

CHAPTER 356

RETIREMENT SYSTEMS, GENERALLY

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356.19 RETIREMENT BENEFIT FORMULA PERCENTAGES.

[For text of subs 1 and 2, see M.S.1998]

Subd. 2a. **Coordinated members.** The applicable benefit accrual rate is 2.0 percent.

[For text of subs 3 to 5, see M.S.1998]

Subd. 5a. **Local government correctional service plan.** The applicable benefit accrual rate is 1.9 percent.

[For text of subs 6 to 9, see M.S.1998]

History: 1999 c 222 art 2 s 15; art 15 s 2

356.20 PUBLIC PENSION FUND FINANCIAL REPORTING REQUIREMENT.

[For text of subd 1, see M.S.1998]

Subd. 2. **Covered public pension funds.** This section applies to the following public pension plans:

- (1) State employees retirement fund.
- (2) Public employees retirement fund.
- (3) Teachers retirement association.
- (4) State patrol retirement fund.
- (5) Minneapolis teachers retirement fund association.
- (6) St. Paul teachers retirement fund association.
- (7) Duluth teachers retirement fund association.
- (8) Minneapolis employees retirement fund.
- (9) University of Minnesota faculty retirement plan.
- (10) University of Minnesota faculty supplemental retirement plan.
- (11) Judges retirement fund.
- (12) Any police or firefighter's relief association enumerated in section 69.77, subdivision 1a, or 69.771, subdivision 1.
- (13) Public employees police and fire fund.
- (14) Minnesota state retirement system correctional officers retirement fund.
- (15) Public employees local government correctional service retirement plan.

[For text of subs 3 to 4a, see M.S.1998]

History: 1999 c 222 art 2 s 16

356.215 ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES.

[For text of subs 1 to 4f, see M.S.1998]

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

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

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

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

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

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

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

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

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified

in subdivision 4d in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

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

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

(e) For the following plans for which the annual actuarial valuation indicates an excess of valuation assets over the actuarial accrued liability, the valuation assets in excess of the actuarial accrued liability must be recognized in the following manner:

(1) the public employees retirement association police and fire plan, the valuation assets in excess of the actuarial accrued liability serve to reduce the current contribution requirements by an amount equal to the amortization of the excess expressed as a level percentage of pay over a 30-year period beginning anew with each annual actuarial valuation of the plan; and

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

[For text of subds 4h to 7, see M.S.1998]

History: 1999 c 222 art 4 s 14

NOTE: The amendment to subdivision 4g by Laws 1999, chapter 222, article 4, section 14, is effective July 1, 2000. Laws 1999, chapter 222, article 4, section 21.

356.24 SUPPLEMENTAL PENSION OR DEFERRED COMPENSATION PLANS, RESTRICTIONS UPON GOVERNMENT UNITS.

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

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

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

(3) to the individual retirement account plan established by chapter 354B;

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

(5) for employees other than personnel employed by the state university board or the community college board and covered by the board of trustees of the Minnesota state colleges and universities supplemental retirement plan under chapter 354C, if provided for in a personnel policy of the public employer or in the collective bargaining agreement between the public employer and the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year per employee;

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

(ii) in payment of the applicable portion of the premium on a tax-sheltered annuity contract qualified under section 403(b) of the Internal Revenue Code, if purchased from a qualified insurance company, or to a qualified investment entity, as defined in subdivision 1a, and, in either case, if the employing unit has complied with any applicable pension plan provisions of the Internal Revenue Code with respect to the tax-sheltered annuity program during the preceding calendar year; or

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

Subd. 1a. **Qualified insurance company; qualified investment entities; definitions.**

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

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

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

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

(4) is determined by the state board of investment to be among up to 20 applicant insurance companies with competitive investment options and investment returns.

(b) A qualified investment entity is an open-end investment company that:

(1) is registered under the federal Investment Company Act of 1940;

(2) is licensed to do business in the state;

(3) is determined by the commissioner of commerce to be in sound financial standing; and

(4) is determined by the state board of investment to be among up to five applicant investment entities with competitive investment options and investment returns.

