

CHAPTER 241—S.F.No. 1486

An act relating to retirement; revising various police state aid provisions to fully implement intended 1996 modifications; ratifying the calculation of certain 1996 police state aid amounts; modifying various fire state aid provisions; authorizing the exclusion of certain pipefitters from public employee retirement association membership; authorizing benefit increases for the Richfield fire department relief association; providing postretirement adjustments for retirees and benefit recipients of the Nashwauk police pension plan and the Eveleth police and fire retirement trust fund; clarifying the benefit floor for certain benefit recipients of the St. Paul police and fire consolidation accounts; providing alternative retirement coverage for transferred employees of the Jackson medical center, the Melrose hospital, and the Tracy municipal hospital; creating a trust for the state deferred compensation program; modifying the handling of sabbatical leave contributions by the teachers retirement association; modifying the timing of higher education supplemental retirement plan contributions; making administrative changes in the higher education individual retirement account plan and supplemental retirement plan; modifying various economic actuarial assumptions; clarifying certain retirement dates; authorizing certain purchases of prior service credit; extending the volunteer firefighter flexible service pension maximums; modifying retirement coverage for transferred university academic health center employees; modifying tax-sheltered annuity programs for university and college employees; including additional classes of persons in definition of state employee; providing general statewide and local employee pension plan modifications; modifying investment reporting provisions; making miscellaneous retirement plan modifications; amending Minnesota Statutes 1996, sections 69.021, subdivisions 4, 5, 6, 7a, 8, 9, 10, and 11; 69.031, subdivisions 1, 3, and 5; 69.051, subdivisions 1, 1a, and 1b; 136F.45, by adding subdivisions; 352.01, subdivisions 2a and 2b; 352.96, subdivisions 2, 3, and 6; 352F.02, subdivisions 3, 6, and by adding subdivisions; 352F.03; 352F.04; 352F.05; 352F.06; 352F.07; 352F.08; 353.01, subdivision 2b; 353B.07, subdivision 3; 353B.08, subdivision 6; 353B.11, subdivisions 3, 4, and 5; 354.092, subdivisions 1, 3, and 4; 354B.21, subdivision 3; 354B.25, subdivision 5, and by adding a subdivision; 354C.11; 354C.12, subdivisions 1 and 4; 356.215, subdivision 4d; 356.219; 423A.02, subdivision 2; 423B.06, subdivisions 1 and 1a; and 424A.02, subdivisions 3 and 10; Laws 1943, chapter 196, section 4, as amended; Laws 1965, chapter 705, section 1, subdivision 4; Laws 1967, chapter 798, sections 2 and 4; Laws 1992, chapter 563, section 5, as amended; and Laws 1996, chapter 408, article 8, sections 21, 22, subdivision 1, and 24; repealing Minnesota Statutes 1996, section 356.218; Laws 1995, chapter 262, article 1, sections 8, 9, 10, 11, and 12.

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

ARTICLE 1

POLICE STATE AID AND PAID FIREFIGHTER

RETIREMENT COVERAGE COSTS

Section 1. Minnesota Statutes 1996, section 69.021, subdivision 4, is amended to read:

Subd. 4. **DETERMINATION OF QUALIFIED STATE AID RECIPIENTS; CERTIFICATION TO COMMISSIONER OF REVENUE FINANCE.** (a) The com-

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missioner shall determine which municipalities and independent nonprofit firefighting corporations are qualified to receive fire state aid and which municipalities and counties are qualified to receive police state peace officer aid.

(b) The commissioner shall determine qualification for state aid upon receipt of:

(1) the fire department personnel and equipment certification or the police department and qualified peace officers certificate, whichever is applicable applies, required under section 69.011₂;

(2) the financial compliance report required under section 6.495, subdivision 3, if applicable; and

(3) any other relevant information which comes to the attention of the commissioner.

(c) Upon completion of the determination, on or before October 1, the commissioner shall calculate under subdivision 6 the amount of ~~(a) state peace officer:~~

(1) the police state aid which each county or municipality is to receive under subdivisions 5, 6, 7a, and 10; and

~~(b) (2) the fire state aid~~ which each municipality or nonprofit firefighting corporation is to receive under subdivisions 5 and 7.

(d) The commissioner shall certify to the commissioner of finance the name of each county or municipality, and the amount of state aid which each county or municipality is to receive, in the case of police state peace officer aid; and The commissioner shall certify to the commissioner of finance the name of each municipality or independent nonprofit firefighting corporation and the amount of state aid which each municipality or independent nonprofit firefighting corporation is to receive, in the case of fire state aid.

Sec. 2. 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~~, before the addition of the minimum fire state aid allocation amount under subdivision 7, is 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 fire state aid shall must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations₂; and

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(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.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on 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 costs and expenses of the state auditor for audits or exams of police relief associations. The total amount for apportionment in respect to the police state aid program shall must 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.

(c) 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.

Sec. 3. Minnesota Statutes 1996, section 69.021, subdivision 6, is amended to read:

Subd. 6. **CALCULATION OF APPORTIONMENT OF POLICE STATE PEACE OFFICERS AID TO COUNTIES.** ~~The peace officers police state aid available shall must~~ be distributed to the counties in proportion to the relationship that the total number of active peace officers, as defined in section 69.011, subdivision 1, clause (g), in each county who are employed either by municipalities maintaining police departments or by the county, bears to the total number of peace officers employed by all municipalities and counties, subject to any reduction under subdivision 10. Any necessary additional adjustments shall be made to subsequent apportionments.

Sec. 4. Minnesota Statutes 1996, section 69.021, subdivision 7a, is amended to read:

Subd. 7a. **APPORTIONMENT OF POLICE STATE AID.** (a) Subject to the reduction provided for under subdivision 10, the commissioner shall apportion the police 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, the state aid must be distributed in proportion to the relationship that the total number of peace officers, as determined under section 69.011, subdivision 1, clause (g), and subdivision 2, clause (b), employed by each that municipality and by the or county for 12 calendar months and the proportional or fractional number who were employed less than 12 months bears to the total number of peace officers employed by all municipalities and counties subject to any reduction under subdivision 10;

(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 to that municipality 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 to that municipality on a full-time equivalent basis must be credited against the contract obligation of the municipality receiving contract service.

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(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. 5. Minnesota Statutes 1996, section 69.021, subdivision 8, is amended to read:

Subd. 8. **POPULATION AND MARKET VALUE.** In computations relating to fire state aid requiring the use of population figures, only official statewide federal census figures are to be used. Increases or decreases in population disclosed by reason of any special census shall must not be taken into consideration.

In calculations relating to fire state aid requiring the use of market value property figures, only the latest available market value property figures are to may be used.

Sec. 6. Minnesota Statutes 1996, section 69.021, subdivision 9, is amended to read:

Subd. 9. **APPEAL.** In the event that any municipality, county, fire relief association or police department relief association feels itself to be aggrieved, it may request the commissioner to review and adjust the apportionment of funds within the county in the case of police state peace officer aid, and or within the state in the case of fire state aid, and. The decision of the commissioner ~~shall be~~ is subject to appeal, review, and adjustment by the district court in the county in which the applicable fire or police department is located.

Sec. 7. 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

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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; and

(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.

(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:

<u>municipality</u>	<u>maximum amount</u>
<u>Albert Lea</u>	<u>\$54,157.01</u>
<u>Anoka</u>	<u>10,399.31</u>
<u>Apple Valley</u>	<u>5,442.44</u>
<u>Austin</u>	<u>49,864.73</u>
<u>Bemidji</u>	<u>27,671.38</u>
<u>Brooklyn Center</u>	<u>6,605.92</u>
<u>Brooklyn Park</u>	<u>24,002.26</u>
<u>Burnsville</u>	<u>15,956.00</u>
<u>Cloquet</u>	<u>4,260.49</u>
<u>Coon Rapids</u>	<u>39,920.00</u>
<u>Cottage Grove</u>	<u>8,588.48</u>
<u>Crystal</u>	<u>5,855.00</u>
<u>East Grand Forks</u>	<u>51,009.88</u>
<u>Edina</u>	<u>32,251.00</u>
<u>Elk River</u>	<u>5,216.55</u>
<u>Ely</u>	<u>13,584.16</u>
<u>Eveleth</u>	<u>16,288.27</u>

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<u>Fergus Falls</u>	6,742.00
<u>Fridley</u>	33,420.64
<u>Golden Valley</u>	11,744.61
<u>Hastings</u>	16,561.00
<u>Hopkins</u>	4,324.23
<u>International Falls</u>	14,400.69
<u>Lakeville</u>	782.35
<u>Lino Lakes</u>	5,324.00
<u>Little Falls</u>	7,889.41
<u>Maple Grove</u>	6,707.54
<u>Maplewood</u>	8,476.69
<u>Minnetonka</u>	10,403.00
<u>Montevideo</u>	1,307.66
<u>Moorhead</u>	68,069.26
<u>New Hope</u>	6,739.72
<u>North St. Paul</u>	4,241.14
<u>Northfield</u>	770.63
<u>Owatonna</u>	37,292.67
<u>Plymouth</u>	6,754.71
<u>Red Wing</u>	3,504.01
<u>Richfield</u>	53,757.96
<u>Rosemount</u>	1,712.55
<u>Roseville</u>	9,854.51
<u>St. Anthony</u>	33,055.00
<u>St. Louis Park</u>	53,643.11
<u>Thief River Falls</u>	28,365.04
<u>Virginia</u>	31,164.46
<u>Waseca</u>	11,135.17
<u>West St. Paul</u>	15,707.20
<u>White Bear Lake</u>	6,521.04
<u>Woodbury</u>	3,613.00
<u>any other municipality</u>	0.00

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

Sec. 8. Minnesota Statutes 1996, section 69.021, subdivision 11, is amended to read:

Subd. 11. **EXCESS POLICE STATE-AID HOLDING ACCOUNT.** (a) An ~~The~~ excess police state-aid holding account is established in the general fund. ~~The excess police state-aid holding account must be administered by the commissioner.~~

(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 is ~~appropriated to and must be transferred annually to the ambulance service personnel longevity award and incentive suspense account established by section 144C.03, subdivision 2.~~

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(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 subsequent October 1, one-half of the balance of the excess police state-aid holding account remaining after the deductions under paragraphs (c) and (d) is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

(f) Annually, 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. 9. Minnesota Statutes 1996, section 69.031, subdivision 1, is amended to read:

Subdivision 1. **COMMISSIONER OF FINANCE'S WARRANT.** The commissioner of finance shall issue to the county, municipality, or independent nonprofit fire-fighting corporation certified to the commissioner of finance by the commissioner a warrant for an amount equal to the amount of fire state aid or police state aid, whichever applies, certified to for the applicable state aid recipient by the commissioner pursuant to under section 69.021. The amount of state aid due and not paid by October 1 accrues interest at the rate of one percent for each month or part of a month the amount remains unpaid, beginning the preceding July 1.

Sec. 10. Minnesota Statutes 1996, section 69.031, subdivision 3, is amended to read:

Subd. 3. **APPROPRIATIONS.** There is hereby appropriated annually from the state general fund to the commissioner of revenue an amount sufficient to make the police and fire state aid payments specified in this section and section 69.021.

Sec. 11. 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 the fire state aid 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 the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the fire state aid to the relief association until the complete financial report is filed. If there is no relief association organized, or if any the 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 deposit the money in the municipal treasury as provided for in section 424A.08 and shall the money may 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 must 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

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total state aid shall must be applied toward the municipality's employer contribution to the public employees police and fire fund pursuant under to section 353.65, subdivision 3; or

(e) (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) (1), 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) (2), 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) (2) 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; or

(4) For a municipality in which police retirement coverage is provided in part by the public employees police and fire fund and in part by a local police consolidation account governed by chapter 353A, the total police state aid must be applied towards the municipality's total employer contribution to the public employees police and fire fund and to the local police consolidation account under sections 353.65, subdivision 3, and 353A.09, subdivision 5.

(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 under 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 first toward the commission's employer contribution for police officers to the Minneapolis employees retirement fund under section 422A.101, subdivision 2a, and, if there is any amount of police state aid remaining, shall apply that remainder toward the commission's employer contribution for police officers to the public employees police and fire plan under section 353.65, subdivision 3.

Sec. 12. **EFFECTIVE DATE.**

Sections 1 to 11 are effective on the day following final enactment.

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ARTICLE 2

VARIOUS LOCAL PENSION MODIFICATIONS

Section 1. Minnesota Statutes 1996, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **EXCLUDED EMPLOYEES.** The following public employees shall not participate as members of the association with retirement coverage by the public employees retirement plan or the public employees police and fire retirement plan:

(1) elected public officers, or persons appointed to fill a vacancy in an elective office, who do not elect to participate in the association by filing an application for membership;

(2) election officers;

(3) patient and inmate personnel who perform services in charitable, penal, or correctional institutions of a governmental subdivision;

(4) employees who are hired for a temporary position under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days in the same governmental subdivision, but not those employees who are hired for an unlimited period but are serving a probationary period. If the period of employment extends beyond six consecutive months and the employee earns more than \$425 from one governmental subdivision in any one calendar month, the department head shall report the employee for membership and require employee deductions be made on behalf of the employee under section 353.27, subdivision 4.

Membership eligibility of an employee who resigns or is dismissed from a temporary position and within 30 days accepts another temporary position in the same governmental subdivision is determined on the total length of employment rather than on each separate position. Membership eligibility of an employee who holds concurrent temporary and nontemporary positions in one governmental subdivision is determined by the length of employment and salary of each separate position;

(5) employees whose actual salary from one governmental subdivision does not exceed \$425 per month, or whose annual salary from one governmental subdivision does not exceed a stipulation prepared in advance, in writing, that the salary must not exceed \$5,100 per calendar year or per school year for school employees for employment expected to be of a full year's duration or more than the prorated portion of \$5,100 per employment period for employment expected to be of less than a full year's duration;

(6) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster;

(7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota state retirement system, the teachers retirement association, the Duluth teachers retirement fund association, the Minneapolis teachers retirement association, the St. Paul teachers retirement fund association, the Minneapolis employees retirement fund, or any police or firefighters relief association governed by sec-

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tion 69.77 that has not consolidated with the public employees retirement association, or any police or firefighters relief association that has consolidated with the public employees retirement association but whose members have not elected the type of benefit coverage provided by the public employees police and fire fund under sections 353A.01 to 353A.10. This clause must not be construed to prevent a person from being a member of and contributing to the public employees retirement association and also belonging to and contributing to another public pension fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the teachers retirement association by a teacher as defined in section 354.05, subdivision 2;

(8) persons who are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended through January 1, 1987, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(9) full-time students who are enrolled and are regularly attending classes at an accredited school, college, or university and who are part-time employees as defined by a governmental subdivision;

(10) resident physicians, medical interns, and pharmacist residents and pharmacist interns who are serving in a degree or residency program in public hospitals;

(11) students who are serving in an internship or residency program sponsored by an accredited educational institution;

(12) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(13) foreign citizens working for a governmental subdivision with a work permit of less than three years, or an H-1b visa valid for less than three years of employment. Upon notice to the association that the work permit or visa extends beyond the three-year period, the foreign citizens are eligible for membership from the date of the extension;

(14) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988 to October 1, 1988;

(15) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the public employees retirement association and participants in the public employees retirement fund or the public employees police and fire fund on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel; and

(16) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties; provided that a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the public employees retirement association

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and a participant in the public employees retirement fund or the public employees police and fire fund on the basis of compensation received from public employment activities other than those as a volunteer firefighter; and

(17) pipefitters and associated trades personnel employed by independent school district No. 625 (St. Paul) with coverage by the pipefitters local 455 pension plan under a collective bargaining agreement who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under section 12.

Sec. 2. Minnesota Statutes 1996, section 353B.07, subdivision 3, is amended to read:

Subd. 3. **FORMULA PERCENTAGE RATE.** (a) The formula percentage rate shall be 2.333 percent per year of allowable service for each of the first 20 years of allowable service, 1.333 percent per year of allowable service for each year of allowable service in excess of 20 years but not in excess of 27 years, and .5 percent for each year of allowable service in excess of 25 years for the former members of the following consolidating relief associations:

- (1) Rochester fire department relief association;
- (2) Rochester police relief association;
- (3) St. Cloud fire department relief association;
- (4) St. Cloud police relief association;
- (5) St. Louis Park police relief association; and
- (6) Winona police relief association.

(b) The formula percentage rate shall be 2.5 percent per year of allowable service for each of the first 20 years of allowable service for the former members of the following consolidating relief associations:

- (1) Albert Lea police relief association;
- (2) Anoka police relief association;
- (3) Faribault fire department relief association;
- (4) Faribault police benefit association;
- (5) Mankato police benefit association;
- (6) Red Wing police relief association; and
- (7) West St. Paul police relief association.

(c) The formula percentage rate shall be 2.5 percent per year of allowable service for each of the first 20 years of allowable service and .5 percent per year of allowable service for each year of service in excess of 25 years of allowable service for the former members of the following consolidating relief associations:

- (1) Austin firefighters relief association;
- (2) Austin police relief association;

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- (3) South St. Paul firefighters relief association;
- (4) South St. Paul police relief association; and
- (5) Virginia police relief association.

(d) The formula percentage rate shall be 2.1875 percent per year of allowable service for each of the first 20 years of allowable service and 1.25 percent per year of allowable service for each year of allowable service in excess of 20 years of allowable service but not in excess of 27 years of allowable service for the former members of the Columbia Heights police relief association.

(e) The formula percentage rate shall be 2.65 percent per year of allowable service for each of the first 20 years of allowable service and an additional annual benefit of \$120 per year of allowable service in excess of 20 years of allowable service but not in excess of 25 years of allowable service for the former members of the following consolidating relief associations:

- (1) Hibbing firefighters relief association; and
- (2) Hibbing police relief association.

