Sec. 2. **EFFECTIVE DATE.**

<u>This act is effective the day following final enactment, except, that the authority granted to the Jackson municipal utilities commission and the Federated rural electric association by this act is effective February 1, 1998.</u>

Presented to the governor May 29, 1997

Signed by the governor June 2, 1997, 2:16 p.m.

CHAPTER 233—S.F.No. 637

An act relating to retirement; increasing pension benefit accrual rates; adjusting financing for pension plans; adding supplemental financial conditions information for pension funds; reducing appropriations; modifying or establishing various pension aids; appropriating money; amending Minnesota Statutes 1996, sections 3.85, subdivisions 11 and 12; 3A.02, subdivisions 1 and 4; 3A.07; 11A.18, subdivision 9; 69.011, subdivisions 1, 2, and by adding a subdivision; 69.021, subdivisions 5, 7a, 10, and 11; 69.031, subdivision 5; 352.01, subdivision 25; 352.04, subdivisions 2 and 3; 352.115, subdivision 3; 352.72, subdivision 2; 352.92, subdivisions 1 and 2; 352.93, subdivisions 2, 3, and by adding a subdivision; 352.95, subdivisions 1 and 5; 352B.02, subdivisions 1a and 1c; 352B.08, subdivisions 2 and 2a; 352B.10, subdivision 1; 352B.30, by adding a subdivision; 352C.031, subdivision 4; 352C.033; 352D.02, subdivisions 1 and 2; 352D.04, subdivisions 1 and 2; 353.01, subdivision 37; 353.27, subdivisions 2 and 3a; 353.29, subdivision 3; 353.651, subdivision 3; 353.656, subdivision 1; 353.71, subdivision 2; 353A.08, subdivisions 1 and 2; 353A.083, by adding a subdivision; 354.05, subdivision 38; 354.42, subdivisions 2, 3, and 5; 354.44, subdivision 6, and by adding a subdivision; 354.53, subdivision 1; 354.55, subdivision 11; 354A.011, subdivision 15a; 354A.12, subdivisions 1, 2a, 3a, 3b, and 3c; 354A.31, subdivisions 4 and 4a; 356.20, subdivision 2; 356.215, subdivisions 2, 4d, and 4g; 356.217; 356.30, subdivisions 1 and 3; 356.32, subdivision 2; 422A.06, subdivision 8; 422A.151; 423B.01, subdivision 9, and by adding a subdivision; 423B.06, by adding a subdivision; 423B.07; 423B.09, subdivision 1, and by adding a subdivision; 423B.10, subdivision 1; 423B.15, subdivisions 2, 3, 6, and by adding a subdivision; and 490.124, subdivisions 1 and 5; Laws 1965, chapter 519, section 1, as amended; Laws 1979, chapter 109, section 1, as amended; Laws 1989, chapter 319, article 19, section 7, subdivisions 1, as amended, 3, 4, as amended, and 7; Laws 1993, chapter 125, article 1, section 1; and Laws 1996, chapter 448, article 1, section 3; proposing coding for new law in Minnesota Statutes, chapters 124; 273; 352; 352C; 354A; 355; and 356; repealing Minnesota Statutes 1996, sections 124.195, subdivision 12; 124.2139; 353C.01; 353C.02; 353C.03; 353C.04; 353C.05; 353C.06; 353C.07; 353C.08; 353C.09; 353C.10; 354A.12, subdivision 2b; 356.70; and 356.88, subdivision 2; Laws 1985, chapter 259, section 3; and Laws 1993, chapter 336, article 3, section 1.

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

ARTICLE 1

PENSION UNIFORMITY PROVISIONS

Section 1. Minnesota Statutes 1996, section 3.85, subdivision 11, is amended to read:

Subd. 11. **VALUATIONS AND REPORTS TO LEGISLATURE.** (a) The commission shall contract with an established actuarial consulting firm to conduct annual actuarial valuations for the retirement plans named in paragraph (b). The contract must include provisions for performing cost analyses of proposals for changes in benefit and funding policies.

(b) The contract for actuarial valuation must include the following retirement plans:

(1) the teachers retirement plan, teachers retirement association;

(2) the general state employees retirement plan, Minnesota state retirement system;

(3) the correctional employees retirement plan, Minnesota state retirement system;

(4) the state patrol retirement plan, Minnesota state retirement system;

(5) the judges retirement plan, Minnesota state retirement system;

(6) the Minneapolis employees retirement plan, Minneapolis employees retirement fund;

(7) the public employees retirement plan, public employees retirement association;

(8) the public employees police and fire plan, public employees retirement association;

(9) the Duluth teachers retirement plan, Duluth teachers retirement fund association;

(10) the Minneapolis teachers retirement plan, Minneapolis teachers retirement fund association;

(11) the St. Paul teachers retirement plan, St. Paul teachers retirement fund association;

(12) the legislators retirement plan, Minnesota state retirement system; <u>and</u>

(13) the elective state officers retirement plan, Minnesota state retirement system~~;~~ ~~and~~

~~(14) the public employees local government correctional service retirement plan, public employees retirement association, if there are any participants in that plan.~~

(c) The contract must specify completion of annual actuarial valuation calculations on a fiscal year basis with their contents as specified in section 356.215, and the standards for actuarial work adopted by the commission.

The contract must specify completion of annual experience data collection and processing and a quadrennial published experience study for the plans listed in paragraph (b), clauses (1), (2), and (7), as provided for in the standards for actuarial work adopted by the commission. The experience data collection, processing, and analysis must evaluate the following:

(1) individual salary progression;

(2) rate of return on investments based on current asset value;

(3) payroll growth;

(4) mortality;

(5) retirement age;

(6) withdrawal; and

(7) disablement.

(d) The actuary retained by the commission shall annually prepare a report to the legislature, including the commentary on the actuarial valuation calculations for the plans named in paragraph (b) and summarizing the results of the actuarial valuation calculations. The commission–retained actuary shall include with the report the actuary's recommendations concerning the appropriateness of the support rates to achieve proper funding of the retirement funds by the required funding dates. The commission–retained actuary shall, as part of the quadrennial published experience study, include recommendations to the legislature on the appropriateness of the actuarial valuation assumptions required for evaluation in the study.

(e) If the actuarial gain and loss analysis in the actuarial valuation calculations indicates a persistent pattern of sizable gains or losses, as directed by the commission, the actuary retained by the commission shall prepare a special experience study for a plan listed in paragraph (b), clause (3), (4), (5), (6), (8), (9), (10), (11), (12), or (13), ~~or (14),~~ in the manner provided for in the standards for actuarial work adopted by the commission.

(f) The term of the contract between the commission and the actuary retained by the commission is two years, plus not to exceed two one–year extensions before competitive bidding. The contract is subject to competitive bidding procedures as specified by the commission.

Sec. 2. Minnesota Statutes 1996, section 3.85, subdivision 12, is amended to read:

Subd. 12. **ALLOCATION OF ACTUARIAL COST.** (a) The commission shall assess each retirement plan specified in subdivision 11, paragraph (b), the compensation paid to the actuary retained by the commission for the actuarial valuation calculations, quadrennial projection valuations, and quadrennial experience studies. The assessment is 100 percent of the amount of contract compensation for the actuarial consulting firm retained by the commission for actuarial valuation calculations, including the public employees police and fire plan consolidation accounts of the public employees retirement association, annual experience data collection and processing, and quadrennial experience studies.

The portion of the total assessment payable by each retirement system or pension plan must be determined as follows:

(1) Each pension plan specified in subdivision 11, paragraph (b), clauses (1) to ~~(14)~~ (13), must pay the following indexed amount based on its total active, deferred, inactive, and benefit recipient membership:

up to 2,000 members, inclusive	$2.55 per member
2,001 through 10,000 members	$1.13 per member
over 10,000 members	$0.11 per member

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

The amount specified is applicable for the assessment of the July 1, 1991, to June 30, 1992, fiscal year actuarial compensation amounts. For the July 1, 1992, to June 30, 1993, fiscal year and subsequent fiscal year actuarial compensation amounts, the amount specified must be increased at the same percentage increase rate as the implicit price deflator for state and local government purchases of goods and services for the 12–month period ending with the first quarter of the calendar year following the completion date for the actuarial valuation calculations, as published by the federal Department of Commerce, and rounded upward to the nearest full cent.

(2) The total per–member portion of the allocation must be determined, and that total per–member amount must be subtracted from the total amount for allocation. Of the remainder dollar amount, the following per–retirement system and per–pension plan charges must be determined and the charges must be paid by the system or plan:

(i) 37.87 percent is the total additional per–retirement system charge, of which one–seventh must be paid by each retirement system specified in subdivision 11, paragraph (b), clauses (1), (2), (6), (7), (9), (10), and (11).

(ii) 62.13 percent is the total additional per–pension plan charge, of which one–thirteenth must be paid by each pension plan specified in subdivision 11, paragraph (b), clauses (1) to (13)~~, if there are not any participants in the plan specified in subdivision 11, paragraph (b), clause (14), or of which one–fourteenth must be paid by each pension plan specified in subdivision 11, paragraph (b), clauses (1) to (14), if there are participants in the plan specified in subdivision 11, paragraph (b), clause (14)~~.

(b) The assessment must be made following the completion of the actuarial valuation calculations and the experience analysis. The amount of the assessment is appropriated from the retirement fund applicable to the retirement plan. Receipts from assessments must be deposited in the state treasury and credited to the general fund.

Sec. 3. Minnesota Statutes 1996, section 3A.02, subdivision 1, is amended to read:

Subdivision 1. **QUALIFICATIONS.** (a) A former legislator is entitled, upon written application to the director, to receive a retirement allowance monthly, if the person:

(1) has served at least six full years, without regard to the application of section 3A.10, subdivision 2, or has served during all or part of four regular sessions as a member of the legislature, which service need not be continuous;

(2) has attained the normal retirement age;

(3) has retired as a member of the legislature; and

(4) has made all contributions provided for in section 3A.03, has made payments for past service under subdivision 2, or has made payments in lieu of contributions under Minnesota Statutes 1992, section 3A.031, prior to July 1, 1994.

(b) <u>This paragraph applies to members of the legislature who terminate service as a legislator before July 1, 1997.</u> For service rendered before the beginning of the 1979 legislative session, but not to exceed eight years of service, the retirement allowance is an amount equal to five percent per year of service of that member's average monthly salary. For service in excess of eight years rendered before the beginning of the 1979 legislative session, and for service rendered after the beginning of the 1979 legislative session, the

New language is indicated by <u>underline</u>, **deletions by** ~~strikeout.~~

retirement allowance is an amount equal to 2–1/2 percent per year of service of that member's average monthly salary.

(c) This paragraph applies to members of the legislature who terminate service as a legislator after June 30, 1997. The retirement allowance is an amount equal to the applicable rate or rates under paragraph (b) per year of service of the member's average monthly salary adjusted for that person on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent. The adjustment must be calculated by or, alternatively, the adjustment procedure must be specified by, the actuary retained by the legislative commission on pensions and retirement. The purpose of this adjustment is to ensure that the total amount of benefits that the actuary predicts an individual member will receive over the member's lifetime under this paragraph will be the same as the total amount of benefits the actuary predicts the individual member would receive over the member's lifetime under the law in effect before enactment of this paragraph.

(d) The retirement allowance accrues beginning with the first day of the month of receipt of the application, but not before age 60, and for the remainder of the former legislator's life, if the former legislator is not serving as a member of the legislature or as a constitutional officer or commissioner as defined in section 352C.021, subdivisions 2 and 3. The annuity ~~shall~~ does not begin to accrue prior to retirement as a legislator. No annuity payment ~~shall~~ may be made retroactive for more than 180 days before the date the annuity application is filed with the director.

~~(d)~~ (e) Any member who has served during all or part of four regular sessions is considered to have served eight years as a member of the legislature.

~~(e)~~ (f) The retirement allowance ceases with the last payment that accrued to the retired legislator during the retired legislator's lifetime, except that the surviving spouse, if any, is entitled to the retirement allowance for the calendar month in which the retired legislator died.

Sec. 4. Minnesota Statutes 1996, section 3A.02, subdivision 4, is amended to read:

Subd. 4. **DEFERRED ANNUITIES AUGMENTATION.** (a) The deferred annuity of any former legislator ~~shall~~ must be augmented as provided herein. The required reserves applicable to the deferred annuity, determined as of the date the benefit begins to accrue using an appropriate mortality table and an interest assumption of ~~five~~ six percent, ~~shall~~ must be augmented from the first of the month following termination of service, or July 1, 1973, whichever is later, to the first day of the month in which the annuity begins to accrue, at the rate of five percent per annum compounded annually until January 1, 1981, and thereafter at the rate of three percent per annum compounded annually until January 1 of the year in which the former legislator attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually.

(b) The retirement allowance of, or the survivor benefit payable on behalf of, a former member of the legislature who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board of directors of the Minnesota state retirement system and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 5. Minnesota Statutes 1996, section 11A.18, subdivision 9, is amended to read:

Subd. 9. **CALCULATION OF POSTRETIREMENT ADJUSTMENT.** (a) Annually, following June 30, the state board shall use the procedures in paragraphs (b), (c), and (d) to determine whether a postretirement adjustment is payable and to determine the amount of any postretirement adjustment.

(b) If the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor increases from June 30 of the preceding year to June 30 of the current year, the state board shall certify the percentage increase. The amount certified ~~may~~ must not exceed the lesser of the difference between the preretirement interest assumption and postretirement interest assumption in section 356.215, subdivision 4d, paragraph (a), or ~~3.5~~ 2.5 percent. For the Minneapolis employees retirement fund, the amount certified must not exceed 3.5 percent.

(c) In addition to any percentage increase certified under paragraph (b), the board shall use the following procedures to determine if a postretirement adjustment is payable under this paragraph:

(1) The state board shall determine the market value of the fund on June 30 of that year;

(2) The amount of reserves required for the annuity or benefit payable to an annuitant and benefit recipient of the participating public pension plans or funds ~~shall~~ must be determined by the commission–retained actuary as of the current June 30. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30 is eligible to receive a full postretirement adjustment. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least one full month, but less than 12 full months as of the current June 30, is eligible to receive a partial postretirement adjustment. Each fund shall report separately the amount of the reserves for those annuitants and benefit recipients who are eligible to receive a full postretirement benefit adjustment. This amount is known as "eligible reserves." Each fund shall also report separately the amount of the reserves for those annuitants and benefit recipients who are not eligible to receive a postretirement adjustment. This amount is known as "noneligible reserves." For an annuitant or benefit recipient who is eligible to receive a partial postretirement adjustment, each fund shall report separately as additional "eligible reserves" an amount that bears the same ratio to the total reserves required for the annuitant or benefit recipient as the number of full months of annuity or benefit receipt as of the current June 30 bears to 12 full months. The remainder of the annuitant's or benefit recipient's reserves ~~shall~~ must be separately reported as additional "noneligible reserves." The amount of "eligible" and "noneligible" required reserves ~~shall~~ must be certified to the board by the commission–retained actuary as soon as is practical following the current June 30;

(3) The state board shall determine the percentage increase certified under paragraph (b) multiplied by the eligible required reserves, as adjusted for mortality gains and losses under subdivision 11, determined under clause (2);

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

(4) The state board shall add the amount of reserves required for the annuities or benefits payable to annuitants and benefit recipients of the participating public pension plans or funds as of the current June 30 to the amount determined under clause (3);

(5) The state board shall subtract the amount determined under clause (4) from the market value of the fund determined under clause (1);

(6) The state board shall adjust the amount determined under clause (5) by the cumulative current balance determined pursuant to clause (8) and any negative balance carried forward under clause (9);

(7) A positive amount resulting from the calculations in clauses (1) to (6) is the excess market value. A negative amount is the negative balance;

(8) The state board shall allocate one–fifth of the excess market value or one–fifth of the negative balance to each of five consecutive years, beginning with the fiscal year ending the current June 30; and

(9) To calculate the postretirement adjustment under this paragraph based on investment performance for a fiscal year, the state board shall add together all excess market value allocated to that year and subtract from the sum all negative balances allocated to that year. If this calculation results in a negative number, the entire negative balance must be carried forward and allocated to the next year. If the resulting amount is positive, a postretirement adjustment is payable under this paragraph. The board shall express a positive amount as a percentage of the total eligible required reserves certified to the board under clause (2).

(d) The state board shall determine the amount of any postretirement adjustment which is payable using the following procedure:

(1) The total "eligible" required reserves as of the first of January next following the end of the fiscal year for the annuitants and benefit recipients eligible to receive a full or partial postretirement adjustment as determined by clause (2) ~~shall~~ <u>must</u> be certified to the state board by the commission–retained actuary. The total "eligible" required reserves ~~shall~~ <u>must</u> be determined by the commission–retained actuary on the assumption that all annuitants and benefit recipients eligible to receive a full or partial postretirement adjustment will be alive on the January 1 in question; and

(2) The state board shall add the percentage certified under paragraph (b) to any positive percentage calculated under paragraph (c). The board shall not subtract from the percentage certified under paragraph (b) any negative amount calculated under paragraph (c). The sum of these percentages ~~shall~~ <u>must</u> be carried to five decimal places and ~~shall~~ <u>must</u> be certified to each participating public pension fund or plan as the full postretirement adjustment percentage.

(e) A retirement annuity payable in the event of retirement before becoming eligible for social security benefits as provided in section 352.116, subdivision 3; 353.29, subdivision 6; or 354.35 must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity ~~shall~~ <u>must</u> be the annuity amount payable until age 62 or 65, whichever applies. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

Sec. 6. Minnesota Statutes 1996, section 69.011, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms shall for the purposes of this chapter and chapters 423, 423A, 424 and 424A have the meanings ascribed to them:

(a) "Commissioner" means the commissioner of revenue.

(b) "Municipality" means any home rule charter or statutory city, organized town or park district subject to chapter 398, the University of Minnesota, and, for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation, and, for purposes of the police state aid program only, the metropolitan airports commission, with respect to ~~employees~~ peace officers covered under chapter 422A, or the department of natural resources and the department of public safety with respect to peace officers covered under chapter 352B.

(c) "Minnesota Firetown Premium Report" means a form prescribed by the commissioner containing space for reporting by insurers of fire, lightning, sprinkler leakage and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends.

(d) "Firetown" means the area serviced by any municipality having a qualified fire department or a qualified incorporated fire department having a subsidiary volunteer firefighters' relief association.

(e) "Market value" means latest available market value of all property in a taxing jurisdiction, whether the property is subject to taxation, or exempt from ad valorem taxation obtained from information which appears on abstracts filed with the commissioner of revenue or equalized by the state board of equalization.

(f) "Minnesota Aid to Police Premium Report" means a form prescribed by the commissioner for reporting by each fire and casualty insurer of all premiums received upon direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for insuring against the perils contained in auto insurance coverages as reported in the Minnesota business schedule of the annual financial statement which each insurer is required to file with the commissioner in accordance with the governing laws or rules less return premiums and dividends.

