 2, section 5, is amended to read:

Subdivision 1. **MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION; DEFINITIONS.** For the purposes of this section, each of the terms in this subdivision have the meanings given them in paragraphs (a) to (h).

(a) "Annual postretirement payment" means the payment of a lump sum postretirement benefit to an eligible member on June 1 following the determination date in any year.

(b) "City" means the city of Minneapolis.

(c) "Determination date" means December 31 of each year.

(d) "Eligible member" means a person, including a service pensioner, a disability pensioner, a survivor, or dependent of a deceased active member, service pensioner, or disability pensioner, who received a pension or benefit from the relief association during the 12 months before the determination date. A person who received a pension or benefit for the entire 12 months before the determination date is eligible for a full annual postretirement payment. A person who received a pension or benefit for less than 12 months before the determination date is eligible for a prorated annual postretirement payment.

(e) "Excess investment income" means the amount by which the average time weighted total rate of return earned by the fund in the most recent prior five fiscal ~~year~~ years has exceeded the actual average percentage increase in the current monthly salary

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of a top grade firefighter in the most recent prior five fiscal ~~year~~ years plus two percent. The excess investment income must be expressed as a dollar amount and may not exceed one percent of the total assets of the fund ~~and does not exist unless the yearly average percentage increase of the time weighted total rate of return of the fund for the previous five years exceeds by two percent the yearly average percentage increase in monthly salary of a top grade firefighter during the previous five calendar years~~.

(f) "Fund" means the Minneapolis fire department relief association.

(g) "Relief association" means the Minneapolis fire department relief association.

(h) "Time weighted total rate of return" means the percentage amount determined by using the formula or formulas established by the state board of investment under Minnesota Statutes, section 11A.04, clause (11), and in effect on January 1, 1987.

Sec. 13. Laws 1989, chapter 319, article 19, section 7, subdivision 4, as amended by Laws 1990, chapter 570, article 12, section 63, and Laws 1992, chapter 471, article 2, section 6, is amended to read:

Subd. 4. **AMOUNT OF ANNUAL POSTRETIREMENT PAYMENT.** The amount determined under subdivision 3 must be applied in accordance with this subdivision. The relief association shall apply the first one–half of one percent of assets which constitute excess investment income to the payment of an annual postretirement payment as specified in this subdivision. The second one–half of one percent of assets which constitute excess investment income shall be applied to reduce the state amortization state aid or supplementary amortization state aid payments otherwise due to the relief association under section 423A.02 for the current calendar year. The relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed one–half of one percent of the assets of the fund. Payment of the annual postretirement payment must be in a lump sum amount on June 1 following the determination date in any year. Payment of the annual postretirement payment may be made only if the average time weighted total rate of return in the most recent prior five fiscal years exceeds by two percent the actual average percentage increase in the current monthly salary of a top grade firefighter in the most recent prior five fiscal ~~year and the yearly average percentage increase of the time weighted total rate of return of the fund for the previous five years exceeds by two percent the yearly average percentage increase in monthly salary of a top grade firefighter of the previous five~~ years. The total amount of all payments to members may not exceed the amount determined under subdivision 3. Payment to each eligible member must be calculated by dividing the total number of pension units to which eligible members are entitled into the excess investment income available for distribution to members, and then multiplying that result by the number of units to which each eligible member is entitled to determine each eligible member's annual postretirement payment. Payment to each eligible member may not exceed an amount equal to the total monthly benefit that the eligible member was entitled to in the prior year under the terms of the benefit plan of the relief association or each eligible member's proportionate share of the excess investment income, whichever is less.

Sec. 14. **EFFECTIVE DATE.**

Sections 1 to 13 are effective the day following final enactment and apply to aid payments beginning in calendar year 1996.

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ARTICLE 5

ADMINISTRATIVE PROVISIONS RELATING TO THE AMBULANCE SERVICE PERSONNEL LONGEVITY AWARD PROGRAM

Section 1. Minnesota Statutes 1994, section 144C.06, is amended to read:

144C.06 **TRUST ACCOUNT INVESTMENT.**

The trust account must be invested by the state board of investment in nonretirement funds established under the provisions of section 11A.14. The trust account must be invested in investment accounts so that the asset allocation is similar to the asset allocation of the income share account of the Minnesota supplemental investment fund, as ~~provided in~~ governed by section ~~11A.20~~ 11A.17.

Sec. 2. Minnesota Statutes 1995 Supplement, section 144C.07, subdivision 2, is amended to read:

Subd. 2. **POTENTIAL ALLOCATIONS.** (a) On ~~September~~ November 1, annually, the board or the board's designee under section 144C.01, subdivision 2, shall determine the amount of the allocation of the prior year's accumulation to each qualified ambulance service person. The prior year's net investment gain or loss under paragraph (b) must be allocated and that year's general fund appropriation, plus any transfer from the suspense account under section 144C.03, subdivision 2, and after deduction of administrative expenses, also must be allocated.