(f) The formula percentage rate or rates shall be the following for the former members of the consolidating relief associations as indicated:

(1) 2.5 percent per year of allowable service for each of the first 20 years of allowable service, one percent per year of allowable service in excess of 20 years of allowable service but not more than 25 years of allowable service, and 1.5 percent per year of allowable service in excess of 25 years of allowable service, Albert Lea firefighters relief association;

(2) 2.5333 percent per year of allowable service for each of the first 20 years of allowable service and 1.3333 percent per year of allowable service in excess of 20 years of allowable service, but not in excess of 27 years of allowable service, if service as an active member terminated before January 31, 1994, and 2.3333 percent per year of allowable service for each of the first 20 years of allowable service and 1.3333 percent per year of allowable service for each year of allowable service in excess of 20 years of allowable service, but not in excess of 27 years of allowable service if service as an active member terminated on or after January 31, 1994, Bloomington police relief association;

(3) the greater of 2.5 percent per year of allowable service for each of the first 20 years of allowable service applied to the final salary base, or two percent per year of allowable service for each of the first 20 years of allowable service applied to top grade patrol officer's salary base, Brainerd police relief association;

(4) 4.25 percent per year of allowable service for each of the first 20 years of allowable service and an additional benefit of \$10 per month per year of allowable service in excess of 20 years of allowable service but not more than 25 years of allowable service, Buhl police relief association;

(5) 2.5 percent per year of allowable service for each of the first 20 years of allowable service and an additional benefit of \$5 per month per year of allowable service in excess of 20 years of allowable service but not more than 25 years of allowable service, Chisholm firefighters relief association;

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(6) 2.5 percent per year of allowable service for each of the first 20 years of allowable service and an additional benefit of \$5 per month per year of allowable service in excess of 20 years of allowable service but not more than 25 years of allowable service and .5 percent per year of allowable service in excess of 25 years of allowable service, Chisholm police relief association;

(7) 2.1875 percent per year of allowable service for each year of the first 20 years of allowable service, 1.25 percent per year of allowable service in excess of 20 years of allowable service but not more than 25 years of allowable service and 1.75 percent per year of allowable service in excess of 25 years of allowable service, Columbia Heights fire department relief association, paid division;

(8) 2.5 percent per year of allowable service for each year of the first 20 years of allowable service and 1.5 percent per year of allowable service rendered after attaining the age of 60 years, Crookston fire department relief association;

(9) 2.5 percent per year of allowable service for each year of the first 30 years of allowable service, Crookston police relief association;

(10) 2.25 percent per year of allowable service for each year of the first 20 years of allowable service and 1.25 percent per year of allowable service in excess of 20 years of allowable service, but not more than 27 years of service, Crystal police relief association;

(11) 1.99063 percent per year of allowable service for each year of the first 20 years of allowable service, 1.25 percent for the 21st year of allowable service, and 2.5 percent per year of allowable service in excess of 21 years of allowable service but not more than 25 years of allowable service, Duluth firefighters relief association;

(12) 1.9875 percent per year of allowable service for each year of the first 20 years of allowable service, 1.25 percent for the 21st year of allowable service, and 2.5 percent per year of allowable service in excess of 21 years of allowable service but not more than 25 years of allowable service, Duluth police relief association;

(13) 2.5 percent per year of allowable service for each year of the first 20 years of allowable service, and two percent per year of allowable service in excess of 20 years but not more than 25 years of allowable service and not to include any year of allowable service rendered after attaining the age of 55 years, Fairmont police benefit association;

(14) two percent per year of allowable service for each year of the first ten years of allowable service, 2.67 percent per year of allowable service in excess of ten years of allowable service but not more than 20 years of allowable service and 1.3333 percent per year of allowable service in excess of 20 years of service but not more than 27 years of allowable service, Fridley police pension association;

(15) 2.5 percent per year of allowable service for each year of the first 20 years of allowable service and an additional annual amount of \$30 per year of allowable service in excess of 20 years of allowable service but not more than 30 years of allowable service, Mankato fire department relief association;

(16) for members who terminated active service as a Minneapolis firefighter before June 1, 1993, 2.0625 percent per year of allowable service for each year of the first 20 years of allowable service, 1.25 percent per year of allowable service in excess of 20 years of allowable service but not more than 24 years of allowable service and five per-

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cent for the 25th year of allowable service, and for members who terminated active service as a Minneapolis firefighter after May 31, 1993, two percent for each year of the first 19 years of allowable service, 3.25 percent for the 20th year of allowable service, and two percent per year of allowable service in excess of 20 years of service, but not more than 25 years of allowable service, Minneapolis fire department relief association;

(17) two percent per year of allowable service for each year of the first 25 years of allowable service, Minneapolis police relief association;

(18) the greater of 2.5 percent per year of allowable service for each of the first 20 years of allowable service applied to the final salary base, or two percent per year of allowable service for each of the first 20 years of allowable service applied to highest patrol officer's salary base plus .5 percent of the final salary base per year of allowable service for each of the first three years of allowable service in excess of 20 years of allowable service, New Ulm police relief association;

(19) two percent per year of allowable service for each of the first 25 years of allowable service and 1.5 percent per year of allowable service in excess of 25 years of allowable service, Red Wing fire department relief association;

(20) ~~2.55~~ 2.75 percent per year of allowable service for each of the first 20 years of allowable service, Richfield fire department relief association;

(21) 2.4 percent per year of allowable service for each of the first 20 years of allowable service and 1.3333 percent per year of allowable service in excess of 20 years of allowable service but not more than 27 years of allowable service, Richfield police relief association;

(22) for a former member with less than 20 years of allowable service on June 16, 1985, 2.6 percent, and for a former member with 20 or more years of allowable service on June 16, 1985, 2.6175 percent for each of the first 20 years of allowable service and, for each former member, one percent for each year of allowable service in excess of 20 years, but no more than 30 years, St. Louis Park fire department relief association;

(23) 1.9375 percent per year of allowable service for each of the first 20 years of allowable service, 2.25 percent per year of allowable service in excess of 20 years of allowable service but not more than 25 years of allowable service, and .5 percent per year of allowable service in excess of 25 years of allowable service, St. Paul fire department relief association;

(24) two percent per year of allowable service for each of the first 25 years of allowable service and .5 percent per year of allowable service in excess of 25 years of allowable service, St. Paul police relief association;

(25) 2.25 percent per year of allowable service for each of the first 20 years of allowable service and one percent per year of allowable service in excess of 20 years but not more than 25 years of allowable service and .5 percent per year of allowable service in excess of 25 years, Virginia fire department relief association;

(26) two percent per year of allowable service for each of the first 20 years of allowable service, one percent per year of allowable service in excess of 20 years but not more than 24 years of allowable service, three percent for the 25th year of allowable service and one percent per year of allowable service in excess of 25 years of allowable service

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but not more than 30 years of allowable service, West St. Paul firefighters relief association; and

(27) 2.333 percent for each of the first 20 years of allowable service, 1.333 percent for each year of allowable service in excess of 20 years but no more than 28 years, and .5 percent for each year of allowable service in excess of 25 years, Winona fire department relief association.

Sec. 3. Minnesota Statutes 1996, section 353B.08, subdivision 6, is amended to read:

Subd. 6. **DUTY DISABILITY BENEFIT AMOUNT.** (a) The duty disability benefit shall be an amount equal to the service pension amount to which the person would have been entitled if the person had credit for the greater of actual years of allowable service or 20 years of allowable service, had attained the minimum age for the receipt of a service pension, and had applied for a service pension rather than a disability benefit for the former members of the following consolidating relief associations:

- (1) Albert Lea firefighters relief association;
- (2) Albert Lea police relief association;
- (3) Anoka police relief association;
- (4) Austin police relief association;
- (5) Buhl police relief association;
- (6) Chisholm police relief association;
- (7) Duluth police relief association;
- (8) Faribault fire department relief association;
- (9) Mankato police benefit association;
- (10) Minneapolis police relief association;
- (11) New Ulm police relief association;
- (12) Red Wing police relief association;
- (13) St. Paul police relief association;
- (14) South St. Paul police relief association; and
- (15) Virginia police relief association.

(b) The duty disability benefit shall be an amount equal to 48 percent of the salary base for the former members of the following consolidating relief associations:

- (1) Fridley police pension association;
- (2) Richfield police relief association;
- (3) Rochester fire department relief association;
- (4) Rochester police relief association;

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- (5) St. Cloud fire department relief association;
- (6) St. Cloud police relief association;
- (7) St. Louis Park police relief association; and
- (8) Winona police relief association.

(c) The duty disability benefit shall be an amount equal to 50 percent of the salary base for the former members of the following consolidating relief associations:

- (1) Austin firefighters relief association;
- (2) Crookston fire department relief association;
- (3) Fairmont police benefit association;
- (4) Mankato fire department relief association;
- (5) Richfield fire department relief association;
- (6) South St. Paul firefighters relief association; and
- (7) (6) Virginia fire department relief association.

(d) The duty disability benefit shall be an amount equal to 45 percent of the salary base for the former members of the Crystal police relief association.

(e) The duty disability benefit shall be an amount equal to 40 percent of the salary base for the former members of the following consolidating relief associations:

- (1) West St. Paul firefighters relief association; and
- (2) West St. Paul police relief association.

(f) The duty disability benefit shall be the following for the former members of the consolidating relief associations as indicated:

(1) 52 percent of the salary base for former members who were disabled before January 31, 1994, and 48 percent of the salary base for former members who become disabled after January 31, 1994, Bloomington police relief association;

(2) 40 percent of the top salary for a patrol officer, Brainerd police relief association;

(3) \$100 per month, Chisholm firefighters relief association;

(4) 37.5 percent of the salary base if the person has credit for less than ten years of allowable service, 43.75 percent of the salary base if the person has credit for more than nine years but less than 15 years of allowable service and 50 percent of the salary base if the person has credit for more than 14 years of allowable service credit, Columbia Heights fire department relief association, paid division;

(5) 43.75 percent of the salary base, Columbia Heights police relief association;

(6) 25 percent of the salary base if the person has credit for less than 12 years of allowable service and an additional amount equal to 2.5 percent of the salary base per year if allowable service for each year of allowable service in excess of 11 years of allowable service, not more than 50 percent, Crookston police relief association;

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(7) 51.0625 percent of the salary base, Duluth firefighters relief association;

(8) 12.5 percent of the salary base if the person has credit for less than six years of allowable service, 2.5 percent of the salary base per year of allowable service if the person has more than five years of allowable service, but not more than 50 percent of the salary base, Faribault police benefit association;

(9) the dollar amount which equals the benefit which would be payable under chapter 176 for a comparable benefit which qualifies for a workers' compensation benefit for a first class disability, 75 percent of the amount payable in the event of a first class disability for a second class disability and 50 percent of the amount payable in the event of a first class disability for a third class disability, Hibbing firefighters relief association;

(10) \$120 per month, Hibbing police relief association;

(11) 51.25 percent of the salary base for a first class disability, 41.25 percent of the salary base for a second class disability, and 31.25 percent of the salary base for a third class disability, Minneapolis fire department relief association;

(12) 40 percent of the salary base if the person has credit for less than 20 years of allowable service and two percent of the salary base per year of allowable service if the person has more than 19 years of allowable service, but not more than 50 percent, Red Wing fire department relief association;

(13) 54 percent of the salary base, Richfield fire department relief association;

(14) 50 percent of the salary base if the person has credit for less than 20 years of allowable service and an amount equal to the service pension amount to which the person would have been entitled based on the applicable amount of allowable service if the person had attained the minimum age for the receipt of a service pension and had applied for a service pension rather than a disability benefit and if the person has credit for at least 20 years of allowable service, St. Louis Park fire department relief association;

~~(14)~~ (15) 50 percent of the salary base if the person is not able to perform the duties of any other gainful employment, 39.375 percent of the salary base if the person is only able to perform the duties of light manual labor or office employment and 33.75 percent of the salary base if the person is able to perform the duties of other manual labor, St. Paul fire department relief association; and

~~(15)~~ (16) 42.667 percent of the salary base, Winona fire department relief association.

Sec. 4. Minnesota Statutes 1996, section 353B.11, subdivision 3, is amended to read:

Subd. 3. **AMOUNT; SURVIVING SPOUSE BENEFIT.** (a) The surviving spouse benefit shall be 30 percent of the salary base for the former members of the following consolidating relief associations:

- (1) Albert Lea firefighters relief association;
- (2) Albert Lea police relief association;
- (3) Anoka police relief association;

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- (4) Austin police relief association;
- (5) Brainerd police benefit association;
- (6) Crookston police relief association;
- (7) Faribault fire department relief association; and
- (8) West St. Paul firefighters relief association.

(b) The surviving spouse benefit shall be 25 percent of the salary base for the former members of the following consolidating relief associations:

- (1) Chisholm police relief association;
- (2) Duluth firefighters relief association;
- (3) Duluth police pension association;
- (4) Fairmont police benefit association;
- (5) Red Wing fire department relief association;
- (6) South St. Paul police relief association; and
- (7) West St. Paul police relief association.

(c) The surviving spouse benefit shall be 24 percent of the salary base for the former members of the following consolidating relief associations:

- (1) Fridley police pension association;
- (2) Richfield police relief association;
- (3) Rochester fire department relief association;
- (4) Rochester police relief association;
- (5) Winona fire department relief association; and
- (6) Winona police relief association.

(d) The surviving spouse benefit shall be 40 percent of the salary base for the former members of the following consolidating relief associations:

- (1) Columbia Heights fire department relief association, paid division; and
- (2) New Ulm police relief association; and
- (3) ~~Richfield fire department relief association.~~

(e) The surviving spouse benefit shall be \$250 per month for the former members of the following consolidating relief associations:

- (1) Hibbing firefighters relief association; and
- (2) Hibbing police relief association.

(f) The surviving spouse benefit shall be 23.75 percent of the salary base for the former members of the following consolidating relief associations:

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(1) Crystal police relief associations; and

(2) Minneapolis police relief association.

(g) The surviving spouse benefit shall be 32 percent of the salary base for the former members of the following consolidating relief associations:

(1) St. Cloud fire department relief association; and

(2) St. Cloud police relief association.

(h) The surviving spouse benefit shall be one-half of the service pension or disability benefit which the deceased member was receiving as of the date of death, or of the service pension which the deferred member would have been receiving if the service pension had commenced as of the date of death or of the service pension which the active member would have received based on the greater of the allowable service credit of the person as of the date of death or 20 years of allowable service credit if the person would have been eligible as of the date of death, for the former members of the following consolidating relief associations:

(1) Virginia fire department relief association; and

(2) Virginia police relief association.

(i) The surviving spouse benefit shall be the following for the former members of the consolidating relief associations as indicated:

(1) 30 percent of the salary base, reduced by any amount awarded or payable from the service pension or disability benefit of the deceased former firefighter to a former spouse of the member by virtue of the legal dissolution of the member's marriage to the former spouse if the surviving spouse married the member after the time of separation from active service, Austin firefighters relief association;

(2) 27.333 percent of the salary base, or one-half of the service pension payable to or accrued by the deceased former member, whichever is greater, Bloomington police relief association;

(3) 72.25 percent of the salary base, Buhl police relief association;

(4) 50 percent of the service pension which the active member would have received based on allowable service credit to the date of death and prospective service from the date of death until the date on which the person would have attained the normal retirement age, 50 percent of the service pension which the deferred member would have been receiving if the service pension had commenced as of the date of death or \$175 per month if the deceased member was receiving a service pension or disability benefit as of the date of death, Chisholm firefighters relief association;

(5) two-thirds of the service pension or disability benefit which the deceased member was receiving as of the date of death, or of the service pension which the deferred member would have been receiving if the service pension had commenced as of the date of death or of the service pension which the active member would have received based on the greater of the allowable service credit of the person as of the date of death or 20 years of allowable service credit if the person would have been eligible as of the date of death, Columbia Heights police relief association;

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(6) the greater of \$300 per month or one-half of the service pension or disability benefit which the deceased member was receiving as of the date of death, or of the service pension which the deferred member would have been receiving if the service pension had commenced as of the date of death or of the service pension which the active member would have received based on the allowable service credit of the person as of the date of death if the person would have been eligible as of the date of death, Crookston fire department relief association;

(7) \$100 per month, Faribault police benefit association;

(8) 60 percent of the service pension or disability benefit which the deceased member was receiving as of the date of death, or of the service pension which the deferred member would have been receiving if the service pension had commenced as of the date of death or of the service pension which the active member would have received based on the allowable service credit of the person as of the date of death if the person would have been eligible as of the date of death, Mankato fire department relief association;

(9) \$175 per month, Mankato police benefit association;

(10) 26.25 percent of the salary base, Minneapolis fire department relief association;

(11) equal to the service pension or disability benefit which the deceased member was receiving as of the date of death, or of the service pension which the deferred member would have been receiving if the service pension had commenced as of the date of death or of the service pension which the active member would have received based on the allowable service credit of the person as of the date of death if the person would have been eligible as of the date of death, Red Wing police relief association;

(12) 78.545 percent of the benefit amount payable prior to the death of the deceased active, disabled, deferred, or retired firefighter if that firefighter's benefit was 55 percent of salary or would have been 55 percent of salary if the firefighter had survived to begin benefit receipt; or 80 percent of the benefit amount payable prior to the death of the deceased active, disabled, deferred, or retired firefighter if that firefighter's benefit was 54 percent of salary or would have been 54 percent of salary if the firefighter had survived to begin benefit receipt, Richfield fire department relief association;

(13) 40 percent of the salary base for a surviving spouse of a deceased active member, disabled member, or retired or deferred member with at least 20 years of allowable service, or the prorated portion of 40 percent of the salary base that bears the same relationship to 40 percent that the deceased member's years of allowable service bear to 20 years of allowable service for the surviving spouse of a deceased retired or deferred member with at least ten but less than 20 years of allowable service, St. Louis Park fire department relief association;

~~(13)~~ (14) 26.6667 percent of the salary base, St. Louis Park police relief association;

(14) (15) 27.5 percent of the salary base, St. Paul fire department relief association;

(15) (16) 20 percent of the salary base, St. Paul police relief association; and

~~(16)~~ (17) 27 percent of the salary base, South St. Paul firefighters relief association.

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Sec. 5. Minnesota Statutes 1996, section 353B.11, subdivision 4, is amended to read:

Subd. 4. **AMOUNT; SURVIVING CHILD BENEFIT.** (a) The surviving child benefit shall be eight percent of the salary base for the former members of the following consolidating relief associations:

- (1) Fridley police pension association;
- (2) Red Wing fire department relief association;
- (3) Richfield police relief association;
- (4) Rochester fire department relief association;
- (5) Rochester police relief association;
- (6) St. Cloud police relief association;
- (7) St. Louis Park police relief association;
- (8) South St. Paul firefighters relief association;
- (9) Winona fire department relief association; and
- (10) Winona police relief association.

(b) The surviving child benefit shall be \$25 per month for the former members of the following consolidating relief associations:

- (1) Anoka police relief association;
- (2) Austin firefighters relief association;
- (3) Austin police relief association;
- (4) Faribault police benefit association;
- (5) Hibbing firefighters relief association;
- (6) Mankato police benefit association;
- (7) South St. Paul police relief association; and
- (8) Virginia fire department relief association.

(c) The surviving child benefit shall be ten percent of the salary base for the former members of the following consolidating relief associations:

- (1) Albert Lea police relief association;
- (2) Crookston police relief association;
- (3) Duluth firefighters relief association;
- (4) Duluth police pension association;
- (5) Faribault fire department relief association; and
- (6) Minneapolis fire department relief association.