(g) "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality or county as a law enforcement officer on a full–time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months prior to December 31 preceding the date of the current year's certification under subdivision 2, clause (b);

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the peace officers standards and training board and is authorized to arrest with a warrant; and

(5) who is a member of a local police relief association to which section 69.77 applies, the state patrol retirement plan, the public employees police and fire fund, or the Minneapolis employees retirement fund.

(h) "Full–time equivalent number of peace officers providing contract service" means the integral or fractional number of peace officers which would be necessary to provide the contract service if all peace officers providing service were employed on a full–time basis as defined by the employing unit and the municipality receiving the contract service.

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (2), (3) and (4).

(j) "Municipal clerk, municipal clerk–treasurer or county auditor" means the person who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body. In a park district the clerk is the secretary of the board of park district commissioners. In the case of the University of Minnesota, the clerk is that official designated by the board of regents. For the metropolitan airports commission, the clerk is the person designated by the commission. For the department of natural resources or the department of public safety, the clerk is the respective commissioner.

Sec. 7. Minnesota Statutes 1996, section 69.011, subdivision 2, is amended to read:

Subd. 2. **QUALIFICATION FOR FIRE OR POLICE STATE AID.** (a) In order to qualify to receive fire state aid, on or before March 15 annually, in conjunction with the financial report required pursuant to section 69.051, the clerk of each municipality having a duly organized fire department as provided in subdivision 4, or the secretary of each independent nonprofit firefighting corporation having a subsidiary incorporated firefighters' relief association whichever is applicable, and the fire chief, shall jointly certify the existence of the municipal fire department or of the independent nonprofit firefighting corporation, whichever is applicable, which meets the minimum qualification requirements set forth in this subdivision, and the fire personnel and equipment of the municipal fire department or the independent nonprofit firefighting corporation as of the preceding December 31. Certification shall be made to the commissioner on a form prescribed by the commissioner and shall include any other facts the commissioner may require. The certification shall be made to the commissioner in duplicate. Each copy of the certificate shall be duly executed and deemed an original. The commissioner shall forward one copy to the auditor of the county wherein the fire department is located and retain one copy.

(b) On or before March 15 annually the clerk of each municipality having a duly organized police department and having a duly incorporated relief association shall certify that fact to the county auditor of the county where the police department is located and to the commissioner on a form prescribed by the commissioner together with the other facts the commissioner or auditor may require.

Except as provided in subdivision 2b, on or before March 15 annually, the clerk of each municipality and the auditor of each county employing one or more peace officers as defined in subdivision 1, clause ~~(h)~~ (g), shall certify the number of such peace officers to the commissioner on forms prescribed by the commissioner. Credit for officers employed less than a full year shall be apportioned. Each full month of employment of a qualifying officer during the calendar year shall entitle the employing municipality or county to credit for 1/12 of the payment for employment of a peace officer for the entire year. For purposes of sections 69.011 to 69.051, employment of a peace officer shall commence when the peace officer is entered on the payroll of the respective municipal police department or county sheriff's department. No peace officer shall be included in the certification of the number of peace officers by more than one municipality or county for the same month.

Sec. 8. Minnesota Statutes 1996, section 69.011, is amended by adding a subdivision to read:

Subd. 2b. **DEPARTMENTS OF NATURAL RESOURCES AND PUBLIC SAFETY.** (a) On or before July 1, 1997, the commissioner of natural resources shall certify one–half of the number of peace officers as defined in subdivision 1, clause (g), employed by the enforcement division during calendar year 1996 and the commissioner of public safety shall certify one–half of the number of peace officers as defined in subdivision 1, clause (g), employed by the bureau of criminal apprehension, the gambling enforcement division, and the state patrol division during calendar year 1996.

(b) On or before March 15, 1998, the commissioner of natural resources shall certify seven–tenths of the number of peace officers as defined in subdivision 1, clause (g), employed by the enforcement division and the commissioner of public safety shall certify seven–tenths of the number of peace officers as defined in subdivision 1, clause (g), employed by the bureau of criminal apprehension, the gambling enforcement division, and the state patrol division.

(c) On or before March 15, 1999, and annually on or before March 15, thereafter, the commissioner of natural resources shall certify the number of peace officers as defined in subdivision 1, clause (g), employed by the enforcement division and the commissioner of public safety shall certify the number of peace officers as defined in subdivision 1, clause (g), employed by the bureau of criminal apprehension, the gambling enforcement division, and the state patrol division.

(d) The certification must be on a form prescribed by the commissioner. Peace officers certified under this paragraph must be included in the total certifications under subdivision 2.

Sec. 9. Minnesota Statutes 1996, section 69.021, subdivision 5, is amended to read:

Subd. 5. **CALCULATION OF STATE AID.** (a) The amount of fire state aid available for apportionment shall be equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount shall be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

(b) The total amount for apportionment in respect to peace officer state aid is equal to 104 percent of the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report, plus the payment amounts received under section 60A.152 since the last aid apportionment, and reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the police relief associations. The total amount for apportionment in respect to firefighters state aid shall not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting (1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations, and (2) one percent of the premiums reported by town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of $5,000,000 or less. The total amount for apportionment in respect to the police state aid program shall not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations. The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(c) The amount for apportionment in respect to peace officer state aid under paragraph (b) must be further reduced by $1,779,000 in fiscal year 1999, $2,077,000 in fiscal year 2000, and $2,404,000 in fiscal year 2001. These reductions in this paragraph cancel to the general fund.

Sec. 10. Minnesota Statutes 1996, section 69.021, subdivision 7a, is amended to read:

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:

(1) for all municipalities maintaining police departments ~~and the county~~, counties, the department of natural resources, and the department of public safety, the police state aid 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~~ employing unit for 12 calendar months and the proportional or fractional number who were employed less than 12 months;

(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 must be credited against the municipality's contract obligation; and

(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 must be credited against the contract obligation of the municipality receiving contract service.

(b) No municipality entitled to receive state peace officer aid 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 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 does not exceed the amount of state peace officer aid available for apportionment.

Sec. 11. Minnesota Statutes 1996, section 69.021, subdivision 10, is amended to read:

Subd. 10. **REDUCTION IN POLICE STATE AID APPORTIONMENT.** (a) The commissioner of revenue shall reduce the apportionment of police state aid under subdivisions 5, paragraph (b), 6, and ~~7~~ 7a, for eligible employer units by any excess police state aid.

(b) "Excess police state aid" is:

(1) for counties and for municipalities in which police retirement coverage is provided wholly by the public employees police and fire fund and all police officers are members of the plan governed by sections 353.63 to 353.657, the amount in excess of the employer's total prior calendar year obligation ~~under section 353.65,~~ as defined in paragraph (c), as certified by the executive director of the public employees retirement association~~.~~;

(2) for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police consolidation account governed by chapter 353A, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association;

(3) for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police relief association governed by sections 69.77 and 423A.01, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association, plus the amount of the financial requirements of the relief association certified to the applicable municipality during the prior calendar year under section 69.77, subdivisions 2b and 2c, reduced by the amount of member contributions deducted from the covered salary of the relief association during the prior calendar year under section 69.77, subdivision 2a, as certified by the chief administrative officer of the applicable municipality;

(4) for the metropolitan airports commission, if there are police officers hired before July 1, 1978, with retirement coverage by the Minneapolis employees retirement fund remaining, the amount in excess of the commission's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association, plus the amount determined by expressing the commission's total prior calendar year contribution to the Minneapolis employees retirement fund under section 422A.101, subdivisions 2 and 2a, as a percentage of the commission's total prior calendar year covered payroll for commission employees covered by the Minneapolis employees retirement fund and applying that percentage to the commission's total prior calendar year covered payroll for commission police officers covered by the Minneapolis employees retirement fund, as certified by the chief administrative officer of the metropolitan airports commission; and

(5) for the department of natural resources and for the department of public safety, the amount in excess of the employer's total prior calendar year obligation under section 352B.02, subdivision 1c, for plan members who are peace officers under section 69.011, subdivision 1, clause (g), as certified by the executive director of the Minnesota state retirement system.

(c) The employer's total prior calendar year obligation with respect to the public employees police and fire plan is the total prior calendar year obligation under section 353.65, subdivision 3, for police officers as defined in section 353.64, subdivision 2, and the actual total prior calendar year obligation under section 353.65, subdivision 3, for firefighters, as defined in section 353.64, subdivision 3, but not to exceed for those firefighters the applicable following amount:

municipality	maximum amount
Albert Lea	$54,157.01
Anoka	10,399.31
Apple Valley	5,442.44
Austin	49,864.73
Bemidji	27,671.38
Brooklyn Center	6,605.92
Brooklyn Park	24,002.26
Burnsville	15,956.00
Cloquet	4,260.49
Coon Rapids	39,920.00
Cottage Grove	8,588.48
Crystal	5,855.00
East Grand Forks	51,009.88
Edina	32,251.00
Elk River	5,216.55
Ely	13,584.16
Eveleth	16,288.27
Fergus Falls	6,742.00
Fridley	33,420.64
Golden Valley	11,744.61
Hastings	16,561.00
Hopkins	4,324.23
International Falls	14,400.69
Lakeville	782.35
Lino Lakes	5,324.00
Little Falls	7,889.41
Maple Grove	6,707.54
Maplewood	8,476.69
Minnetonka	10,403.00
Montevideo	1,307.66
Moorhead	68,069.26
New Hope	6,739.72
North St. Paul	4,241.14
Northfield	770.63
Owatonna	37,292.67
Plymouth	6,754.71
Red Wing	3,504.01
Richfield	53,757.96

Rosemount	1,712.55
Roseville	9,854.51
St. Anthony	33,055.00
St. Louis Park	53,643.11
Thief River Falls	28,365.04
Virginia	31,164.46
Waseca	11,135.17
West St. Paul	15,707.20
White Bear Lake	6,521.04
Woodbury	3,613.00
any other municipality	0.00

(d) The total ~~shall~~ amount of excess police state aid must be deposited in ~~a separate~~ the excess police state–aid account in the general fund, administered and distributed as provided in subdivision 11.

Sec. 12. Minnesota Statutes 1996, section 69.021, subdivision 11, is amended to read:

Subd. 11. **EXCESS POLICE STATE–AID HOLDING ACCOUNT.** (a) An excess police state–aid holding account is established in the general fund.

(b) Excess police state aid determined according to section 69.021, subdivision 10, must be deposited in the excess police state–aid holding account.

(c) From the balance in the excess police state–aid holding account, $1,000,000 must be transferred annually to the ambulance service personnel longevity award and incentive suspense account established by section 144C.03, subdivision 2.

(d) If a police officer stress reduction program is created by law and money is appropriated for that program, an amount equal to that appropriation must be transferred from the balance in the excess police state–aid holding account.

(e) On October 1, 1997, and ~~annually on each October 1,~~ on October 1, 2001, and annually on October 1 thereafter, one–half of the balance of the excess police state–aid holding account remaining after deductions under paragraphs (c) and (d) is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

(f) On October 1, 1998, and annually each October 1 in 1999 and 2000, the entire balance of the excess police state–aid holding account remaining after transfers under paragraphs (c) and (d) is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

(g) The remaining balance in the excess police state–aid holding account, after the deductions under paragraphs (c), (d), and (e), cancels to the general fund.

Sec. 13. Minnesota Statutes 1996, section 69.031, subdivision 5, is amended to read:

Subd. 5. **DEPOSIT OF STATE AID.** ~~(1)~~ (a) The municipal treasurer, on receiving the fire state aid, shall within 30 days after receipt transmit it to the treasurer of the duly incorporated firefighters' relief association if there is one organized and the association has filed a financial report with the municipality; but if there is no relief association organized, or if any association dissolve, be removed, or has heretofore dissolved, or has been removed as trustees of state aid, then the treasurer of the municipality shall keep the money in the municipal treasury as provided for in section 424A.08 and shall be disbursed only for the purposes and in the manner set forth in that section.

~~(2)~~ (b) The municipal treasurer, upon receipt of the police state aid, shall disburse the police state aid in the following manner:

~~(a)~~ (1) For a municipality in which a local police relief association exists and all peace officers are members of the association, the total state aid shall be transmitted to the treasurer of the relief association within 30 days of the date of receipt, and the treasurer of the relief association shall immediately deposit the total state aid in the special fund of the relief association;

~~(b)~~ (2) For a municipality in which police retirement coverage is provided by the public employees police and fire fund and all peace officers are members of the fund, the total state aid shall be applied toward the municipality's employer contribution to the public employees police and fire fund pursuant to section 353.65, subdivision 3; or

~~(c)~~ (3) For a municipality other than a city of the first class with a population of more than 300,000 in which both a police relief association exists and police retirement coverage is provided in part by the public employees police and fire fund, the municipality may elect at its option to transmit the total state aid to the treasurer of the relief association as provided in clause (a), to use the total state aid to apply toward the municipality's employer contribution to the public employees police and fire fund subject to all the provisions set forth in clause (b), or to allot the total state aid proportionately to be transmitted to the police relief association as provided in this subdivision and to apply toward the municipality's employer contribution to the public employees police and fire fund subject to the provisions of clause (b) on the basis of the respective number of active full–time peace officers, as defined in section 69.011, subdivision 1, clause (g).

For a city of the first class with a population of more than 300,000, in addition, the city may elect to allot the appropriate portion of the total police state aid to apply toward the employer contribution of the city to the public employees police and fire fund based on the covered salary of police officers covered by the fund each payroll period and to transmit the balance to the police relief association.

~~(3)~~ (c) The county treasurer, upon receipt of the police state aid for the county, shall apply the total state aid toward the county's employer contribution to the public employees police and fire fund pursuant to section 353.65, subdivision 3.

~~(4)~~ (d) The designated metropolitan airports commission official, upon receipt of the police state aid for the metropolitan airports commission, shall apply the total police state aid toward the commission's employer contribution to the Minneapolis employees retirement fund under section 422A.101, subdivision 2a.

(e) The police state aid apportioned to the departments of public safety and natural resources under section 69.021, subdivision 7a, is appropriated to the commissioner of finance for transfer to the funds and accounts from which the salaries of peace officers certified under section 69.011, subdivision 2a, are paid. The commissioner of revenue shall certify to the commissioners of public safety, natural resources, and finance the amounts to be transferred from the appropriation for police state aid. The commissioners of public safety and natural resources shall certify to the commissioner of finance the amounts to be credited to each of the funds and accounts from which the peace officers employed by their respective departments are paid. Each commissioner must allocate the police state aid first for employer contributions for employees funded from the general fund and then for employer contributions for employees funded from other funds. For peace officers whose salaries are paid from the general fund, the amounts transferred from the appropriation for police state aid must be canceled to the general fund.

Sec. 14. **[124.2141] AID ADJUSTMENTS DUE TO CHANGES IN EMPLOYER RETIREMENT CONTRIBUTION RATES.**

Subdivision 1. **AID ADJUSTMENT.** Beginning in fiscal year 1998 and each year thereafter, the commissioner of children, families, and learning shall adjust state aid payments to school operating funds for independent school district No. 625, independent school district No. 709 and special school district No. 1, by the net amount of clauses (1) and (2) and for all other districts, including charter schools, but excluding any education organizations that are prohibited from receiving direct state aids under section 124.193 or 124.32, subdivision 12, by the net amount of clauses (1), (2) and (3):

(1) a decrease equal to each district's share of the fiscal year 1997 adjustment effected under Minnesota Statutes 1996, section 124.2139;

(2) an increase equal to one percent of the salaries paid to members of the general plan of the public employees retirement association in fiscal year 1997, multiplied by 0.35 for fiscal year 1998 and 0.70 each year thereafter;

(3) a decrease equal to 2.34 percent of the salaries paid to members of the teachers retirement association in fiscal year 1997.

Subd. 2. **APPROPRIATION AND ESTIMATED NET SAVINGS.** The amounts necessary to pay any positive net adjustments under this section to any school district are appropriated annually from the general fund to the commissioner of children, families, and learning. The estimated net general fund savings under this section is $29,819,000 in fiscal year 1998, and $26,997,000 in each fiscal year thereafter.

Subd. 3. **LIMITS ON ADJUSTMENTS AND POTENTIAL REDUCTIONS.** Increases to any school districts under subdivision 1, clause (2), and decreases under subdivision 1, clauses (1) and (3), are limited to the fiscal year 1999 amounts. The commissioner of children, families, and learning may permanently reduce the adjustments to school districts under subdivision 1, clauses (1) and (2), in the same manner as prescribed for nonschool jurisdictions under section 273.13985, subdivision 2. The commissioner may, from time to time, require that the most recent fiscal year payroll information be certified by the executive director of the teachers retirement association. For any school district where the newly certified teachers retirement association payroll is significantly lower than the fiscal 1997 amount as determined by the commissioner, the commissioner shall recalculate the lower reduction under subdivision 1, clause (3), and shall permanently reduce the adjustment amount in subsequent years.

Subd. 4. **EFFECT OF REORGANIZATIONS.** The commissioner of children, families, and learning shall reapportion the aid adjustments to school districts under this section to account for significant changes in boundaries or consolidations, as determined by the commissioner. If a school district is dissolved, or a school district function thereof is assumed by either the state or a nonpublic organization, adjustments for all or the appropriate fraction of the total payroll under this section must terminate.

Subd. 5. **ADJUSTMENT TERMINATION.** All adjustments under this section terminate on June 30, 2020.

Sec. 15. **[273.1385] AID FOR PUBLIC EMPLOYEES RETIREMENT ASSOCIATION EMPLOYER CONTRIBUTION RATE INCREASE.**

Subdivision 1. **AID TO OFFSET RATE INCREASE.** Beginning with the December 26, 1997, payment, and according to the schedule for payment of local aid under section 477A.015 thereafter, the commissioner of revenue shall pay to each city, county, town, and other nonschool jurisdiction an amount equal to 0.35 percent of the fiscal year 1997 payroll for employees who were members of the general plan of the public employees retirement association. Except for the December 1997 distribution under this section, the amount of aid must be certified before September 1 of the year preceding the distribution year to the affected local government. The executive director of the public employees retirement association shall certify the general plan fiscal year covered payroll and other information requested by the commissioner of revenue, on or before August 1, 1997, and in subsequent years where necessary, in order to facilitate administration of this section. The amount necessary to make these aid payments is appropriated annually from the general fund to the commissioner of revenue. Expenditures under this section are estimated to be $7,942,500 in fiscal year 1998, and $15,885,000 in each subsequent fiscal year, less any future reductions under subdivision 2.