(c) The state board of investment determination must be made on or before July 1, 2000, and must be reviewed periodically. The state board of investment may retain actuarial services to assist it in this determination and in its periodic review. The state board of investment may annually establish a budget for its costs in any determination and periodic review processes. The state board of investment may charge a proportional share of all costs related to the periodic review to those qualified insurance companies and qualified investment entities currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids in a determination process to each company and investment entity selected by the state board of investment. All contracts must be approved before execution by the state board of investment. The state board of investment shall establish policies and procedures under section 11A.04, clause (2), to carry out this paragraph.

Subd. 1b. **Vendor restrictions.** A personnel policy for unrepresented employees or a collective bargaining agreement may establish limits on the number of vendors under subdivision 1 that it will utilize and conditions under which the vendors may contact employees both during working hours and after working hours.

[For text of subd 2, see M.S.1998]

History: 1999 c 222 art 18 s 1

NOTE: The amendment to subdivision 1 by Laws 1999, chapter 222, article 18, section 1, is effective May 15, 2000. Laws 1999, chapter 222, article 18, section 3.

356.30 COMBINED SERVICE ANNUITY.

[For text of subs 1 to 2a, see M.S.1998]

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

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

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

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

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

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

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

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

- (8) public employees police and fire fund, established pursuant to chapter 353;
 - (9) public employees local government correctional service retirement plan, established pursuant to chapter 353E;
 - (10) teachers retirement association, established pursuant to chapter 354;
 - (11) Minneapolis employees retirement fund, established pursuant to chapter 422A;
 - (12) Minneapolis teachers retirement fund association, established pursuant to chapter 354A;
 - (13) St. Paul teachers retirement fund association, established pursuant to chapter 354A;
 - (14) Duluth teachers retirement fund association, established pursuant to chapter 354A;
- and
- (15) judges' retirement fund, established by sections 490.121 to 490.132.

History: 1999 c 222 art 2 s 17

356.302 DISABILITY BENEFIT WITH COMBINED SERVICE.

[For text of subs 1 to 6, see M.S.1998]

Subd. 7. **Covered retirement plans.** This section applies to the following retirement plans:

- (1) state employees retirement fund, established by chapter 352;
- (2) unclassified employees retirement plan, established by chapter 352D;
- (3) public employees retirement association, established by chapter 353;
- (4) teachers retirement association, established by chapter 354;
- (5) Duluth teachers retirement fund association, established by chapter 354A;
- (6) Minneapolis teachers retirement fund association, established by chapter 354A;
- (7) St. Paul teachers retirement fund association, established by chapter 354A;
- (8) Minneapolis employees retirement fund, established by chapter 422A;
- (9) correctional employees retirement plan, established by chapter 352;
- (10) state patrol retirement fund, established by chapter 352B;
- (11) public employees police and fire fund, established by chapter 353;
- (12) public employees local government correctional service retirement plan, established by chapter 353E; and
- (13) judges' retirement fund, established by sections 490.121 to 490.132.

History: 1999 c 222 art 2 s 18

356.303 SURVIVOR BENEFIT WITH COMBINED SERVICE.

[For text of subs 1 to 3, see M.S.1998]

Subd. 4. **Covered retirement plans.** This section applies to the following retirement plans:

- (1) legislators retirement plan, established by chapter 3A;
- (2) state employees retirement fund, established by chapter 352;
- (3) correctional employees retirement plan, established by chapter 352;
- (4) state patrol retirement fund, established by chapter 352B;
- (5) elective state officers retirement plan, established by chapter 352C;
- (6) unclassified employees retirement plan, established by chapter 352D;
- (7) public employees retirement association, established by chapter 353;
- (8) public employees police and fire fund, established by chapter 353;
- (9) public employees local government correctional service retirement plan, established by chapter 353E;
- (10) teachers retirement association, established by chapter 354;

- (11) Duluth teachers retirement fund association, established by chapter 354A;
- (12) Minneapolis teachers retirement fund association, established by chapter 354A;
- (13) St. Paul teachers retirement fund association, established by chapter 354A;
- (14) Minneapolis employees retirement fund, established by chapter 422A; and
- (15) judges' retirement fund, established by sections 490.121 to 490.132.