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(d) The surviving child benefit shall be five percent of the salary base for the former members of the following consolidating relief associations:

- (1) Columbia Heights fire department relief association, paid division;
- (2) St. Paul police relief association; and
- (3) West St. Paul firefighters relief associations.

(e) The surviving child benefit shall be \$15 per month for the former members of the following consolidating relief associations:

- (1) Crookston fire department relief association;
- (2) Hibbing police relief association; and
- (3) West St. Paul police relief association.

(f) The surviving child benefit shall be 7.5 percent of the salary base for the former members of the following consolidating relief associations:

- (1) Bloomington police relief association; and
- (2) Crystal police relief association.

(g) The surviving child benefit shall be the following for the former members of the consolidating relief associations as indicated:

(1) ten percent of the salary base if a surviving spouse benefit is also payable, that amount between ten percent of the salary base and 50 percent of the salary base as determined by the executive director of the public employees retirement association, based on the financial circumstances and need of the surviving child or surviving children, applied in a uniform manner, reflective to the extent practicable or determinable to the past administrative practices of the board of the consolidating relief association before the effective date of the consolidation if there is a surviving spouse but no surviving spouse benefit is also payable on account of the remarriage of the surviving spouse, or 50 percent of the salary base, payable in equal shares for more than one surviving child, if there is no surviving spouse, Albert Lea firefighters relief association;

(2) four percent of the salary base, Brainerd police benefit association;

(3) \$125 per month if a surviving spouse benefit is also payable or an amount equal to the surviving spouse benefit, payable in equal shares if there is more than one surviving child, if no surviving spouse benefit is payable, Buhl police relief association;

(4) \$15 per month, Chisholm firefighters relief association;

(5) \$125 per month, Chisholm police relief association;

(6) \$50 per month, Columbia Heights police relief association;

(7) 6.25 percent of the salary base, Fairmont police benefit association;

(8) 12.5 percent of the service pension or disability benefit which the deceased member was receiving as of the date of death, or of the service pension which the deferred member would have been receiving if the service pension had commenced as of the date of death or of the service pension which the active member would have received based on

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the allowable service credit of the person as of the date of death if the person would have been eligible as of the date of death, Mankato fire department relief association;

(9) ten percent of the salary base if a surviving spouse benefit is also payable or an amount determined by the executive director of the public employees retirement association based on the financial circumstances and need of the surviving child or surviving children, applied in a uniform manner, and subject to the largest applicable amount surviving child benefit maximum if no surviving spouse benefit is also payable, Minneapolis police relief association;

(10) \$25 per month if a surviving spouse benefit is also payable or an amount equal to the surviving spouse benefit, payable in equal shares if there is more than one surviving child, New Ulm police relief association;

(11) in an amount determined by the executive director of the public employees retirement association based on the financial circumstances and need of the surviving child or surviving children, applied in a uniform manner, reflective to the extent practicable or determinable to the past administrative practices of the board of the consolidating relief association before the effective date of the consolidation and not more than the largest surviving child benefit amount prescribed for any other actual or potential consolidating relief association as provided in this section, Red Wing police relief association;

(12) ~~five percent of the salary base if a surviving spouse benefit is also payable or 15 percent of the salary base if no surviving spouse benefit is payable, 9.818 percent of the benefit payable to the firefighter or to which the firefighter would have been eligible at the time of death if that firefighter's benefit was or would have been 55 percent of salary and if a surviving spouse benefit is also payable or 29.454 percent if a surviving spouse benefit is not payable; or ten percent of the benefit payable to the firefighter or to which the firefighter would have been eligible at the time of death if that firefighter's benefit was or would have been 54 percent of salary and if a surviving spouse benefit is also payable or 30 percent if a surviving spouse benefit is not payable,~~ Richfield fire department relief association;

(13) 5.3334 percent of the salary base, St. Cloud fire department relief association;

(14) five percent of the salary base if a surviving spouse benefit is also payable or 15 percent of the salary base if no surviving spouse benefit is also payable for the surviving child or children of a deceased active member, disabled member, or retired or deferred member with at least 20 years of active service, or the prorated portion of five percent of the salary base if a surviving spouse benefit is also payable or 15 percent of the salary base if no surviving spouse benefit is also payable that bears the same relationship to five or 15 percent that the deceased member's years of allowable service bear to 20 years of allowable service for the surviving child or children of a deceased retired or deferred member with at least ten but less than 20 years of allowable service, St. Louis Park fire department relief association;

(15) ten percent of the salary base, St. Paul fire department relief association; and

(16) \$50 per month, Virginia police relief association.

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Sec. 6. Minnesota Statutes 1996, section 353B.11, subdivision 5, is amended to read:

Subd. 5. **SURVIVOR BENEFIT MAXIMUM.** (a) No surviving children or surviving family maximum shall be applicable to former members of the following consolidating relief associations:

- (1) Buhl police relief association;
- (2) Chisholm firefighters relief association;
- (3) Chisholm police relief association;
- (4) Hibbing firefighters relief association;
- (5) Mankato police benefit association;
- (6) New Ulm police relief association;
- (7) Red Wing fire department relief association;
- (8) Red Wing police relief association;
- (9) St. Paul police relief association; and
- (10) South St. Paul police relief association.

(b) The surviving children maximum shall be 24 percent of the salary base, if a surviving spouse benefit is also payable or 48 percent of the salary base, if no surviving spouse benefit is also payable, for the former members of the following consolidating relief associations:

- (1) Fridley police pension association;
- (2) Richfield police relief association;
- (3) Rochester fire department relief association;
- (4) Rochester police relief association;
- (5) Winona fire department relief association; and
- (6) Winona police relief association.

(c) The surviving family maximum shall be 50 percent of the salary base for the former members of the following consolidating relief associations:

- (1) Anoka police relief association;
- (2) Austin firefighters relief association;
- (3) Austin police relief association;
- (4) Duluth firefighters relief association; and
- (5) ~~Richfield fire department relief association;~~ and
- (6) St. Louis Park fire department relief association.

(d) The surviving family maximum shall be an amount equal to the service pension which a retiring member would have received based on 20 years of allowable service

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credit if the member had attained the age of at least 50 years in the case of an active member, or of the service pension which the deferred member would have been receiving if the service pension had commenced as of the date of death in the case of a deferred member, or of the service pension or disability benefit which the deceased member was receiving as of the date of death, for the former members of the following consolidating relief associations:

- (1) Columbia Heights police relief association;
- (2) Virginia fire department relief association; and
- (3) Virginia police relief association.

(e) The surviving children maximum shall be 25 percent of the salary base, if a surviving spouse benefit is also payable or 50 percent of the salary base, if no surviving spouse benefit is also payable, for the former members of the following consolidating relief associations:

- (1) Duluth police pension association; and
- (2) Fairmont police benefit association.

(f) The surviving children maximum shall be 22.5 percent of the salary base, if a surviving spouse benefit is also payable or 45 percent of the salary base, if no surviving spouse benefit is also payable, for the former members of the Crystal police relief association.

(g) The surviving children maximum shall be 16 percent of the salary base, if a surviving spouse benefit is also payable or 48 percent of the salary base, if no surviving spouse benefit is also payable, for the former members of the following consolidating relief associations:

- (1) St. Cloud fire department relief association; and
- (2) St. Cloud police relief association.

(h) The surviving children maximum shall be 20 percent of the salary base, if a surviving spouse benefit is also payable or 50 percent of the salary base, if no surviving spouse benefit is also payable, for the former members of the following consolidating relief associations:

- (1) Albert Lea firefighters relief association;
- (2) Albert Lea police relief association; and
- (3) Faribault fire department relief association.

(i) The surviving family maximum shall be the following for the former members of the consolidating relief associations:

- (1) 60 percent of the salary base, Bloomington police relief association;
- (2) \$450 per month, Crookston police relief association;
- (3) 80 percent of the service pension or disability benefit which the deceased member was receiving as of the date of death, or of the service pension which the deferred

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member would have been receiving if the service pension had commenced as of the date of death or of the service pension which the active member would have received based on the greater of the allowable service credit of the person as of the date of death or 20 years of allowable service credit if the person would have been eligible as of the date of death, Mankato fire department relief association; and

(4) 98.182 percent of the benefit amount payable or to which the firefighter was eligible prior to the death of the firefighter if that firefighter's benefit was or would have been 55 percent of salary, or 100 percent of the benefit amount payable or to which the firefighter was eligible prior to the death of the firefighter if that firefighter's benefit was or would have been 54 percent of salary, Richfield fire department relief association; and

(5) 57.5 percent of the salary base, St. Paul fire department relief association.

(j) The surviving child maximum shall be the following for the former members of the consolidating relief associations:

(1) 20 percent of the top salary payable to a patrol officer, Brainerd police benefit association;

(2) ten percent of the salary base, if a surviving spouse benefit is also payable or 15 percent of the salary base, if no surviving spouse benefit is also payable, Columbia Heights fire department relief association, paid division;

(3) \$105 per month if a surviving spouse benefit is also payable or \$90 per month if no surviving spouse benefit is also payable, Crookston fire department relief association;

(4) \$125 per month, Faribault police benefit association;

(5) \$30 per month if a surviving spouse benefit is also payable or \$180 per month if no surviving spouse benefit is also payable, Hibbing police relief association;

(6) 25 percent of the salary base, if a surviving spouse benefit is also payable or 51.25 percent of the salary base, if no surviving spouse benefit is also payable, Minneapolis fire department relief association;

(7) 17.5 percent of the salary base, if a surviving spouse benefit is also payable or 50 percent of the salary base, if no surviving spouse benefit is also payable, Minneapolis police relief association;

(8) 24 percent of the salary base, St. Louis Park police relief association;

(9) 23 percent of the salary base, if a surviving spouse benefit is also payable or 50 percent of the salary base, if no surviving spouse benefit is also payable, South St. Paul firefighters relief association;

(10) ten percent of the salary base, West St. Paul firefighters relief association; and

(11) \$30 per month if a surviving spouse benefit is also payable or \$75 per month if no surviving spouse benefit is also payable, West St. Paul police relief association.

Sec. 7. Laws 1943, chapter 196, section 4, as amended by Laws 1951, chapter 44, section 1, Laws 1955, chapter 88, section 1, Laws 1978, chapter 675, section 1, Laws 1991, chapter 28, section 1, and Laws 1992, chapter 428, section 1, is amended to read:

Sec. 4. **RETIREMENT AGE, PENSION.** When any member of the association reaches the age of 55 years, he may retire and then shall receive a pension as long as he lives, at the following rates:

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(a) When he has served as a member of the police department for a period of 20 years or more, excluding temporary employment or probationary periods. Such retired member shall be paid each month a pension equal to one-half of his average monthly earnings during the last preceding three years of his service with said police department, plus an additional \$3 per month for each year of service not to exceed 20 years.

(b) An additional \$8 per month for each year of service over 20 that he has served as a member of such police department after the age of 55 years, not to exceed five years for purposes of pension computation,

(c) In the event he retires after reaching the age of 55 or more and after having been a member of the department for at least 15 years, but before having served 20 years in the department, the amount of pension which he received shall be that proportion of, pension equal to one-half of his average monthly earnings during the last preceding three years of his service with said police department, plus an additional \$3 per month for each year of service. Major fractions of years of service to be treated as one year and minor fractions disregarded,

(d) In no event shall temporary employment or employment for probationary period be considered in computing pension allowances hereunder,

(e) When a service pensioner or an active member of the police department who has 20 years or more of service, dies, leaving a surviving spouse or children, a pension shall be paid as follows:

1. To the surviving spouse a pension of \$375 a month for life,

2. To the child or children, if their surviving parent is living, a pension of \$10 per month for each child not over sixteen years of age, provided, the total pension hereunder for surviving spouse and children of the deceased member, shall not exceed the sum of \$395 per month,

3. A child or children of a deceased member, or after the death or remarriage of their surviving parent, be entitled to receive a pension or pensions of \$10 per month until they have reached the age of 16 years.

(f) The city council may, by resolution, increase the pension payable to a surviving spouse by an amount equal to any increase in the revised consumer price index for all urban consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that no increase may exceed five percent a year.

Sec. 8. Laws 1965, chapter 705, section 1, subdivision 4, is amended to read:

Subd. 4. **INDEPENDENT SCHOOL DISTRICT NO. 625; APPLICABILITY OF CERTAIN LAWS.** (a) As of July 1, 1965, the organization, operation, maintenance and conduct of the affairs of the converted district shall be governed by general laws relating to independent districts, except as otherwise provided in Extra Session Laws 1959, Chapter 71, as amended, and all special laws and charter provisions relating only to the converted district are repealed.

(b) Where an existing pension law is applicable to employees of the special district, such law shall continue to be applicable in the same manner and to the same extent to employees of the converted district. Notwithstanding this requirement, pipefitters and

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associated trades personnel with coverage by the pipefitters local 455 pension plan under a collective bargaining agreement who either were first employed after May 1, 1997, or, if first employed before May 2, 1997, elected exclusion from coverage under section 12 are not covered by the public employees retirement association.

(c) General laws applicable to independent school districts wholly or partly within cities of the first class shall not be applicable to the converted district.

(d) The provision of the statutes applicable only to teachers retirement fund associations in cities of the first class, limiting the amount of annuity to be paid from public funds, limiting the taxes to be levied to carry out the plan of such associations, and limiting the amount of annuities to be paid to beneficiaries, ~~all as contained in Minnesota Statutes, Section 135.24,~~ shall not be applicable to such converted district, but the statutes applicable to such special district prior to the conversion shall continue to be applicable and the pension plan in operation prior to the conversion shall continue in operation until changed in accordance with law, and the teacher tenure law applicable to the special district shall continue to apply to the converted district in the same manner and to the same extent to teachers in the converted district; provided further, where existing civil service provisions of any law or charter are applicable to special district employees, such provision shall continue to be applicable in the same manner and to the same extent to employees of the converted district. Notwithstanding any contrary provision of Extra Session Laws 1959, Chapter 71, as amended, if there was in the special district a teachers retirement fund association operating and existing under the provisions of Laws 1909, Chapter 343, and all acts amendatory thereof, then such teachers retirement fund association shall continue to exist and operate in the converted district under and to be subject to the provisions of Laws 1909, Chapter 343, and all acts amendatory thereof, to the same extent and in the same manner as before the conversion, and, without limiting the generality of the foregoing, such teachers retirement fund association shall continue, after the conversion as before the conversion, to certify to the same authorities the amount necessary to raise by taxation in order to carry out its retirement plan, and it shall continue, after the conversion as before the conversion, to be the duty of said authorities to include in the tax levy for the ensuing year a tax in addition to all other taxes sufficient to produce so much of the sums so certified as said authorities shall approve, and such teachers retirement fund association shall not be subject after the conversion to any limitation on payments to any beneficiary from public funds or on taxes to be levied to carry out the plan of such association to which it was not subject before the conversion.

Sec. 9. Laws 1967, chapter 798, section 2, is amended to read:

Sec. 2. **RICHFIELD FIRE DEPARTMENT RELIEF ASSOCIATION; DISABILITY PENSION AMOUNT.** In lieu of the disability pension and limitation as provided for in Minnesota Statutes, Section 424.20, the firemen's fire department relief association in the city of Richfield may provide for disability benefits, as defined in Minnesota Statutes, Section 424.19, of not more than a sum equal to one-half 54 percent of the salary, as payable from time to time during the period of pension payment to firemen firefighters of the highest grade, not including officers of the department, in the employ of the city of Richfield, such. The disability pension to be is payable as the bylaws of the association provide.

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Sec. 10. Laws 1967, chapter 798, section 4, is amended to read:

Sec. 4. SERVICE PENSION.

Subdivision 1. AGE AT WHICH SERVICE PENSION IS PAYABLE. A member of the fire department, who enters the employment of the department on or after January 1, 1968, shall not be eligible to receive a service pension until he the person reaches the age of 55 years, in lieu of the eligibility requirement pertaining to age provided in Minnesota Statutes, Sections 424.21 and 424.22.

Subd. 2. SERVICE PENSION AMOUNT. (a) If its bylaws so provide, in lieu of the service pension amount set forth in Minnesota Statutes, section 424.21, the Richfield fire department relief association may provide a service pension, as specified in paragraph (b) or (c), as applicable, to a retiring firefighter with at least 20 years of service, based on a percentage of the salary as payable from time to time during the period of pension payment to firefighters of the highest grade, not including officers of the department, in the employ of the city of Richfield.

(b) If the eligible firefighter terminated service before the effective date of the alternative benefit improvement authorized by Minnesota Statutes, section 423A.04, the service pension is 54 percent of salary as defined in paragraph (a).

(c) If the eligible firefighter terminates service on or after the effective date of the alternative benefit improvement authorized by Minnesota Statutes, section 423A.04, the service pension is 55 percent of salary as defined in paragraph (a).

Sec. 11. Laws 1992, chapter 563, section 5, as amended by Laws 1996, chapter 448, article 2, section 1, is amended to read:

Sec. 5. ST. PAUL POLICE AND FIRE CONSOLIDATION ACCOUNTS; LIMITATION ON POSTRETIREMENT BENEFIT REDUCTIONS.

(a) A monthly service pension or retirement benefit payment from the St. Paul fire department consolidation account or the St. Paul police consolidation account may not be reduced in amount to an amount that is less than that received by the person for the immediately previous month.

(b) The service pension or retirement benefit payable from the St. Paul fire department consolidation account or from the St. Paul police consolidation account to a person who becomes newly entitled to that service pension or retirement benefit may not be an amount that is less than the service pension or retirement benefit then payable to a comparably situated pensioner or benefit recipient of that consolidation account.

(c) The limitation in paragraph (a) or (b) may not be construed to limit the power of the executive director of the public employees retirement association to require proof of continuing eligibility for receipt of a disability benefit or a survivor benefit, or to require the reduction in amount or elimination of a disability benefit in the event of changed medical circumstances, or to require the reduction in amount or elimination of a survivor benefit in the event of changes in eligibility.

Sec. 12. PUBLIC PENSION COVERAGE EXCLUSION FOR CERTAIN TRADES PERSONNEL.

Subdivision 1. EXCLUSION ELECTION. (a) A pipefitter or an associated tradesperson who is employed by independent school district No. 625 (St. Paul) on the effec-

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tive date of this section and who has pension coverage by the pipefitters local 455 pension plan under a collective bargaining agreement may elect to be excluded from pension coverage by the public employees retirement association.

(b) The exclusion election under this section must be in writing on a form prescribed by the executive director of the public employees retirement association and filed with the executive director. The exclusion election is irrevocable. Authority to make the coverage exclusion election expires on January 1, 1998.