Subd. 2. **LIMIT ON AID AND POTENTIAL FUTURE PERMANENT AID REDUCTIONS.** The aid amount received by any jurisdiction in fiscal year 2000 or any year thereafter may not exceed the amount it received in fiscal year 1999. The commissioner may, from time to time, request the most recent fiscal year payroll information by jurisdiction to be certified by the executive director of the public employees retirement association. For any jurisdiction where newly certified public employees retirement association general plan payroll is significantly lower than the fiscal 1997 amount, as determined by the commissioner, the commissioner shall recalculate the aid amount based on the most recent fiscal year payroll information, certify the recalculated aid amount for the next distribution year, and permanently reduce the aid amount to that jurisdiction.

Subd. 3. **EFFECT OF REORGANIZATIONS.** The commissioner of revenue may adjust the aid amounts for separate jurisdictions to account for significant changes in boundaries or in the form of government, as determined by the commissioner. If a local government function and the associated public employees retirement association general plan payroll is assumed by either the state, or a nonpublic organization, the aid amounts attributable to the function under this section must terminate.

Subd. 4. **AID TERMINATION.** The aid provided under this section terminates on June 30, 2020.

Sec. 16. Minnesota Statutes 1996, section 352.01, subdivision 25, is amended to read:

Subd. 25. **NORMAL RETIREMENT AGE.** "Normal retirement age" means age 65 for a person who first became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a covered employee after June 30, 1989, normal retirement age means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66.

Sec. 17. Minnesota Statutes 1996, section 352.04, subdivision 2, is amended to read:

Subd. 2. **EMPLOYEE CONTRIBUTIONS.** The employee contribution to the fund must be equal to ~~4.07~~ 4.0 percent of salary. These contributions must be made by deduction from salary as provided in subdivision 4.

Sec. 18. Minnesota Statutes 1996, section 352.04, subdivision 3, is amended to read:

Subd. 3. **EMPLOYER CONTRIBUTIONS.** ~~(a)~~ The employer contribution to the fund must be equal to ~~4.2~~ 4.0 percent of salary.

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

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

Sec. 19. Minnesota Statutes 1996, section 352.115, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT ANNUITY FORMULA.** (a) This paragraph, in conjunction with section 352.116, subdivision 1, applies to a person who became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 352.116, subdivision 1a, produces a higher annuity amount, in which case paragraph (b) will apply. The employee's average salary, as defined in subdivision 2, multiplied by ~~one~~ the percent specified in section 356.19, subdivision 1, per year of allowable service for the first ten years and ~~1.5~~ the percent specified in section 356.19, subdivision 2, for each later year of allowable service and pro rata for completed months less than a full year shall determine the amount of the retirement annuity to which the employee is entitled.

(b) This paragraph applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with section 352.116, subdivision 1a, is higher than it is when calculated under paragraph (a), in conjunction with section 352.116, subdivision 1. The employee's average salary, as defined in subdivision 2, multiplied by ~~1.5~~ the percent specified in section 356.19, subdivision 2, for each year of allowable service and pro rata for months less than a full year shall determine the amount of the retirement annuity to which the employee is entitled.

Sec. 20. Minnesota Statutes 1996, section 352.72, subdivision 2, is amended to read:

Subd. 2. **COMPUTATION OF DEFERRED ANNUITY.** (a) The deferred annuity, if any, accruing under subdivision 1, or section 352.22, subdivision 3, must be computed as provided in section 352.22, subdivision 3, on the basis of allowable service before termination of state service and augmented as provided herein. The required reserves applicable to a deferred annuity or to an annuity for which a former employee was eligible but had not applied or to any deferred segment of an annuity must be determined as of the date the benefit begins to accrue and augmented by interest compounded annually from the first day of the month following the month in which the employee ceased to be a state employee, or July 1, 1971, whichever is later, to the first day of the month in which the annuity begins to accrue. The rates of interest used for this purpose must be five percent compounded annually until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former employee attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually. If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented by interest under this subdivision. The sum of the augmented required reserves so determined is the present value of the annuity. "Uninterrupted service" for the purpose of this subdivision means periods of covered employment during which the employee has not been separated from state service for more than two years. If a person repays a refund, the service restored by the repayment must be considered continuous with the next period of service for which the employee has credit with this system. The formula percentages used for each period of uninterrupted service must be those applicable to a new employee. The mortality table and interest assumption used to compute the annuity must be those in effect when the employee files application for annuity. This section ~~shall~~ does not reduce the annuity otherwise payable under this chapter.

(b) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former state employee who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and the tables adopted by the board and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 21. Minnesota Statutes 1996, section 352.92, subdivision 1, is amended to read:

Subdivision 1. **EMPLOYEE CONTRIBUTIONS.** ~~Beginning with the first full pay period after July 1, 1984, in lieu of employee contributions payable under section 352.04, subdivision 2,~~ Employee contributions ~~by~~ of covered correctional employees must be in an amount equal to ~~4.90~~ 5.50 percent of salary.

Sec. 22. Minnesota Statutes 1996, section 352.92, subdivision 2, is amended to read:

Subd. 2. **EMPLOYER CONTRIBUTIONS.** ~~In lieu of employer contributions payable under section 352.04, subdivision 3,~~ The employer shall contribute for covered correctional employees an amount equal to ~~6.75~~ 7.70 percent of salary.

Sec. 23. Minnesota Statutes 1996, section 352.93, subdivision 2, is amended to read:

Subd. 2. **CALCULATING MONTHLY ANNUITY.** The monthly annuity under this section must be determined by multiplying the average monthly salary by the number of years, or completed months, of covered correctional service by ~~2.5~~ the percent specified in section 356.19, subdivision 5. ~~However, the monthly annuity must not exceed 75 percent of the average monthly salary.~~

Sec. 24. Minnesota Statutes 1996, section 352.93, subdivision 3, is amended to read:

Subd. 3. ~~**PAYMENTS; DURATION AND AMOUNT**~~ **ANNUITY ACCRUAL.** The annuity under this section ~~shall~~ must begin to accrue as provided in section 352.115, subdivision 8.~~, and must be paid for an additional 84 full calendar months or to the first of the month following the month in which the employee attains normal retirement age, whichever occurs first, except that payment must not cease before the first of the month following the month in which the employee becomes 62. It must then be reduced to the amount as calculated at normal retirement age under section 352.115, except that if this amount, when added to that portion of the social security benefit based on state service the employee would be eligible to receive at the time, is less than the benefit payable under subdivision 2, the retired employee shall receive an amount that when added to the social security benefit will equal the amount payable under subdivision 2. If the employee retired prior to age 55, the reduced benefit as calculated under section 352.115 must be actuarially reduced as provided in subdivision 2a.~~

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

~~Employee contributions contributed as a correctional employee in excess of the contributions the employee would have contributed as a regular employee~~	~~X~~	~~Years and complete months of regular service between age 58 and the normal retirement age~~ / ~~number of years between age 58 and normal retirement age~~

Sec. 25. Minnesota Statutes 1996, section 352.93, is amended by adding a subdivision to read:

Subd. 3a. **OPTIONAL ANNUITIES.** The board may establish optional annuity forms to pay a higher amount from the date of retirement until an employee is first eligible to draw social security benefits or up to the age the employee is eligible to receive unreduced social security benefits, at which time the monthly benefits must be reduced. The optional annuity forms must be actuarially equivalent to the normal single life annuity form provided in subdivision 2. The optional annuity forms must be approved by the actuary retained by the legislative commission on pensions and retirement.

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

Sec. 26. [352.931] SURVIVOR BENEFITS.

Subdivision 1. **SURVIVING SPOUSE BENEFIT.** (a) If the correctional employee was at least age 50, has credit for at least three years allowable service, and dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund under section 352.12, subdivision 1, an annuity for life equal to the joint and 100 percent survivor annuity which the employee could have qualified for had the employee terminated service on the date of death. The election may be made at any time after the date of death of the employee. The surviving spouse benefit begins to accrue as of the first of the month next following the date on which the application for the benefit was filed.

(b) If the employee was under age 50, dies, and had credit for at least three years of allowable service credit on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the early retirement reduction under section 352.93, subdivision 2a, to age 50, and one–half of the early retirement reduction from age 50 to the age payment begins. The surviving spouse eligible for surviving spouse benefits under this paragraph may apply for the annuity at any time after the employee's death. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision.

(c) The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse. Any employee may request in writing that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

Subd. 2. **SURVIVING SPOUSE COVERAGE; TERM CERTAIN.** In lieu of the 100 percent optional annuity under subdivision 1, the surviving spouse of a deceased employee may elect to receive survivor coverage in a term certain of ten, 15, or 20 years. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 1 and must be approved by the actuary retained by the legislative commission on pensions and retirement. The optional annuity ceases upon the expiration of the term certain period. If a survivor elects a term certain annuity and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Subd. 3. **DEPENDENT CHILD SURVIVOR COVERAGE.** If there is no surviving spouse eligible for benefits under subdivision 1, a dependent child as defined in section 352.01, subdivision 26, is eligible for a dependent child survivor benefit. Benefits to a dependent child must be paid from the date of the employee's death to the date the dependent child attains age 20 if the child is under age 15 on the date of death. If the child is 15 years or older on the date of death, the benefit is payable for five years. The payment to a dependent child is an amount actuarially equivalent to the value of a 100 percent joint and survivor optional annuity using the age of the employee and age of the dependent child at the date of death in lieu of the age of the surviving spouse. If there is more than one dependent child, each dependent child shall receive a proportionate share of the actuarial value of the employee's account, with the amount of the benefit payable to each child to be determined based on the portion of the total eligibility period that each child is eligible.

The process for calculating the dependent child survivor benefit must be approved by the actuary retained by the legislative commission on pensions and retirement.

Subd. 4. **DEATH REFUND.** An amount equal to the excess, if any, of the accumulated contributions credited to the account of the deceased employee in excess of the total of the benefits paid to the surviving spouse and surviving child or children must be paid to the deceased employee's last designated beneficiary or, if none, as specified under section 352.12, subdivision 1.

Subd. 5. **APPLICATION.** The benefit elections under this section must be made on an application form prescribed by the executive director and must be filed with the executive director.

Sec. 27. Minnesota Statutes 1996, section 352.95, subdivision 1, is amended to read:

Subdivision 1. **JOB–RELATED DISABILITY.** A covered correctional employee who becomes disabled and physically unfit to perform the duties of the position as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty that makes the employee physically or mentally unable to perform the duties, is entitled to a disability benefit based on covered correctional service only. The benefit amount must equal 50 percent of the average salary defined in section 352.93, plus an additional ~~2–1/2~~ percent equal to that specified in section 356.19, subdivision 5, for each year of covered correctional service in excess of 20 years, ten months, prorated for completed months.

Sec. 28. Minnesota Statutes 1996, section 352.95, subdivision 5, is amended to read:

Subd. 5. **RETIREMENT STATUS AT NORMAL RETIREMENT AGE.** The disability benefit paid to a disabled correctional employee under this section shall terminate at the end of the month in which the employee reaches age 62. If the disabled correctional employee is still disabled when the employee reaches age 62, the employee shall be deemed to be a retired employee. If the employee had elected an optional annuity under subdivision 1a, the employee shall receive an annuity in accordance with the terms of the optional annuity previously elected. If the employee had not elected an optional annuity under subdivision 1a, the employee may within 90 days of attaining age 65 or reaching the five–year anniversary of the effective date of the disability benefit, whichever is later, either elect to receive a normal retirement annuity computed in the manner provided in section ~~352.115~~ 352.93 or elect to receive an optional annuity as provided in section 352.116, subdivision 3, based on the same length of service as used in the calculation of the disability benefit. Election of an optional annuity must be made within 90 days before attaining age 65 or reaching the five–year anniversary of the effective date of the disability benefit, whichever is later. ~~The reduction for retirement before normal retirement age as provided in section 352.116, subdivision 1 or 1a, does not apply. The savings clause provision of section 352.93, subdivision 3, applies.~~ If an optional annuity is elected, the optional annuity shall begin to accrue on the first of the month following the month in which the employee reaches age 65 or the five–year anniversary of the effective date of the disability benefit, whichever is later.

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

Sec. 29. Minnesota Statutes 1996, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. **MEMBER CONTRIBUTIONS.** Each member shall pay a sum equal to ~~8.92~~ 8.40 percent of the member's salary, which shall constitute the member contribution to the fund.

Sec. 30. Minnesota Statutes 1996, section 352B.02, subdivision 1c, is amended to read:

Subd. 1c. **EMPLOYER CONTRIBUTIONS.** ~~(a)~~ In addition to member contributions, department heads shall pay a sum equal to ~~14.88~~ 12.60 percent of the salary upon which deductions were made, which shall constitute the employer contribution to the fund. Department contributions must be paid out of money appropriated to departments for this purpose.

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

Sec. 31. Minnesota Statutes 1996, section 352B.08, subdivision 2, is amended to read:

Subd. 2. **NORMAL RETIREMENT ANNUITY.** The annuity must be paid in monthly installments. The annuity shall be equal to the amount determined by multiplying the average monthly salary of the member by ~~2.65~~ the percent specified in section 356.19, subdivision 6, for each year and pro rata for completed months of service.

Sec. 32. Minnesota Statutes 1996, section 352B.08, subdivision 2a, is amended to read:

Subd. 2a. **EARLY RETIREMENT.** Any member who has become at least 50 years old~~, or former member if service ended after June 30, 1989,~~ and who has at least three years of allowable service is entitled upon application to a reduced retirement annuity equal to the annuity calculated under subdivision 2, reduced ~~so that the reduced annuity is the actuarial equivalent of the annuity that would be payable if the member deferred receipt of the annuity from the day the annuity begins to accrue to age 55~~ by two-tenths of one percent for each month that the member is under age 55 at the time of retirement.

Sec. 33. Minnesota Statutes 1996, section 352B.10, subdivision 1, is amended to read:

Subdivision 1. **INJURIES, PAYMENT AMOUNTS.** Any member who becomes disabled and physically or mentally unfit to perform duties as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, shall receive disability benefits while disabled. The benefits must be paid in monthly installments equal to the member's average monthly salary multiplied by ~~53~~ 60 percent, plus an additional ~~2.65~~ percent equal to that specified in section 356.19, subdivision 6, for each year and pro rata for completed months of service in excess of 20 years, if any.

Sec. 34. Minnesota Statutes 1996, section 352B.30, is amended by adding a subdivision to read:

Subd. 4. **1997 POSTRETIREMENT FUND INTEREST CHANGES.** The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 35. Minnesota Statutes 1996, section 352C.031, subdivision 4, is amended to read:

Subd. 4. **RETIREMENT ALLOWANCE FORMULA.** (a) This paragraph applies to constitutional officers who terminate that service before July 1, 1997. The average salary multiplied by 2-1/2 percent for each year of allowable service and pro rata for completed months less than a full year shall determine the amount of the normal retirement allowance.

(b) This paragraph applies to constitutional officers who terminate that service after June 30, 1997. The retirement allowance is an amount equal to the rate under paragraph (a) per year of service of the constitutional officer's average monthly salary adjusted for that person on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent. The adjustment must be calculated by or, alternatively, the adjustment procedure must be specified by the actuary retained by the legislative commission on pensions and retirement.

Sec. 36. Minnesota Statutes 1996, section 352C.033, is amended to read:

352C.033 **DEFERRED ANNUITIES AUGMENTATION.**

(a) The deferred retirement allowance for any former constitutional officer ~~shall~~ must be augmented as provided in this section. The required reserves applicable to the deferred retirement allowance, determined as of the date the retirement allowance begins to accrue using the appropriate mortality table and an interest assumption of ~~five~~ six percent, shall be augmented from the first of the month following termination of service as a constitutional officer, or January 1, 1979, whichever is later, to the first day of the month in which the annuity begins to accrue, at the rate of five percent per annum compounded annually until January 1, 1981, and thereafter at the rate of three percent per annum compounded annually until January 1 of the year in which the former constitutional officer attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually.

(b) The retirement allowance of, or the survivor benefit payable on behalf of, a former constitutional officer who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 37. Minnesota Statutes 1996, section 353.01, subdivision 37, is amended to read:

Subd. 37. **NORMAL RETIREMENT AGE.** "Normal retirement age" means age 65 for a person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a public employee after June 30, 1989, "normal retirement age" means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66.

Sec. 38. Minnesota Statutes 1996, section 353.27, subdivision 2, is amended to read:

Subd. 2. **EMPLOYEE CONTRIBUTION.** The employee contribution shall be an amount (a) for a "basic member" equal to ~~8.23~~ 8.75 percent of total salary; and (b) for a "coordinated member" equal to ~~4.23~~ 4.75 percent of total salary. These contributions ~~shall~~ must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, such member's employee contribution ~~shall~~ must be based on the total salary received from all sources.

Sec. 39. Minnesota Statutes 1996, section 353.27, subdivision 3a, is amended to read:

Subd. 3a. **ADDITIONAL EMPLOYER CONTRIBUTION.** (a) An additional employer contribution ~~shall~~ must be made equal to (a) ~~2-1/2~~ 2.68 percent of the total salary of each "basic member"; and (b) ~~one-quarter of one~~ .43 percent of the total salary of each "coordinated member." These contributions ~~shall~~ must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(b) This subdivision is repealed once the actuarial value of the assets of the plan equal or exceed the actuarial accrued liability of the plan as determined by the actuary retained by the legislative commission on pensions and retirement under section 356.215. The repeal is effective on the first day of the first full pay period occurring after March 31 of the calendar year following the issuance of the actuarial valuation upon which the repeal is based.

Sec. 40. Minnesota Statutes 1996, section 353.29, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT ANNUITY FORMULA.** (a) This paragraph, in conjunction with section 353.30, subdivisions 1, 1a, 1b, and 1c, applies to any member who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 353.30, subdivision 5, produces a higher annuity amount, in which case paragraph (b) will apply. The average salary as defined in subdivision 2, multiplied by ~~two~~ the percent specified in section 356.19, subdivision 3, for each year of allowable service for the first ten years and thereafter by ~~2.5~~ the percent specified in section 356.19, subdivision 4, per year of allowable service and completed months less than a full year for the "basic member," and ~~one~~ the percent specified in section 356.19, subdivision 1, for each year of allowable service for the first ten years and thereafter by ~~1.5~~ the percent specified in section 356.19, subdivision 2, per year of allowable service and completed months less than a full year for the "coordinated member," shall determine the amount of the "normal" retirement annuity.

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

(b) This paragraph applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member whose annuity amount, when calculated under this paragraph and in conjunction with section 353.30, subdivision 5, is higher than it is when calculated under paragraph (a), in conjunction with section 353.30, subdivisions 1, 1a, 1b, and 1c. The average salary, as defined in subdivision 2, multiplied by ~~2.5~~ the percent specified in section 356.19, subdivision 4, for each year of allowable service and completed months less than a full year for a basic member and ~~1.5~~ the percent specified in section 356.19, subdivision 2, per year of allowable service and completed months less than a full year for a coordinated member, shall determine the amount of the normal retirement annuity.