History: 1999 c 222 art 2 s 19

356.372 SUPPLEMENTAL NEEDS TRUST AS OPTIONAL ANNUITY FORM RECIPIENT.

Subdivision 1. **Inclusion as recipient.** Notwithstanding any provision to the contrary of the laws, articles of incorporation, or bylaws governing a covered retirement plan specified in subdivision 3, a retiring member may designate a qualified supplemental needs trust under subdivision 2 as the remainder recipient on an optional retirement annuity form for a period not to exceed the lifetime of the beneficiary of the supplemental needs trust.

Subd. 2. **Qualified supplemental needs trust.** A qualified supplemental needs trust is a trust that:

- (1) was established on or after July 1, 1992;
- (2) was established solely for the benefit of one person who has a disability under federal Social Security Administration supplemental security income or retirement, survivors, and disability insurance disability determination standards and who was determined as such before the creation of the trust;
- (3) is funded, in whole or in part, by the primary recipient of the optional annuity form and, unless the trust is a Zebley trust, is not funded by the beneficiary, the beneficiary's spouse, or a person who is required to pay a sum to or for the trust beneficiary under the terms of litigation or a litigation settlement;
- (4) is established to cover reasonable living expenses and other basic needs of the disabled person, in whole or in part, in instances when public assistance does not provide sufficiently for these needs;
- (5) is not permitted to make disbursement to replace or reduce public assistance otherwise available;
- (6) is irrevocable;
- (7) terminates upon the death of the disabled person for whose benefit it was established; and
- (8) is determined by the executive director to be a trust that contains excluded assets for purposes of the qualification for public entitlement benefits under the applicable federal and state laws and regulations.

Subd. 3. **Covered retirement plan.** The provisions of this section apply to the following retirement plans:

- (1) general state employees retirement plan of the Minnesota state retirement system, established under chapter 352;
- (2) correctional employees retirement plan of the Minnesota state retirement system, established under chapter 352;
- (3) state patrol retirement plan, established under chapter 352B;
- (4) legislators retirement plan, established under chapter 3A;
- (5) judges retirement plan, established under chapter 490;
- (6) public employees retirement plan, established under chapter 353;
- (7) public employees police and fire plan, established under chapter 353;
- (8) teachers retirement plan, established under chapter 354;
- (9) Duluth teachers retirement fund association, established under chapter 354A;
- (10) St. Paul teachers retirement fund association, established under chapter 354A;
- (11) Minneapolis teachers retirement fund association, established under chapter 354A;
- (12) Minneapolis employees retirement plan, established under chapter 422A;

- (13) Minneapolis firefighters relief association, established under chapter 69;
- (14) Minneapolis police relief association, established under chapter 423B; and
- (15) public employees local government correctional service retirement plan, established under chapter 353E.

History: 1999 c 222 art 10 s 1

356.55 PRIOR SERVICE CREDIT PURCHASE PAYMENT AMOUNT DETERMINATION PROCEDURE.

Subdivision 1. **Application.** Unless the prior service credit purchase authorization special law or general statute provision explicitly specifies a different purchase payment amount determination procedure, this section governs the determination of the prior service credit purchase payment amount of any prior service credit purchase. The purchase payment amount determination procedure must recognize any service credit accrued to the purchaser in a pension plan listed in section 356.30, subdivision 3. Any service credit in a Minnesota defined benefit public employee pension plan available to be reinstated by the purchaser through the repayment of a refund of member or employee contributions previously received must be repaid in full before any purchase of prior service credit payment is made under this section.