Subd. 2. **ELIGIBILITY FOR MEMBER CONTRIBUTION REFUND.** A person who has less than three years of allowable service in the public employees retirement association and who elects the pension coverage exclusion under subdivision 1 is entitled to immediately apply for a refund under Minnesota Statutes, section 353.34, subdivisions 1 and 2, following the effective date of the exclusion election.

Subd. 3. **DEFERRED ANNUITY ELIGIBILITY.** In lieu of the refund under subdivision 2, a person who elects the pension coverage exclusion under subdivision 1 is entitled to a deferred retirement annuity under Minnesota Statutes, sections 353.34, subdivision 3, and 353.71, subdivision 2, based on any length of allowable service credit under Minnesota Statutes, section 353.01, subdivision 16, to the credit of the person as of the date of the coverage exclusion election.

Sec. 13. RICHFIELD FIRE DEPARTMENT RELIEF ASSOCIATION; SURVIVOR BENEFIT AMOUNTS.

Subdivision 1. **ELIGIBILITY.** The Richfield fire department relief association, if its bylaws so provide, may provide surviving spouse and surviving child benefits as specified in subdivisions 2 and 3. For purposes of this section, the definitions of surviving spouse and surviving child as defined in Minnesota Statutes, section 424.24, subdivision 2, apply. The benefits set forth in subdivisions 2 and 3 are in lieu of the survivor benefits set forth in Minnesota Statutes, section 424.24, subdivision 1.

Subd. 2. **SURVIVING SPOUSE BENEFIT AMOUNT.** (a) If the retirement benefit amount for the firefighter was computed under section 2, subdivision 2, paragraph (c), the surviving spouse benefit amount is 78.545 percent of the benefit amount payable prior to the death of the primary annuitant.

(b) If the firefighter was receiving a disability benefit under section 1, or a retirement benefit under section 2, subdivision 2, paragraph (b), the surviving spouse benefit amount is 80 percent of the benefit amount payable prior to the death of the primary annuitant.

(c) If the death of the active, disabled, deferred, or retired firefighter occurs prior to the commencement of benefit payments, the surviving spouse benefit amount is to be computed under paragraph (a) if the firefighter would have been eligible for an annuity under section 2, subdivision 2, paragraph (c), at the time of death, based on the benefit the firefighter would have received if benefits had commenced prior to death.

(d) If the death of the active, disabled, deferred, or retired firefighter occurs prior to the commencement of benefit payments, the surviving spouse benefit amount is to be computed under paragraph (b) if the firefighter would have been eligible for an annuity under section 1 or section 2, subdivision 2, paragraph (b), at the time of death, based on the benefit the firefighter would have received if benefits had commenced prior to death.

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Subd. 3. SURVIVING CHILD BENEFIT AMOUNT. (a) If a surviving spouse benefit is payable under subdivision 2, paragraph (a) or (c), each surviving child may also receive a benefit equal to 9.818 percent of the benefit payable to the firefighter or to which the firefighter would have been eligible at the time of death. If there is no surviving spouse, but benefits would be payable under subdivision 2, paragraph (a) or (c), if there was, each surviving child may receive a benefit of 29.454 percent of the benefit payable to the firefighter or to which the firefighter would have been eligible at the time of death. If a surviving child benefit or benefits are paid under this paragraph, the maximum of the combination of survivor benefits under this subdivision and subdivision 2 when these benefits commence is 98.182 percent of the benefit amount payable or to which the firefighter was eligible prior to the death of the firefighter.

(b) If a surviving spouse benefit is payable under subdivision 2, paragraph (b) or (d), each surviving child may also receive a benefit equal to ten percent of the benefit payable to the firefighter or to which the firefighter would have been eligible at the time of death. If there is no surviving spouse, but benefits would be payable under subdivision 2, paragraph (b) or (d), if there was, each surviving child may receive a benefit of 30 percent of the benefit payable to the firefighter or to which the firefighter would have been eligible at the time of death. If a surviving child benefit or benefits are paid under this paragraph, the maximum of the combination of survivor benefits under this subdivision and subdivision 2 when these benefits commence is 100 percent of the benefit amount payable or to which the firefighter was eligible prior to the death of the firefighter.

Sec. 14. SURVIVOR BENEFIT DURATION.

Subdivision 1. DURATION OF SURVIVING SPOUSE BENEFITS. A surviving spouse benefit under section 3 is payable to a surviving spouse of a deceased active, disabled, deferred, or retired Richfield firefighter meeting the definition set forth in Minnesota Statutes, section 424.24, subdivision 2, paragraph (a), for the life of that person.

Subd. 2. DURATION OF SURVIVING CHILD BENEFIT. A surviving child benefit under section 3 is payable to a surviving child of a deceased active, disabled, deferred, or retired Richfield firefighter meeting the definition set forth in Minnesota Statutes, section 424.24, subdivision 2, paragraph (b), until the person reaches the age of 18.

Sec. 15. ST. PAUL POLICE AND FIRE CONSOLIDATION ACCOUNTS; BENEFIT FLOOR FOR CERTAIN LOCAL RELIEF ASSOCIATION BENEFIT RECIPIENTS.

(a) Notwithstanding Minnesota Statutes, chapter 353A, the benefit floor provided in paragraph (c) applies to the eligible benefit recipients specified in paragraph (b). An eligible benefit recipient is entitled to a service pension or survivor benefit, whichever applies, as calculated under the applicable relief association benefit plan provisions and the applicable provisions of Minnesota Statutes, chapter 353A, or the benefit floor amount, whichever is greater.

(b) An eligible benefit recipient is a person who is either:

(1) a vested former active member of the former St. Paul fire department relief association or the former St. Paul police relief association who terminated active service prior to the date of the consolidation of the relief association with the public employees police and fire plan; or

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(2) the survivor of a vested former active member of the former St. Paul fire department relief association or the former St. Paul police relief association who terminated active service prior to the date of the consolidation of the relief association with the public employees police and fire plan.

(c) The benefit floor amount is an amount equal to the highest service pension, surviving spouse benefit, or surviving child benefit, whichever applies, then currently payable to any comparable eligible benefit recipient.

Sec. 16. JACKSON MEDICAL CENTER; PENSION COVERAGE FOR TRANSFERRED EMPLOYEES.

Subdivision 1. AUTHORIZATION. This section applies if the Jackson medical center is sold, leased, or transferred to a private entity, nonprofit corporation, or public corporation. Notwithstanding any provision of Minnesota Statutes, sections 356.24 and 356.25 to the contrary, to facilitate the orderly transition of employees affected by the sale, lease, or transfer, the city may, at its discretion, make, from assets to be transferred to the private entity, nonprofit corporation, or public corporation, payments to a qualified pension plan established for the transferred employees by the private entity, nonprofit corporation, or public corporation, to provide benefits substantially similar to those the employees would have been entitled to under the provisions of the public employees retirement association, Minnesota Statutes 1996, sections 353.01 to 353.46.

Subd. 2. TREATMENT OF TERMINATED, NONVESTED EMPLOYEES; ELIGIBILITY. (a) An eligible individual is an individual who:

(1) is an employee of the Jackson medical center immediately prior to the sale, lease, or transfer of that facility to a private entity, nonprofit corporation, or public corporation;

(2) is terminated at the time of the sale, lease, or transfer; and

(3) had less than three years of service credit in the public employees retirement association plan at the date of termination.

(b) For an eligible individual under paragraph (a), the city may make a member contribution equivalent payment under subdivision 3.

Subd. 3. MEMBER CONTRIBUTION EQUIVALENT PAYMENT. The member contribution equivalent payment is an amount equal to the total refund provided by Minnesota Statutes, section 353.34, subdivisions 1 and 2. To be eligible for the member contribution equivalent payment, the individual in subdivision 2, paragraph (a), must apply for a refund under Minnesota Statutes, section 353.34, subdivisions 1 and 2, within one year of termination. A member contribution equivalent amount exceeding \$200 must be made directly to an individual retirement account under section 408(a) of the federal Internal Revenue Code, as amended, or to another qualified plan. A member contribution equivalent amount of \$200 or less may, at the preference of the individual, be made to the individual or to an individual retirement account under section 408(a) of the federal Internal Revenue Code, as amended, or to another qualified plan.

Sec. 17. MELROSE HOSPITAL AND PINE VILLA; RETIREMENT.

Subdivision 1. TRANSFERRED EMPLOYEES. This section applies if the Melrose hospital and Pine Villa are sold, leased, or transferred to a private entity or public

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corporation. Notwithstanding any provision of Minnesota Statutes, sections 356.24 and 356.25, to the contrary, to facilitate the orderly transition of employees affected by the sale, lease, or transfer, the Melrose hospital and Pine Villa may, in their discretion, make, from assets to be transferred to the private entity or public corporation, payments to a qualified pension plan established for the transferred employees by the private entity or public corporation, to provide benefits substantially similar to those the employees would have been entitled to under the provisions of the public employees retirement association, Minnesota Statutes 1996, sections 353.01 to 353.46.

Subd. 2. TREATMENT OF TERMINATED, NONVESTED EMPLOYEES.

(a) An eligible individual is an individual who:

(1) is an employee of the Melrose hospital and Pine Villa immediately prior to the sale, lease, or transfer of that facility to a private entity or public corporation;

(2) is terminated at the time of the sale, lease, or transfer; and

(3) had less than three years of service credit in the public employees retirement association plan at the date of termination.

(b) For an eligible individual under paragraph (a), the Melrose hospital and Pine Villa may make a member contribution equivalent payment under paragraph (c).

(c) The member contribution equivalent payment is an amount equal to the total refund provided by Minnesota Statutes, section 353.34, subdivisions 1 and 2. To be eligible for the member contribution equivalent payment, the individual in paragraph (a) must apply for a refund under Minnesota Statutes, section 353.34, subdivisions 1 and 2, within one year of termination. A member contribution equivalent amount exceeding \$200 must be made directly to an individual retirement account under section 408(a) of the federal Internal Revenue Code, as amended, or to another qualified plan. A member contribution equivalent amount of \$200 or less may, at the preference of the individual, be made to the individual or to an individual retirement account under section 408(a) of the federal Internal Revenue Code, as amended, or to another qualified plan.

Sec. 18. TRACY MUNICIPAL HOSPITAL AND CLINIC; PENSION COVERAGE FOR TRANSFERRED EMPLOYEES.

Subdivision 1. AUTHORIZATION. This section applies if the Tracy municipal hospital and clinic is sold, leased, or transferred to a private entity, nonprofit corporation, or public corporation. Notwithstanding any provision of Minnesota Statutes, sections 356.24 and 356.25 to the contrary, to facilitate the orderly transition of employees affected by the sale, lease, or transfer, the city may, at its discretion, make, from assets to be transferred to the private entity, nonprofit corporation, or public corporation, payments to a qualified pension plan established for the transferred employees by the private entity, nonprofit corporation, or public corporation, to provide benefits substantially similar to those the employees would have been entitled to under the provisions of the public employees retirement association, Minnesota Statutes 1996, sections 353.01 to 353.46.

Subd. 2. TREATMENT OF TERMINATED, NONVESTED EMPLOYEES; ELIGIBILITY. (a) An eligible individual is an individual who:

(1) is an employee of the Tracy municipal hospital and clinic immediately prior to the sale, lease, or transfer of that facility to a private entity, nonprofit corporation, or public corporation;

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(2) is terminated at the time of the sale, lease, or transfer; and

(3) had less than three years of service credit in the public employees retirement association plan at the date of termination.

(b) For an eligible individual under paragraph (a), the city may make a member contribution equivalent payment under subdivision 3.

Subd. 3. MEMBER CONTRIBUTION EQUIVALENT PAYMENT. The member contribution equivalent payment is an amount equal to the total refund provided by Minnesota Statutes, section 353.34, subdivisions 1 and 2. To be eligible for the member contribution equivalent payment, the individual in subdivision 2, paragraph (a), must apply for a refund under Minnesota Statutes, section 353.34, subdivisions 1 and 2, within one year of termination. A member contribution equivalent amount exceeding \$200 must be made directly to an individual retirement account under section 408(a) of the federal Internal Revenue Code, as amended, or to another qualified plan. A member contribution equivalent amount of \$200 or less may, at the preference of the individual, be made to the individual or to an individual retirement account under section 408(a) of the federal Internal Revenue Code, as amended, or to another qualified plan.

Sec. 19. EVELETH POLICE AND FIREFIGHTERS; BENEFIT INCREASE.

Notwithstanding any general or special law to the contrary, in addition to the current pensions and other retirement benefits payable, the pensions and retirement benefits payable to retired police officers and firefighters and their surviving spouses by the Eveleth police and fire trust fund are increased by \$100 a month. Increases are retroactive to January 1, 1997.

Sec. 20. LEGISLATIVE INTENT.

The revisions to the Richfield fire department relief association benefit plan in sections 2 to 6, 9, 10, 13, and 14 and the retroactive application of sections 9, 10, 13, and 14, as indicated in section 21, paragraph (b), are intended to encourage the consolidation of this relief association with the public employees retirement association, in recognition of the administrative efficiencies and potential cost savings expected to occur, and in recognition of characteristics unique to this association at no expense to the State or the public employees retirement association.

Sec. 21. EFFECTIVE DATE.

(a) Sections 1, 8, and 12 are effective on the day following approval by majority vote of the board of independent school district No. 625 (St. Paul) and compliance with Minnesota Statutes, section 645.021.

(b) Sections 2 to 6, 9, 10, 13, 14 and 20 are effective on the day following approval by the Richfield city council and compliance with Minnesota Statutes, section 645.021. Sections 9, 10, 13, and 14 apply to individuals who become service pensioners, disabled, or survivors of firefighters who terminated service on or after the effective date of Laws 1967, chapter 798. Retroactive payments and payments to an estate are not authorized.

(c) Section 7 is effective on approval by the Nashwauk city council and compliance with Minnesota Statutes, section 645.021.

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(d) Sections 11 and 15 are effective on the day following approval by the city council of the city of St. Paul and compliance with Minnesota Statutes, section 645.021, subdivision 3. Sections 11 and 15 must both be approved if either section is to be effective. Sections 11 and 15 are not intended to result in a reduction in the benefit or pension paid to any benefit recipient or service pensioner.

(e) Section 16 is effective on the day following approval by the Jackson city council and compliance with Minnesota Statutes, section 645.021.

(f) Section 17 is effective on the day following approval by the Melrose city council and compliance with Minnesota Statutes, section 645.021.

(g) Section 18 is effective on the day following approval by the Tracy city council and compliance with Minnesota Statutes, section 645.021.

(h) Section 19 is effective on the day following approval by the Eveleth city council and compliance with Minnesota Statutes, section 645.021.

ARTICLE 3

GENERAL EMPLOYEE RETIREMENT

MODIFICATIONS

Section 1. Minnesota Statutes 1996, section 352.96, subdivision 2, is amended to read:

Subd. 2. **PURCHASE OF SHARES.** The amount of compensation so deferred may be used to purchase:

(1) shares in the Minnesota supplemental investment fund established in section 11A.17;

(2) saving accounts in federally insured financial institutions;

(3) life insurance contracts, fixed annuity and variable annuity contracts from companies that are subject to regulation by the commissioner of commerce; or

(4) investment options from open-end investment companies registered under the federal Investment Company Act of 1940, United States Code, title 15, sections 80a-1 to 80a-64;

(5) investment options from a firm that is a registered investment advisor under the Investment Advisors Act of 1940, United States Code, title 15, section 80b-1 to 80b-21;

(6) investment options of a bank as defined in United States Code, title 15, section 80b-2, subsection (a), paragraph (2), or a bank holding company as defined in the Bank Holding Company Act of 1956, United States Code, title 12, section 1841, subsection (a), paragraph (1); or

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(7) a combination of clause (1), (2), or (3), (4), (5), or (6), as provided by the plan as specified by the participant.

The shares accounts or contracts purchased shall stand in the name of the state or other employing unit, for the officer or employee whose deferred compensation purchased the shares, until distributed to the officer or employee in a manner agreed upon by the employee and the executive director of the Minnesota state retirement system, acting for the employer. All amounts contributed to the deferred compensation plan and all earnings on those amounts will be held for the exclusive benefit of the plan participants and beneficiaries. These amounts will be held in trust, in custodial accounts, or in qualifying annuity contracts as required by federal law and in accordance with section 356A.06, subdivision 1. This subdivision does not authorize an employer contribution, except as authorized in section 356.24, paragraph (a), clause (4). The state, political subdivision, or other employing unit is not responsible for any loss that may result from investment of the deferred compensation.

Sec. 2. Minnesota Statutes 1996, section 352.96, subdivision 3, is amended to read:

Subd. 3. **EXECUTIVE DIRECTOR TO ADMINISTER SECTION.** This section must be administered by the executive director of the system with the advice and consent of the board of directors under subdivision 4. Fiduciary activities of the deferred compensation plan must be undertaken in a manner consistent with chapter 356A. If the state board of investment so elects, it may solicit bids for options under subdivision 2, clauses (2) and (3), (4), (5), and (6). The state board of investment may retain consulting services to assist it in soliciting and evaluating bids and in the periodic review of companies offering options under subdivision 2, clause clauses (3), (4), (5), and (6). The periodic review must occur at least every two years. The state board of investment may annually establish a budget for its costs in the soliciting, evaluating, and periodic review processes. The state board of investment may charge a proportional share of all costs related to the periodic review to each company currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids to each company selected by the state board. All contracts must be approved before execution by the state board of investment. Contracts must provide that all options in subdivision 2 must: be presented in an unbiased manner and in a manner that conforms to rules adopted by the executive director, be reported on a periodic basis to all employees participating in the deferred compensation program, and not be the subject of unreasonable solicitation of state employees to participate in the program. The contract may not call for any person to jeopardize the tax-deferred status of money invested by state employees under this section. All costs or fees in relation to the options provided under subdivision 2, clause clauses (3), (4), (5), and (6), must be paid by the underwriting companies ultimately selected by the state board of investment.

Sec. 3. Minnesota Statutes 1996, section 352.96, subdivision 6, is amended to read:

Subd. 6. **EXEMPTION FROM PROCESS.** ~~As money to which legal title is vested in the state of Minnesota, No amount of deferred compensation is assignable or subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.611.~~

Sec. 4. Minnesota Statutes 1996, section 354.092, subdivision 1, is amended to read:

Subdivision 1. **DEFINITION.** A sabbatical leave for the purpose of this section means a sabbatical leave as defined in section 125.18 or the applicable personnel policy

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of the Minnesota state university and community college boards colleges and universities.