Sec. 41. Minnesota Statutes 1996, section 353.651, subdivision 3, is amended to read:

Subd. 3. **RETIREMENT ANNUITY FORMULA.** The average salary as defined in subdivision 2, multiplied by ~~2.65~~ the percent specified in section 356.19, subdivision 6, per year of allowable service determines the amount of the normal retirement annuity. If the member has earned allowable service for performing services other than those of a police officer or firefighter, the annuity representing such service is computed under sections 353.29 and 353.30.

Sec. 42. Minnesota Statutes 1996, section 353.656, subdivision 1, is amended to read:

Subdivision 1. **IN LINE OF DUTY; COMPUTATION OF BENEFITS.** A member of the police and fire fund who becomes disabled and physically unfit to perform duties as a police officer or firefighter subsequent to June 30, 1973, as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, which has or is expected to render the member physically or mentally unable to perform duties as a police officer or firefighter for a period of at least one year, shall receive disability benefits during the period of such disability. The benefits must be in an amount equal to ~~53~~ 60 percent of the "average salary" under subdivision 3, plus an additional ~~2.65~~ percent specified in section 356.19, subdivision 6, of said average salary for each year of service in excess of 20 years. Should disability under this subdivision occur before the member has at least five years of allowable service credit in the police and fire fund, the disability benefit must be computed on the "average salary" from which deductions were made for contribution to the police and fire fund.

Sec. 43. Minnesota Statutes 1996, section 353.71, subdivision 2, is amended to read:

Subd. 2. **DEFERRED ANNUITY COMPUTATION; AUGMENTATION.** (a) The deferred annuity, if any, accruing under subdivision 1, or sections 353.34, subdivision 3, and 353.68, subdivision 4, ~~shall~~ must be computed in the manner provided in said sections, on the basis of allowable service prior to termination of public service and augmented as provided herein. The required reserves applicable to a deferred annuity, or to an annuity for which a former member was eligible but had not applied, or to any deferred segment of an annuity shall be determined as of the date the annuity begins to accrue and shall be augmented from the first day of the month following the month in which the former member ceased to be a public employee, or July 1, 1971, whichever is later, to the first day of the month in which the annuity begins to accrue, at the rate of five percent per annum compounded annually until January 1, 1981, and at the rate of three percent thereafter until January 1 of the year following the year in which the former member attains age 55. From that date to the effective date of retirement, the rate is five percent per annum compounded annually. If a person has more than one period of uninterrupted service, the required reserves related to each period shall be augmented by interest pursuant to this subdivision. The sum of the augmented required reserves so determined shall be the present value of the annuity. Uninterrupted service for the purpose of this subdivision shall mean periods of covered employment during which the employee has not been separated from public service for more than two years. If a person repays a refund, the service restored thereby shall be considered as continuous with the next period of service for which the employee has credit with this association. The formula percentages used for each period of uninterrupted service shall be those as would be applicable to a new employee. This section shall not reduce the annuity otherwise payable under this chapter. This subdivision shall apply to deferred annuitants of record on July 1, 1971, and to employees who thereafter become deferred annuitants; it shall also apply from July 1, 1971, to former members who make application for an annuity after July 1, 1973.

(b) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 44. Minnesota Statutes 1996, section 353A.08, subdivision 1, is amended to read:

Subdivision 1. **ELECTION OF COVERAGE BY CURRENT RETIREES.** A person who is receiving a service pension, disability benefit, or ~~survivorship~~ survivor benefit is eligible to elect benefit coverage provided under the relevant provisions of the public employees police and fire fund benefit plan or to retain benefit coverage provided under the relief association benefit plan in effect on the effective date of the consolidation. The relevant provisions of the public employees police and fire fund benefit plan for the person electing that benefit coverage are limited to participation in the Minnesota postretirement investment fund for any future postretirement adjustments based on the amount of the benefit or pension payable on December 31, if December 31 is the effective date of consolidation, or on the December 1 following the effective date of the consolidation, if other than December 31. The ~~survivorship~~ survivor benefit payable on behalf of any service pension or disability benefit recipient who elects benefit coverage under the public employees police and fire fund benefit plan must be calculated under the relief association benefit plan and is subject to participation in the Minnesota postretirement investment fund for any future postretirement adjustments based on the amount of the ~~survivorship~~ survivor benefit payable.

A survivor benefit calculated under the relief association benefit plan which is first payable after June 30, 1997, to the surviving spouse of a retired member of a consolidation account who, before July 1, 1997, chose to participate in the Minnesota postretirement investment fund as provided under this subdivision must be increased on the effective date of the survivor benefit on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained by the legislative commission on pensions and retirement.

By electing the public employees police and fire fund benefit plan, a current service pension or disability benefit recipient who, as of the first January 1 occurring after the effective date of consolidation, has been receiving the pension or benefit for at least seven months, or any survivor benefit recipient who, as of the first January 1 occurring after the effective date of consolidation, has been receiving the benefit on the person's own behalf or in combination with a prior applicable service pension or disability benefit for at least seven months is eligible to receive a partial adjustment payable from the Minnesota post-retirement investment fund under section 11A.18, subdivision 9.

The election by any pension or benefit recipient must be made on or before the deadline established by the board of the public employees retirement association in a manner that recognizes the number of persons eligible to make the election and the anticipated time required to conduct any required benefit counseling.

Sec. 45. Minnesota Statutes 1996, section 353A.08, subdivision 2, is amended to read:

Subd. 2. **ELECTION OF COVERAGE BY CURRENT DEFERRED RETIREES.** (a) Any person who has terminated active employment as a police officer or firefighter, whichever applies, with the municipality, has sufficient credit for service to entitle the person to an eventual service pension and has not taken a refund of accumulated member contributions, if applicable, shall have the option to elect to have benefit coverage provided under the relevant provisions of the public employees police and fire fund benefit plan or to retain benefit coverage provided by the relief association benefit plan in effect on the effective date of consolidation. The relevant provisions of the public employees police and fire fund benefit plan for the person electing that benefit coverage shall be the provisions specified in subdivision 1.

The election shall be made when the person files an application for receipt of the deferred service pension and shall accompany that application.

(b) The retirement annuity for a deferred member of a consolidated local relief association which consolidated before July 1, 1997, who elected the relevant provisions of the public employees police and fire fund benefit plan under subdivision 1 must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board of trustees of the public employees retirement association and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 46. Minnesota Statutes 1996, section 353A.083, is amended by adding a subdivision to read:

Subd. 3. **PRE-1997 CONSOLIDATION.** (a) For any consolidation plan account in effect on July 1, 1997, the applicable benefit plan coverage defined in paragraph (b) or (c) applies unless the consolidation account's city approves the extension of the post-June 30, 1997, public employees police and fire fund benefit plan to the consolidation account members.

(b) If the applicable municipality has approved the July 1, 1993, public employees police and fire fund benefit provisions, but has not approved the extension of the post–June 30, 1997, public employees police and fire fund benefit provisions:

(1) the benefit accrual rate for calculating retirement annuities that apply to consolidation account members who have elected or elect coverage under the provisions of the public employees police and fire fund benefit plan is 2.9 percent of average salary under section 353.651, subdivision 2, per year of allowable service;

(2) the optional survivor annuities payable to the survivors of these consolidated members who elected coverage under the provisions of the public employees police and fire fund benefit plan must be determined using a benefit accrual rate of 2.9 percent of average salary under section 353.651, subdivision 2, per year of the member's allowable service;

(3) the disability benefit payable for these consolidated members who elected or elect coverage under the provisions of the public employees police and fire fund benefit plan and:

(i) who become disabled in the line of duty, as defined under section 353.656, subdivision 1, is an amount equal to 58 percent of average salary under section 353.651, subdivision 2, plus an additional 2.9 percent of that average salary for each year of service in excess of 20 years; or

(ii) who become disabled because of sickness or injury occurring while not on duty, as defined under section 353.656, subdivision 3, is an amount equal to 43.50 percent of average salary under section 353.651, subdivision 2, plus an additional 2.9 percent of that average salary for each year of service in excess of 15 years.

(c) If the applicable municipality has not approved the July 1, 1993, public employees police and fire fund benefit provisions, and has not approved the extension of the post–June 30, 1997, public employees police and fire fund benefit provisions:

(1) the benefit accrual rate for calculating retirement annuities that apply to consolidation account members who have elected or elect coverage under the provisions of the public employees police and fire fund benefit plan is 2.74 percent of average salary under section 353.651, subdivision 2, per year of allowable service;

(2) the optional survivor annuities payable to the survivors of these consolidated members who elected coverage under the provisions of the public employees police and fire fund benefit plan must be determined using a benefit accrual rate of 2.74 percent of average salary under section 353.651, subdivision 2, per year of the member's allowable service;

(3) the disability benefit payable for consolidated members who elected or elect the coverage under the provisions of the public employees police and fire fund benefit plan and:

(i) who become disabled in the line of duty, as defined under section 353.656, subdivision 1, is an amount equal to 54.80 percent of the average salary under section 353.651, subdivision 2, plus an additional 2.74 percent of that average salary for each year of service in excess of 20 years; or

(ii) who become disabled because of sickness or injury occurring while not on duty, as defined under section 353.656, subdivision 3, is an amount equal to 41.10 percent of the average salary under section 353.651, subdivision 2, plus an additional 2.74 percent of that average salary for each year of service in excess of 15 years.

Sec. 47. Minnesota Statutes 1996, section 354.05, subdivision 38, is amended to read:

Subd. 38. **NORMAL RETIREMENT AGE.** "Normal retirement age" means age 65 for a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a member of the association after June 30, 1989, normal retirement age means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66.

Sec. 48. Minnesota Statutes 1996, section 354.42, subdivision 2, is amended to read:

Subd. 2. **EMPLOYEE.** The employee contribution to the fund ~~shall be~~ is an amount equal to ~~6.5~~ 5.0 percent of the salary of every coordinated member and ~~10.5~~ 9.0 percent of the salary of every basic member. This contribution ~~shall~~ must be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, ~~such~~ the member's employee contribution ~~shall~~ must be based on the entire salary received.

Sec. 49. Minnesota Statutes 1996, section 354.42, subdivision 3, is amended to read:

Subd. 3. **EMPLOYER.** The employer contribution to the fund ~~shall be~~ is an amount equal to ~~4-1/2~~ 5.0 percent of the salary of each coordinated member and ~~8-1/2~~ 9.0 percent of the salary of each basic member.

Sec. 50. Minnesota Statutes 1996, section 354.42, subdivision 5, is amended to read:

Subd. 5. **ADDITIONAL EMPLOYER CONTRIBUTION.** (a) To amortize the unfunded actuarial accrued liability computed under the entry age actuarial cost method and disclosed under the annual actuarial valuations prepared by the commission-retained actuary under section 356.215, an additional employer contribution ~~shall~~ must be made in the amount of ~~3.64~~ 1.64 percent of the salary of each member.

(b) This contribution must be made in the manner provided in section 354.52, subdivision 4.

(c) This subdivision is repealed once the actuarial value of the assets of the plan equal or exceed the actuarial accrued liability of the plan as determined by the actuary retained by the legislative commission on pensions and retirement under section 356.215. The repeal is effective on the first day of the first full pay period occurring after March 31 of the calendar year following the issuance of the actuarial valuation upon which the repeal is based.

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

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

Sec. 51. Minnesota Statutes 1996, section 354.44, subdivision 6, is amended to read:

Subd. 6. **COMPUTATION OF FORMULA PROGRAM RETIREMENT ANNUITY.** (1) The formula retirement annuity ~~hereunder shall~~ must be computed in accordance with the applicable provisions of the formulas stated in clause (2) or (4) on the basis of each member's average salary for the period of the member's formula service credit.

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

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

	Coordinated Member	Basic Member
Each year of service during first ten	~~1.13~~ the percent specified in section 356.19, subdivision 1, per year	~~2.13~~ the percent specified in section 356.19, subdivision 3, per year
Each year of service thereafter	~~1.63~~ the percent specified in section 356.19, subdivision 2, per year	~~2.63~~ the percent specified in section 356.19, subdivision 4, per year

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

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

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

(4) This clause applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this clause and in conjunction with clause (5), is higher than it is when calculated under clause (2), in conjunction with clause (3). The average salary, as defined in clause (1) multiplied by ~~2.63~~ the percent specified by section 356.19, subdivision 4, for each year of service for a basic member and by ~~1.63~~ the percent specified in section 356.19, subdivision 2, for each year of service for a coordinated member shall determine the amount of the retirement annuity to which the member is entitled.

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

Sec. 52. Minnesota Statutes 1996, section 354.44, is amended by adding a subdivision to read:

Subd. 6a. **EXTENSION OF 1997 PERMANENT INCREASE.** (a) A percentage of the permanent increase for benefit recipients effective July 1, 1997, under section 71, as specified in paragraph (b), is payable to:

(1) a member who terminates service after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002, based on the member's age at retirement.

(2) a member who is determined to be totally and permanently disabled under section 354.05, subdivision 14, after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002, based on the member's age at disability.

(3) the survivor of a member who terminates service and dies after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002.

(b) The percentage of the permanent increase is the amount designated for the applicable beginning benefit accrual date, as follows:

Beginning Benefit Accrual Date	Percentage of Permanent Increase
July 2, 1997 to July 1, 1998	50 percent
July 2, 1998 to July 1, 1999	40 percent
July 2, 1999 to July 1, 2000	30 percent
July 2, 2000 to July 1, 2001	20 percent
July 2, 2001 to July 1, 2002	10 percent

Sec. 53. Minnesota Statutes 1996, section 354.53, subdivision 1, is amended to read:

Subdivision 1. **EMPLOYEE AND EMPLOYER CONTRIBUTIONS.** Any employee given a leave of absence to enter military service and who returns to teaching service upon discharge from military service as provided in section 192.262, ~~shall~~ may obtain credit for the period of military service but shall not receive credit for any voluntary extension of military service at the instance of the member beyond the initial period of enlistment, induction or call to active duty. The member shall obtain credit by paying into the fund an employee contribution based upon the ~~salary of the member at the date of return from military service. The amount of this contribution shall be as follows:~~

~~Period~~	~~Basic Member~~	~~Coordinated Member~~
~~July 1, 1973 thru June 30, 1979~~	~~8 percent~~	~~4 percent~~
~~July 1, 1979 and thereafter~~	~~8.5 percent~~	~~4.5 percent~~

~~The contributions specified in this subdivision shall be~~ contribution rates in effect at the time that the military service was performed multiplied by the annual salary rate of the member for the year beginning with the date of return from military service and the number of years of military service together with interest thereon at an annual rate of 8.5 percent compounded annually from the time the military service was rendered to the first date of payment. The employer contribution and additional contribution provided in section 354.42 ~~shall~~ must be paid by the employing unit at the rates in effect at the time that the military service was performed, applied to the annual salary rate of the member for the year beginning with the date of return from military service, in the manner provided in section 354.52, subdivision 4.

Sec. 54. Minnesota Statutes 1996, section 354.55, subdivision 11, is amended to read:

Subd. 11. **DEFERRED ANNUITY; AUGMENTATION.** (a) Any person covered under section 354.44, subdivision 6, who ceases to render teaching service, may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement. Eligibility for an annuity under this subdivision ~~shall be~~ is governed pursuant to section 354.44, subdivision 1, or 354.60.

(b) The amount of the deferred retirement annuity ~~shall be~~ is determined by section 354.44, subdivision 6, and augmented as provided in this subdivision. The required reserves related to that portion of the annuity which had accrued when the member ceased to render teaching service ~~shall~~ must be augmented by interest compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There shall be no augmentation if this period is less than three months or if this period commences prior to July 1, 1971. The rates of interest used for this purpose ~~shall~~ must be five percent compounded annually commencing July 1, 1971, until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former member attains age 55. From that date to the effective date of retirement, the rate is five

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

percent compounded annually. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period ~~shall~~ must be augmented by interest pursuant to this subdivision. The sum of the augmented required reserves so determined shall be the basis for purchasing the deferred annuity. If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has credit with this fund. If a person does not render teaching service in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of the resumption of teaching service ~~shall~~ must be those applicable to new members. The mortality table and interest assumption used to compute the annuity ~~shall~~ must be the applicable mortality table established by the board under section 354.07, subdivision 1, and the interest rate assumption under section 356.215 in effect when the member retires. A period of uninterrupted service for the purposes of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

(c) In no case shall the annuity payable under this subdivision be less than the amount of annuity payable pursuant to section 354.44, subdivision 6.

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

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

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

(g) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former teacher who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 55. [356.19] **RETIREMENT BENEFIT FORMULA PERCENTAGES.**

Subdivision 1. **COORDINATED PLAN MEMBERS.** The applicable benefit accrual rate is 1.2 percent.

Subd. 2. **COORDINATED PLAN MEMBERS.** The applicable benefit accrual rate is 1.7 percent.

Subd. 3. **BASIC PLAN MEMBERS.** The applicable benefit accrual rate is 2.2 percent.

Subd. 4. **BASIC PLAN MEMBERS.** The applicable benefit accrual rate is 2.7 percent.

Subd. 5. **CORRECTIONAL PLAN MEMBERS.** The applicable benefit accrual rate is 2.4 percent.

Subd. 6. **STATE TROOPERS PLAN AND POLICE/FIRE PLAN MEMBERS.** The applicable benefit accrual rate is 3.0 percent.

Subd. 7. **JUDGES PLAN.** The applicable benefit accrual rate is 2.7 percent.

Subd. 8. **JUDGES PLAN.** The applicable benefit accrual rate is 3.2 percent.

Subd. 9. **FUTURE BENEFIT ACCRUAL RATE INCREASES.** After January 2, 1998, benefit accrual rate increases under this section must apply only to allowable service or formula service rendered after the effective date of the benefit accrual rate increase.

Sec. 56. Minnesota Statutes 1996, section 356.20, subdivision 2, is amended to read:

Subd. 2. **COVERED PUBLIC PENSION FUNDS.** This section applies to the following public pension plans:

(1) State employees retirement fund.

(2) Public employees retirement fund.

(3) Teachers retirement association.

(4) State patrol retirement fund.

(5) Minneapolis teachers retirement fund association.

(6) St. Paul teachers retirement fund association.

(7) Duluth teachers retirement fund association.

(8) Minneapolis employees retirement fund.

(9) University of Minnesota faculty retirement plan.

(10) University of Minnesota faculty supplemental retirement plan.

(11) Judges retirement fund.

(12) Any police or firefighter's relief association enumerated in section 69.77, subdivision 1a or 69.771, subdivision 1.

(13) Public employees police and fire fund.

(14) Minnesota state retirement system correctional officers retirement fund.

