

CHAPTER 709—H.F.No. 2477

An act relating to retirement; making technical changes in the laws governing the teachers retirement association and the public employees retirement association; including certain county historical society employees in the membership of the public employees retirement association; authorizing certain persons to purchase prior service; excluding certain metropolitan transit commission employees from additional disability and survivorship coverage; regulating volunteer firefighters annuity contracts; authorizing changes in certain local police and firefighters relief associations; authorizing optional Medicare coverage for certain public employees; providing for a special referendum; amending certain mandatory retirement age provisions; clarifying eligibility of local elected officials for participation in a deferred compensation program; amending vesting provisions for judges; permitting the payment of certain state aids to the city of Winona; making technical changes in the laws governing the judges retirement plan; establishing an individual retirement account plan for state university and community college faculty; amending Minnesota Statutes 1986, sections 353.01, subdivisions 15, 29, and by adding a subdivision; 353.028, subdivision 2; 353.03, subdivision 1; 353.27, subdivisions 7, 13, and by adding subdivisions; 353.32, subdivision 5; 353.33, subdivision 7; 353.37, subdivision 1; 353.65, subdivision 2; 354.05, by adding a subdivision; 356.24; 424A.02, by adding subdivisions; 471.61, subdivision 1; 473.418; 490.123, subdivision 1; 490.124, subdivision 2; and 490.129; Minnesota Statutes 1987 Supplement, sections 136.82, subdivision 1; 352.85, subdivisions 1 and 2; 353.01, subdivisions 2a, 2b, 10, 16, and 20; 353.27, subdivisions 10 and 12; 353.29, subdivision 6; 353.32, subdivision 1a; 353.34, subdivision 3; 353A.10, subdivision 3; 353C.02; 353C.03; 353C.04; 353C.05; 353C.06, subdivisions 1, 3, and 4; 353C.07; 353C.08, subdivision 5 and by adding a subdivision; 353D.05, subdivision 2; 353D.07, subdivisions 1, 2, and 4; 353D.08; 356.302, subdivisions 1 and 3; and 490.124, subdivision 11; Laws 1955, chapter 151, section 9, subdivision 7, as amended; Laws 1986, chapter 359, section 25; Laws 1987, chapter 372, article 2, section 16; proposing coding for new law in Minnesota Statutes, chapters 60A; 355; and 356; proposing coding for new law as Minnesota Statutes, chapter 354B; repealing Minnesota Statutes 1987 Supplement, section 353D.07, subdivision 5.

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

ARTICLE 1 TEACHERS RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 1987 Supplement, section 136.82, subdivision 1, is amended to read:

Subdivision 1. **GENERALLY.** (a) The executive director of the teachers retirement fund shall redeem shares in the accounts of the Minnesota supplemental retirement investment fund standing in an employee's share account record under the following circumstances, but always in accordance with the laws and rules governing the Minnesota supplemental retirement investment fund:

(+) (b) The executive director shall redeem shares under this subdivision

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

when requested to do so in writing on forms provided by the executive director of the ~~teachers retirement fund~~ by a person having shares to the credit of the employee's share account record; if the person is age 55 years of age or older and is no longer employed by the state university board or state board for community colleges. In such case the person shall must receive the cash realized on the redemption of the shares. The person may direct the redemption of not more than 20 percent of the person's shares in the employee's share account record in any one year and may not direct more than one redemption in any one calendar month; provided, however, that the state university board or its designee, in the case of a person employed by the state university board, and the state board for community colleges or its designee, in the case of a person employed by the state board for community colleges, may, upon application, ~~in~~ at their sole discretion, permit greater withdrawals in any one year.

(2) (c) The executive director shall redeem shares under this subdivision when requested to do so in writing, on forms provided by the executive director of the ~~teachers retirement fund~~, by a person having shares to the credit of the employee's share account record; if the person has left employment by the state university board or state board for community colleges because of a total and permanent disability as defined in section 354.05, subdivision 14; ~~and~~. If the executive director of the ~~teachers retirement fund~~ finds that the person is totally and permanently disabled and will as a result be unable to return to similar employment, the person shall must receive the cash realized on the redemption of the shares. The person may direct the redemption of not more than 20 percent of the shares in the employee's share account record in any one year and may not direct more than one redemption in any one calendar month; provided, however, that the state university board or its designee, in the case of a person employed by the state university board, and the state board for community colleges or its designee, in the case of a person employed by the state board for community colleges, may, upon application, ~~in~~ at their sole discretion, permit greater withdrawals in any one year. If the person returns to good health, the person shall owe owes no restitution to the state or any a fund created established by its laws for a redemption ~~directed pursuant to~~ under this paragraph.