Sec. 5. Minnesota Statutes 1996, section 354.092, subdivision 3, is amended to read:

Subd. 3. **EMPLOYER AND EMPLOYEE CONTRIBUTIONS.** Employer contributions and deductions for employee contributions at the applicable rate specified in section 354.42 must be made by the employing unit from based on the full normal base contract salary that would have been paid to the member for a if the member were not on sabbatical leave. The member may also make direct payment of employee contributions at the appropriate rates specified in section 354.42 based upon the difference between the salary received for the sabbatical leave and the salary received for a comparable period during the year immediately preceding the leave. This direct payment must be made by the end of the fiscal year following the fiscal year in which the leave of absence terminated and must be without interest. The employer must meet the reporting and remittance requirements under section 354.52.

Sec. 6. Minnesota Statutes 1996, section 354.092, subdivision 4, is amended to read:

Subd. 4. **SERVICE CREDIT.** If the employee contributions made under this section are less than the employee contributions made for a comparable period during the year immediately preceding the leave, the allowable and formula service credit of the member shall be prorated according to section 354.05, subdivision 25, clause (3), except that if the member is paid full salary for any sabbatical leave of absence, either past or prospective, the allowable and formula service credit shall not be prorated. A member may not receive more than three years of allowable service credit in any ten consecutive years under this section unless the allowable service credit was paid for by the member before July 1, 1962. For sabbatical leaves that begin after June 30, 1986, the required employer contributions specified in section 354.42 must be paid by the employing unit within 30 days after the association's written notification to the employing unit of the amount due. Notwithstanding the provisions of any agreements to the contrary, employee and employer contributions may not be made to receive allowable service credit under this section if the member does not retain the right to full reinstatement both during and at the end of the sabbatical leave.

Sec. 7. Minnesota Statutes 1996, section 354B.25, is amended by adding a subdivision to read:

Subd. 1a. **ADVISORY COMMITTEE.** (a) A committee is created to advise the state board of investment and the board of trustees of the Minnesota state colleges and universities concerning administration of the individual retirement account plan and the supplemental retirement plan established in chapter 354C. The exclusive representatives of the state university instructional unit, the community college instructional unit, and the technical college instructional unit shall each appoint two members to the committee. The exclusive representatives of the general professional unit, the supervisory employees unit and the state university administrative unit shall each appoint one member to the committee. The chancellor of the Minnesota state colleges and universities shall appoint three members, at least one of whom shall be a personnel administrator. No member of the committee shall be retired. Members serve at the pleasure of the applicable appointing authority, but no member shall serve for more than a total of five years. Members

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shall be reimbursed from the administrative expense account of the individual retirement account plan for expenses as provided in section 15.059, subdivision 3.

(b) The committee shall:

(1) advise the board of trustees of the Minnesota state colleges and universities on the structure and operation of the individual retirement account plan and the supplemental retirement plan;

(2) along with any other consultants selected by the board, advise the state board of investment on selection of financial institutions and on the type of investment products to be offered by these institutions for the plans;

(3) advise the board of trustees of the Minnesota state colleges and universities on administration of the plans, including selection of a third-party plan administrator, if any, for the individual retirement account plan.

(c) The board of trustees of the Minnesota state colleges and universities shall provide the advisory committee with meeting space and other administrative support.

(d) Expenses of the advisory committee are considered administrative expenses of the plans under subdivision 5 and section 354C.12, subdivision 4, and must be allocated between the two plans in proportion to the market value of the total assets of the plans as of the most recent prior audited annual financial report.

Sec. 8. Minnesota Statutes 1996, section 354B.25, subdivision 5, is amended to read:

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

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

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

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

(c) The board of trustees shall report annually, before October 1, to the advisory committee created in subdivision 1a on administrative expenses of the plan. The report must include a detailed accounting of charges for administrative expenses collected from plan participants and expenditure of the administrative expense charges. The administrative expense charges collected from plan participants must be kept in a separate account from any other funds under control of the board of trustees and may be used only for the necessary and reasonable administrative expenses of the plan.

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Sec. 9. Minnesota Statutes 1996, section 354C.12, subdivision 1, is amended to read:

Subdivision 1. **BASIC CONTRIBUTIONS AND DEDUCTIONS.** (a) The employer of personnel covered by the supplemental retirement plan as provided in section 354C.11 shall deduct a sum equal to five percent of the annual salary of the person between \$6,000 and \$15,000. The employer may accomplish this deduction by making equal deductions each payroll period, based on anticipated annual salary. The employer may adjust these deductions as necessary to deduct the correct amount annually. Deductions cease upon termination of employment covered by the supplemental retirement plan.

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

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

Sec. 10. Minnesota Statutes 1996, section 354C.12, subdivision 4, is amended to read:

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

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

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

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

The board of trustees shall report annually, before October 1, to the advisory committee created in section 354B.25, subdivision 1a, on administrative expenses of the plan. The report must include a detailed accounting of charges for administrative expenses collected from plan participants and expenditure of the administrative expense charges. The administrative expense charges collected from plan participants must be kept in a separate account from any other funds under control of the board of trustees and may be used only for the necessary and reasonable administrative expenses of the plan.

Sec. 11. **EFFECTIVE DATE.**

(a) Sections 1, 2, and 3 are effective on the day following enactment.

(b) Sections 4, 5, and 6 are effective on July 1, 1997, and apply to sabbatical leaves that begin on or after that date.

(c) Sections 7, 8, 9, and 10 are effective on July 1, 1997.

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ARTICLE 4

ACTUARIAL ASSUMPTION MODIFICATIONS

Section 1. Minnesota Statutes 1996, section 356.215, subdivision 4d, is amended to read:

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

<u>plan</u>	<u>preretirement interest rate assumption</u>	<u>postretirement interest rate assumption</u>
<u>general state employees retirement plan</u>	<u>8.5%</u>	<u>5.0%</u>
<u>correctional state employees retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>state patrol retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>legislators retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>elective state officers retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>judges retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>general public employees retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>public employees police and fire retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>local government correctional service retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>teachers retirement plan</u>	<u>8.5</u>	<u>5.0</u>
<u>Minneapolis employees retirement plan</u>	<u>6.0</u>	<u>5.0</u>
<u>Duluth teachers retirement plan</u>	<u>8.5</u>	<u>8.5</u>
<u>Minneapolis teachers retirement plan</u>	<u>8.5</u>	<u>8.5</u>
<u>St. Paul teachers retirement plan</u>	<u>8.5</u>	<u>7.5</u>
<u>Minneapolis police relief association</u>	<u>6.0</u>	<u>6.0</u>
<u>other local police relief associations</u>	<u>5.0</u>	<u>5.0</u>
<u>Minneapolis fire department relief association</u>	<u>6.0</u>	<u>6.0</u>
<u>other local salaried firefighter relief associations</u>	<u>5.0</u>	<u>5.0</u>
<u>local monthly benefit volunteer firefighter relief associations</u>	<u>5.0</u>	<u>5.0</u>

(b) For funds governed by chapter 354A, The actuarial valuation must use preretirement and postretirement assumptions of 8.5 percent and a the applicable following single

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rate 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 percent, and a future salary increase assumption of 6.5 percent in each future year in which the salary amount payable is not determinable from section 3.099, 15A.081, subdivision 6, or 15A.083, subdivision 1, whichever applies, or from applicable compensation council recommendations under section 15A.082.

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

Age	General state employees retirement plan	General public employees retirement plan	Teachers retirement plan
<u>(1) single rate future salary increase assumption</u>			
	<u>plan</u>		<u>future salary increase assumption</u>
	<u>legislators retirement plan</u>		<u>5.0%</u>
	<u>elective state officers retirement plan</u>		<u>5.0</u>
	<u>judges retirement plan</u>		<u>5.0</u>
	<u>Minneapolis employees retirement plan</u>		<u>4.0</u>
	<u>Minneapolis police relief association</u>		<u>4.0</u>
	<u>other local police relief associations</u>		<u>3.5</u>
	<u>Minneapolis fire department relief association</u>		<u>4.0</u>
	<u>other local salaried firefighter relief associations</u>		<u>3.5</u>

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(2) graded rate future salary increase assumption

<u>plan</u>	<u>future salary increase assumption</u>
<u>general state employees retirement</u>	
<u>plan</u>	<u>assumption A</u>
<u>correctional state employees</u>	
<u>retirement plan</u>	<u>assumption A</u>
<u>state patrol retirement plan</u>	<u>assumption A</u>
<u>general public employees retirement</u>	
<u>plan</u>	<u>assumption B</u>
<u>public employees police and fire</u>	
<u>fund retirement plan</u>	<u>assumption C</u>
<u>local government correctional service</u>	
<u>retirement plan</u>	<u>assumption C</u>
<u>teachers retirement plan</u>	<u>assumption D</u>
<u>Duluth teachers retirement plan</u>	<u>assumption E</u>
<u>Minneapolis teachers retirement plan</u>	<u>assumption F</u>
<u>St. Paul teachers retirement plan</u>	<u>assumption G</u>

age	A	B	C	D	E	F	G
16	<u>7.2500%</u>	8.71%	<u>11.50%</u>	7.25%	<u>8.00%</u>	<u>7.50%</u>	<u>7.25%</u>
17	7.2500	8.71	<u>11.50</u>	7.25	<u>8.00</u>	<u>7.50</u>	<u>7.25</u>
18	7.2500	8.70	<u>11.50</u>	7.25	<u>8.00</u>	<u>7.50</u>	<u>7.25</u>
19	7.2500	8.70	<u>11.50</u>	7.25	<u>8.00</u>	<u>7.50</u>	<u>7.25</u>
20	7.2500	7.70	<u>11.50</u>	7.25	<u>8.00</u>	<u>7.50</u>	<u>7.25</u>
21	7.1454	7.70	<u>11.50</u>	7.25	<u>8.00</u>	<u>7.50</u>	<u>7.25</u>
22	7.1094	7.70	<u>11.00</u>	7.25	<u>8.00</u>	<u>7.50</u>	<u>7.25</u>
23	7.0725	7.70	<u>10.50</u>	7.20	<u>7.90</u>	<u>7.40</u>	<u>7.25</u>
24	7.0363	7.70	<u>10.00</u>	7.15	<u>7.80</u>	<u>7.30</u>	<u>7.20</u>
25	7.0000	7.60	<u>9.50</u>	7.10	<u>7.70</u>	<u>7.20</u>	<u>7.15</u>
26	7.0000	7.51	<u>9.20</u>	7.05	<u>7.60</u>	<u>7.10</u>	<u>7.10</u>
27	7.0000	7.39	<u>8.90</u>	7.00	<u>7.50</u>	<u>7.00</u>	<u>7.05</u>
28	7.0000	7.30	<u>8.60</u>	7.00	<u>7.40</u>	<u>6.90</u>	<u>7.00</u>
29	7.0000	7.20	<u>8.30</u>	7.00	<u>7.30</u>	<u>6.80</u>	<u>6.95</u>
30	7.0000	7.20	<u>8.00</u>	7.00	<u>7.20</u>	<u>6.70</u>	<u>6.90</u>
31	7.0000	7.10	<u>7.80</u>	7.00	<u>7.10</u>	<u>6.60</u>	<u>6.85</u>
32	7.0000	7.10	<u>7.60</u>	7.00	<u>7.00</u>	<u>6.50</u>	<u>6.80</u>
33	7.0000	7.00	<u>7.40</u>	7.00	<u>6.90</u>	<u>6.40</u>	<u>6.75</u>
34	7.0000	7.00	<u>7.20</u>	7.00	<u>6.80</u>	<u>6.30</u>	<u>6.70</u>
35	7.0000	6.90	<u>7.00</u>	7.00	<u>6.70</u>	<u>6.20</u>	<u>6.65</u>
36	6.9019	6.80	<u>6.80</u>	7.00	<u>6.60</u>	<u>6.10</u>	<u>6.60</u>
37	6.8074	6.70	<u>6.60</u>	7.00	<u>6.50</u>	<u>6.00</u>	<u>6.55</u>
38	6.7125	6.60	<u>6.40</u>	6.90	<u>6.40</u>	<u>5.90</u>	<u>6.50</u>
39	6.6054	6.50	<u>6.20</u>	6.80	<u>6.30</u>	<u>5.80</u>	<u>6.40</u>
40	6.5000	6.40	<u>6.00</u>	6.70	<u>6.20</u>	<u>5.70</u>	<u>6.30</u>
41	6.3540	6.30	<u>5.90</u>	6.60	<u>6.10</u>	<u>5.60</u>	<u>6.20</u>
42	6.2087	6.30	<u>5.80</u>	6.50	<u>6.00</u>	<u>5.50</u>	<u>6.10</u>

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43	6.0622	6.30	5.70	6.35	5.90	5.45	6.00
44	5.9048	6.20	5.60	6.20	5.80	5.40	5.90
45	5.7500	6.20	5.50	6.05	5.70	5.35	5.80
46	5.6940	6.09	5.45	5.90	5.60	5.30	5.70
47	5.6375	6.00	5.40	5.75	5.50	5.25	5.65
48	5.5822	5.90	5.35	5.70	5.45	5.20	5.60
49	5.5405	5.80	5.30	5.65	5.40	5.15	5.55
50	5.5000	5.70	5.25	5.60	5.35	5.10	5.50
51	5.4384	5.70	5.25	5.55	5.30	5.05	5.45
52	5.3776	5.70	5.25	5.50	5.25	5.00	5.40
53	5.3167	5.70	5.25	5.45	5.25	5.00	5.35
54	5.2826	5.70	5.25	5.40	5.25	5.00	5.30
55	5.2500	5.70	5.25	5.35	5.25	5.00	5.25
56	5.2500	5.70	5.25	5.30	5.25	5.00	5.25
57	5.2500	5.70	5.25	5.25	5.25	5.00	5.25
58	5.2500	5.70	5.25	5.25	5.25	5.00	5.25
59	5.2500	5.70	5.25	5.25	5.25	5.00	5.25
60	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
61	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
62	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
63	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
64	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
65	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
66	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
67	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
68	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
69	5.2500	5.00	5.25	5.25	5.25	5.00	5.25
70	5.2500	5.00	5.25	5.25	5.25	5.00	5.25

(c) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

<u>plan</u>	<u>payroll growth assumption</u>
<u>general state employees retirement plan</u>	<u>5.00%</u>
<u>correctional state employees retirement plan</u>	<u>5.00</u>
<u>state patrol retirement plan</u>	<u>5.00</u>
<u>legislators retirement plan</u>	<u>5.00</u>
<u>elective state officers retirement plan</u>	<u>5.00</u>
<u>judges retirement plan</u>	<u>5.00</u>
<u>general public employees retirement plan</u>	<u>6.00</u>
<u>public employees police and fire retirement plan</u>	<u>6.00</u>
<u>local government correctional service retirement plan</u>	<u>6.00</u>
<u>teachers retirement plan</u>	<u>5.00</u>
<u>Duluth teachers retirement plan</u>	<u>5.00</u>
<u>Minneapolis teachers retirement plan</u>	<u>5.00</u>
<u>St. Paul teachers retirement plan</u>	<u>5.00</u>

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Sec. 2. EFFECTIVE DATE.

Section 1 is effective July 1, 1997, and applies to actuarial valuations prepared on or after that date.

ARTICLE 5**MISCELLANEOUS PROVISIONS****Section 1. CLARIFICATION OF RETIREMENT ELIGIBILITY FOR CERTAIN PERA-P&F RETIREE.**

(a) Notwithstanding any provision of Minnesota Statutes 1996, section 353.01, subdivision 28, to the contrary, a person described in paragraph (b) must be considered by the public employees police and fire plan to have retired on October 31, 1996, even though the person may have rendered occasional employment services during November and December, 1996, for a governmental subdivision other than the governmental subdivision that employed the person immediately before October 31, 1996.

(b) A person to whom paragraph (a) applies is a person who:

(1) was born on October 11, 1943;

(2) was hired as a police officer by the city of Rochester on February 16, 1971; and

(3) terminated employment as a Rochester police officer on October 31, 1996.

(c) A person described in paragraph (b) must not be required to repay any public employees police and fire plan retirement annuity amount received before the date of enactment, but the amount of the employment earnings paid to the person by the applicable governmental unit for November and December, 1996, must be deducted by the public employees retirement association from a subsequent retirement annuity payment.

Sec. 2. RETIREMENT COVERAGE FOR CERTAIN PART-TIME TEACHERS.

Subdivision 1. ELIGIBLE PART-TIME TEACHER. (a) A part-time teacher described in paragraph (b) is eligible for the retirement coverage specified in subdivision 2.

(b) An eligible part-time teacher is a person who:

(1) was a part-time hourly teacher of nursing employed by special school district No. 1 at the Minneapolis area vocational-technical institute and the Minneapolis technical college during the period April 7, 1975, to June 23, 1990;

(2) was not provided Minnesota public employee retirement plan pension coverage under Minnesota Statutes, chapter 354A for the employment period April 7, 1975, to March 7, 1986;

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(3) was not included in coverage by the federal old age, survivors, disability and health insurance program (social security) for the employment period July 1, 1978, to March 7, 1986; and

(4) was a member of the Minneapolis teachers retirement fund association for the employment period March 7, 1986, to June 28, 1991.

Subd. 2. RETIREMENT COVERAGE. An eligible part-time teacher under subdivision 1 is entitled to service credit in the applicable program of the Minneapolis teachers retirement fund association for the person's period of part-time teaching employment by special school district No. 1, April 7, 1975, to March 7, 1986, upon the payment of the amount specified in subdivision 3, paragraph (a).

Subd. 3. AMOUNT. (a) The payment amount is an amount equal to the actuarial present value, on the date of payment, as calculated by the actuary retained by the legislative commission on pensions and retirement, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section. Calculation of this amount must be made using the preretirement interest rate applicable to the Minneapolis teachers retirement fund association specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the pension plan.

The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must also assume a full-time equivalent salary, or actual salary, whichever is greater, and a future salary history that includes annual salary increases at the applicable salary increase rate for the plan specified in Minnesota Statutes, section 356.215, subdivision 4d.

(b) Payment must be made in one lump sum before July 1, 1998.

(c) Payment of the amount calculated under this subdivision must be made by the eligible teacher. However, special school district No. 1, Minneapolis, may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 8-1/2 percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the school district agrees to payments under this paragraph, the eligible teacher must make the employee payments required under this paragraph before July 1, 1998. If that employee payment is made, the school district payment under this paragraph must be remitted to the executive secretary of the Minneapolis teachers retirement fund association within 60 days of receipt by the executive secretary of the employee payments specified under this paragraph.

Subd. 4. SERVICE CREDIT GRANT. Service credit for the purchase period must be granted by the Minneapolis teachers retirement fund association to the account of the eligible teacher upon receipt of the purchase payment amount specified in subdivision 3.

Sec. 3. EFFECTIVE DATE.