~~(15) Public employees local government correctional service retirement plan.~~

Sec. 57. Minnesota Statutes 1996, section 356.215, subdivision 2, is amended to read:

Subd. 2. **REQUIREMENTS.** (a) It is the policy of the legislature that it is necessary and appropriate to determine annually the financial status of tax supported retirement and pension plans for public employees. To achieve this goal, the legislative commission on pensions and retirement shall have prepared by the actuary retained by the commission annual actuarial valuations of the retirement plans enumerated in section 3.85, subdivision 11, paragraph (b), ~~and~~ quadrennial experience studies of the retirement plans enumerated in section 3.85, subdivision 11, paragraph (b), clauses (1), (2), and (7), and, two years after each set of quadrennial experience studies, quadrennial projection valuations of the retirement plans enumerated in section 3.85, subdivision 11, paragraph (b), clauses (1), (2), and (7), and of any other retirement plan enumerated in section 3.85, subdivision 11, paragraph (b), for which it determines that the analysis is beneficial. The governing or managing board or administrative officials of each public pension and retirement fund or plan enumerated in section 356.20, subdivision 2, clauses (9), (10), and (12), shall have prepared by an approved actuary annual actuarial valuations of their respective funds as provided in this section. This requirement also applies to any fund that is the successor to any organization enumerated in section 356.20, subdivision 2, or to the governing or managing board or administrative officials of any newly formed retirement fund or association operating under the control or supervision of any public employee group, governmental unit, or institution receiving a portion of its support through legislative appropriations, and any local police or fire fund coming within the provisions of section 356.216.

(b) The quadrennial projection valuations required under paragraph (a) are intended to serve as an additional analytical tool with which policy makers may assess the future funding status of public plans through forecasting and testing various potential outcomes over time if certain plan assumptions or valuation methods were to be modified. In consultation with the executive director of the legislative commission on pensions and retirement, the retirement fund directors, the state economist, the state demographer, the commissioner of finance, and the commissioner of employee relations, the actuary retained by the legislative commission on pensions and retirement shall perform the quadrennial projection valuations, testing future implications for plan funding by modifying assumptions and methods currently in place. The commission–retained actuary shall provide advice to the commission as to the periods over which such projections should be made, the nature and scope of the scenarios to be analyzed, the measures of funding status to be employed, and shall report the results of these analyses in the same manner as for quadrennial experience studies.

Sec. 58. Minnesota Statutes 1996, section 356.215, subdivision 4d, is amended to read:

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

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

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

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

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

Age	General state employees retirement plan	General public employees retirement plan	Teachers retirement plan
16	7.2500%	8.71%	7.25%
17	7.2500	8.71	7.25
18	7.2500	8.70	7.25
19	7.2500	8.70	7.25
20	7.2500	7.70	7.25
21	7.1454	7.70	7.25
22	7.1094	7.70	7.25
23	7.0725	7.70	7.20
24	7.0363	7.70	7.15
25	7.0000	7.60	7.10
26	7.0000	7.51	7.05
27	7.0000	7.39	7.00
28	7.0000	7.30	7.00
29	7.0000	7.20	7.00
30	7.0000	7.20	7.00
31	7.0000	7.10	7.00
32	7.0000	7.10	7.00
33	7.0000	7.00	7.00
34	7.0000	7.00	7.00
35	7.0000	6.90	7.00
36	6.9019	6.80	7.00
37	6.8074	6.70	7.00
38	6.7125	6.60	6.90
39	6.6054	6.50	6.80
40	6.5000	6.40	6.70
41	6.3540	6.30	6.60
42	6.2087	6.30	6.50

43	6.0622	6.30	6.35
44	5.9048	6.20	6.20
45	5.7500	6.20	6.05
46	5.6940	6.09	5.90
47	5.6375	6.00	5.75
48	5.5822	5.90	5.70
49	5.5405	5.80	5.65
50	5.5000	5.70	5.60
51	5.4384	5.70	5.55
52	5.3776	5.70	5.50
53	5.3167	5.70	5.45
54	5.2826	5.70	5.40
55	5.2500	5.70	5.35
56	5.2500	5.70	5.30
57	5.2500	5.70	5.25
58	5.2500	5.70	5.25
59	5.2500	5.70	5.25
60	5.2500	5.00	5.25
61	5.2500	5.00	5.25
62	5.2500	5.00	5.25
63	5.2500	5.00	5.25
64	5.2500	5.00	5.25
65	5.2500	5.00	5.25
66	5.2500	5.00	5.25
67	5.2500	5.00	5.25
68	5.2500	5.00	5.25
69	5.2500	5.00	5.25
70	5.2500	5.00	5.25

Sec. 59. Minnesota Statutes 1996, section 356.215, subdivision 4g, is amended to read:

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

(b) For any fund other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has not been a change in

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

the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding for the first actuarial valuation made after June 1, 1989, and each successive actuarial valuation is the first actuarial valuation date occurring after June 1, 2020.

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

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

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

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

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

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

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

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

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

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

Sec. 60. Minnesota Statutes 1996, section 356.217, is amended to read:

356.217 **MODIFICATIONS IN ACTUARIAL SERVICES.**

(a) ~~The actuary retained by the legislative commission on pensions and retirement is not required to prepare actuarial valuations of the public employees local government correctional employees retirement plan unless the plan is implemented by a county under section 353C.04.~~

~~(b)~~ The cost of any requested benefit projections by the commission–retained actuary relating to the Minnesota postretirement investment fund for the state board of investment is payable by the state board of investment.

~~(c)~~ (b) Actuarial valuations under section 356.215, for July 1, 1991, and thereafter, are not required to have an individual commentary section. The commentary section, if omitted from the individual plan actuarial valuation, must be included in an appropriate generalized format as part of the report to the legislature under section 3.85, subdivision 11.

~~(d)~~ (c) Actuarial valuations under section 356.215, for July 1, 1991, and thereafter, are not required to contain separate actuarial valuation results for basic and coordinated programs unless each program has a membership of at least ten percent of the total membership of the fund. Actuarial valuations under section 356.215, for July 1, 1991, and thereafter, are not required to contain cash flow forecasts.

~~(e)~~ (d) Actuarial valuations of the public employees police and fire fund local consolidation accounts for July 1, 1991, and thereafter, are not required to contain separate tabulations or summaries of active member, service retirement, disability retirement, and survivor data for each local consolidation account.

~~(f)~~ (e) The commission–retained actuary is:

(1) required to publish experience findings for plans for which experience findings are required only on a quadrennial basis for the four–year period ending June 30, 1992, and every four years thereafter;

(2) not required to prepare a separate experience analysis or publish separate experience findings for basic and coordinated programs if separate actuarial valuation results for the programs are not required; and

(3) not required to calculate investment rate of return experience results on any basis other than current asset value as defined in section 356.215, subdivision 1, clause (6).

Sec. 61. Minnesota Statutes 1996, section 356.30, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

(g) For the purpose of computing annuities under this section the formula percentages used by any covered fund, except ~~the basic program of the teachers retirement association,~~ the public employees police and fire fund, and the state patrol retirement fund, must not exceed ~~2-1/2~~ the percent specified in section 356.19, subdivision 4, per year of service for any year of service or fraction thereof. The formula percentage used by the public employees police and fire fund and the state patrol retirement fund must not exceed ~~2.65~~ the percent specified in section 356.19, subdivision 6, per year of service for any year of service or fraction thereof. ~~The formula percentage used by the teachers retirement association must not exceed 2.63 percent per year of basic program service for any year of basic program service or fraction thereof.~~ The formula percentage used by the legislators retirement plan and the elective state officers retirement must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c), or 352C.031, paragraph (b).

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

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

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

Sec. 62. Minnesota Statutes 1996, section 356.30, subdivision 3, is amended to read:

Subd. 3. **COVERED FUNDS.** This section applies to the following retirement funds:

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

(2) correctional employees retirement program, established pursuant to chapter 352;

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

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

(5) legislators' retirement plan, established pursuant to chapter 3A;

(6) elective state officers' retirement plan, established pursuant to chapter 352C;

(7) public employees retirement association, established pursuant to chapter 353;

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

(9) teachers retirement association, established pursuant to chapter 354;

(10) Minneapolis employees retirement fund, established pursuant to chapter 422A;

(11) Minneapolis teachers retirement fund association, established pursuant to chapter 354A;

(12) St. Paul teachers retirement fund association, established pursuant to chapter 354A;

(13) Duluth teachers retirement fund association, established pursuant to chapter 354A;

~~(14) public employees local government correctional service retirement plan established by sections 353C.01 to 353C.10;~~ and

~~(15)~~ (14) judges' retirement fund, established by sections 490.121 to 490.132.

Sec. 63. Minnesota Statutes 1996, section 356.32, subdivision 2, is amended to read:

Subd. 2. **COVERED FUNDS.** The provisions of this section shall apply to the following retirement funds:

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

(2) correctional employees retirement program, established pursuant to chapter 352;

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

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

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

(6) teachers retirement association, established pursuant to chapter 354;

(7) Minneapolis employees retirement fund, established pursuant to chapter 422A;

(8) Duluth teachers retirement fund association, established pursuant to chapter 354A;

(9) Minneapolis teachers retirement fund association, established pursuant to chapter 354A; and

(10) St. Paul teachers retirement fund association, established pursuant to chapter 354A~~;~~

~~(11) public employees local government correctional service retirement plan established by sections 353B.01 to 353B.10~~.

Sec. 64. Minnesota Statutes 1996, section 422A.06, subdivision 8, is amended to read:

Subd. 8. **RETIREMENT BENEFIT FUND.** (a) The retirement benefit fund shall consist of amounts held for payment of retirement allowances for members retired pursuant to this chapter.

(b) Assets equal to the required reserves for retirement allowances pursuant to this chapter determined in accordance with the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary shall be transferred from the deposit accumulation fund to the retirement benefit fund as of the last business day of the month in which the retirement allowance begins. The income from investments of these assets shall be allocated to this fund. There shall be paid from this fund the retirement annuities authorized by law. A required reserve calculation for the retirement benefit fund must be made by the actuary retained by the legislative commission on pensions and retirement and must be certified to the retirement board by the commission–retained actuary.

(c) The retirement benefit fund shall be governed by the applicable laws governing the accounting and audit procedures, investment, actuarial requirements, calculation and payment of postretirement benefit adjustments, discharge of any deficiency in the assets of the fund when compared to the actuarially determined required reserves, and other applicable operations and procedures regarding the Minnesota postretirement investment fund in effect on June 30, 1997, established ~~pursuant to~~ under Minnesota Statutes 1996, section 11A.18, and any legal or administrative interpretations of those laws of the state board of investment, the legal advisor to the board of investment and the executive director of the state board of investment in effect on June 30, 1997. If a deferred yield adjustment account is established for the Minnesota postretirement investment fund before June 30, 1997, under Minnesota Statutes 1996, section 11A.18, subdivision 5, the retirement board shall also establish and maintain a deferred yield adjustment account within this fund.

(d) Annually, following the calculation of any postretirement adjustment payable from the retirement benefit fund, the board of trustees shall submit a report to the executive director of the legislative commission on pensions and retirement and to the commissioner of finance indicating the amount of any postretirement adjustment and the underlying calculations on which that postretirement adjustment amount is based, including the amount of dividends, the amount of interest, and the amount of net realized capital gains or losses utilized in the calculations.

(e) With respect to a former contributing member who began receiving a retirement annuity or disability benefit under section 422A.151, paragraph (a), clause (2), after June 30, 1997, or with respect to a survivor of a former contributing member who began receiving a survivor benefit under section 422A.151, paragraph (a), clause (2), after June 30, 1997, the reserves attributable to the one percent lower amount of the cost–of–living adjustment payable to those annuity or benefit recipients annually must be transferred back to the deposit accumulation fund to the credit of the metropolitan airports commission. The calculation of this annual reduced cost–of–living adjustment reserve transfer must be reviewed by the actuary retained by the legislative commission on pensions and retirement.

Sec. 65. Minnesota Statutes 1996, section 422A.151, is amended to read:

422A.151 **ALTERNATIVE CALCULATION OF ANNUITY.**

(a) In the case of a contributing member of the Minneapolis employees retirement fund who is employed as a licensed peace officer or firefighter with the metropolitan airports commission and who retires, becomes disabled within the meaning of section 422A.18, or dies, the retirement, disability, or survivor allowance is equal to the higher of the following:

(1) the retirement, disability, or survivor allowance calculated for the person under the applicable provisions of the Minneapolis employees retirement fund; or

(2) the retirement, disability, or survivor benefit that the person would be entitled to upon meeting the applicable age and allowable service requirements of section 353.651,

353.656, or 353.657 if all employment as a licensed peace officer or firefighter with the metropolitan airports commission had been allowable service under the public employees retirement association police and fire fund, instead of being covered by the Minneapolis employees retirement fund. In computing the alternative benefit under section 353.651, 353.656, or 353.657, the applicable definitions and related provisions of chapter 353 must be used.

A firefighter or licensed peace officer terminating employment by the metropolitan airports commission after June 30, 1997, or the survivor of a deceased firefighter or licensed peace officer terminating employment by the metropolitan airports commission after June 30, 1997, under section 353.651, 353.656, or 353.657, shall receive a one percent lower cost-of-living adjustment than otherwise payable under section 422A.06, subdivision 5. If the cost-of-living adjustment payable under section 422A.06, subdivision 5, is less than one percent, the firefighter or licensed peace officer who retired after June 30, 1997, must not have a reduction in the previously received annuity or benefit amount, but future cost-of-living adjustments must be modified equal to the percentage the benefit would have been reduced below the person's current annuity or benefit amount to reflect the one percent lower cost-of-living adjustment under section 422A.06, subdivision 5.

(b) If a contributing member under paragraph (a) has periods of coverage by the Minneapolis employees retirement fund that include service other than employment as a licensed peace officer or firefighter as well as employment as a licensed peace officer or firefighter, the calculation of the benefit under paragraph (a), clause (2), may only utilize service as a licensed peace officer or firefighter employed by the metropolitan airports commission.

Sec. 66. Minnesota Statutes 1996, section 490.124, subdivision 1, is amended to read:

Subdivision 1. **BASIC RETIREMENT ANNUITY.** Except as qualified hereinafter from and after mandatory retirement date, normal retirement date, early retirement date, or one year from the disability retirement date, as the case may be, a retirement annuity shall be payable to a retiring judge from the judges' retirement fund in an amount equal to: (1) ~~2-1/2~~ the percent ~~of~~ specified in section 356.19, subdivision 7, multiplied by the judge's final average compensation multiplied by the number of years and fractions of years of allowable service rendered prior to July 1, 1980; plus (2) ~~three~~ the percent ~~of~~ specified in section 356.19, subdivision 8, multiplied by the judge's final average compensation multiplied by the number of years and fractions of years of allowable service rendered after June 30, 1980; provided that the annuity ~~shall~~ must not exceed ~~65~~ 70 percent of the judge's annual salary for the 12 months immediately preceding retirement.

Sec. 67. Minnesota Statutes 1996, section 490.124, subdivision 5, is amended to read:

Subd. 5. **DEFERRED BENEFITS.** (a) Any benefit to which a judge is entitled under this section may be deferred until early or normal retirement date, notwithstanding termination of such judge's service prior thereto.

(b) The retirement annuity of, or the survivor benefit payable on behalf of, a former judge, who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board of directors of the Minnesota state retirement system and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 68. Laws 1996, chapter 448, article 1, section 3, is amended to read:

Sec. 3. **EFFECTIVE DATE.**

(a) Sections 1 and 2 are effective on the day following approval by the Itasca county board and compliance with Minnesota Statutes, section 645.021.

(b) Notwithstanding Minnesota Statutes, section 645.021, the approval and compliance required by paragraph (a) is effective if accomplished before January 1, 1999.

Sec. 69. **APPROPRIATIONS; DEPARTMENT OF CORRECTIONS AND LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT.**

(a) $900,000 in fiscal year 1998 and $900,000 in fiscal year 1999 is appropriated from the general fund to the commissioner of corrections. The commissioner of finance shall include this amount in the base budget for the agency when developing the governor's budget recommendations for the biennium ending June 30, 2001.

(b) For fiscal year 1999, $50,000 is appropriated to the legislative coordinating commission for allocation to the legislative commission on pensions and retirement.

Sec. 70. **APPROPRIATION REDUCTION.**

Subdivision 1. **REDUCTIONS BY RETIREMENT PLAN AND EMPLOYER.** In fiscal years 1998 and 1999, the commissioner of finance shall reduce allotments and cancel to the general fund the amounts determined by multiplying the general fund supported salaries of employees who are members of the teachers retirement association according to clauses (1) and (2), and for employees who are members of the general state employees retirement plan of the Minnesota state retirement system according to clauses (3), (4), and (5):

(1) 0.90 percent for the Minnesota state colleges and universities;

(2) 1.50 percent for all agencies other than the Minnesota state colleges and universities

(3) 0.20 percent for all agencies other than the Minnesota state colleges and universities and the university of Minnesota;

(4) 0.12 percent for the Minnesota state colleges and universities;

(5) 0.0728 percent for the university of Minnesota.

Subd. 2. **APPROPRIATION REDUCTIONS APPLIED TO BASE BUDGETS.** The commissioner of finance shall include the reductions under subdivision 1 when developing the base budgets for all affected organizations as submitted with the governor's recommended budget for the biennium ending June 30, 2001.

Subd. 3. **PROJECTED SAVINGS.** For the biennium ending June 30, 1999, the projected general fund savings attributable to the reductions under subdivision 1 are as follows:

	fiscal year	
	1998	1999
subdivision 1, clauses (1) and (2)	$1,937,000	$2,053,000
subdivision 1, clauses (3)	$1,162,000	$1,233,000
subdivision 1, clauses (4) and (5)	$ 480,000	$ 509,000

Sec. 71. **APPROPRIATION**

For the fiscal years ending June 30, 1998, and June 30, 1999, the amounts transferred under section 13 to funds and accounts from which the salaries of peace officers employed by the department of natural resources are paid are appropriated from those funds and accounts to the commissioner of natural resources to assist in making the employer contributions to the state patrol retirement plan under Minnesota Statutes, section 352B.02, subdivision 1c. Notwithstanding section 13, for fiscal years 1998 and 1999, amounts transferred to the general fund for peace officers employed by the department of natural resources do not cancel but are appropriated to the commissioner of natural resources to assist in making employer contributions to the state patrol retirement plan. The amounts appropriated in this section must be included in the department's budgetary base for the next biennium.

Sec. 72. **PERMANENT INCREASE FOR BENEFIT RECIPIENTS.**

A monthly survivor, disability, or retirement benefit paid under Minnesota Statutes, chapters 3A, 352, 352B, 352C, 352D, 353, 353A, 354, and 490 on June 30, 1997, is permanently increased effective July 1, 1997, to reflect the change in the postretirement fund interest assumption from five percent to six percent. The benefit payable under the six percent postretirement interest assumption must be actuarially equivalent to the benefit payable under the five percent interest assumption and must be based on tables adopted by the applicable board and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 73. **ALTERNATIVE BENEFIT ADJUSTMENTS.**

If the permanent increase under section 71, along with the annual cost-of-living adjustments paid during the ten years after the effective date of this section averages less than inflation as measured by the Consumer Price Index or 3.5 percent, whichever is lower, the executive directors of the teachers retirement association, public employees retirement association, and the Minnesota state retirement system shall suggest alternative benefit adjustments for retirees receiving benefits on June 30, 1997, who exceed their life expectancy by three or more years.