(b) The difference in the market value of the assets of the ambulance service personnel longevity award and incentive trust account as of the immediately previous June 30 and the June 30 occurring 12 months earlier must be reported on or before August 15 by the state board of investment. The market value gain or loss must be expressed as a percentage of the total potential award accumulations as of the immediately previous June 30, and that positive or negative percentage must be applied to increase or decrease the recorded potential award accumulation of each qualified ambulance service person.

(c) The appropriation for this purpose, after deduction of administrative expenses, must be divided by the total number of additional ambulance service personnel years of service recognized since the last allocation or 1,000 years of service, whichever is greater. If the allocation is based on the 1,000 years of service, any allocation not made for a qualified ambulance service person must be credited to the suspense account under section 144C.03, subdivision 2. A qualified ambulance service person must be credited with a year of service if the person is certified by the chief administrative officer of the ambulance service as having rendered active ambulance service during the 12 months ending as of the immediately previous June 30. If the person has rendered prior active ambulance service, the person must be additionally credited with one–fifth of a year of service for each year of active ambulance service rendered before June 30, 1993, but not to exceed in any year one additional year of service or to exceed in total five years of prior service. Prior active ambulance service means employment by or the provision of service to a licensed ambulance service before June 30, 1993, as determined by the person's current ambulance service based on records provided by the person that were contemporaneous to the service. The prior ambulance service must be reported on or before August ~~15~~ 1 to the board in an affidavit from the chief administrative officer of the ambulance service.

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Sec. 3. Minnesota Statutes 1995 Supplement, section 144C.08, is amended to read:

144C.08 **AMBULANCE SERVICE PERSONNEL LONGEVITY AWARD.**

(a) A qualified ambulance service person who has terminated active ambulance service, who has at least five years of credited ambulance service, who is at least 50 years old, and who is among the 400 persons with the greatest amount of credited ambulance service applying for a longevity award during that year, is entitled, upon application, to an ambulance service personnel longevity award. An applicant whose application is not approved because of the limit on the number of annual awards may apply in a subsequent year.

(b) If a qualified ambulance service person who meets the age and service requirements specified in paragraph (a) dies before applying for a longevity award, the estate of the decedent is entitled, upon application, to the decedent's ambulance service personnel longevity award, without reference to the limit on the number of annual awards.

(c) An ambulance service personnel longevity award is the total amount of the person's accumulations indicated in the person's separate record under section 144C.07 as of ~~the August 15 preceding the application~~ November 1 in the calendar year in which application is made. The amount is payable only in a lump sum.

(d) Applications for an ambulance service personnel longevity award must be received by the board or the board's designee under section 144C.01, subdivision 2, by ~~August 15~~ October 1, annually. Ambulance service personnel longevity awards are payable only as of the last business day in ~~October~~ December annually.

Sec. 4. **EFFECTIVE DATE.**

(a) Sections 1 to 3 are effective July 1, 1996.

(b) Any investments of the ambulance service personnel longevity award and incentive trust account made before July 1, 1996, may be retained in the trust account after June 30, 1996, until, in its judgment, the state board of investment determines that it is appropriate to liquidate those prior holdings.

ARTICLE 6

PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN COVERAGE OPTION FOR LOCAL GOVERNMENT PHYSICIANS

Section 1. Minnesota Statutes 1994, section 353D.01, subdivision 2, is amended to read:

Subd. 2. **ELIGIBILITY.** ~~Except as provided in section 353D.11,~~ (a) Eligibility to participate in the defined contribution plan is ~~open~~ available to ~~an~~:

(1) elected local government ~~official~~ officials of a governmental subdivision who ~~elects~~ elect to participate in the plan under section 353D.02, subdivision 1, and who, for the elected service rendered to a governmental subdivision, ~~is~~ are not ~~a member~~ members of the public employees retirement association within the meaning of section 353.01, subdivision 7~~,~~;

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(2) physicians who, if they did not elect to participate in the plan under section 353D.02, subdivision 2, would meet the definition of member under section 353.01, subdivision 7; and ~~to~~

(3) basic and advanced life support emergency medical service personnel employed by or providing services for any public ambulance service or privately operated ambulance service that receives an operating subsidy from a governmental entity that elects to participate under section 353D.02, subdivision 3.

(b) For purposes of this chapter, an elected local government official includes a person appointed to fill a vacancy in an elective office. Service as an elected local government official only includes service for the governmental subdivision for which the official was elected by the public–at–large. Service as an elected local government official ceases and eligibility to participate terminates when the person ceases to be an elected official. An elected local government official does not include an elected county sheriff.