[For text of subs 2 to 5, see M.S.1998]

Subd. 6. **Report on prior service credit purchases.** (a) As part of the regular data reporting to the consulting actuary retained by the legislative commission on pensions and retirement annually, the chief administrative officer of each public pension plan that has accepted a prior service credit purchase payment under this section shall report for any purchase, the purchaser, the purchaser's employer, the age of the purchaser, the period of the purchase, the purchaser's prepurchase accrued service credit, the purchaser's postpurchase accrued service credit, the purchaser's prior service credit payment, the prior service credit payment made by the purchaser's employer, and the amount of the additional benefit or annuity purchased.

(b) As a supplemental report to the regular annual actuarial valuation for the applicable public pension plan prepared by the consulting actuary retained by the legislative commission on pensions and retirement, there must be a comparison for each purchase showing the total prior service credit payment received from all sources and the increased public pension plan actuarial accrued liability resulting from each purchase.

[For text of subd 7, see M.S.1998]

History: 1999 c 222 art 16 s 14, 15

356.61 LIMITATION ON PUBLIC EMPLOYEE RETIREMENT ANNUITIES.

Notwithstanding any provision of law, bylaws, articles of incorporation, retirement and disability allowance plan agreements or retirement plan contracts to the contrary, no person who has pension or retirement coverage by a public pension plan is entitled to receive a monthly retirement annuity or disability benefit which, at the time of commencement of the retirement annuity or disability benefit, exceeds 1/12 of the amount of the annual benefit permitted by the terms of section 415 of the Internal Revenue Code with respect to a participant in a plan qualified under section 401(a) of the Internal Revenue Code, as amended through December 31, 1982.

The benefit limitation is to be determined on the date the benefit is initially payable or on the date the employee terminated employment, if earlier. The benefit limitation on any date is the benefit limitation for the limitation year in which the date occurs. The limitations apply only to the annual benefit which is derived from employer contributions. Mandatory and voluntary employee contributions, if any, are treated as a separate defined contribution plan maintained by the employer which is subject to the limitations placed on annual additions to defined contribution plans.

The maximum annual benefit for any limitation year is the lesser of (1) or (2) below:

(1) A dollar limitation of \$90,000, adjusted as of January 1 of each calendar year to the dollar limitation as determined for that year by the commissioner of Internal Revenue. The amount determined for any year will apply to limitation years ending with or within that calendar year.

(2) A compensation limitation of 100 percent of the average of compensation paid or made available to the participant by the employer during those three consecutive calendar years of employment, or actual number of consecutive calendar years of employment if employed less than three consecutive years, which give the highest average. Compensation means any compensation which is includable in the employee's gross income, plus any elective deferral as defined in section 402(g)(3) of the federal Internal Revenue Code of 1986, as amended through May 15, 1999, and any amount which was contributed or deferred by the employer at the election of the employee and which is not includable in the gross income of the employee by reason of section 125 or 457 of the federal Internal Revenue Code.

A benefit is deemed not to exceed the maximum benefit limitation if:

(1) the retirement benefits payable under the plan and under any other defined benefit plans of the employer do not exceed the \$10,000 limit set in section 415(b)(4) of the Internal Revenue Code for the plan year, or for any prior plan year, and

(2) the employer has not at any time maintained a defined contribution plan in which the employee participated.

A public pension plan is any Minnesota public pension plan or fund which provides pension or retirement coverage for public employees other than volunteer firefighters, including any plan or fund enumerated in sections 356.20, subdivision 2, or 356.30, subdivision 3, any local police or firefighter's relief association to which section 69.77 applies, or any retirement or pension plan or fund, including a supplemental retirement plan or fund, established, maintained or supported by any governmental subdivision or public body whose revenues are derived from taxation, fees, assessments or from other public sources.

The figure for the monthly retirement annuity or disability benefit to be used for the calculation of this limitation must not include any reduction or adjustment required for retirement prior to the normal retirement age or required for the election of an optional annuity.