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

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

ARTICLE 6

VOLUNTEER FIREFIGHTER SERVICE PENSION MAXIMUMS

Section 1. Minnesota Statutes 1996, section 424A.02, subdivision 3, is amended to read:

Subd. 3. **FLEXIBLE SERVICE PENSION MAXIMUMS.** (a) On or before August 1 of each year as part of the certification of the financial requirements and minimum municipal obligation made pursuant to section 69.772, subdivision 4, or 69.773, subdivision 5, the secretary or some other official of the relief association designated in the bylaws of each relief association shall calculate and certify to the governing body of the applicable qualified municipality the average amount of available financing per active covered firefighter for the most recent three-year period. The amount of available financing shall include any amounts of fire state aid received or receivable by the relief association, any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief association calculated pursuant to sections 69.772, subdivision 2; 69.773, subdivisions 2 and 4; or 69.774, subdivision 2, if any.

(b) The maximum service pension which the relief association has authority to provide for in its bylaws for payment to a member retiring after the calculation date when the minimum age and service requirements specified in subdivision 1 are met must be determined using the table in paragraph (c) or (d), whichever applies.

(c) For a relief association where the governing bylaws provide for a monthly service pension to a retiring member, the maximum monthly service pension amount per month for each year of service credited that may be provided for in the bylaws is the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter:

Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
\$. . .	\$.25
42	.50
84	1.00
126	1.50
168	2.00
209	2.50
252	3.00
294	3.50

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

335	4.00
378	4.50
420	5.00
503	6.00
587	7.00
672	8.00
755	9.00
839	10.00
923	11.00
1007	12.00
1090	13.00
1175	14.00
1259	15.00
1342	16.00
1427	17.00
1510	18.00
1594	19.00
1677	20.00
1762	21.00
1845	22.00
1888	22.50
1929	23.00
2014	24.00
2098	25.00
2183	26.00
2267	27.00
2351	28.00
2436	29.00
2520	30.00
<u>any amount more than 2520</u>	<u>30.00</u>
<u>2604</u>	<u>31.00</u>
<u>2689</u>	<u>32.00</u>
<u>2773</u>	<u>33.00</u>
<u>2857</u>	<u>34.00</u>
<u>2942</u>	<u>35.00</u>
<u>3026</u>	<u>36.00</u>
<u>3110</u>	<u>37.00</u>
<u>3963</u>	<u>38.00</u>
<u>4047</u>	<u>39.00</u>
<u>4137</u>	<u>40.00</u>
<u>any amount more than 4137</u>	<u>40.00</u>

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

(d) For a relief association in which the governing bylaws provide for a lump sum service pension to a retiring member, the maximum lump sum service pension amount for each year of service credited that may be provided for in the bylaws is the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter for the applicable specified period:

Minimum Average Amount of Available Financing per Firefighter	Maximum Lump Sum Service Pension Amount Payable for Each Year of Service
(1) for service pensions payable before January 1, 1994	
\$. . .	\$10
11	20
16	30
23	40
27	50
32	60
43	80
54	100
65	120
77	140
86	160
97	180
108	200
131	240
151	280
173	320
194	360
216	400
239	440
259	480
281	520
302	560
324	600
347	640
367	680
389	720
410	760
432	800
486	900
540	1000
594	1100
648	1200
702	1300
756	1400
810	1500
864	1600
918	1700
972	1800
1026	1900
1080	2000
1134	2100

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

1188	2200
1242	2300
1296	2400
1350	2500
1404	2600
1458	2700
1512	2800
1566	2900
1620	3000
1672	3100
1726	3200
1753	3250
1780	3300
1820	3375
any amount more than 1820	3375

(2) in addition to the service pension maximum under clause (1), for service pensions payable after December 31, 1993, and before January 1, 1995

1834	3400
1888	3500
any amount more than 1888	3500

(3) in addition to the service pension maximum under clauses (1) and (2), for service pensions payable after December 31, 1994, and before January 1, 1996

1942	3600
1996	3700
2023	3750
any amount more than 2023	3750

(4) in addition to the service pension maximum under clauses (1) to (3), for service pensions payable after December 31, 1995

2050	3800
2104	3900
2158	4000
any amount more than 2158	4000
<u>2212</u>	<u>4100</u>
<u>2265</u>	<u>4200</u>
<u>2319</u>	<u>4300</u>
<u>2373</u>	<u>4400</u>
<u>2427</u>	<u>4500</u>
<u>2481</u>	<u>4600</u>
<u>2535</u>	<u>4700</u>
<u>2589</u>	<u>4800</u>
<u>2643</u>	<u>4900</u>
<u>2697</u>	<u>5000</u>
<u>2751</u>	<u>5100</u>
<u>2805</u>	<u>5200</u>
<u>2859</u>	<u>5300</u>
<u>2913</u>	<u>5400</u>
<u>2967</u>	<u>5500</u>
any amount more than 2967	5500

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(e) For a relief association in which the governing bylaws provide for a monthly benefit service pension as an alternative form of service pension payment to a lump sum service pension, the maximum service pension amount for each pension payment type must be determined using the applicable table contained in this subdivision.

(f) If a relief association establishes a service pension in compliance with the applicable maximum contained in paragraph (c) or (d) and the minimum average amount of available financing per active covered firefighter is subsequently reduced because of a reduction in fire state aid or because of an increase in the number of active firefighters, the relief association may continue to provide the prior service pension amount specified in its bylaws, but may not increase the service pension amount until the minimum average amount of available financing per firefighter under the table in paragraph (c) or (d), whichever applies, permits.

(g) No relief association is authorized to provide a service pension in an amount greater than ~~\$30~~ \$40 per month per year of service credit or in an amount greater than ~~\$3,375~~ \$5,500 lump sum per year of service credit ~~before January 1, 1994, \$3,500 lump sum per year of service credit before January 1, 1995, \$3,750 lump sum per year of service credit before January 1, 1996, and \$4,000 lump sum per year of service credit after December 31, 1995,~~ even if the minimum average amount of available financing per firefighter for a relief association providing a monthly benefit service pension is greater than ~~\$2,240~~ \$4,137, or, for a relief association providing a lump sum service pension, is greater than ~~\$1,753~~ before January 1, 1994, ~~\$1,888~~ before January 1, 1995, ~~\$2,023~~ before January 1, 1996, or ~~\$2,158~~ after December 31, 1995 \$2,967.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective for pensions payable after December 31, 1997.

ARTICLE 7

RETIREMENT COVERAGE MODIFICATIONS FOR TRANSFERRED UNIVERSITY OF MINNESOTA ACADEMIC HEALTH CENTER EMPLOYEES

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

Subd. 3. **EFFECTIVE DATE.** "Effective date" is the date terminated hospital employees transfer employment to Fairview under a definitive integration agreement between the University of Minnesota and Fairview or the date terminated academic health center employees are transferred to the University of Minnesota Physicians or University Affiliated Family Physicians, whichever is applicable.

Sec. 2. Minnesota Statutes 1996, section 352F.02, subdivision 6, is amended to read:

Subd. 6. **TERMINATED HOSPITAL EMPLOYEE.** "Terminated hospital employee" means a person who:

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(1) was employed on the day before the effective date by the University of Minnesota at the University of Minnesota hospital and clinics or the academic health center and was paid on a biweekly payroll;

(2) terminated employment with the University of Minnesota on the day before the effective date or in the case of employees of the academic health center, terminated employment with the University of Minnesota after the effective date but immediately transferred employment to the University of Minnesota Physicians or University Affiliated Family Physicians; and

(3) was a participant in the general state employees retirement plan of the Minnesota state retirement system at the time of termination of employment with the University of Minnesota.

Sec. 3. Minnesota Statutes 1996, section 352F.02, is amended by adding a subdivision to read:

Subd. 9. ACADEMIC HEALTH CENTER. "Academic health center" means the seven professional schools in health care related disciplines at the University of Minnesota.

Sec. 4. Minnesota Statutes 1996, section 352F.02, is amended by adding a subdivision to read:

Subd. 10. UNIVERSITY OF MINNESOTA PHYSICIANS. "University of Minnesota Physicians" means the multi-specialty single group medical practice group in which medical school faculty will practice medicine beginning in 1997.

Sec. 5. Minnesota Statutes 1996, section 352F.02, is amended by adding a subdivision to read:

Subd. 11. UNIVERSITY AFFILIATED FAMILY PHYSICIANS. "University affiliated family physicians" means the private practice group of the department of family practice in the university's medical school.

Sec. 6. Minnesota Statutes 1996, section 352F.03, is amended to read:

352F.03 VESTING RULE FOR CERTAIN EMPLOYEES.

Notwithstanding any provision of chapter 352 to the contrary, a terminated hospital employee or academic health center employee is eligible to receive a retirement annuity under Minnesota Statutes 1994, section 352.115, without regard to the requirement for three years of allowable service.

Sec. 7. Minnesota Statutes 1996, section 352F.04, is amended to read:

352F.04 AUGMENTATION INTEREST RATE FOR TERMINATED UNIVERSITY HOSPITAL EMPLOYEES.

The deferred annuity of a terminated hospital employee is subject to augmentation in accordance with Minnesota Statutes 1994, section 352.72, subdivision 2, except that the rate of interest for this purpose is 5.5 percent compounded annually until January 1 following the year in which such person attains age 55. From that date to the effective date of retirement, the rate is 7.5 percent. These increased augmentation rates are no longer applicable for any time after the terminated hospital employee or academic health center

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employee becomes covered again by a retirement fund enumerated in section 356.30, subdivision 3. These increased deferred annuity augmentation rates do not apply to a terminated transferred hospital employee or academic health center employee who begins receipt of a retirement annuity while employed by Fairview.

Sec. 8. Minnesota Statutes 1996, section 352F.05, is amended to read:

352F.05 AUTHORIZATION FOR ADDITIONAL ALLOWABLE SERVICE FOR CERTAIN EARLY RETIREMENT PURPOSES.

For purpose of determining eligibility for early retirement benefits provided under Minnesota Statutes 1994, section 352.116, subdivision 1, paragraphs (a) and (b), and notwithstanding any provision of chapter 352 to the contrary, the years of allowable service for a terminated hospital employee who transfers to employment at Fairview, University of Minnesota Physicians, or University Affiliated Family Physicians on the effective date and does not apply for a refund of contributions under Minnesota Statutes 1994, section 352.22, subdivision 2, or any similar provision in future Minnesota Statutes, includes service with Fairview, University of Minnesota Physicians, or University Affiliated Family Physicians following the effective date. Fairview, University of Minnesota Physicians, or University Affiliated Family Physicians shall provide any reports that the executive director of the Minnesota state retirement system may reasonably request to permit calculation of benefits.

To be eligible for early retirement benefits under this section, the individual must separate from service with Fairview, University of Minnesota Physicians, or University Affiliated Family Physicians. The terminated eligible individual, or an individual authorized to act on behalf of that individual, may apply for an annuity following application procedures under section 352.115, subdivision 7.

Sec. 9. Minnesota Statutes 1996, section 352F.06, is amended to read:

352F.06 APPLICATION OF REEMPLOYED ANNUITANT EARNINGS LIMITATIONS.

The reemployed annuitant earnings limitations of section 352.115, subdivision 10, apply to any service by a terminated hospital employee as an employee of Fairview, University of Minnesota Physicians, or University Affiliated Family Physicians.

Sec. 10. Minnesota Statutes 1996, section 352F.07, is amended to read:

352F.07 EFFECT ON REFUND.

Notwithstanding any provision of chapter 352 to the contrary, terminated hospital employees may receive a refund of employee accumulated contributions plus interest at the rate of six percent per year compounded annually in accordance with Minnesota Statutes 1994, section 352.22, subdivision 2, at any time after the transfer of employment to Fairview, University of Minnesota Physicians, or University Affiliated Family Physicians. If a terminated hospital employee has received a refund from a pension plan enumerated in section 356.30, subdivision 3, the person may not repay that refund unless the person again becomes a member of one of those enumerated plans and complies with section 356.30, subdivision 2.

Sec. 11. Minnesota Statutes 1996, section 352F.08, is amended to read:

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352F.08 COUNSELING SERVICES.

The University of Minnesota hospital and clinics or the academic health center, whichever is applicable and the Minnesota state retirement system shall provide terminated hospital employees with counseling on their benefits available under the general state employees retirement plan of the Minnesota state retirement system.

Sec. 12. EFFECTIVE DATE.

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

ARTICLE 8
GENERAL STATEWIDE EMPLOYEE PENSION PLAN MODIFICATIONS

Section 1. Minnesota Statutes 1996, section 136F.45, is amended by adding a subdivision to read:

Subd. 3. TAX-SHELTERED ANNUITY ADMINISTRATIVE EXPENSES.

(a) The reasonable and necessary administrative expenses of the tax-sheltered annuity program, to a maximum of \$100,000 annually, must be paid by the financial institutions authorized by the board of trustees of the Minnesota state colleges and universities system to provide tax-sheltered annuity investment options.

(b) Annually, the board of trustees shall establish a budget for the tax-sheltered annuity program administrative expenses. The total budgeted administrative expense must be allocated among the applicable financial institutions by the board of trustees.

Sec. 2. Minnesota Statutes 1996, section 136F.45, is amended by adding a subdivision to read:

Subd. 4. PERIODIC REVIEW. If the board so chooses, it may solicit bids or proposals for options under subdivision 1. The board may retain consulting services to assist it in soliciting and evaluating bids or proposals and in the periodic review of companies offering options under subdivision 1. The board may annually establish a budget for its costs in the soliciting, evaluating, and periodic review processes. The board may charge a proportional share of all costs related to the periodic review to each company currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids or proposals to each company selected by the board. Contracts must provide that all options in subdivision 1 must: (1) be presented in an unbiased manner, (2) be reported on a periodic basis to all employees participating in the tax-sheltered annuity program, and (3) not be the subject of unreasonable solicitation of state employees to participate in the program. The contract may not permit any person to jeopardize the tax-deferred status of money invested by state employees under this section. All costs or fees in relation to the bid solicitation and evaluation process for the options provided under subdivision 1 must be paid by the underwriting companies ultimately selected by the board.

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Sec. 3. Minnesota Statutes 1996, section 352.01, subdivision 2a, is amended to read:

Subd. 2a. **INCLUDED EMPLOYEES.** (a) "State employee" includes:

- (1) employees of the Minnesota historical society;
- (2) employees of the state horticultural society;
- (3) employees of the Disabled American Veterans, Department of Minnesota, Veterans of Foreign Wars, Department of Minnesota, if employed before July 1, 1963;
- (4) employees of the Minnesota crop improvement association;
- (5) employees of the adjutant general who are paid from federal funds and who are not covered by any federal civilian employees retirement system;
- (6) employees of the state universities employed under the university activities program;
- (7) currently contributing employees covered by the system who are temporarily employed by the legislature during a legislative session or any currently contributing employee employed for any special service as defined in clause (8) of subdivision 2b;
- (8) employees of the armory building commission;
- (9) permanent employees of the legislature and persons employed or designated by the legislature or by a legislative committee or commission or other competent authority to conduct a special inquiry, investigation, examination, or installation;
- (10) trainees who are employed on a full-time established training program performing the duties of the classified position for which they will be eligible to receive immediate appointment at the completion of the training period;
- (11) employees of the Minnesota safety council;
- (12) any employees on authorized leave of absence from the transit operating division of the former metropolitan transit commission who are employed by the labor organization which is the exclusive bargaining agent representing employees of the transit operating division;
- (13) employees of the metropolitan council, metropolitan parks and open space commission, metropolitan sports facilities commission, metropolitan mosquito control commission, or metropolitan radio board unless excluded or covered by another public pension fund or plan under section 473.415, subdivision 3;
- (14) judges of the tax court; and
- (15) personnel employed on June 30, 1992, by the University of Minnesota in the management, operation, or maintenance of its heating plant facilities, whose employment transfers to an employer assuming operation of the heating plant facilities, so long as the person is employed at the University of Minnesota heating plant by that employer or by its successor organization;
- (16) seasonal help in the classified service employed by the department of revenue;

and

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(17) a person who renders teaching or other service for the Minnesota state colleges and universities system and who also renders service on a part-time basis for an employer with employees covered by the general state employees retirement plan of the Minnesota state retirement system, for all service with the Minnesota state colleges and universities system, if the person's nonteaching service comprises at least 50 percent of the combined total salary received by the person as determined by the chancellor of the Minnesota state colleges and universities system or if the person is certified for general state employees retirement plan coverage by the chancellor of the Minnesota state colleges and universities system.

(b) Employees specified in paragraph (a), clause (15), are included employees under paragraph (a) providing that if employer and employee contributions are made in a timely manner in the amounts required by section 352.04. Employee contributions must be deducted from salary. Employer contributions are the sole obligation of the employer assuming operation of the University of Minnesota heating plant facilities or any successor organizations to that employer.