~~Except as provided in section 353D.11,~~ (c) Elected local government officials, physicians, and first response personnel and emergency medical service personnel who are currently covered by a public or private pension plan because of their employment or provision of services are not eligible to participate in the public employees defined contribution plan.

(d) A former participant is a person who has ~~ceased to be an elected local government official or an emergency medical service employee and who~~ terminated eligible employment or service and has not withdrawn the value of ~~an~~ the person's individual account.

Sec. 2. Minnesota Statutes 1994, section 353D.02, is amended to read:

353D.02 **ELECTION OF COVERAGE.**

Subdivision 1. **ELECTED LOCAL GOVERNMENT OFFICIALS.** Eligible elected local government officials may elect to participate in the defined contribution plan after being elected or appointed to elective public office by filing a membership application on a form prescribed by the executive director of the association authorizing contributions to be deducted from the elected official's salary. Participation begins on the first day of the pay period for which the contributions were deducted or, if pay period coverage dates are not provided, the date on which the membership application or contributions are received in the office of the association, whichever is received first, provided further that the membership application is received by the association within 60 days of the receipt of the contributions. An election to participate in the plan is revocable during incumbency.

Subd. 2. **ELIGIBLE PHYSICIAN.** Eligible physicians may elect to participate in the defined contribution plan within 90 days of commencing employment with a government subdivision under section 353.01, subdivision 6, by filing a membership application on a form prescribed by the executive director of the association authorizing contributions to be deducted from the physician's salary. Participation begins on the first day of the pay period for which the contributions were deducted. An election to participate in the defined contribution plan is irrevocable.

Subd. 3. **ELIGIBLE AMBULANCE SERVICE PERSONNEL.** Each public ambulance service or privately operated ambulance service with eligible personnel that receives an operating subsidy from a governmental entity may elect to participate in the plan. If a service elects to participate, its eligible personnel may elect to participate or to decline to participate. An individual's election must be made within 30 days of the service's election to participate or 30 days of the date on which the individual was employed by the service or began to provide service for it, whichever date is later. An election by a service or an individual is revocable.

Sec. 3. Minnesota Statutes 1994, section 353D.03, is amended to read:

353D.03 **FUNDING OF PLAN.**

~~(a)~~ Subdivision 1. **LOCAL GOVERNMENT OFFICIAL CONTRIBUTION.** An eligible elected local government official who elects to participate in the public employees defined contribution plan shall contribute an amount equal to five percent of salary as defined in section 353.01, subdivision 10. A participating elected local government official's governmental subdivision shall contribute a matching amount.

~~(b)~~ Subd. 2. **PHYSICIAN CONTRIBUTION.** An eligible physician who elects to participate in the plan shall contribute an amount equal to five percent of salary as defined in section 353.01, subdivision 10. The employer shall contribute a matching amount.

Subd. 3. **AMBULANCE SERVICE PERSONNEL CONTRIBUTION.** A public ambulance service or privately operated ambulance service that receives an operating subsidy from a governmental entity that elects to participate in the plan shall fund benefits for its qualified personnel who individually elect to participate. Personnel who are paid for their services may elect to make member contributions in an amount not to exceed the service's contribution on their behalf. Ambulance service contributions on behalf of salaried employees must be a fixed percentage of salary. An ambulance service making contributions for volunteer or largely uncompensated personnel may assign a unit value for each call or each period of alert duty for the purpose of calculating ambulance service contributions.

~~(c)~~ Subd. 4. **PAYMENTS BY FORMER ELIGIBLE ELECTED OFFICIALS.** Former ~~participants~~ eligible elected local government officials in the defined contribution plan under this chapter shall not contribute to the plan except under section 353D.12.

Sec. 4. Minnesota Statutes 1994, section 353D.04, is amended to read:

353D.04 **CONTRIBUTIONS AND DEDUCTIONS IN ERROR.**

~~(a)~~ Subdivision 1. **CREDITING OF ACCOUNT.** Contributions made by or on behalf of a participating elected local government official or physician must be remitted to the public employees retirement association and credited to the individual account established for the participant. ~~(b)~~ Ambulance service contributions must be remitted on a regular basis to the association together with any member contributions paid or withheld. Those contributions must be credited to the individual account of each participating member.

Subd. 2. **AUTHORITY TO ADOPT POLICIES.** The executive director may adopt policies and procedures regarding deductions taken totally or partially in error by the employer from the salary of an elected official.

Sec. 5. **CURRENT ELIGIBLE PHYSICIANS.**

Subdivision 1. **EXERCISE OF OPTION.** As of the effective date of this section, an eligible physician, who with respect to current service is participating in the general employees defined benefit plan administered by the public employees retirement association, may elect to participate in the public employees defined contribution plan and terminate further participation in the general employees defined benefit plan. The necessary election must be made within six months after the effective date of this section.