Sec. 74. **MANDATED PENSION COMMISSION STUDY; DISPOSITION OF PERA-P&F CONSOLIDATION ACCOUNTS.**

(a) The legislative commission on pensions and retirement, in consultation with the affected constituencies, shall study the advantages and disadvantages of the blending of some or all local police and salaried firefighter consolidation accounts into the public employees police and fire retirement plan established under Minnesota Statutes, sections 353.63 to 353.68.

(b) The report must be transmitted on or before January 31, 1998, to the chair of the committee on governmental operations and veterans of the senate, the chair of the governmental operations budget division of the senate, the chair of the committee on governmental operations of the house of representatives, and the chair of the state government finance division of the house of representatives.

Sec. 75. **MANDATED PENSION COMMISSION STUDY; FIRST CLASS CITY TEACHER RETIREMENT FUND CONSOLIDATION OPTIONS.**

(a) The legislative commission on pensions and retirement, in consultation with the affected constituencies, shall study the advantages and disadvantages of the restructuring or the consolidation of the first class city teacher retirement fund associations and the statewide teachers retirement association. In its deliberations, the commission shall review the future state funding needs of the Minneapolis employees retirement fund and other applicable state pension funding resources.

(b) The report must be transmitted on or before January 31, 1998, to the chair of the committee on governmental operations and veterans of the senate, the chair of the governmental operations budget division of the senate, the chair of the committee on governmental operations of the house of representatives, and the chair of the state governmental finance division of the house of representatives.

Sec. 76. **TERMINATION DATE; CERTAIN TEACHERS.**

Notwithstanding Minnesota Statutes, section 354.44, subdivision 4, for purposes of eligibility for retirement benefits from the teachers retirement association, the termination date of a teacher terminating active teaching service at the end of the school year in a school where the school year was disrupted or extended by flooding during the first half of calendar year 1997 or by fire damage or fire loss to school buildings or facilities during the 1996–1997 school year must be determined by the closing date of the school calendar in effect immediately before the flooding or in effect immediately before the fire.

Sec. 77. **POLICE STATE AID ADJUSTMENT.**

The legislature determines that the total employer contributions paid to the public employees police and fire fund for calendar year 1995, as certified to the commissioner of revenue by the public employees retirement association in August 1996 for determining the amount of police state aid to be distributed in September 1996, were overstated for some of the counties and cities and understated for other counties and cities. The executive director of the public employees retirement association shall certify to the commissioner of revenue the amount of the overstated or understated 1995 calendar year employer contributions paid to the public employees police and fire fund by each county and city; and the commissioner of revenue shall adjust the October 1997 police state aid distributions by the applicable amount of overpaid or underpaid police state aid distributed in September 1996.

The estimated net adjustment for police state aid in the fiscal year ending June 30, 1998, is $1,835,000. The expected net reduction to future police state aid expenditures resulting from this adjustment is 6.5 percent less each year.

Sec. 78. **REPEALER.**

(a) Minnesota Statutes 1996, sections 124.195, subdivision 12; 124.2139; 356.70; and 356.88, subdivision 2, are repealed.

(b) Minnesota Statutes 1996, sections 353C.01; 353C.02; 353C.03; 353C.04; 353C.05; 353C.06; 353C.07; 353C.08; 353C.09; and 353C.10, are repealed.

Sec. 79. **EFFECTIVE DATES.**

Sections 38 and 39 are effective the first full pay period after December 31, 1997. Sections 17, 18, 21, 22, 29, and 30 are effective the first full pay period after June 30, 1997. Sections 48, 49, and 50 are effective for all salary paid July 1, 1997, or later. Sections 1 to 16, 19, 20, 23 to 28, 31 to 36, 37, 40 to 47, 51 to 67, 69 to 75, 77, and 78 are effective July 1, 1997. Sections 68 and 76 are effective the day following final enactment.

ARTICLE 2

LEGISLATORS AND CONSTITUTIONAL OFFICERS

Section 1. Minnesota Statutes 1996, section 3A.07, is amended to read:

3A.07 **APPLICATION.**

(a) Except as provided in paragraph (b), this chapter applies to members of the legislature in service ~~upon~~ after July 1, 1965, ~~or thereafter,~~ who otherwise meet the requirements of this chapter.

(b) Members of the legislature who were elected for the first time after June 30, 1997, or members of the legislature who were elected before July 1, 1997, and who, after July 1, 1998, elect not to be members of the plan established by this chapter are covered by the unclassified employees retirement program governed by chapter 352D.

(c) The post–July 1, 1998, coverage election under paragraph (b) is irrevocable and must be made on a form prescribed by the director.

Sec. 2. **[352C.011] APPLICABILITY.**

(a) Except as provided in paragraph (b), this chapter applies only to constitutional officers first elected before July 1, 1997, to a constitutional office.

(b) Constitutional officers elected for the first time to a constitutional office after June 30, 1997, or constitutional officers who were elected before July 1, 1997, and who, after July 1, 1998, elect not to be members of the plan established by this chapter are covered by the unclassified employees retirement program governed by chapter 352D.

(c) The post–July 1, 1998, coverage election under paragraph (b) is irrevocable and must be made on a form prescribed by the executive director of the Minnesota state retirement system.

Sec. 3. Minnesota Statutes 1996, section 352D.02, subdivision 1, is amended to read:

Subdivision 1. **COVERAGE.** (a) Employees enumerated in paragraph ~~(b)~~ (c), clauses 2, 3, 4, and 6 to 15, if they are in the unclassified service of the state or metropolitan council and are eligible for coverage under the general state employees retirement plan under chapter 352, are participants in the unclassified program under this chapter unless the employee gives notice to the executive director of the Minnesota state retirement system within one year following the commencement of employment in the unclassified service that the employee desires coverage under the general state employees retirement plan. For the purposes of this chapter, an employee who does not file notice with the executive director is deemed to have exercised the option to participate in the unclassified plan.

(b) Persons referenced in paragraph (c), clauses (1) and (5), are participants in the unclassified program under this chapter unless the person is eligible to elect different coverage under section 3A.07 or 352C.011 and, after July 1, 1998, elects retirement coverage by the applicable alternative retirement plan.

(c) Enumerated employees and referenced persons are:

(1) the governor, the lieutenant governor, the secretary of state, the state auditor, the state treasurer, and the attorney general;

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

(3) an employee of the state board of investment;

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

~~(3)~~ (5) a member of the legislature;

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

~~(4)~~ (7) a person who is employed in a position established under section 43A.08, subdivision 1, clause (3), or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level;

~~(5)~~ (8) the regional administrator, or executive director of the metropolitan council, general counsel, division directors, operations managers, and other positions as designated by the council, all of which may not exceed 27 positions at the council and the chair, provided that upon initial designation of all positions provided for in this clause, no further designations or redesignations may be made without approval of the board of directors of the Minnesota state retirement system;

~~(6)~~ (9) the executive director, associate executive director, and not to exceed nine positions of the higher education services office in the unclassified service, as designated by the higher education services office before January 1, 1992, or subsequently redesignated with the approval of the board of directors of the Minnesota state retirement system, unless the person has elected coverage by the individual retirement account plan under chapter 354B;

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

~~(7)~~ (10) the clerk of the appellate courts appointed under article VI, section 2, of the Constitution of the state of Minnesota;

~~(8)~~ (11) the chief executive officers of correctional facilities operated by the department of corrections and of hospitals and nursing homes operated by the department of human services;

~~(9)~~ (12) an employee whose principal employment is at the state ceremonial house;

~~(10)~~ (13) an employee of the Minnesota educational computing corporation;

~~(11)~~ (14) an employee of the world trade center board; and

~~(12)~~ (15) an employee of the state lottery board who is covered by the managerial plan established under section 43A.18, subdivision 3.

Sec. 4. Minnesota Statutes 1996, section 352D.02, subdivision 2, is amended to read:

Subd. 2. **COVERAGE UPON EMPLOYMENT CHANGE.** A person becoming a participant in the unclassified program by virtue of employment in a position specified in subdivision 1, clause ~~(2)~~ (4) and remaining in the unclassified service shall remain a participant in the program even though the position the person occupies is deleted from any of the sections referenced in subdivision 1, clause ~~(2)~~ (4) by subsequent amendment, except that a person shall not be eligible to elect the unclassified program after separation from unclassified service if on the return of the person to service, that position is not specified in subdivision 1, clause ~~(2)~~ (4). Any person employed in a position specified in subdivision 1 shall cease to participate in the unclassified program in the event the position is placed in the classified service.

Sec. 5. Minnesota Statutes 1996, section 352D.04, subdivision 1, is amended to read:

Subdivision 1. **INVESTMENT OPTIONS.** (a) ~~An employee~~ A person exercising an option to participate in the retirement program provided by this chapter may elect to purchase shares in one or a combination of the income share account, the growth share account, the international share account, the money market account, the bond market account, the fixed interest account, or the common stock index account established in section 11A.17. The ~~employee~~ person may elect to participate in one or more of the investment accounts in the fund by specifying, on a form provided by the executive director, the percentage of the ~~employee's~~ person's contributions provided in subdivision 2 to be used to purchase shares in each of the accounts.

(b) A participant may indicate in writing on forms provided by the Minnesota state retirement system a choice of options for subsequent purchases of shares. Until a different written indication is made by the participant, the executive director shall purchase shares in the supplemental fund as selected by the participant. If no initial option is chosen, 100 percent income shares must be purchased for a participant. A change in choice of investment option is effective no later than the first pay date first occurring after 30 days following the receipt of the request for a change.

(c) Shares in the fixed interest account attributable to any guaranteed investment contract as of July 1, 1994, may not be withdrawn from the fund or transferred to another account until the guaranteed investment contract has expired, unless the participant qualifies for withdrawal under section 352D.05 or for benefit payments under sections 352D.06 to 352D.075.

(d) A participant or former participant may also change the investment options selected for all or a portion of the participant's shares previously purchased in accounts, subject to the provisions of paragraph (c) concerning the fixed interest account. Changes in investment options for the participant's shares must be effected as soon as cash flow to an account practically permits, but not later than six months after the requested change.

Sec. 6. Minnesota Statutes 1996, section 352D.04, subdivision 2, is amended to read:

Subd. 2. **CONTRIBUTION RATES.** (a) The ~~moneys~~ money used to purchase shares under this section ~~shall be~~ is the employee and employer contributions provided in this subdivision.

~~(a)~~ (b) The employee contribution ~~shall be~~ is an amount equal to the employee contribution specified in section 352.04, subdivision 2.

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

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

(e) For members of the legislature, the contributions under this subdivision also must be made on per diem payments received during a regular or special legislative session, but may not be made on per diem payments received outside of a regular or special legislative session, on the additional compensation attributable to a leadership position under section 3.099, subdivision 3, living expense payments under section 3.101, or special session living expense payments under section 3.103.

Sec. 7. **[355.621] LEGISLATORS AND CONSTITUTIONAL OFFICERS; SOCIAL SECURITY COVERAGE REFERENDUM.**

Subdivision 1. **DEFINITIONS GENERALLY.** For the purposes of sections 7 to 14, each of the terms defined in this section has the indicated meaning.

Subd. 2. **ENABLING ACT.** "Enabling act" means sections 355.01 to 355.07.

Subd. 3. **LEGISLATOR.** "Legislator" means a member of the legislature duly elected and sworn into office.

Subd. 4. **CONSTITUTIONAL OFFICER.** "Constitutional officer" means the governor, the lieutenant governor, the attorney general, the secretary of state, the state auditor, and the state treasurer duly elected and sworn into office.

Subd. 5. **ADDITIONAL TERMS.** The terms "social security act," "state agency," "employment," "wages," "contribution fund," "federal insurance contributions act," and "political subdivision" each have the meaning ascribed in the enabling act.

Sec. 8. **[355.622] REFERENDUM.**

Under the enabling act, the governor shall designate an agency or individual to supervise a referendum to be held after July 1, 1998, in accordance with provisions of section 218(d)(6)(c) of the Social Security Act, for legislators and for constitutional officers.

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

Sec. 9. **[355.623] NOTICE OF REFERENDUM.**

The notice of referendum required by section 218(d) of the Social Security Act that is to be provided to legislators and to constitutional officers must contain a statement of the rights which accrue under the Social Security Act. The statement must be in the form that the agency or individual designated to supervise the referendum deems necessary and sufficient to inform legislators and constitutional officers of their Social Security Act rights. The statement must also inform the legislators and constitutional officers of the effect that social security coverage will have on their future public retirement coverage.

Sec. 10. **[355.624] DIVISION OF THE LEGISLATORS RETIREMENT PLAN AND THE ELECTIVE STATE OFFICERS RETIREMENT PLAN.**

(a) In accord with section 218(d)(6)(c) of the Social Security Act, the state agency shall divide the legislators retirement plan into two parts or divisions and shall divide the elective state officers retirement plan into two parts or divisions.

(b) One division or part of the legislators retirement plan must be composed of legislators who desire coverage under an agreement under section 218(d) of the Social Security Act, and those legislators must have their future public pension plan coverage under chapter 352D. Also included in this division or part are legislators who are elected after July 1, 1997. The other division or part of the legislators retirement plan must be composed of legislators who do not desire coverage under an agreement under section 218(d) of the Social Security Act, and those legislators must have their future public pension plan coverage under chapter 3A.

(c) One division or part of the elective state officers retirement plan must be composed of constitutional officers who desire coverage under an agreement under section 218(d) of the Social Security Act, and those constitutional officers must have their future public pension plan coverage under chapter 352D. Also included in this division or part are constitutional officers who are elected after July 1, 1997. The other division or part of the elective state officers retirement plan must be composed of constitutional officers who do not desire coverage under an agreement under section 218(d) of the Social Security Act, and those constitutional officers must have their future public pension plan coverage under chapter 352C.

Sec. 11. **[355.625] TRANSFER OF MEMBERS.**

In accord with section 218(d)(6)(f) of the Social Security Act and when the legislators retirement plan or the elective state officers retirement plan, whichever applies, is divided into two parts or divisions, a legislator or constitutional officer who does not desire coverage under an agreement under section 218(d) of the Social Security Act may be transferred to the other part or division if the agreement with the federal Department of Health and Human Services so provides and if the legislator or constitutional officer files with the state agency a written request for the transfer.

Sec. 12. **[355.626] CERTIFICATION BY GOVERNOR.**

If the governor receives satisfactory evidence that the conditions specified in section 218(d)(7) of the Social Security Act have been met with respect to the legislators retirement plan or the elective state officers retirement plan, whichever applies, the governor shall so certify to the secretary of the federal Department of Health and Human Services.

Sec. 13. **[355.627] AGREEMENTS WITH FEDERAL AGENCY.**

Upon the governor's certification under section 12, the state agency, with the approval of the governor, is authorized after June 30, 1998, to enter into or modify an agreement with the secretary of the federal Department of Health and Human Services with respect to legislators or constitutional officers, whichever applies.

Sec. 14. **[355.628] SOCIAL SECURITY CONTRIBUTIONS.**

Subdivision 1. **EMPLOYER CONTRIBUTIONS.** Employer contributions required under the agreement or modification under section 13 and payments required by section 355.49 must be paid by the senate, the house of representatives, or the relevant constitutional office, whichever applies.

Subd. 2. **EMPLOYEE CONTRIBUTIONS; DEDUCTION FROM WAGES.** (a) After the date on which the agreement or modification under section 13 is executed, there must be paid as a deduction from wages an employee contribution by legislators or constitutional officers in an amount equal to the tax that would be imposed by the Federal Insurance Contribution Act if the service constituted employment within the meaning of the act.

(b) Contributions made under this subdivision must be paid into the contribution fund in partial discharge of the employer liability for social security coverage.

(c) A failure to deduct employee contributions does not relieve the legislator or constitutional officer or the senate, the house of representatives, or the relevant constitutional office of the liability to make the contribution.

Sec. 15. **COVERAGE ELECTION.**

(a) Members of the legislature who were members of the legislators retirement plan on the effective date of this section and constitutional officers who were members of the elective state officers retirement plan on the effective date of this section may elect coverage by the unclassified employees retirement program governed by Minnesota Statutes, chapter 352D, instead of the prior retirement coverage, as part of the social security referendum under section 10.

(b) The election of a retirement coverage change applies only to prospective service as a member of the legislature or a constitutional officer. The election must be made in conjunction with the referendum selection under section 10. A member of the legislature or a constitutional officer who elects a retirement coverage change under this section is entitled to an augmented deferred retirement annuity under Minnesota Statutes, section 3A.02, subdivisions 1 and 4, or Minnesota Statutes, sections 352C.031 and 352C.033, whichever applies, notwithstanding any provision of law to the contrary.

(c) A member of the legislature or a constitutional officer who elects a retirement coverage change under this section is not entitled to a refund under Minnesota Statutes, section 3A.03, subdivision 2, or 352C.09, subdivision 2, whichever applies, until the person terminates service as a member of the legislature or a constitutional officer.

Sec. 16. **STUDY OF LEGISLATORS AND CONSTITUTIONAL OFFICER PENSION COVERAGE.**

Subdivision 1. **STUDY MANDATE.** The legislative commission on pensions and retirement shall study the issue of the appropriate pension coverage for legislators and for constitutional officers during the 1997–1998 interim.

Subd. 2. **STUDY CONTENTS.** At a minimum, the commission must study the following:

(1) the appropriate member contribution rates to the legislators retirement plan and the elective state officers retirement plan and their adequacy in funding the normal cost and administrative expenses of the applicable plan in comparison to other public pension plans;

(2) the appropriateness of including new legislators and constitutional officers and of including current legislators and constitutional officers in coverage by the social security program and the necessary adaptations to the defined contribution plan coverage established in section 3 and the legislators retirement plan established in Minnesota Statutes, chapter 3A, or the elective state officers retirement plan established in Minnesota Statutes, chapter 352C, to supplement that coverage; and

(3) the appropriateness of permitting current legislators and current constitutional officers to elect the defined contribution plan coverage established in section 3 for future service and the impact of the election on past service credit under Minnesota Statutes, chapter 3A, or Minnesota Statutes, chapter 352C.

Subd. 3. **STUDY PRINCIPLES.** The study must reflect the following principles:

(1) to the extent practicable, the public pension plan coverage to be provided to legislators and constitutional officers should match or parallel the pension coverage provided to legislative employees and agency heads;

(2) the public pension plan coverage to be provided to legislators and constitutional officers may appropriately reflect the part–time nature of legislative service for many legislators and the unique character of elected public service for other legislators and for constitutional officers; and

(3) the public pension coverage ultimately provided to legislators and constitutional officers should conform with the applicable provisions of the principles of pension policy of the commission.

Subd. 4. **STUDY RESULTS.** The results of the study should include any applicable proposed legislation, including, but not limited to, amending or repealing, in whole or in part, sections 1 to 15.