Sec. 4. Minnesota Statutes 1996, section 352.01, subdivision 2b, is amended to read:

Subd. 2b. **EXCLUDED EMPLOYEES.** "State employee" does not include:

- (1) elective state officers;
- (2) students employed by the University of Minnesota, the state universities, and community colleges unless approved for coverage by the board of regents, the state university board, or the state board for community colleges, as the case may be;
- (3) employees who are eligible for membership in the state teachers retirement association except employees of the department of children, families, and learning who have chosen or may choose to be covered by the Minnesota state retirement system instead of the teachers retirement association;
- (4) employees of the University of Minnesota who are excluded from coverage by action of the board of regents;
- (5) officers and enlisted personnel in the national guard and the naval militia who are assigned to permanent peacetime duty and who under federal law are or are required to be members of a federal retirement system;
- (6) election officers;
- (7) persons engaged in public work for the state but employed by contractors when the performance of the contract is authorized by the legislature or other competent authority;
- (8) officers and employees of the senate and house of representatives or a legislative committee or commission who are temporarily employed;
- (9) receivers, jurors, notaries public, and court employees who are not in the judicial branch as defined in section 43A.02, subdivision 25, except referees and adjusters employed by the department of labor and industry;
- (10) patient and inmate help in state charitable, penal, and correctional institutions including the Minnesota veterans home;

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(11) persons employed for professional services where the service is incidental to regular professional duties and whose compensation is paid on a per diem basis;

(12) employees of the Sibley House Association;

(13) the members of any state board or commission who serve the state intermittently and are paid on a per diem basis; the secretary, secretary-treasurer, and treasurer of those boards if their compensation is \$5,000 or less per year, or, if they are legally prohibited from serving more than three years; and the board of managers of the state agricultural society and its treasurer unless the treasurer is also its full-time secretary;

(14) state troopers;

(15) temporary employees of the Minnesota state fair employed on or after July 1 for a period not to extend beyond October 15 of that year; and persons employed at any time by the state fair administration for special events held on the fairgrounds;

(16) emergency employees in the classified service; except that if an emergency employee, within the same pay period, becomes a provisional or probationary employee on other than a temporary basis, the employee shall be considered a "state employee" retroactively to the beginning of the pay period;

(17) persons described in section 352B.01, subdivision 2, clauses (2) to (5);

(18) temporary employees in the classified service, and temporary employees in the unclassified service appointed for a definite period of not more than six months and employed less than six months in any one-year period and seasonal help in the classified service employed by the department of revenue;

(19) trainee employees, except those listed in subdivision 2a, clause (10);

(20) persons whose compensation is paid on a fee basis;

(21) state employees who in any year have credit for 12 months service as teachers in the public schools of the state and as teachers are members of the teachers retirement association or a retirement system in St. Paul, Minneapolis, or Duluth;

(22) employees of the adjutant general employed on an unlimited intermittent or temporary basis in the classified and unclassified service for the support of army and air national guard training facilities;

(23) chaplains and nuns who are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1986, as amended through December 31, 1992;

(24) examination monitors employed by departments, agencies, commissions, and boards to conduct examinations required by law;

(25) persons appointed to serve as members of fact-finding commissions or adjustment panels, arbitrators, or labor referees under chapter 179;

(26) temporary employees employed for limited periods under any state or federal program for training or rehabilitation including persons employed for limited periods

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from areas of economic distress except skilled and supervisory personnel and persons having civil service status covered by the system;

(27) full-time students employed by the Minnesota historical society intermittently during part of the year and full-time during the summer months;

(28) temporary employees, appointed for not more than six months, of the metropolitan council and of any of its statutory boards, if the board members are appointed by the metropolitan council;

(29) persons employed in positions designated by the department of employee relations as student workers;

(30) members of trades employed by the successor to the metropolitan waste control commission with trade union pension plan coverage under a collective bargaining agreement first employed after June 1, 1977;

(31) persons employed in subsidized on-the-job training, work experience, or public service employment as enrollees under the federal Comprehensive Employment and Training Act after March 30, 1978, unless the person has as of the later of March 30, 1978, or the date of employment sufficient service credit in the retirement system to meet the minimum vesting requirements for a deferred annuity, or the employer agrees in writing on forms prescribed by the director to make the required employer contributions, including any employer additional contributions, on account of that person from revenue sources other than funds provided under the federal Comprehensive Employment and Training Act, or the person agrees in writing on forms prescribed by the director to make the required employer contribution in addition to the required employee contribution;

(32) off-duty peace officers while employed by the metropolitan council;

(33) persons who are employed as full-time police officers by the metropolitan council and as police officers are members of the public employees police and fire fund;

(34) persons who are employed as full-time firefighters by the department of military affairs and as firefighters are members of the public employees police and fire fund;

(35) foreign citizens with a work permit of less than three years, or an H-1b/JV visa valid for less than three years of employment, unless notice of extension is supplied which allows them to work for three or more years as of the date the extension is granted, in which case they are eligible for coverage from the date extended; and

(36) persons who are employed by the board of trustees of the Minnesota state colleges and universities and who elect to remain members of the public employees retirement association or the Minneapolis employees retirement fund, whichever applies, under section 136C.75.

Sec. 5. Minnesota Statutes 1996, section 354B.21, subdivision 3, is amended to read:

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

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

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(2) for employees of the board who are employed in faculty positions in the technical colleges, the retirement coverage is by the plan established by this chapter unless on June 30, 1997, the employee was a member of the teachers retirement association established under chapter 354 and then the retirement coverage is by the teachers retirement association, or, unless the employee was a member of a first class city teacher retirement fund established under chapter 354A on June 30, 1995, and then the retirement coverage is by the Duluth teachers retirement fund association if the person was a member of that plan on June 30, 1995, or the Minneapolis teachers retirement fund association if the person was a member of that plan on June 30, 1995, or the St. Paul teachers retirement fund association if the person was a member of that plan on June 30, 1995; and

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

(b) If an employee fails to correctly certify prior membership in the teachers retirement association to the Minnesota state colleges and universities system, the system shall not pay interest on employee contributions, employer contributions, and additional employer contributions to the teachers retirement association under section 354.52, subdivision 4.

Sec. 6. Minnesota Statutes 1996, section 354C.11, is amended to read:

354C.11 **COVERAGE.**

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

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

Once a person qualifies for participation in the supplemental plan, all subsequent service by the person as an unclassified employee of the state university board, the state board for community colleges, the higher education board, or the technical colleges is covered by the supplemental plan.

Sec. 7. **PURCHASE OF SERVICE CREDIT AUTHORIZATION.**

Subdivision 1. **ELIGIBLE EMPLOYEE.** (a) An eligible employee described in paragraph (b) is eligible to purchase service credit in the Minnesota state retirement system general plan as specified in subdivision 2.

(b) An eligible employee is a person who:

(1) is employed in the classified service by the department of revenue as seasonal help, newly authorized to receive prospective service credit under section 3; and

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(2) was employed in the classified service by the department of revenue as seasonal help in each of the last three fiscal years.

Subd. 2. RETIREMENT COVERAGE. An eligible employee under subdivision 1, paragraph (b), is entitled to purchase service credit in the Minnesota state retirement system general plan for the period of service prior to the effective date of section 3 as seasonal help in the classified service by the department of revenue. Any period for which the individual has received service credit or is eligible to receive service credit in any other Minnesota public pension plan, other than a volunteer fire plan, is not eligible for purchase.

Subd. 3. AMOUNT. (a) To receive service credit under subdivision 2, the Minnesota state retirement system must receive an amount equal to the actuarial present value, on the date of payment, as calculated by the actuary retained by the legislative commission on pensions and retirement, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section. Calculation of this amount must be made using the preretirement interest rate applicable to the Minnesota state retirement system general plan specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the pension plan. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must assume that the individual accrues future service credit each year based on a three year average using the most recent three year period prior to the effective date of section 3 for service provided compared to full-time service. The salary used in the calculation must be the eligible person's actual current hourly salary. The calculation must assume a future salary history that includes annual salary increases at the applicable salary increase rate for the plan specified in Minnesota Statutes, section 356.215, subdivision 4d.

(b) Payment must be made in one lump sum before July 1, 1998, or before retirement, whichever is earlier.

(c) Payment of the amount calculated under this subdivision must be made by the eligible employee. However, the Minnesota department of revenue may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the periods of prior service applied to the actual salary rates in effect during the periods of prior service, plus interest at the rate of 8-1/2 percent a year compounded annually from the date on which the contributions would have been made if retirement coverage were authorized at the time, to the date on which the payment is made. If the department agrees to payments under this paragraph, the eligible employee must make the employee payments required under this paragraph before July 1, 1998. If that employee payment is made, the department payment under this paragraph must be remitted to the executive director of the Minnesota state retirement system within 60 days of receipt by the executive director of the employee payments specified under this paragraph.

Subd. 4. SERVICE CREDIT GRANT. Service credit for the purchase period must be granted by the Minnesota state retirement system to the account of the eligible employee upon receipt of the purchase payment amount specified in subdivision 3.

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Sec. 8. STUDY.

The state board of investment, in consultation with the commissioner of commerce, shall study and make recommendations to the legislature on the most desirable method for evaluating insurance companies for purposes of Minnesota Statutes, section 356.24, subdivision 1, and on the most desirable method for the use of Internal Revenue Code, section 403(b), annuities and the most effective delivery mechanism to employees. The board shall report to the legislative commission on pensions and retirement by February 1, 1998.

Sec. 9. REPEALER.

Laws 1995, chapter 262, article 1, sections 8, 9, 10, 11, and 12, are repealed.

Sec. 10. EFFECTIVE DATE.

Sections 1 to 9 are effective on July 1, 1997.

ARTICLE 9**PENSION MODIFICATIONS WITH A LOCAL APPLICATION**

Section 1. Minnesota Statutes 1996, section 423A.02, subdivision 2, is amended to read:

Subd. 2. **CONTINUED ELIGIBILITY.** A municipality that has qualified for amortization state aid under subdivision 1 on December 31, 1984, and has an additional municipal contribution payable under section 353A.09, subdivision 5, paragraph (b), as of the most recent December 31, continues upon application to be entitled to receive amortization state aid under subdivision 1 and supplementary amortization state aid under subdivision 1a, after the local police or salaried firefighters' relief association has been consolidated into the public employees police and fire fund. If a municipality loses entitlement for amortization state aid and supplementary amortization state aid in any year because of not having an additional municipal contribution, the municipality is not entitled to the aid amounts in any subsequent year. If the actuarial assumptions specified in section 356.215 are changed in 1997, and the change results in a municipality having an additional municipal contribution, and the municipality had previously lost entitlement for amortization aid and supplementary amortization due to not having an additional municipal contribution, then the municipality is again entitled to receive amortization aid and supplementary amortization aid in the same amount as it previously received.

Sec. 2. Minnesota Statutes 1996, section 423B.06, subdivision 1, is amended to read:

Subdivision 1. **SOURCES.** The fund is derived from the following sources:

- (1) gifts provided to the fund;
- (2) rewards received by active members of the Minneapolis police department;

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(3) money coming into the hands of active members of the Minneapolis police department in their official capacity and remaining unclaimed for six months;

(4) proceeds from sales of property coming into the hands of active members of the Minneapolis police department in their official capacity and remaining unclaimed for six months, upon sale by the chief of police of the city;

(5) an amount equal to the minimum percentage specified in section 69.77, subdivision 2a, of the salary of a first grade patrol officer deducted from the monthly salary of each active member;

(6) all money derived from taxation as provided by sections 69.77, subdivisions 2b, 2c, 2d, 2e, and 2f; and 423A.01, subdivision 2;

(7) all money received from the state amortization aid programs under section 423A.02, to fund the unfunded actuarial accrued liability of the association;

(8) all money received from the state under chapter 69, as state police aid;

(9) all money provided by the state for the association in addition to clauses (7) and (8);

(10) all money derived from taxation by the municipality for the support of the association and the payment of pensions; and

(11) money from the investment of, earnings on, and interest on the assets of the fund.

Sec. 3. Minnesota Statutes 1996, section 423B.06, subdivision 1a, is amended to read:

Subd. 1a. **SALES OF UNCLAIMED PROPERTY.** The chief of police of the city shall sell property coming into the hands of active members of the Minneapolis police department in their official capacity and remaining unclaimed for six months.

Sec. 4. **TEACHER RETIREMENT DATE.**

Notwithstanding Minnesota Statutes, section 354.44, subdivision 4, teachers terminating active teaching service at the high school in independent school district No. 701, Hibbing, during June, 1997, shall have May 30, 1997, as their date of retirement for the purpose of receiving retirement benefits from the teachers retirement association.

Sec. 5. **EFFECTIVE DATE.**

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

ARTICLE 10

INVESTMENT REPORTING MODIFICATIONS

Section 1. Minnesota Statutes 1996, section 69.051, subdivision 1, is amended to read:

Subdivision 1. **FINANCIAL REPORT AND AUDIT.** The board of each salaried firefighters' and relief association, police relief association, and of each volunteer fire-

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fighters' relief association as defined in section 424A.001, subdivision 4, with assets of at least \$200,000 or liabilities of at least \$200,000, according to the most recent actuarial valuation or financial report if no valuation is required, shall:

(a) (1) Prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year on a form prescribed by the state auditor. The financial report shall contain financial statements and disclosures which present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing and funding provisions of this chapter and any other applicable laws. The financial report shall be countersigned by the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is a firefighters' relief association which is directly associated with a municipal fire department or is a police relief association, or countersigned by the secretary of the independent nonprofit firefighting corporation and by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation;

(b) (2) File the financial report in its office for public inspection and present it to the city council after the close of the fiscal year. One copy of the financial report shall be furnished to the state auditor after the close of the fiscal year; and

(c) (3) Submit to the state auditor audited financial statements which have been attested to by a certified public accountant, public accountant, or the state auditor within 180 days after the close of the fiscal year, ~~except that the state auditor may upon request of a city and a showing of inability to conform, extend the deadline.~~ The state auditor may accept this report in lieu of the report required in clause (b) (2).

Sec. 2. Minnesota Statutes 1996, section 69.051, subdivision 1a, is amended to read:

Subd. 1a. **FINANCIAL STATEMENT.** (a) The board of each volunteer firefighters' relief association and ~~each independent nonprofit firefighting corporation~~, as defined in section 424A.001, subdivision 4, with assets of less than \$200,000 and liabilities less than \$200,000, according to the most recent financial report, shall:

(a) prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor; ~~for the preceding fiscal year showing all money received, with the sources, and respective amounts thereof.~~ The detailed statement must show the sources and amounts of all money received; all disbursements for which orders have been drawn upon the treasurer; all accounts payable; all and accounts receivable; the amount of money remaining in the treasury; total assets including a listing of all investments; the accrued liabilities; and all items necessary to show accurately the revenues and expenditures and financial position of the relief association;

(b) The detailed financial statement required under paragraph (a) ~~shall~~ must be certified by an independent public accountant or auditor or by the auditor or accountant who regularly examines or audits the financial transactions of the municipality. In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment

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upon any exceptions to the report. The independent accountant or auditor shall have at least five years of public accounting, auditing, or similar experience, and shall not be an active, inactive, or retired member of the relief association or the fire or police department.

(c) The detailed statement required under paragraph (a) shall must be countersigned by the municipal clerk or clerk-treasurer of the municipality, or, where applicable, by the secretary of the independent nonprofit firefighting corporation and by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation.

(d) The volunteer firefighters' relief association board must file the detailed statement required under paragraph (a) in the relief association office for public inspection and present it to the city council within 45 days after the close of the fiscal year, and must

(e) submit within 90 days after the close of the fiscal year a copy of the detailed statement to the state auditor within 90 days of the close of the fiscal year.

Sec. 3. Minnesota Statutes 1996, section 69.051, subdivision 1b, is amended to read:

Subd. 1b. **QUALIFICATION.** The state auditor may, upon a demonstration by a relief association of hardship or inability to conform, extend the deadline for reports under subdivisions 1 or 1a, but not beyond November 30th following the due date. If the reports are not received by November 30th, the municipality or relief association will forfeit its current year state aid, and until the state auditor receives the required information, the relief or municipality will be ineligible to receive any future state aid. A municipality or police or firefighters' relief association shall not qualify initially to receive, or be entitled subsequently to retain, state aid pursuant to this chapter if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

Sec. 4. Minnesota Statutes 1996, section 356.219, is amended to read:

356.219 DISCLOSURE OF ADDITIONAL PUBLIC PENSION PLAN INVESTMENT INFORMATION.

Subdivision 1. **REPORT REQUIRED.** (a) Except as indicated in subdivision 4, the state board of investment on behalf of the public pension funds and programs for which it is the investment authority and any Minnesota public pension plan not wholly fully invested through the state board of investment, including a local police or firefighters' relief association governed by sections 69.77 or 69.771 to 69.775, shall report the information specified in subdivision 2 3 to the state auditor. The state auditor may prescribe a form or forms for the purposes of the reporting requirements contained in this section.

(b) A local police or firefighters' relief association governed by section 69.77 or sections 69.771 to 69.775 is fully invested during a given calendar year for purposes of this section if all assets of the applicable pension plan beyond sufficient cash equivalent investments to cover six months expected expenses are invested under section 11A.17. The board of any fully invested public pension plan remains responsible for submitting investment policy statements and subsequent revisions as required by subdivision 3, paragraph (a).

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(c) For purposes of this section, the state board of investment is considered to be the investment authority for any Minnesota public pension fund required to be invested by the state board of investment under section 11A.23, or for any Minnesota public pension fund authorized to invest in the supplemental investment fund under section 11A.17 and which is fully invested.

Subd. 2. ASSET CLASS DEFINITION. (a) For purposes of this section, "asset class" means any of the following asset groupings as authorized in applicable law, by-laws, or articles of incorporation:

(1) cash and any cash equivalent investments with maturities of one year or less when issued;

(2) debt securities with maturities greater than one year when issued, including but not limited to mortgage participation certificates and pools, asset backed securities, guaranteed investment contracts, and authorized government and corporate obligations of corporations organized under laws of the United States or any state, or the Dominion of Canada or its provinces;

(3) stocks or convertible issues of any corporation organized under laws of the United States or any state, or the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange;

(4) international stocks or convertible issues;

(5) international debt securities; and

(6) real estate and venture capital.

(b) If the pension plan is investing under section 69.77, subdivision 2g, section 69.775, or other applicable law, in open-end investment companies registered under the federal Investment Company Act of 1940, or in the Minnesota supplemental investment fund under section 11A.17, this investment must be included under an asset class indicated in paragraph (a), clauses (1) through (6), as appropriate. If the investment vehicle includes underlying securities from more than one asset class as indicated by paragraph (a), clauses (1) through (6), the investment may be treated as a separate asset class.

Subd. 23. CONTENT AND TIMING OF REPORTS. (a) The following information shall be included in the report required by subdivision 1:

(1) the market value of all investments at the close of the reporting period;

(2) regular payroll-based contributions to the fund;

(3) other contributions and revenue paid into the fund, including, but not limited to, state or local non-payroll-based contributions, repaid refunds, and buybacks;

(4) total benefits paid to members;

(5) fees paid for investment management services;

(6) salaries and other administrative expenses paid; and

(7) total return on investment.

The report required by subdivision 1 must also include a written statement of the investment policy in effect on June 30, 1988, and 1997, if that statement has not been

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previously submitted. Following that date, subsequent reports must include any investment policy changes made subsequently and shall include the effective date of each policy change rather than a complete statement of investment policy, unless the state auditor requests submission of a complete current statement. The report must also include the information required by the following paragraphs, as applicable. The information required under this subdivision must be reported separately for each investment account or investment portfolio included in the pension fund.

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

(c) Firefighters' relief associations that have assets with a market value of less than \$300,000 must submit a written statement of their current investment policy on or before October 1, 1996, must report any subsequent investment policy changes, including the effective date of the change, within 90 days of the change, must begin collecting the required information under paragraph (a), clauses (1) to (7), on January 1, 1997, and must submit the required information to the state auditor on or before October 1, 1998, and subsequently within six months of the end of each fiscal year. Other associations must submit the required information through fiscal year 1993 to the state auditor on or before October 1, 1994, and subsequently within six months of the end of each fiscal year.

(b) If a public pension plan has a total market value of \$10 million or more as of the beginning of the calendar year, the report required by subdivision 1 must include the market value of the total portfolio and the market value of each investment account, investment portfolio, or asset class included in the pension fund as of the beginning of the calendar year and for each month, and the amount and date of each injection and withdrawal to the total portfolio and to each investment account, investment portfolio, or asset class. If a public pension plan once files a report under this paragraph, it must continue reporting under this paragraph for any year in which the public pension plan is not fully invested as specified in subdivision 1, paragraph (b), even if asset values drop below \$10 million in market value in a subsequent year.