Subd. 2. **REFUND OR DEFERRED ANNUITY.** An eligible physician, who elects to transfer coverage under subdivision 1, is deemed to have terminated public service for purposes of Minnesota Statutes, section 353.34. The termination of public service is deemed to occur as of the first day of the month following the month in which the election is made to participate in the public employees defined contribution plan and any refund of accumulated employee deductions, with interest, or future deferred annuity is governed by the law in effect on that day. A refund paid to an eligible physician under this section must include employee contributions withheld from salary and omitted employee contributions paid by the employee or employer under Minnesota Statutes, section 353.27, subdivision 12.

Sec. 6. **DEFINED CONTRIBUTION AND DEFINED BENEFIT PLAN STUDY.**

The legislative commission on pensions and retirement shall report to the legislature by February 15, 1997, on the relative advantages and disadvantages, including any federal taxation considerations, of defined benefit pension plans and of defined contribution pension plans.

Sec. 7. **REPEALER.**

Minnesota Statutes 1994, section 353D.11, is repealed.

Sec. 8. **EFFECTIVE DATE.**

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

ARTICLE 7

INDIVIDUAL RETIREMENT ACCOUNT PLANS DEFINED CONTRIBUTION PLAN COVERAGE FOR HISTORICAL SOCIETY EMPLOYEES

Section 1. Minnesota Statutes 1995 Supplement, section 354D.02, subdivision 2, is amended to read:

Subd. 2. **ELIGIBILITY.** Eligible employees are:

(1) any supervisory or professional employee of the state arts board; ~~and~~

(2) any supervisory or professional employee of the Minnesota humanities commission; or

(3) any employee of the Minnesota historical society.

Sec. 2. Minnesota Statutes 1995 Supplement, section 354D.03, is amended to read:

354D.03 **SOCIAL SECURITY COVERAGE.**

Plan participants ~~remain~~ are members of the general state retirement plan for purposes of social security coverage only ~~remain,~~ and are covered by the applicable agreement entered into under section 355.02 but are not members of the general state retirement plan for any other purpose while employed in covered employment.

Sec. 3. Minnesota Statutes 1995 Supplement, section 354D.04, is amended to read:

354D.04 **PLAN COVERAGE.**

An election made under this section is irrevocable. Eligible employees under section 354D.02, subdivision 2, shall elect to participate in either the individual retirement account plan or their respective retirement plan as follows:

(1) An eligible employee ~~first employed after the effective date of Laws 1994, chapter 508, in covered employment~~ with no prior allowable service as a member of the Minnesota state retirement system, the public employees retirement association, or the teachers retirement association may elect retirement coverage under either their respective state retirement plan or the individual retirement account plan within 60 days of the start of covered employment. ~~An election made under this subdivision is irrevocable.~~

(2) An eligible employee with prior allowable service as a member of the Minnesota state retirement system, the public employees retirement association, or the teachers retirement association may elect prospective coverage by the individual retirement account plan. If individual retirement account plan coverage is elected, accumulated employer and employee contributions and allowable service credit shall remain with the applicable retirement association or system. Notwithstanding any provision of law to the contrary, an individual who has transferred coverage for the same employment to the individual retirement account plan is entitled to an augmented deferred retirement annuity from the prior plan based on the amount representing the employer and employee contributions made on the individual's behalf in the retirement association or system in which the individual was formerly enrolled without regard to whether or not the individual meets the service credit vesting requirements of the applicable retirement association or system. An election made under this ~~subdivision~~ clause must be made within 120 days ~~and is irrevocable~~ following the date the eligible employee first becomes eligible to make the election.

Sec. 4. Minnesota Statutes 1995 Supplement, section 354D.06, is amended to read:

354D.06 **ADMINISTRATION.**

(a) The Minnesota state university system or its successor shall administer the individual retirement account plan for eligible employees listed in section 354D.02, subdivision 2, clauses (1) and (2), in accordance with sections 354B.01 to 354B.05.

(b) The Minnesota historical society or its successor shall administer the individual retirement account plan for eligible employees listed in section 354D.02, subdivision 2, clause (3), in accordance with section 354D.08.

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

Sec. 5. [354D.08] **INDIVIDUAL RETIREMENT ACCOUNT PLAN ADMINISTRATION; MINNESOTA HISTORICAL SOCIETY.**

Subdivision 1. **GENERAL GOVERNANCE.** The Minnesota historical society is the plan administrator and has the administrative responsibility for the individual retirement account plan for those eligible employees listed in section 354D.02, subdivision 2, clause (3).