If the figure for the monthly retirement annuity or disability benefit exceeds the limit contained in this section, the annuity or benefit payable must be reduced appropriately.

The managing board of each public pension plan from which a retirement annuity or disability benefit is payable shall, at the time that the retirement annuity or disability benefit commences, contact all other public pension plans to determine whether or not the recipient of the retirement annuity or disability benefit is also receiving or is entitled to receive a retirement annuity or disability benefit from any other public pension plan. If a person is entitled to receive or is receiving a retirement annuity or disability benefit from more than one public pension plan, all retirement annuities or disability benefits from all public pension plans must be totaled in determining whether or not the limitation applies. A reduction in the amount of the retirement annuity or disability benefit required under this section is made by the public pension plan which provided retirement coverage for the most recent period of service.

History: 1999 c 222 art 12 s 1

356.89 PUBLIC PENSION FACILITIES.

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Boards" mean the board of directors of the Minnesota state retirement system, the board of trustees of the public employees retirement association, and the board of trustees of the teachers retirement association.

(c) "Commissioner" means the commissioner of administration.

Subd. 2. **Building; related facilities.** (a) The commissioner of administration may provide a building and related facilities to be jointly occupied by the board of directors of the Minnesota state retirement system, the board of trustees of the public employees retirement association, and the board of trustees of the teachers retirement association for the administration of their public pension systems.

(b) Design of the facilities is not subject to section 16B.33. The competitive acquisition process set forth in chapter 16C does not apply if the process set forth in subdivision 3 is followed.

(c) The boards and the commissioner must submit the plans for a public pension facility under this section to the chair of the house ways and means committee and to the chair of the senate state government finance committee for their approval before the plans are implemented.

Subd. 3. Contracting procedures. (a) The commissioner may enter into a contract for facilities with a contractor to furnish the architectural, engineering, and related services as well as the labor, materials, supplies, equipment, and related construction services on the basis of a request for qualifications and competitive responses received through a request for proposals process that must include the items listed in paragraphs (b) to (i).

(b) Before issuing a request for qualifications and a request for proposals, the commissioner, with the assistance of the boards, shall prepare performance criteria and specifications that include:

(1) a general floor plan or layout indicating the general dimensions of the public building and space requirements;

(2) design criteria for the exterior and site area;

(3) performance specifications for all building systems and components to ensure quality and cost efficiencies;

(4) conceptual floor plans for systems space;

(5) preferred types of interior finishes, styles of windows, lighting and outlets, doors, and features such as built-in counters and telephone wiring;

(6) mechanical and electrical requirements;

(7) special interior features required; and

(8) a completion schedule.

(c) The commissioner shall first solicit statements of qualifications from eligible contractors and select more than one qualified contractor based upon experience, technical competence, past performance, capability to perform, and other appropriate facts. Contractors selected under this process must be, employ, or have as a partner, member, coventurer, or subcontractor, persons licensed and registered under chapter 326 to provide the services required to design and complete the project. The commissioner does not have to select any of the respondents if none reasonably fulfill the criteria set forth in this paragraph.

(d) The contractors selected shall be asked to respond to a request for proposals. Responses must include site plans, design concept, elevation, statement of material to be used, floor layouts, a detailed development budget, and a total cost to complete the project. The proposal must indicate that the contractor obtained at least two proposals from subcontractors for each item of work and must set forth how the subcontractors were selected. The commissioner, with the assistance of the boards, shall evaluate the proposals based upon design, cost, quality, aesthetics, and the best overall value to the state pension funds. The commissioner need not select any of the proposals submitted and reserves the right to reject any and all proposals, and may terminate the process or revise the request for proposals and solicit new proposals if the commissioner determines that the best interests of the pension funds would be better served by doing so. Proposals submitted are nonpublic data until the contract is awarded.

(e) The contractor selected must comply with sections 574.26 to 574.261. Before executing a final contract, the contractor selected shall certify a firm construction price and completion date.