Subd. 5. **REPORT.** The study and any recommended proposed legislation must be reported to the 1998 legislative session.

Sec. 17. **EFFECTIVE DATE.**

Sections 1 to 6 and 16 are effective July 1, 1997. Sections 7 to 15 are effective July 1, 1998.

ARTICLE 3

FIRST CLASS CITY TEACHER RETIREMENT FUNDS

Section 1. Minnesota Statutes 1996, section 354A.011, subdivision 15a, is amended to read:

Subd. 15a. **NORMAL RETIREMENT AGE.** "Normal retirement age" means age 65 for a person who first became a member of the coordinated program of the Minneapolis or St. Paul teachers retirement fund association or the new law coordinated program of the Duluth teachers retirement fund association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first became a member of the coordinated program of the Minneapolis or St. Paul teachers retirement fund association or the new law coordinated program of the Duluth teachers retirement fund association after June 30, 1989, normal retirement age means the higher of age 65 or retirement age, as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66. For a person who is a member of the basic program of the Minneapolis or St. Paul teachers retirement fund association or the old law coordinated program of the Duluth teachers retirement fund association, normal retirement age means the age at which a teacher becomes eligible for a normal retirement annuity computed upon meeting the age and service requirements specified in the applicable provisions of the articles of incorporation or bylaws of the respective teachers retirement fund association.

Sec. 2. Minnesota Statutes 1996, section 354A.12, subdivision 1, is amended to read:

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

Association and Program	Percentage of Total Salary
Duluth teachers retirement association	
old law and new law coordinated programs	5.5 percent
Minneapolis teachers retirement association	
basic program	8.5 percent
coordinated program	~~4.5~~ 5.5 percent
St. Paul teachers retirement association	
basic program	8 percent
coordinated program	~~4.5~~ 5.5 percent

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

Sec. 3. Minnesota Statutes 1996, section 354A.12, subdivision 2a, is amended to read:

Subd. 2a. **EMPLOYER REGULAR AND ADDITIONAL CONTRIBUTION RATES.** (a) The employing units shall make the following employer contributions to teachers retirement fund associations:

(1) for any coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall pay the employer social security taxes in accordance with section 355.46, subdivision 3, clause (b);

(2) for any coordinated member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a regular employer contribution to the respective retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

Duluth teachers retirement fund association	4.50 percent
Minneapolis teachers retirement fund association	4.50 percent
St. Paul teachers retirement fund association	4.50 percent;

(3) for any basic member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount equal to the designated percentage of the salary of the basic member as provided below:

Minneapolis teachers retirement fund association	8.50 percent
St. Paul teachers retirement fund association	8.00 percent

(4) for a basic member of a teachers retirement fund association in a city of the first class, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to the designated percentage of the salary of the basic member, as provided below:

Minneapolis teachers retirement fund association	
July 1, 1993 – June 30, 1994	4.85 percent
July 1, 1994, and thereafter	3.64 percent
St. Paul teachers retirement fund association	
July 1, 1993 – June 30, 1995	4.63 percent
July 1, 1995, and thereafter	3.64 percent

(5) for a coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to the applicable percentage of the coordinated member's salary, as provided below:

Duluth teachers retirement fund association	1.29 percent
Minneapolis teachers retirement fund association	
July 1, 1993 – June 30, 1994	0.50 percent
July 1, 1994, and thereafter	3.64 percent
St. Paul teachers retirement fund association	
July 1, 1993 – June 30, 1994	0.50 percent
July 1, 1994 – June 30, 1995	1.50 percent
July 1, ~~1995~~ 1997, and thereafter	~~3.64~~ 3.84 percent

(b) The regular and additional employer contributions must be remitted directly to the respective teachers retirement fund association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

Sec. 4. Minnesota Statutes 1996, section 354A.12, subdivision 3a, is amended to read:

Subd. 3a. **SPECIAL DIRECT STATE AID TO ~~ST. PAUL~~ FIRST CLASS CITY TEACHERS RETIREMENT FUND ~~ASSOCIATION~~ ASSOCIATIONS.** (a) In fiscal year 1998, the state shall pay $4,827,000 to the St. Paul teachers retirement fund association ~~$500,000 in fiscal year 1994~~, $17,954,000 to the Minneapolis teachers retirement fund association, and $486,000 to the Duluth teachers retirement fund association. In each subsequent fiscal year, ~~the payment~~ these payments to the ~~St. Paul~~ first class city teachers retirement fund ~~association~~ associations must be ~~increased at the same rate as the increase in the general education revenue formula allowance under section 124A.22, subdivision 2, in subsequent fiscal years~~ $2,827,000 for St. Paul, $12,954,000 for Minneapolis, and $486,000 for Duluth.

(b) The direct state ~~aid is~~ aids under this subdivision are payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually from the general fund to the commissioner of finance.

Sec. 5. Minnesota Statutes 1996, section 354A.12, subdivision 3b, is amended to read:

Subd. 3b. **SPECIAL DIRECT STATE MATCHING AID TO THE MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.** (a) Special school district No. 1 may make an additional employer contribution to the Minneapolis teachers retirement fund association. The city of Minneapolis may make a contribution to the

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

Minneapolis teachers retirement fund association. This contribution may be made by a levy of the board of estimate and taxation of the city of Minneapolis~~,~~ and the levy, if made, is classified as that of a special taxing district for purposes of sections 275.065 and 276.04, and for all other property tax purposes.

(b) For every $1,000 contributed in equal proportion by special school district No. 1 and by the city of Minneapolis to the Minneapolis teachers retirement fund association under paragraph (a), the state shall pay to the Minneapolis teachers retirement fund association $1,000, but not to exceed $2,500,000 in total in fiscal year 1994. ~~The total amount available for each subsequent fiscal year must be increased at the same rate as the increase in the general education revenue formula allowance under section 124A.22, subdivision 2, in subsequent fiscal years.~~ The superintendent of special school district No. 1, the mayor of the city of Minneapolis, and the executive director of the Minneapolis teachers retirement fund association shall jointly certify to the commissioner of finance the total amount that has been contributed by special school district No. 1 and by the city of Minneapolis to the Minneapolis teachers retirement fund association. Any certification to the commissioner of children, families, and learning must be made quarterly. If the total certifications for a fiscal year exceed the maximum annual direct state matching aid amount in any quarter, the amount of direct state matching aid payable to the Minneapolis teachers retirement fund association must be limited to the balance of the maximum annual direct state matching aid amount available. The amount required under this paragraph, subject to the maximum direct state matching aid amount, is appropriated annually to the commissioner of finance.

(c) The commissioner of finance may prescribe the form of the certifications required under paragraph (b).

Sec. 6. Minnesota Statutes 1996, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. **TERMINATION OF SUPPLEMENTAL CONTRIBUTIONS AND DIRECT 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, or the direct state ~~aid~~ aids under subdivision 3a to the ~~St. Paul~~ first class city teachers retirement ~~association~~ associations, and the direct matching and state aid under subdivision 3b to the Minneapolis teachers retirement fund association ~~terminates~~ terminate 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 state direct matching, state supplemental, or state aid is terminated for ~~the St. Paul~~ a first class city teachers retirement fund association ~~or the Minneapolis teachers retirement fund association~~ under paragraph (a), it may not again be received by that fund.

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

(c) If either the Minneapolis teachers retirement fund association, ~~or~~ the St. Paul teachers retirement fund association, or the Duluth 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~~ associations in proportion to the relative sizes of their unfunded actuarial accrued liabilities.

Sec. 7. [354A.29] **ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION POSTRETIREMENT ADJUSTMENT.**

Subdivision 1. **ARTICLES OF INCORPORATION AND BYLAWS.** Permission is granted for the St. Paul teachers retirement fund association under Minnesota Statutes, section 354A.12, subdivision 4, to amend its articles of incorporation and bylaws to provide postretirement adjustments under this section.

Subd. 2. **ELIMINATION OF PRIOR LUMP SUM POSTRETIREMENT ADJUSTMENT MECHANISM.** As a condition precedent to the implementation of subdivisions 3 through 6, the lump sum postretirement adjustment mechanism in effect on the date of enactment of this section must be eliminated and the articles of incorporation and bylaws of the association must be amended accordingly.

Subd. 3. **POSTRETIREMENT ADJUSTMENT.** (a) The postretirement adjustment described in the articles and bylaws of the St. Paul teachers retirement fund association must be determined by the board annually after June 30 using the procedures under this section.

(b) Each eligible person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter for at least 12 months as of the end of the fiscal year is eligible to receive a postretirement adjustment of 2.0 percent that is payable each January 1.

Subd. 4. **ADDITIONAL INVESTMENT PERCENTAGE ADJUSTMENT.** (a) An excess investment earnings percentage adjustment must be computed and paid under this subdivision to those annuitants and eligible benefit recipients who have been receiving an annuity or benefit for at least 12 months as determined each June 30 by the board of trustees.

(b) The board shall also determine the five–year annualized rate of return attributable to the assets of the St. Paul teachers retirement fund association under the formula specified in section 11A.04, clause (11), and the amount of the excess five–year annualized rate of return over the preretirement interest assumption specified in Minnesota Statutes, section 356.215.

(c) The excess investment percentage adjustment must be determined by multiplying the quantity one minus the rate of contribution deficiency, as specified in the most recent actuarial report of the actuary retained by the legislative commission on pensions and retirement under section 356.215, by the rate of return excess as determined in paragraph (b).

(d) The excess investment percentage adjustment is payable to all annuitants and benefit recipients on the following January 1.

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

Subd. 5. **EFFECT ON ANNUITY.** The adjustments calculated under subdivisions 3 and 4 must be included in all annuities or benefits paid to the recipient after the adjustments take effect.

Subd. 6. **LUMP SUM POSTRETIREMENT ADJUSTMENT TRANSITION.** This subdivision applies to all annuitants and beneficiaries of the association who received a lump sum postretirement adjustment before the calculation of the first postretirement adjustment under subdivisions 3 and 4. Before the calculation of the first postretirement adjustment under subdivisions 3 and 4, the annual retirement annuity must be increased by the amount of the lump sum postretirement adjustment described in the association bylaws and paid to the annuitant or beneficiary in 1997 before the effective date of this section or if the annuitant or beneficiary was not eligible for a lump sum postretirement adjustment, then the annual benefit paid to that annuitant or benefit recipient must be increased by the cumulative percentage increase in the Consumer Price Index for urban wage earners and clerical workers All Items Index published by the United States Department of Labor, Bureau of Labor Statistics, from the date of the initial receipt of a retirement annuity or benefit of the person whose service is the basis of the benefit to June 30, 1997.

Sec. 8. Minnesota Statutes 1996, section 354A.31, subdivision 4, is amended to read:

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

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

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) will apply. The retirement annuity formula percentage for purposes of this paragraph is ~~one~~ the percent specified in section 356.19, subdivision 1, per year for each year of coordinated service for the first ten years and ~~1.5~~ the percent specified in section 356.19, subdivision 2, for each year of coordinated service thereafter.

(d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~1.5~~ the percent specified in section 356.19, subdivision 2, for each year of coordinated service.

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

Sec. 9. Minnesota Statutes 1996, section 354A.31, subdivision 4a, is amended to read:

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

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

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is ~~1.13~~ the percent specified in section 356.19, subdivision 1, per year for each year of coordinated service for the first ten years and ~~1.63~~ the percent specified in section 356.19, subdivision 2, for each subsequent year of coordinated service.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~1.63~~ the percent specified in section 356.19, subdivision 2, for each year of coordinated service.

Sec. 10. Laws 1979, chapter 109, section 1, as amended by Laws 1981, chapter 157, section 1, is amended to read:

Section 1. Authorization is hereby granted in accordance with Minnesota Statutes, Section 354A.12, for the St. Paul teachers retirement fund association to amend its bylaws as follows:

(1) ~~Paragraph 9 of Section 3 of Article IV of the bylaws may be amended to provide a lump sum payment to annuitants and survivor benefit recipients who have been receiving annuities or benefits for at least three years, payable three months following the end of a fiscal year. The payments shall only be made if the investment income of the fund during the preceding fiscal year was in excess of 5-1/2 percent of the asset value of the fund at the end of that fiscal year. The amount that each eligible annuitant or benefit recipient shall be entitled to receive shall be determined as follows:~~

~~(a) The years of service of each annuitant as credited by the fund and the years of service of each person on behalf of whom a survivor benefit is paid as credited by the fund shall be totaled;~~

~~(b) The dollar amount equal to one-half of one percent of the asset value of the fund at the end of the previous fiscal year shall be determined;~~

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

~~(c) The dollar amount determined pursuant to clause (b) shall be divided by the aggregate years of credited service totaled pursuant to clause (a), the result to be considered the bonus figure per year of service credit;~~

~~(d) For each eligible annuitant and benefit recipient, the payment shall be equal to the bonus figure per year of service credit determined pursuant to clause (c) multiplied by each year of service credited for that person by the fund.~~

~~(2)~~ A new paragraph may be added to Section 2 of Article IV of the bylaws to provide that any active member of the fund with service credit prior to July 1, 1978 who elects in the social security referendum to become a coordinated member shall be entitled to a retirement annuity when otherwise qualified, the calculation of which shall utilize the formula specified in Laws 1977, Chapter 429, Section 61 for that portion of credited service which was served prior to July 1, 1978 and the new coordinated formula specified in the bylaws for the remainder of credited service, both applied to the average salary as specified in Paragraph 2 of Section 1 of Article IX. The formula percentages to be used in calculating the coordinated portion of a retirement annuity on coordinated service shall recognize the coordinated service as a continuation of any service prior to July 1, 1978.

~~(3)~~ (2) Paragraph 5 of Section 3 of Article IV of the bylaws in effect on June 1, 1978 may be amended to provide that the recomputation of a disability benefit in an amount equal to a service pension shall occur when the member attains the age of 60 years and shall be recomputed without any reduction for early retirement, and that if the disability terminates prior to age 60 the member shall be eligible for benefits as provided in Paragraph 1 of Section 3 of Article IV and the years of service and final average salary accrued to disability termination date would be used as provided in Paragraph 5 of Section 3 of Article IV of the bylaws in effect June 1, 1978 and that Paragraph 3 of Section 4 of Article IV be amended to conform to this provision.

~~(4)~~ (3) Article VIII of the bylaws in effect July 1, 1978 may be amended by adding a new section 5 providing augmentation of benefits in the same manner as Minnesota Statutes 1978, Section 354.55, Subdivision 11.

Sec. 11. **DULUTH OLD PLAN BYLAWS; AUTHORITY GRANTED TO INCREASE FORMULAS.**

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the Duluth teachers retirement fund association to amend its articles of incorporation or bylaws by increasing the formula percentage used in computing annuities for old law coordinated program members in the Duluth teachers retirement fund association to 1.45 percent for each year of credited service.

Sec. 12. **REPEALER.**

(a) Minnesota Statutes 1996, section 354A.12, subdivision 2b, is repealed.

(b) Laws 1985, chapter 259, section 3; and Laws 1993, chapter 336, article 3, section 1, are repealed.

Sec. 13. **EFFECTIVE DATES.**

Sections 2 and 3 are effective for all salary paid on or after July 1, 1997. Sections 1 and 4 to 12 are effective July 1, 1997.

ARTICLE 4

MINNEAPOLIS POLICE AND FIREFIGHTERS

Section 1. Minnesota Statutes 1996, 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 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 years plus two percent, and must be expressed as a dollar amount ~~and~~. The amount may not exceed one percent of the total assets of the fund, except when the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, in which case the amount must not exceed 1-1/2 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. 2. Minnesota Statutes 1996, section 423B.01 is amended by adding a new subdivision to read:

Subd. 15. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" or "actuarially equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date at a specified age with each actuarial present value based on the appropriate mortality table adopted by the board of directors based on the experience of the fund and approved by the actuary retained by the legislative commission on pensions and retirement and using the applicable preretirement or postretirement interest rate assumptions specified in section 356.216.

Sec. 3. Minnesota Statutes 1996, section 423B.06, is amended by adding a subdivision to read:

Subd. 5. **TAX LEVY.** Notwithstanding any provision of section 69.77 to the contrary, if in any year after the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of the actuarial accrued liabilities of the fund and subsequently the actuarial value of assets are less than 100 percent of the actuarial accrued liabilities, the city of Minneapolis is not required to levy a property tax to amortize any unfunded actuarial accrued liability unless the fund experiences two successive years when the actuarial value of assets are less than 100 percent of the actuarial accrued liabilities according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216.

Sec. 4. Minnesota Statutes 1996, section 423B.07, is amended to read:

423B.07 **AUTHORIZED FUND DISBURSEMENTS.**

The police pension fund may be used only for the payment of:

(1) service, disability, or dependency pensions;

(2) notwithstanding a contrary provision of section 69.80, the salary of the secretary of the association in an amount not to exceed 30 percent of the base salary of a first grade patrol officer, the salary of the president of the association in an amount not to exceed ten percent of the base salary of a first grade patrol officer, and the salaries of the other elected members of the board of trustees in an amount not to exceed three units;

(3) expenses of officers and employees of the association in connection with the protection of the fund;

(4) expenses of operating and maintaining the association, including the administrative expenses related to the administration of the insurance plan authorized in section 423B.08;

~~(5) support for hospital and medical insurance for pensioners who have completed 20 years or more of service or permanent disabilitants and surviving spouses of deceased active members, disabilitants, or service pensioners who have completed 20 years or more of service in an amount equal to one unit per month, to be added to the pension otherwise provided;~~

~~(6) health and welfare benefits of one unit per month in addition to other benefits for members who retired after July 1, 1980, and have completed 20 years or more of service or for members who are permanent disabilitants;~~ and

~~(7)~~ (5) other expenses authorized by section 69.80, or other applicable law.

Sec. 5. Minnesota Statutes 1996, section 423B.09, subdivision 1, is amended to read:

Subdivision 1. **MINNEAPOLIS POLICE; PERSONS ENTITLED TO RECEIVE PENSIONS.** The association shall grant pensions payable from the police pension fund in monthly installments to persons entitled to pensions in the manner and for the following purposes.

(a) When the actuarial value of assets of the fund according to the most recent annual actuarial valuation performed in accordance with sections 356.215 and 356.216 is less than 90 percent of the actuarial accrued liabilities, an active member or a deferred pensioner who has performed duty as a member of the police department of the city for five years or more, upon written application after retiring from duty and reaching at least age 50, is entitled to be paid monthly for life a service pension equal to eight units. For full years of service beyond five years, the service pension increases by 1.6 units for each full year, to a maximum of 40 units. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 90 percent of actuarial accrued liabilities, active members, deferred members, and service pensioners are entitled to a service pension according to the following schedule:

5 years	8.0 units
6 years	9.6 units
7 years	11.2 units
8 years	12.8 units
9 years	14.4 units
10 years	16.0 units
11 years	17.6 units
12 years	19.2 units
13 years	20.8 units
14 years	22.4 units
15 years	24.0 units
16 years	25.6 units
17 years	27.2 units
18 years	28.8 units
19 years	30.4 units
20 years	34.0 units
21 years	35.6 units
22 years	37.2 units
23 years	38.8 units
24 years	40.4 units
25 years	42.0 units

Fractional years of service may not be used in computing pensions.