Subd. 2. **ANNUITY CONTRACTS AND CUSTODIAL ACCOUNTS.** (a) The plan administrator shall arrange for the purchase of fixed annuity contracts, variable annuity contracts, a combination of fixed and variable annuity contracts, or custodial accounts from financial institutions which have been selected by the state board of investment and approved by the plan administrator under subdivision 3, as the investment vehicle for the retirement coverage of plan participants and to provide retirement benefits to plan participants. Custodial accounts from financial institutions shall include open-end investment companies registered under the federal Investment Company Act of 1940, as amended.

(b) The annuity contracts or accounts must be purchased with contributions under section 354D.05, or with money or assets otherwise provided by law by authority of the Minnesota historical society and deemed acceptable by the applicable financial institution.

Subd. 3. **SELECTION OF FINANCIAL INSTITUTIONS.** The plan administrator may approve up to two financial institutions selected by the state board of investment under section 354B.25, subdivision 3, to provide annuity products and custodial accounts for those employees listed in section 354D.02, subdivision 2, clause (3). Only those financial institutions selected by the state board of investment and approved by the plan administrator may provide annuity products and custodial accounts for those employees listed in section 354D.02, subdivision 2, clause (3).

The state board of investment must periodically review at least every three years each financial institution selected. 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. All contracts must be approved by the state board of investment before execution by the Minnesota historical society. The state board of investment shall also establish policies and procedures under section 11A.04, clause (2), to carry out this subdivision.

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

Subd. 5. **INDIVIDUAL RETIREMENT ACCOUNT PLAN ADMINISTRATIVE EXPENSES; MINNESOTA HISTORICAL SOCIETY.** (a) The reasonable and necessary administrative expenses of the individual retirement account plan for those employees enumerated in section 354D.02, subdivision 2, clause (3), must be paid by plan participants. The plan administrator may charge to plan participants purchasing annuity contracts and custodial accounts pursuant to subdivision 2, paragraph (a), an administrative expenses assessment of a designated amount, not to exceed two percent of member and employer contributions, as those contributions are made.

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

Sec. 6. **EFFECTIVE DATE.**

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

ARTICLE 8

VOLUNTEER FIREFIGHTER FIRE PREVENTION SERVICE

Section 1. Minnesota Statutes 1994, section 424A.001, is amended by adding a subdivision to read:

Subd. 8. **FIREFIGHTING SERVICE.** "Firefighting service," if the applicable municipality approves for a fire department that is a municipal department, or if the contracting municipality or municipalities approve for a fire department that is an independent nonprofit firefighting corporation, includes service rendered by fire prevention personnel.

Sec. 2. Minnesota Statutes 1994, section 424A.001, is amended by adding a subdivision to read:

Subd. 9. **SEPARATE FROM ACTIVE SERVICE.** "Separate from active service" means to cease to perform fire suppression duties, to cease to perform fire prevention duties, to cease to supervise fire suppression duties, and to cease to supervise fire prevention duties.

Sec. 3. Minnesota Statutes 1994, section 424A.01, is amended by adding a subdivision to read:

Subd. 5. **FIRE PREVENTION PERSONNEL.** (a) If the fire department is a municipal department and the applicable municipality approves, or if the fire department is an independent nonprofit firefighting corporation and the contracting municipality or municipalities approve, the fire department may employ or otherwise utilize the services of persons as volunteer firefighters to perform fire prevention duties and to supervise fire prevention activities.

(b) Personnel serving in fire prevention positions are eligible to be members of the applicable volunteer firefighter relief association and to qualify for service pension or other benefit coverage of the relief association on the same basis as fire department personnel who perform fire suppression duties.

(c) Personnel serving in fire prevention positions also are eligible to receive any other benefits under the applicable law or practice for services on the same basis as personnel employed to perform fire suppression duties.

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

Sec. 4. Minnesota Statutes 1994, section 424A.02, subdivision 1, is amended to read:

Subdivision 1. **AUTHORIZATION.** (a) A relief association, when its articles of incorporation or bylaws so provide, may pay out of the assets of its special fund a service pension to each of its members who: (1) separates from active service with the fire department; (2) reaches age 50; (3) completes at least five years of active service as an active member of the municipal fire department to which the relief association is associated; (4) completes at least five years of active membership with the relief association before separation from active service; and (5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association. A service pension computed under this section may be prorated monthly for fractional years of service, if the bylaws or articles of incorporation of the relief association so provide. The service pension may be paid whether or not the municipality or nonprofit firefighting corporation to which the relief association is associated qualifies for fire state aid under chapter 69.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the payment of the service pension. During the period of inactive membership, the member is not entitled to receive disability benefit coverage, is not entitled to receive additional service credit towards computation of a service pension, and is considered to have the status of a person entitled to a deferred service pension under subdivision 7.