(c) For public pension plans to which paragraph (b) applies, the report required by subdivision 1 must also include a calculation of the total time-weighted rate of return available from index-matching investments assuming the asset class performance targets and target asset mix indicated in the written statement of investment policy. The provided information must include a description of indices used in the analyses and an explanation of why those indices are appropriate. This paragraph does not apply to any fully invested plan, as defined by subdivision 1, paragraph (b). Reporting by the state board of investment under this paragraph is limited to information on the Minnesota public pension plans required to be invested by the state board of investment under section 11A.23.

(d) If a public pension plan has a total market value of less than \$10 million as of the beginning of the calendar year and was never required to file under paragraph (b), the report required by subdivision 1 must include the amount and date of each total portfolio

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injection and withdrawal. In addition, the report must include the market value of the total portfolio as of the beginning of the calendar year and for each quarter.

(e) Any public pension plan reporting under paragraph (b) or (d) may include computed time-weighted rates of return with the report, in addition to all other required information, as applicable. If returns are supplied, the individual who computed the returns must certify that the returns are net of all costs and fees, including investment management fees, and that the procedures used to compute the returns are consistent with bank administration institute studies of investment performance measurement and association of investment management and research presentation standards.

(f) For public pension plans reporting under paragraph (d), the public pension plan must retain information specifying the date and amount of each injection and withdrawal to each investment account and investment portfolio. The public pension plan must also retain the market value of each investment account and investment portfolio at the beginning of the calendar year and for each quarter. Information that is required to be collected and retained for any given year or years under this paragraph must be submitted to the office of the state auditor if the office of the state auditor requests in writing that the information be submitted by a public pension plan or plans, or be submitted by the state board of investment for any plan or plans for which the state board of investment is the investment authority under this section. If the state auditor requests information under this subdivision, and the public plan fails to comply, the pension plan will be subject to penalties under subdivision 5, unless penalties are waived by the state auditor under that subdivision.

Subd. 4. ALTERNATIVE REPORTING; CERTAIN PLANS. In lieu of requirements in subdivision 3, the applicable administration for the individual retirement account plans under chapters 354B and 354D and for the university of Minnesota faculty retirement plan shall submit computed time-weighted rates of return to the office of the state auditor. These time-weighted rates of return must cover the most recent complete calendar year, and must be computed for each investment option available to plan members. To the extent feasible, the returns must be computed net of all costs, fees, and charges, so that the computed return reflects the net time-weighted return available to the investor. If this is not practical, the existence of any remaining cost, fee, or charge which could further lower the net return must be disclosed. The procedures used to compute the returns must be consistent with bank administration institute studies of investment performance measurement and association of investment management and research presentation standards, or, if applicable, securities exchange commission requirements. The individual who computes the returns must certify that the supplied returns comply with this subdivision. The applicable plan administrator must also submit, with the return information, the total amounts invested by the plan members, in aggregate, in each investment option as of the last day of the calendar year.

Subd. 3 5. PENALTY FOR NONCOMPLIANCE. Failure to comply with the reporting requirements of this section shall result in a withholding of all state aid or state appropriation to which the pension plan may otherwise be directly or indirectly entitled until the pension plan has complied with the reporting requirements. The state auditor shall instruct the commissioners of revenue and finance to withhold state aid or state appropriation from any pension plan that fails to comply with the reporting requirements contained in this section, until the pension plan has complied with the reporting require-

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ments. The state auditor may waive the withholding of state aid or state appropriations if the state auditor determines in writing that compliance would create an excessive hardship.

The state auditor shall agree to waive the withholding of all state aid required by this subdivision for a volunteer firefighters' relief association governed by sections ~~69.77~~ or ~~69.771~~ to ~~69.775~~ if:

(1) the relief association certifies to the state auditor that the financial records necessary to comply with this reporting requirement for the fiscal years of the pension fund ending during calendar years 1991 to 1993 no longer exist; or

(2) the state auditor determines that reconstructing historical financial data for the fiscal years of the pension fund ending during calendar years 1991 to 1993 would create an excessive hardship for the relief association.

Subd. 4 6. **INVESTMENT DISCLOSURE REPORT.** Using the information provided under subdivision 2, (a) The state auditor shall prepare an annual report to the legislature on the components of investment performance resulting from stages in the investment decision making process of the various public pension plans subject to this section. The content of the report is specified in paragraphs (b) to (e).

(b) For each public pension plan reporting under subdivision 3, paragraph (b), the state auditor shall compute and report total portfolio and asset class time-weighted rates of return, net of all costs and fees.

(c) For each public pension plan reporting under subdivision 3, paragraph (d), the state auditor shall compute and report total portfolio time-weighted rates of return, net of all costs and fees. If the state auditor has requested data for a plan under subdivision 3, paragraph (f), the state auditor may also compute and report asset class time-weighted rates of return, net of all costs and fees.

(d) The report by the state auditor must include the information submitted by the pension plans under subdivision 3, paragraph (c), or a synopsis of that information.

(e) The report by the state auditor may also include a presentation of multi-year performance, information collected under subdivision 4, and any other information or analysis deemed appropriate by the state auditor. The state auditor may contract with a qualified consultant or consulting firm to perform the analysis and prepare the report required under this subdivision.

Subd. 5 7. **EXPENSE OF REPORT.** All expenses incurred relating to the investment disclosure report by the state auditor described in subdivision 4 6 must be borne by the office of the state auditor and may not be charged back to the entities described in subdivision subdivisions 1 or 4.

Subd. 8. **TIMING OF REPORTS.** (a) For salaried firefighter relief associations, police relief associations, and volunteer firefighter relief associations, the information required under this section must be submitted by the due date for reports required under section 69.051, subdivision 1 or 1a, as applicable. If a relief association satisfies the definition of a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report required under section 69.051, subdivision 1 or 1a, as applicable, the chief administrative officer of the covered pension plan shall certify compliance on a

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form prescribed by the state auditor. The state auditor shall transmit annually to the state board of investment a list or lists of covered pension plans which submitted certifications, in order to facilitate reporting by the state board of investment under paragraph (c) of this subdivision.

(b) For the Minneapolis teachers retirement fund association, the St. Paul teachers retirement fund association, the Duluth teachers retirement fund association, the Minneapolis employees retirement fund, the University of Minnesota faculty supplemental retirement plan, and the applicable administrators for the University of Minnesota faculty retirement plan and the individual retirement account plans under chapter 354B and 354D, the information required under this section must be submitted to the state auditor by June 1 of each year.

(c) The state board of investment, on behalf of pension funds specified in subdivision 1, paragraph (c), must report information required under this section by September 1 of each year.

Sec. 5. Minnesota Statutes 1996, section 424A.02, subdivision 10, is amended to read:

Subd. 10. LOCAL APPROVAL OF BYLAW AMENDMENTS; FILING REQUIREMENTS. (a) Each relief association to which this section applies shall file a revised copy of its governing bylaws with the commissioner of commerce state auditor upon the adoption of any amendment to its governing bylaws by the relief association or upon the approval of any amendment to its governing bylaws granted by the governing body of each municipality served by the fire department to which the relief association is directly associated. Failure of the relief association to file a copy of the bylaws or any bylaw amendments with the commissioner of commerce state auditor shall disqualify the municipality from the distribution of any future fire state aid until this filing requirement has been completed.

(b) If the special fund of the relief association does not have a surplus over full funding pursuant to section 69.772, subdivision 3, clause (2), subclause (e), or 69.773, subdivision 4, and if the municipality is required to provide financial support to the special fund of the relief association pursuant to section 69.772 or 69.773, no bylaw amendment which would affect the amount of, the manner of payment of, or the conditions for qualification for service pensions or ancillary benefits or disbursements other than administrative expenses authorized pursuant to section 69.80 payable from the special fund of the relief association shall be effective until it has been ratified by the governing body or bodies of the appropriate municipalities. If the municipality is not required to provide financial support to the special fund pursuant to this section, the relief association may adopt or amend without municipal ratification its articles of incorporation or bylaws which increase or otherwise affect the service pensions or ancillary benefits payable from the special fund so long as the changes do not cause the amount of the resulting increase in the accrued liability of the special fund to exceed 90 percent of the amount of the prior surplus over full funding and the changes do not result in the financial requirements of the special fund exceeding the expected amount of the future fire state aid to be received by the relief association.

(c) If the relief association pays only a lump sum pension, the financial requirements are to be determined by the board of trustees following the preparation of an estimate of

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the expected increase in the accrued liability and annual accruing liability of the relief association attributable to the change. If the relief association pays a monthly benefit service pension, the financial requirements are to be determined by the board of trustees following either an updated actuarial valuation including the proposed change or an estimate of the expected actuarial impact of the proposed change prepared by the actuary of the relief association. If a relief association adopts or amends its articles of incorporation or bylaws without municipal ratification pursuant to this subdivision, and, subsequent to the amendment or adoption, the financial requirements of the special fund pursuant to this section are such so as to require financial support from the municipality, the provision which was implemented without municipal ratification shall no longer be effective without municipal ratification, and any service pensions or ancillary benefits payable after that date shall be paid only in accordance with the articles of incorporation or bylaws as amended or adopted with municipal ratification.

Sec. 6. REVIEW OF LARGE PLAN REPORTING REQUIREMENTS.

Prior to January 1, 1999, the state auditor shall report to the legislative commission on pensions and retirement with any recommendations for enhancing the consistency and utility of information provided by or on behalf of a public pension plan under Minnesota Statutes, section 356.219, subdivision 3, paragraph (c).

Sec. 7. REPEALER.

Minnesota Statutes 1996, section 356.218, is repealed.

Sec. 8. EFFECTIVE DATE.

Sections 1 to 7 are effective January 1, 1998, except that no penalty for non-compliance with section 4 may be assessed on account of any failure to comply with reporting requirements of that section prior to January 1, 1999.

ARTICLE 11

CORRECTIONAL RETIREMENT PLAN

MODIFICATIONS

Section 1. Laws 1996, chapter 408, article 8, section 21, is amended to read:

Sec. 21. TEMPORARY PROVISION; ELECTION TO RETAIN RETIREMENT COVERAGE.

(a) An employee in a position specified as qualifying under sections 12, 14, and 15, or an auto mechanic lead, an electrician, an electrician master of record, a groundskeeper intermediate, or a plumber master in charge at the Minnesota correctional facility—Red Wing, may elect to retain coverage under the general employees retirement plan of the Minnesota state retirement system or the teachers retirement association, or may elect to have coverage transferred to and to contribute to the correctional employees retirement

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plan. An employee electing to participate in the correctional employees retirement plan shall begin making contributions to the correctional plan beginning the first full pay period after January 1, 1997, or the first full pay period following filing of their election to transfer coverage to the correctional employees retirement plan, whichever is later. The election to retain coverage or to transfer coverage must be made in writing by the person on a form prescribed by the executive director of the Minnesota state retirement system and must be filed with the executive director no later than ~~June 30~~ December 31, 1997.

(b) An employee failing to make an election by June 15, 1997, must be notified by certified mail by the executive director of the Minnesota state retirement system or of the teachers retirement association, whichever applies, of the deadline to make a choice. A person who does not submit an election form must continue coverage in the general employees retirement plan or the teachers retirement association, whichever applies, and forfeits all rights to transfer retirement coverage to the correctional employees retirement plan.

(c) The election to retain coverage in the general employee retirement plan or the teachers retirement association or the election to transfer retirement coverage to the correctional employees retirement plan is irrevocable once it is filed with the executive director.

Sec. 2. Laws 1996, chapter 408, article 8, section 22, subdivision 1, is amended to read:

Subdivision 1. **ELECTION OF PRIOR STATE SERVICE COVERAGE.** (a) An employee who has future retirement coverage transferred to the correctional employees retirement plan under sections 11, 12, 14, and 15, and 16, or an auto mechanic lead, an electrician, an electrician master of record, a groundskeeper intermediate, or a plumber master in charge at the Minnesota correctional facility—Red Wing, and who does not elect to retain general state employee retirement plan or teachers retirement association coverage is entitled to elect to obtain prior service credit for eligible state service performed on or after July 1, 1975, and before the first day of the first full pay period beginning after ~~June 30~~ December 31, 1997, with the department of corrections or with the department of human services at the Minnesota security hospital or the Minnesota sexual psychopathic personality treatment center. All prior service credit must be purchased.

(b) Eligible state service with the department of corrections or with the department of human services is any prior period of continuous service on or after July 1, 1975, performed as an employee of the department of corrections or of the department of human services that would have been eligible for the correctional employees retirement plan coverage under sections 11, 12, 14, and 15, and 16, or an auto mechanic lead, an electrician, an electrician master of record, a groundskeeper intermediate, or a plumber master in charge at the Minnesota correctional facility—Red Wing, if that prior service had been performed after the first day of the first full pay period beginning after December 31, 1996, rather than before that date. Service is continuous if there has been no period of discontinuation of eligible state service for a period greater than 180 calendar days.

(c) The department of corrections or the department of human services, whichever applies, shall certify eligible state service to the executive director of the Minnesota state retirement system.

(d) A covered correctional plan employee employed on January 1, 1997, who has past service in a job classification covered under section 11, 12, 14, or 15, or 16, or an auto

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mechanic lead, an electrician, an electrician master of record, a groundskeeper intermediate, or a plumber master in charge at the Minnesota correctional facility—Red Wing, on January 1, 1997, is entitled to purchase the past service if the applicable department certifies that the employee met the eligibility requirements for coverage. The employee must make the additional employee contributions under section 17. Payments for past service must be completed by June 30, 1999.

Sec. 3. Laws 1996, chapter 408, article 8, section 24, is amended to read:

Sec. 24. **EARLY RETIREMENT INCENTIVE.**

This section applies to an employee who has future retirement coverage transferred to the correctional employee retirement plan under sections 11, 12, 14, and 15, and 16, and who is at least 55 years old on the effective date of sections 11, 12, 14, and 15, and 16. This section also applies to an auto mechanic lead, an electrician, an electrician master of record, a groundskeeper intermediate, or a plumber master in charge at the Minnesota correctional facility—Red Wing who has transferred to the correctional employee retirement plan under this act. That employee may participate in a health insurance early retirement incentive available under the terms of a collective bargaining agreement in effect on the day before the effective date of sections 11, 12, 14, and 15, and 16, notwithstanding any provision of the collective bargaining agreement that limits participation to persons who select the option during the payroll period in which their 55th birthday occurs. A person selecting the health insurance early retirement incentive under this section must retire by the later of ~~December 31, 1997~~ June 30, 1998, or within the pay period following the time at which the person has at least three years of covered correctional service, including any purchased service credit. An employee meeting this criteria who wishes to extend the person's employment must do so under Minnesota Statutes, section 43A.34, subdivision 3.

Sec. 4. **EFFECTIVE DATE.**

Sections 1 to 3 are effective on the day following final enactment.

ARTICLE 12

MISCELLANEOUS PROVISIONS

Section 1. **EXEMPTION; METROPOLITAN STATE UNIVERSITY.**

(a) Minnesota Statutes, section 352.115, subdivision 10, does not apply to a person who:

- (1) was born June 22, 1939;
- (2) retires from the faculty of Metropolitan State University with at least ten years of combined service credit in a system under the jurisdiction of the board of trustees of the Minnesota state colleges and universities;
- (3) was employed on a full-time basis immediately preceding retirement;

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(4) begins drawing an annuity from the Minnesota state retirement system; and
(5) returns to work on not less than a one-third time basis and not more than a two-thirds time basis at Metropolitan State University under an agreement in which the person may not earn a salary of more than \$35,000 in a calendar year from employment after retirement at Metropolitan State University.

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

(c) Minnesota Statutes, section 136F.48, applies to a person described in paragraph (a), even though the person draws an annuity from the Minnesota state retirement system instead of a teachers retirement association.

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

Sec. 2. ACCEPTANCE OF BENEFICIARY DESIGNATION CHANGE IN CERTAIN INSTANCES.

(a) Notwithstanding any provision of Minnesota Statutes 1996, chapter 354, to the contrary, the teachers retirement association may consider as validly filed a beneficiary designation change form under Minnesota Statutes 1996, section 354.10, subdivision 4, and a joint specification form under Minnesota Statutes 1996, section 354.46, subdivision 5, which was postmarked on January 8, 1997, and received by the teachers retirement association on January 10, 1997, on behalf of a teacher who was born on February 28, 1947, and who died on December 22, 1996.

(b) The designated beneficiary of the teacher specified in paragraph (a) is entitled to receive the applicable monthly survivor benefit retroactive to January 1, 1997.

Sec. 3. PRIOR SERVICE CREDIT PURCHASE FOR CERTAIN PUBLIC EMPLOYEES.

(a) A person described in paragraph (b) is entitled to purchase the period of allowable service credit from the public employees retirement association described in paragraph (c) if the purchase payment specified in paragraph (d) is made to the public employees retirement association.

(b) An eligible person is a person who:

(1) was born on August 10, 1939;

(2) was initially employed on a full-time basis by the parks and recreation division of the city of St. Paul on February 12, 1964;

(3) was initially covered by the public employees retirement association on November 1, 1964; and

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(4) left public service on September 16, 1996.

(c) The period of purchasable allowable service credit is the period beginning on February 12, 1964, and ending on October 31, 1964.

(d) To purchase credit for prior eligible service under paragraph (c), there must be paid to the public employees retirement association an amount equal to the present value of the amount of the additional disability benefit obtained by purchase of the additional service credit. The calculation of this amount must be made by the executive director of the public employees retirement association using the applicable preretirement interest rate specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the retirement association. The person making the purchase must establish in the records of the association proof of the service for which the purchase of prior service is requested. The manner of the proof of service must be in accordance with procedures prescribed by the executive director of the retirement association. Payment of the amount calculated under this subdivision is the obligation of the eligible person and must be made prior to July 1, 1998, in a lump sum. However, the former employer of the eligible individual may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rate or rates in effect during the period or periods of prior service, plus interest at the rate of 8.5 percent per year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this paragraph, the person must make the employee payments required under this paragraph prior to July 1, 1998. If that employee payment is made, the employing unit payment under this paragraph must be remitted to the executive director of the retirement association within 60 days of receipt by the executive director of the employee payments specified under this paragraph.

(e) Service credit for the purchase period or periods must be granted to the account of the eligible person upon receipt of the purchase payment amount specified in paragraph (d) and the disability benefit of the person must be recalculated in light of the additional service credit.

Sec. 4. EFFECTIVE DATE.

Sections 1, 2, and 3 are effective on the day following final enactment.

Presented to the governor May 30, 1997

Signed by the governor June 3, 1997, 1:45 p.m.

CHAPTER 242—H.F.No. 1684

VETOED

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