(b) An active member who after five years' service but less than 20 years' service with the police department of the city, becomes superannuated so as to be permanently unable to perform the person's assigned duties, is entitled to be paid monthly for life a superannuation pension equal to ~~two~~ four units for five years of service and an additional two units for each full year of service over five years and less than 20 years.

(c) An active member who is not eligible for a service pension and who, while a member of the police department of the city, becomes diseased or sustains an injury while in the service that permanently unfits the member for the performance of police duties is entitled to be paid monthly for life a pension equal to ~~32~~ 34 units while so disabled.

Sec. 6. Minnesota Statutes 1996, section 423B.09, is amended by adding a subdivision to read:

Subd. 6. **OPTIONAL ANNUITIES.** A member who is retired or disabled on the effective date of this subdivision may elect an optional retirement annuity within 60 days of the effective date instead of the normal retirement annuity. A member who retires or becomes disabled after the effective date of this subdivision may elect an optional retirement annuity prior to the receipt of any benefits. The optional retirement annuity may be a 50 percent, a 75 percent, or a 100 percent joint and survivor annuity without reinstatement in the event of the designated beneficiary predeceasing the member or a 50 percent, a 75 percent, or a 100 percent joint and survivor annuity with reinstatement in the event of the designated beneficiary predeceasing the member. Optional retirement annuity forms must be actuarially equivalent to the service pension and automatic survivor coverage otherwise payable to the retiring member and the member's beneficiaries. Once selected, the optional annuity is irrevocable.

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

Sec. 7. Minnesota Statutes 1996, section 423B.10, subdivision 1, is amended to read:

Subdivision 1. **ENTITLEMENT; BENEFIT AMOUNT.** (a) The surviving spouse of a deceased service pensioner, disability pensioner, deferred pensioner, superannuation pensioner, or active member, who was the legally married spouse of the decedent, residing with the decedent, and who was married while or before the time the decedent was on the payroll of the police department, and who, if the deceased member was a service or deferred pensioner, was legally married to the member for a period of at least one year before retirement from the police department, is entitled to a surviving spouse benefit. The surviving spouse benefit is equal to ~~21~~ 22 units per month if the person is the surviving spouse of a deceased active member or disabilitant. The surviving spouse benefit is equal to six units per month, plus an additional one unit for each year of service to the credit of the decedent in excess of five years, to a maximum of ~~21~~ 22 units per month, if the person is the surviving spouse of a deceased service pensioner, deferred pensioner, or superannuation pensioner. The surviving spouse benefit is payable for the life of the surviving spouse.

(b) A surviving child of a deceased service pensioner, disability pensioner, deferred pensioner, superannuation pensioner, or active member, who was living while the decedent was an active member of the police department or was born within nine months after the decedent terminated active service in the police department, is entitled to a surviving child benefit. The surviving child benefit is equal to eight units per month if the person is the surviving child of a deceased active member or disabilitant. The surviving child benefit is equal to two units per month, plus an additional four–tenths of one unit per month for each year of service to the credit of the decedent in excess of five years, to a maximum of eight units, if the person is the surviving child of a deceased service pensioner, deferred pensioner, or superannuation pensioner. The surviving child benefit is payable until the person attains age 18, or, if in full–time attendance during the normal school year, in a school approved by the board of directors, until the person receives a bachelor's degree or attains the age of 22 years, whichever occurs first. In the event of the death of both parents leaving a surviving child or children entitled to a surviving child benefit as determined in this paragraph, the surviving child is, or the surviving children are, entitled to a surviving child benefit in such sums as determined by the board of directors to be necessary for the care and education of such surviving child or children, but not to exceed the family maximum benefit per month, to the children of any one family.

(c) The surviving spouse and surviving child benefits are subject to a family maximum benefit. The family maximum benefit is ~~40~~ 41 units per month.

(d) A surviving spouse who is otherwise not qualified may receive a benefit if the surviving spouse was married to the decedent for a period of five years and was residing with the decedent at the time of death. The surviving spouse benefit is the same as that provided in paragraph (a), except that if the surviving spouse is younger than the decedent, the surviving spouse benefit must be actuarially equivalent to a surviving spouse benefit that would have been paid to the member's spouse had the member been married to a person of the same age or a greater age than the member's age before retirement.

Sec. 8. Minnesota Statutes 1996, section 423B.15, subdivision 2, is amended to read:

Subd. 2. **DETERMINATION OF EXCESS INVESTMENT INCOME.** The board of trustees of the relief association shall determine by May 1 of each year whether or not the fund has excess investment income. The amount of excess investment income, if any, must be stated as a dollar amount and reported by the chief administrative officer of the relief association to the mayor and governing body of the city, the state auditor, the commissioner of finance, and the executive director of the legislative commission on pensions and retirement. The dollar amount of excess investment income up to one percent of the assets of the fund, except when the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities in which case the amount may not exceed 1–1/2 percent of the assets of the fund, must be applied for the purpose specified in subdivision 3. Excess investment income must not be considered as income to or assets of the fund for actuarial valuations of the fund for that year under sections 69.77, 356.215, and 356.216 and the provisions of this section except to offset the annual postretirement payment. Additional investment income is any realized or unrealized investment income other than the excess investment income and must be included in the actuarial valuations performed under sections 69.77, 356.215, and 356.216 and the provisions of this section.

Sec. 9. Minnesota Statutes 1996, 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is less than 102 percent of its total actuarial liabilities, 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~~,~~ and the second one–half of excess investment income up to one–half of one percent of the assets of the fund 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is less than 102 percent funded and other conditions are met, 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, the relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed 1–1/2 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 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, payment to each eligible member must not exceed the member's proportionate share of 1–1/2 percent of the assets of the fund.

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. 10. Minnesota Statutes 1996, section 423B.15, subdivision 6, is amended to read:

Subd. 6. **NO GUARANTEE OF ANNUAL POSTRETIREMENT PAYMENT.** No provision of or payment made under this section may be interpreted or relied upon by any member of the relief association to guarantee or entitle a member to annual postretirement payments for a period when no excess investment income is earned by the fund. If the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, the distribution of assets under this section must not exceed one–half of one percent.

Sec. 11. Minnesota Statutes 1996, section 423B.15, is amended by adding a subdivision to read:

Subd. 7. **ANNUAL ACTUARIAL VALUATION DATE.** Notwithstanding any provision of section 69.77, subdivision 2h, 356.215 or 356.216 to the contrary, the annual actuarial valuation of the fund must be completed by May 1 of each year.

Sec. 12. Laws 1965, chapter 519, section 1, as amended by Laws 1967, chapter 819, section 1; Laws 1969, chapter 123, section 1; Laws 1975, chapter 57, section 1; Laws 1977, chapter 164, section 2; Laws 1990, chapter 589, article 1, section 5; Laws 1992, chapter 454, section 2; and Laws 1994, chapter 591, article 1, section 1, is amended to read:

Section 1. **MINNEAPOLIS, CITY OF; FIREFIGHTER'S RELIEF ASSOCIATION; SURVIVING SPOUSE'S ENTITLEMENT.** Notwithstanding the provisions of Minnesota Statutes 1965, Section 69.48, to the contrary, when a service pensioner, disability pensioner, or deferred pensioner, or an active member of a relief association dies, leaving:

(1) A surviving spouse who was a legally married spouse, residing with the decedent, and who was married while or prior to the time the decedent was on the payroll of

the fire department in the case of a deceased active member; and who, in case the deceased member was a service or deferred pensioner was legally married to the member at least five years before death; or

(2) A child or children who were living while the deceased was on the payroll of the fire department, or born within nine months after the decedent was withdrawn from the payroll of the fire department, the surviving spouse and the child or children shall be entitled to a pension or pensions, as follows:

(a) To the surviving spouse, a pension of not less than 17 units, and not to exceed the total of 22 units per month, as the bylaws of the association provide~~, for life; provided, that if the spouse shall remarry then the pension shall cease and terminate as of the date of remarriage; provided, further, if the remarriage terminates for any reason, the surviving spouse shall again be entitled to a pension as the bylaws of the association provide;~~

(b) To the child or children, if their other parent is living, a pension of not to exceed eight units per month for each child up to the time each child reaches the age of not less than 16 years and not to exceed an age of 18 years; provided, however, upon approval by the board of trustees, such a child who is a full–time student, upon proof of compliance with the provisions of this act, may be entitled to such pension so long as the child is a full–time student and has not reached 22 years of age, all in conformity with the bylaws of the association; provided, further, the total pensions hereunder for the surviving spouse and children of the deceased member shall not exceed the sum of 41 units per month;

(c) A child or children of a deceased member after the death of their other parent, or in the event their other parent predeceases the member, be entitled to receive a pension or pensions in such amount as the board of trustees of the association shall deem necessary to properly support the child or children until they reach the age of not less than 16 and not more than 18 years; provided, however, upon approval by the board of trustees, such a child who is a full–time student, upon proof of compliance with the provisions of this act, may be entitled to such pension so long as the child is a full–time student and has not reached 22 years of age, as the bylaws of the association may provide; but the total amount of the pension or pensions hereunder for any child or children shall not exceed the sum of 41 units per month;

(d) For the purposes of this act, a full–time student is defined as an individual who is in full–time attendance as a student at an educational institution. Whether or not the student was in full–time attendance would be determined by the board of trustees of the association in the light of the standards and practices of the school involved. Specifically excluded is a person who is paid by the person's employer while attending school at the request of the person's employer. Benefits may continue during any period of four calendar months or less in any 12 month period in which a person does not attend school if the person shows to the satisfaction of the board of trustees that the person intends to continue in full–time school attendance immediately after the end of the period. An educational institution is defined so as to permit the payment of benefits to students taking vocational or academic courses in all approved, accredited or licensed schools, colleges, and universities. The board of trustees shall make the final determination of eligibility for benefits if any question arises concerning the approved status of the educational institution which the student attends or proposes to attend;

(e) In the event that a child who is receiving a pension as provided above shall marry before the age of 22 years, the pension shall cease as of the date of the marriage~~.~~; and

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

(f) A surviving spouse of a deceased service pensioner, disability pensioner, deferred pensioner, or service pensioner who is otherwise not qualified may receive a benefit if the surviving spouse was legally married to the decedent for a period of five years and was residing with the decedent at the time of death. The surviving spouse benefit is the same as that provided under paragraph (a), except that if the surviving spouse is younger than the decedent, the surviving spouse benefit must be actuarially equivalent to a surviving spouse benefit that would have been paid to the member's spouse had the member been married to a person of the same age or a greater age than the member's age prior to retirement. A benefit paid under this paragraph may be less than 17 units, notwithstanding the 17 unit minimum established under paragraph (a).

Sec. 13. Laws 1989, chapter 319, article 19, section 7, subdivision 1, as amended by Laws 1992, chapter 471, article 2, section 5, and Laws 1996, chapter 438, article 4, section 12, 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 years has exceeded the actual average percentage increase in the current monthly salary of a top grade firefighter in the most recent prior five fiscal 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, except when the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities in which case the amount must not exceed 1–1/2 percent of the assets of the funds.

(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. 14. Laws 1989, chapter 319, article 19, section 7, subdivision 3, is amended to read:

Subd. 3. **DETERMINATION OF EXCESS INVESTMENT INCOME.** The board of trustees of the relief association shall determine by May 1 of each year whether or not the relief association has excess investment income. The amount of excess investment income, if any, must be stated as a dollar amount and reported by the chief administrative officer of the relief association to the mayor and governing body of the city, the state auditor, the commissioner of finance, and the executive director of the legislative commission on pensions and retirement. The dollar amount of excess investment income up to one percent of the assets of the fund, except if the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, must be applied for the purpose specified in subdivision 4. Excess investment income must not be considered as income to or assets of the fund for actuarial valuations of the fund for that year under sections 69.77, 356.215, and 356.216 and the provisions of this section except to offset the annual postretirement payment. Additional investment income is any realized or unrealized investment income other than the excess investment income and must be included in the actuarial valuations performed under sections 69.77, 356.215, and 356.216 and the provisions of this section.

Sec. 15. Laws 1989, chapter 319, article 19, section 7, subdivision 4, as amended by Laws 1990, chapter 570, article 12, section 63, Laws 1992, chapter 471, article 2, section 6, and Laws 1996, chapter 438, article 4, section 13, 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, 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~~.~~ and 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, the relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed 1–1/2 percent of the assets of the fund. 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 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. When the fund actuarial value of assets according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, 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. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, payment to each eligible member may not exceed the member's proportionate share of 1-1/2 percent of assets of the fund.

Sec. 16. Laws 1989, chapter 319, article 19, section 7, subdivision 7, is amended to read:

Subd. 7. **NO GUARANTEE OF ANNUAL POSTRETIREMENT PAYMENT.** No provision of or payment made under this section may be interpreted or relied upon by any member of the relief association to guarantee or entitle a member to annual postretirement payments for a period when no excess investment income is earned by the fund. If the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, a distribution of the fund assets must not exceed one-half of one percent.

Sec. 17. Laws 1993, chapter 125, article 1, section 1, is amended to read:

Section 1. **MINNEAPOLIS, CITY OF; SERVICE PENSION RATES.**

Notwithstanding the provisions of Minnesota Statutes, section 69.45, Laws 1971, chapter 542, section 1, and Laws 1980, chapter 607, article XV, section 9, to the contrary, when the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 90 percent of its actuarial accrued liabilities, the service pensions payable by the Minneapolis fire department relief association for members terminating active service as a Minneapolis firefighter after June 1, 1993, must be computed as follows:

length of credited service	service pension payable
10 years	16.0 units
11 years	17.6 units
12 years	19.2 units
13 years	20.8 units

15 years	24.0 units
16 years	25.6 units
17 years	27.2 units
18 years	28.8 units
19 years	30.4 units
20 years	33.0 units
21 years	34.6 units
22 years	36.2 units
23 years	37.8 units
24 years	39.4 units
25 years	41.0 units

When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is of greater than 90 percent of actuarial accrued liabilities, the following schedule applies to all active members and retired service pensioners who otherwise met the then existing requirements to receive a benefit:

length of credited service	service pension payable
5 years	8.0 units
6 years	9.6 units
7 years	11.2 units
8 years	12.8 units
9 years	14.4 units
10 years	16.0 units
11 years	17.6 units
12 years	19.2 units
13 years	20.8 units
14 years	22.4 units
15 years	24.0 units
16 years	25.6 units
17 years	27.2 units
18 years	28.8 units
19 years	30.4 units
20 years	~~33.0~~ 33.5 units
21 years	~~34.6~~ 35.1 units
22 years	~~36.2~~ 37.7 units
23 years	~~37.8~~ 38.3 units
24 years	~~39.4~~ 39.9 units
25 years	~~41.0~~ 41.5 units

When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is of greater than 92.5 percent of actuarial accrued liabilities, the following schedule applies to all active members and retired service pensioners who otherwise met the then existing requirements to receive a benefit:

length of credited service	service pension payable
5 years	8.0 units
6 years	9.6 units
7 years	11.2 units
8 years	12.8 units
9 years	14.4 units
10 years	16.0 units
11 years	17.6 units
12 years	19.2 units
13 years	20.8 units
14 years	22.4 units
15 years	24.0 units
16 years	25.6 units
17 years	27.2 units
18 years	28.8 units
19 years	30.4 units
20 years	34.0 units
21 years	35.6 units
22 years	37.2 units
23 years	38.8 units
24 years	40.4 units
25 years	42.0 units

Sec. 18. **MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION; OPTIONAL ANNUITIES.**

A member of the Minneapolis fire department relief association who is retired or disabled on the effective date of this section may elect an optional retirement annuity within 60 days of the effective date instead of the normal retirement pension. A member who retires or becomes disabled after the effective date of this section may elect an optional retirement annuity prior to the receipt of any benefits. The optional retirement annuity may be a 50 percent, a 75 percent, or a 100 percent joint and survivor annuity without reinstatement in the event of the designated beneficiary predeceasing the member or a joint and survivor annuity with reinstatement in the event of the designated beneficiary predeceasing the member. An optional retirement annuity must be actuarially equivalent to the service pension and automatic survivor coverage otherwise payable to the retiring member and the member's beneficiaries. Once selected, the optional annuity is irrevocable.

Sec. 19. **MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION TAX LEVY.**

If in any year after the Minneapolis fire department relief actuarial value of assets of the association according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of the actuarial accrued liabilities of the fund and subsequently the actuarial value of assets are less than 100 percent of the actuarial accrued liabilities according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216, the city of Minneapolis is not required to levy a property tax to fund any deficit unless the fund has two successive years when the actuarial value of assets are less than 100 percent of the actuarial accrued liabilities according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216.

Sec. 20. **ACTUARIAL VALUATION DATE.**

Notwithstanding Minnesota Statutes, section 69.77, subdivision 2h, 356.215 or 356.216, the annual actuarial valuation of the Minneapolis fire department relief association must be completed by May 1 of each year.

Sec. 21. **ACTUARIAL EQUIVALENT.**

For the purposes of the Minneapolis fire department relief association, "actuarial equivalent" or "actuarially equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date at a specified age with each actuarial present value based on the appropriate mortality table adopted by the board of directors based on the experience of the fund and approved by the actuary retained by the legislative commission on pensions and retirement and using the applicable preretirement or postretirement interest rate assumptions specified in Minnesota Statutes, section 356.216.

Sec. 22. **BENEFIT EXCHANGE.**

The one unit health and welfare benefit granted to members of the Minneapolis fire department relief association in Laws 1980, chapter 667, article XV, section 9, who retired after July 1, 1980, must be reduced by one–half unit upon the implementation of the benefit improvement in section 17 when the actuarial value of assets of the fund according to the most recent annual actuarial valuation report under Minnesota Statutes, sections 356.215 and 356.216 exceeds 90 percent of its actuarial accrued liabilities and the benefit must be eliminated when the actuarial value of assets of the fund exceeds 92.5 percent of its actuarial accrued liabilities and the benefit in section 15 is fully implemented.

Sec. 23. **EFFECTIVE DATE.**

The sections of this article are effective on the day after compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 2. Section 4 is effective when the provisions of section 5 take effect. The disability pension and superannuation pension unit amount change in section 5 is effective only when section 4 takes effect. Sections 7 and 12 are effective retroactive to July 1, 1996 and apply to all current spouses of members, except that the unit increases for surviving spouses in section 7 shall not otherwise increase the surviving spouse benefit beyond 22 units.

Presented to the governor May 29, 1997

Signed by the governor June 2, 1997, 2:00 p.m.