(c) No municipality or nonprofit firefighting corporation may delegate the power to take final action in setting a service pension or ancillary benefit amount or level to the board of trustees of the relief association or to approve in advance a service pension or ancillary benefit amount or level equal to the maximum amount or level that this chapter would allow rather than a specific dollar amount or level.

(d) No relief association as defined in section 424A.001, subdivision 4, may pay a service pension or disability benefit to a former member of the relief association if that person has not separated from active service with the fire department to which the relief association is directly associated.

~~For the purposes of this chapter, "to separate from active service" means to cease to perform fire suppression duties and to cease to supervise fire suppression duties.~~

Sec. 5. **EFFECTIVE DATE.**

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

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

ARTICLE 9

SERVICE CREDIT DEADLINE EXTENSIONS AND PURCHASES

Section 1. Laws 1995, chapter 252, article 1, section 16, is amended to read:

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 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~~ before August 2, 1996, with respect to the St. Paul teachers retirement fund association, or before August 2, 1995, with respect to any other teacher retirement plan, 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~~ before July 3, 1996, with respect to the St. Paul teachers retirement fund association, or before July 3, 1995, with respect to any other teacher retirement plan.

(c) With respect to the St. Paul teachers retirement fund association, any payment must include compound interest at an annual rate of 8.5 percent from August 3, 1995, to the date on which payment is made.

Sec. 2. **STUDY OF REGIONAL TREATMENT CENTER AND RELATED GOVERNMENTAL ENTITY EDUCATIONAL BREAKS–IN–SERVICE.**

The legislative commission on pensions and retirement shall study the topic of the appropriate retirement coverage for educational breaks–in–service to be accorded to state employees who are employed by a regional treatment center, who terminated state employment to undertake additional education with a documented mutual expectation of rehiring upon completion of the educational period, and who received a state stipend during the educational period and to other comparably situated public employees. The commission shall attempt to identify the actuarial accrued liability associated with granting public pension plan allowable service credit for these educational break-in-service periods and shall determine the appropriate manner of funding that liability. The commission shall report the results of its study, including any recommendations in the form of draft legislation, by March 1, 1997, to the chair of the committee on governmental operations of the house of representatives, the chair of the committee on governmental operations and veterans of the senate, the chair of the committee on ways and means of the house of representatives, and the chair of the committee on finance of the senate.

Sec. 3. **INDEPENDENT SCHOOL DISTRICT NO. 553, NEW YORK MILLS; PART-TIME TEACHER RETIREMENT COVERAGE PROGRAM DEADLINE EXTENSION.**

(a) Notwithstanding any provision of Minnesota Statutes, section 354.66, to the contrary, the teachers retirement association must accept the application for full-time retirement coverage filed by independent school district No. 553, New York Mills, on or about October 13, 1995, for a person who:

(1) was born on May 16, 1945;

(2) was initially hired by the school district in 1968;

(3) served in the military from school years 1969-1970 to 1972-1973; and

(4) began work as a part-time computer technology teacher on July 1, 1995.

A person who meets the requirements of clauses (1) to (4) is entitled to full-time teacher retirement association coverage under Minnesota Statutes, section 354.66, for the 1995-1996 school year if all other conditions of that section are met beyond the failure of the school district to timely file the application.

(b) A person who meets the requirements of paragraph (a), clauses (1) to (4), for teaching services shall pay the applicable employee contribution under Minnesota Statutes, section 354.42, subdivision 2, on the difference between the amount of the person's compensation from which employee contributions were actually deducted and the amount of the person's full-time equivalent salary under Minnesota Statutes, section 354.66, subdivision 4.

(c) Independent school district No. 553, New York Mills, shall pay the applicable employer and additional employer contributions under Minnesota Statutes, section 354.42, subdivisions 3 and 5, on the person's full-time equivalent salary, plus interest at the rate of 8.5 percent. The school district shall also pay interest at the rate of 8.5 percent on the difference between the employee contributions actually deducted from compensation and the amount of the person's full-time equivalent salary under paragraph (b).

(d) The payments under paragraphs (b) and (c) must each be made in a lump sum to the teachers retirement association before June 30, 1996. If payment is made earlier than June 30, 1996, interest must be calculated to the end of the month in which payment is made.

Sec. 4. **INDEPENDENT SCHOOL DISTRICT NO. 200, HASTINGS; PART–TIME TEACHER RETIREMENT COVERAGE PROGRAM DEADLINE EXTENSION.**

(a) Notwithstanding any provision of Minnesota Statutes, section 354.66, to the contrary, the teachers retirement association must accept the application or applications for full–time retirement coverage filed by independent school district No. 200, Hastings, on or about February 5, 1996, for a person who:

(1) was born on January 11, 1940;

(2) was initially hired by the school district on August 26, 1968; and

(3) was initially accepted by the school board for participation in the qualified part–time teacher program under Minnesota Statutes, section 354.66, on November 5, 1991.