(f) The commissioner may consider building sites in the city of St. Paul and surrounding suburbs.

(g) Any land, building, or facility leased, constructed, or acquired and any leasehold interest acquired under this section must be held by the state in trust for the three retirement systems as tenants in common. Each retirement system fund must consider its interest as a fixed asset of its pension fund in accordance with governmental accounting standards.

(h) The commissioner may lease to another governmental subdivision any portion of the funds' building and lands that is not required for their direct use upon terms and conditions they deem to be in the best interest of the pension funds. Any income accruing from the rentals must be separately accounted for and utilized to offset ongoing administrative expenses and any excess must be carried forward for future administrative expenses. The commissioner may also enter into lease agreements for the establishment of satellite offices should the boards find them to be necessary in order to assure their members reasonable access to their services. The commissioner may lease under section 16B.24 any portion of the facilities not required for the direct use of the boards.

(i) The boards shall formulate and adopt a written working agreement that sets forth the nature of each retirement system's ownership interest, the duties and obligations of each system toward the construction, operation, and maintenance costs of its facilities, and identifies one retirement fund to serve as manager for operating and maintenance purposes. The boards may contract with independent third parties for maintenance-related activities, services, and supplies, and may use the services of the department of administration where economically feasible to do so. If the boards cannot agree or resolve a dispute about operations or maintenance of the facilities, they may request the commissioner of administration to appoint a representative from the department's real estate management division to serve as arbitrator of the dispute with authority to issue a written resolution of the dispute.

Subd. 4. Revenue bonds. The commissioner of finance, on request of the governor, may sell and issue revenue bonds in an aggregate principal amount up to \$38,000,000 to achieve the purposes described in subdivisions 1 and 2, plus the amount needed to pay issuance costs and interest costs and to establish necessary reserves to secure the bonds. The commissioner of finance may issue bonds for the purpose of refunding bonds issued under this subdivision. The bonds may be sold and issued on terms and in a manner the commissioner of finance determines to be in the best interests of the state. The proceeds of the bonds must be credited to a bond proceeds account in the pension building fund, which the commissioner of finance must create in the state treasury.

Subd. 5. Security. The boards may pledge any or all assets of the boards as security for the bonds. The bonds and the interest on them must be paid solely from and secured by all assets of the boards pledged and appropriated for these purposes to the debt service fund created in subdivision 6 and any investment income thereon and any reserve established for this purpose. The bonds are not public debt, and the full faith, credit, and taxing powers of the state are not pledged for their payment. The bonds and the interest on them must not be paid, directly or indirectly, in whole or in part, from a tax of statewide application on any class of property, income, transaction, or privilege.

Subd. 6. Debt service fund. There is established in the state treasury a separate and special pension building debt service fund. Money in the funds managed by the boards is appropriated to the boards for transfer to the pension building debt service fund. Money appropriated and transferred to the fund and investment income thereon on hand or required to be transferred to the fund must be used and is irrevocably appropriated to pay when due the principal of and interest on the bonds authorized in subdivision 4.

Subd. 7. Covenants; agreements. The commissioner of finance may, for and on behalf of the state, enter into covenants and agreements not inconsistent with subdivisions 1 to 6 as may be necessary or desirable to facilitate the sale and issuance of the bonds on terms favorable to the state, including, but not limited to, covenants and agreements relating to the payment of and security for the bonds, tax exemption, and disclosure of information required by federal and state securities laws. The covenants and agreements of the commissioner of finance constitute an enforceable contract of the state and the state pledges and agrees with the holders of any bonds that the state will not limit or alter the rights vested in the commissioner of finance to fulfill the terms of the covenants or agreements made with the holders of the bonds, or in any way impair the rights and remedies of the holders until the bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the holders, are fully met and discharged. The commissioner of finance may include this pledge and agreement of

the state in any covenant or agreement with the holders of the bonds. Sections 16A.672 and 16A.675 apply to the bonds.

History: *1999 c 222 art 22 s 3*