A person who meets the requirements of clauses (1) to (3) is entitled to full–time teacher retirement association coverage under Minnesota Statutes, section 354.66, for the 1992–1993 through 1995–1996 school years if all other conditions of that section are met beyond the failure of the school district to timely file the applications.

(b) If full–time equivalent employee contributions have not been received by the teachers retirement association, a person who meets the requirements of paragraph (a), clauses (1) to (3), for teaching services shall pay the applicable employee contribution under Minnesota Statutes, section 354.42, subdivision 2, on the difference between the amount of the person's compensation from which employee contributions were actually deducted and the amount of the person's full–time equivalent salary under Minnesota Statutes, section 354.66, subdivision 4.

(c) If full–time equivalent employer and additional employer contributions have not been received previously by the teachers retirement association, independent school district No. 200, Hastings, shall pay the applicable employer and additional employer contributions under Minnesota Statutes, section 354.42, subdivisions 3 and 5, on the difference, if any, between the person's full–time equivalent salary and the salary upon which contributions were made, plus interest at the rate of 8.5 percent compounded annually. The school district shall also pay interest at the rate of 8.5 percent compounded annually on the difference, if any, between the employee contributions actually deducted from compensation and the employee contributions based on the person's full–time equivalent salary under paragraph (b).

(d) The payments under paragraphs (b) and (c) must each be made in a lump sum to the teachers retirement association before June 30, 1996, or before the retirement of a person meeting the requirements of paragraph (a), clauses (1) to (3), whichever is earlier. If payment is made earlier than June 30, 1996, interest must be calculated to the end of the month in which payment is made.

Sec. 5. **MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION; ELIGIBILITY IN PART–TIME TEACHING PROGRAM FOR CERTAIN PART–TIME TEACHERS.**

Notwithstanding any provision of Minnesota Statutes 1994, section 354A.094, to the contrary, teachers in special school district No. 1, Minneapolis, who were granted a part–time position under Minnesota Statutes, section 354A.094, after June 30, 1994, but who were compensated in an amount that exceeded 67 percent of the compensation rate established by the board for a full-time teacher with identical education and experience within the district and who applied for and were approved by special school district No. 1, Minneapolis, for the 1994–1995 school year to participate in the qualified part-time teacher program must be allowed to make, by June 30, 1996, the full-time employee and employer contribution for the 1994–1995 school year and receive service credit from the Minneapolis teachers retirement fund association in amounts according to those prescribed in Minnesota Statutes, sections 354A.094 and 354A.12.

Sec. 6. **MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION; PURCHASE OF PRIOR SERVICE CREDIT.**

Subdivision 1. **ELIGIBILITY; FORMER MINNEAPOLIS TEACHER.** (a) Notwithstanding Laws 1992, chapter 598, article 6, section 19, an eligible person who was:

(1) born on January 4, 1930;

(2) employed as a typing teacher in the adult education program at Bryant junior high school in Minneapolis in September 1969;

(3) employed as a reserve teacher in special school district No. 1 from January 1, 1970, until May 30, 1970; and

(4) employed from June 1, 1970, to 1978, as a business education teacher at the occupational skills training center in Minneapolis;

may purchase allowable service credit in the basic program of the Minneapolis teachers retirement fund association for the period described in paragraph (b) by paying the amount specified in subdivision 3.

(b) The service credit purchase is for the period or periods of uncovered eligible service from September 1969 until the commencement of Minneapolis teachers retirement association fund coverage in 1974 for which membership was mandatory, or for which coverage was at the employee's option, unless it can be demonstrated that the person described in paragraph (a) waived that coverage.

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

(b) Calculation of this amount must be made by the executive director of the Minneapolis teachers retirement fund association using the applicable preretirement interest rate specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the retirement association. The calculation must assume retirement at the age at which the minimum requirements of the retirement association for normal retirement, or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased.

(c) The person making the purchase must establish in the records of the association proof of the service for which the purchase of prior service is requested. The manner of

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the proof of service must be in accordance with procedures prescribed by the executive director of the retirement association.

(d) Payment of the amount calculated under this subdivision is the obligation of the eligible individual in subdivision 1 and must be made prior to July 1, 1996, in a lump sum. However, the current or former employer of the eligible individual may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 8.5 percent per year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this paragraph, the employee must make the employee payments required under this paragraph prior to July 1, 1996. If that employee payment is made, the employing unit payment under this paragraph must be remitted to the executive director of the retirement association within 60 days of receipt by the executive director of the employee payments specified under this paragraph.

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

Sec. 7. **ELECTION OF PUBLIC EMPLOYEE RETIREMENT ASSOCIATION COVERAGE.**

Subdivision 1. Notwithstanding Minnesota Statutes, section 353.01, subdivision 2b, clause (14), to the contrary, a Kanabec hospital employee born on December 6, 1940, employed by the hospital from January 4, 1965, to the present, and a Kanabec hospital employee born on October 6, 1942, employed by the hospital from September, 1964, to August 1, 1966, and from May, 1967, to the present, is eligible to make the election under subdivision 2.

Subd. 2. **ELECTION OF COVERAGE.** An eligible employee under subdivision 1 is entitled to elect retirement coverage by the public employees retirement association general plan. Service credit will begin to accrue at the beginning of the pay period following the election of plan coverage by the eligible employee. The election of coverage must be made on a form prescribed by the executive director of the association. The election must be made within 60 days after the effective date of this section.

Sec. 8. **REPEALER.**

Laws 1990, chapter 570, article 13, section 1, subdivision 5, is repealed.

Sec. 9. **EFFECTIVE DATE.**

Sections 1 to 6 and 8 are effective the day following final enactment. Section 7 is effective upon approval by the Kanabec county board and upon compliance with Minnesota Statutes, section 645.021.

ARTICLE 10

VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION INVESTMENT PERFORMANCE REPORTING

Section 1. Minnesota Statutes 1995 Supplement, 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;

(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 submit a written statement of their current investment policy on or before October 1, 1996, must report any subsequent investment policy changes, including the effective date of the change, within 90 days of the change, must begin collecting the required information under paragraph (a), clauses (1) to (7), on January 1, ~~1996~~ 1997, and must submit the required information to the state auditor on or before October 1, ~~1997~~ 1998, 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.

Sec. 2. Minnesota Statutes 1994, section 356A.06, subdivision 4, is amended to read:

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

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

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

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

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

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

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

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

(f) The chief administrative officer of each covered pension plan, by January 15, annually, shall transmit a copy of all statements of economic interest received by the plan under this subdivision during the preceding 12 months to the ethical practices board.

Sec. 3. **REVIEW OF INVESTMENT PERFORMANCE ATTRIBUTION REPORTING FORMS AND REPORTING PROCESS.**

(a) On or before February 15, 1997, the special task force established in paragraph (b) shall report to the legislature on its review of the investment performance attribution reporting forms and reporting process as provided in paragraph (d).

(b) The special task force consists of:

(1) the chair of the legislative commission on pensions and retirement or the chair's designee;

(2) the vice–chair of the legislative commission on pensions and retirement or the vice–chair's designee;

(3) the chair of the committee on governmental operations of the house of representatives or the chair's designee;

(4) the chair of the committee on governmental operations and veterans of the senate or the chair's designee;

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(5) the executive director of the state board of investment or the director's designee;

(6) the state auditor or the auditor's designee;

(7) two persons who are each a volunteer firefighter member of the board of trustees of a volunteer firefighter relief association deemed representative of its membership and designated by the governing board of the Minnesota area relief association coalition;

(8) two persons who are each a volunteer firefighter member of the board of trustees of a volunteer firefighter relief association deemed representative of its membership and designated by the governing board of the Minnesota state fire chiefs association;

(9) two persons who are each a volunteer firefighter member of the board of trustees of a volunteer firefighter relief association deemed representative of its membership and designated by the governing board of the Minnesota state fire department association;

(10) a person who is a municipal representative on a board of trustees of a volunteer firefighters relief association with assets under $300,000 as designated by the executive director of the league of Minnesota cities;

(11) a representative of a first class city teacher retirement fund association as designated by the chair of the legislative commission on pensions and retirement; and

(12) a representative of a local police or salaried firefighter relief association governed by Minnesota Statutes, section 69.77 as designated by the chair of the legislative commission on pensions and retirement.

(c) The chair of the special task force is the chair of the legislative commission on pensions and retirement or the chair's designee and the chair shall establish the meeting schedule and topic agenda for the special task force.

(d) The special task force, at a minimum, shall consider the following topics and issues:

(1) the changes required to simplify the investment performance attribution reporting under Minnesota Statutes, section 356.219, for smaller local pension plans;

(2) the changes required to include the investment performance attribution reporting in the annual financial reporting under Minnesota Statutes, section 69.051;

(3) the changes required to combine the investment performance reporting under Minnesota Statutes, section 356.218, with the investment performance attribution reporting under Minnesota Statutes, section 356.219, and the appropriate entity to administer any combined reporting program; and

(4) any other topics relevant to the investment reporting programs under Minnesota Statutes, section 356.218 or 356.219.

Sec. 4. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

Presented to the governor April 2, 1996

Signed by the governor April 3, 1996, 3:57 p.m.