(3) (d) The executive director shall redeem shares under this subdivision in the event of the death of a person having shares to the credit of the employee's share account record and leaving a surviving spouse, ~~then~~ when requested to do so in writing, on forms provided by the executive director of the ~~teachers retirement fund~~, by the surviving spouse. The surviving spouse shall must receive the cash realized on the redemption of the shares. The surviving spouse may direct the redemption of not more than 20 percent of the shares in the deceased spouse's employee's share account record in any one year and may not direct more than one redemption in any one calendar month; provided, however, that the state university board or its designee, in the case of a person employed by the state university board, and the state board for community colleges or its designee, in the case of a person employed by the state board for community colleges, may, upon application, ~~in~~ at their sole discretion, permit greater withdrawals in any one year. In that case the surviving spouse ~~shall~~

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

must receive the cash realized from the redemption of the shares. Upon the death of the surviving spouse any shares remaining in the employee's share account record ~~shall~~ must be redeemed by the executive director of ~~the teachers retirement fund~~ and the cash realized ~~therefrom~~ from the redemption must be distributed to the estate of the surviving spouse.

(4) (e) In the event of the death of a person having shares to the credit of the employee's share account record and leaving no surviving spouse, ~~then~~ the executive director ~~of the teachers retirement fund~~ shall redeem all shares to the credit of the employee's share account record and pay the cash realized ~~therefrom~~ from the redemption to the estate of the deceased person.

(5) (f) The executive director shall redeem shares under this subdivision when requested to do so in writing, on forms provided by the executive director ~~of the teachers retirement fund~~, by a person having shares to the credit of the employee's share account record; if the person is no longer employed by the state university board or state board for community colleges, but does not qualify under the provisions of paragraphs (1) (b) to (4) (e). In that case one-half of the cash realized on the redemption of shares ~~shall~~ must be received by the person and one-half ~~shall become~~ becomes the property of the supplemental retirement plan account of the teachers retirement fund. Annually on July 1 the cancellations of the previous 12 months ~~shall~~ must be prorated among the employees share accounts in proportion to the value ~~which~~ that each account bears to the total value of all share accounts.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective July 1, 1988.

ARTICLE 2

HISTORICAL SOCIETY EMPLOYEES

Section 1. Minnesota Statutes 1987 Supplement, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **INCLUDED EMPLOYEES.** The following persons are included in the meaning of "public employee":

- (a) (1) elected or appointed officers and employees of elected officers.
- (b) (2) district court reporters.
- (c) (3) officers and employees of the public employees retirement association.
- (d) (4) employees of the league of Minnesota cities.

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

(e) (5) officers and employees of public hospitals; owned or operated by, or an integral part of, ~~any~~ a governmental subdivision or governmental subdivisions.

(f) (6) employees of a school district who receive separate salaries for driving their own buses.

(g) (7) employees of the association of Minnesota counties.

(h) (8) employees of the metropolitan intercounty association.

(i) (9) employees of the minnesota Municipal utilities association.

(j) (10) employees of the metropolitan airports commission if employment initially ~~commences on or~~ commenced after ~~July +~~ June 30, 1979.

(k) (11) employees of the Minneapolis employees retirement fund, if employment initially ~~commences on or~~ commenced after ~~July +~~ June 30, 1979.

(l) (12) employees of the range association of municipalities and schools.

(m) (13) employees of the soil and water conservation districts.

(n) (14) employees of a county historical society who are county employees.

(o) (15) employees of a county historical society located in the county whom the county, at its option, certifies to the executive director to be county employees for purposes of retirement coverage under this chapter, which status must be accorded to all similarly situated county historical society employees and, once established, must continue as long as a person is an employee of the county historical society and is not excluded under subdivision 2b.

(16) employees of an economic development authority created under sections 458C.01 to 458C.23.

(p) (17) employees of the department of military affairs of the state of Minnesota who are full-time firefighters.

Sec. 2. Minnesota Statutes 1986, section 471.61, subdivision 1, is amended to read:

Subdivision 1. **OFFICERS, EMPLOYEES.** ~~Any~~ A county, municipal corporation, town, school district, county extension committee, other political subdivision or other body corporate and politic of this state, other than the state or any department ~~thereof~~ of the state, through its governing body, and any two or more subdivisions acting jointly through their governing bodies, may insure or protect its or their officers and employees, and their dependents, or any class or classes ~~thereof~~ of officers, employees, or dependents, under a policy or policies, or contract or contracts of group insurance or benefits covering life, health, and accident, in the case of employees, and medical and surgical benefits, and hospitalization insurance or benefits, for both employees and dependents; or depen-

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

dents of an employee whose death was due to causes arising out of and in the course of employment, or any one or more of ~~such those~~ forms of insurance or protection. ~~Any such A~~ governmental unit, including county extension committees and those paying their employees, may pay all or any part of the premiums or charges on ~~such the~~ insurance or protection. ~~Any such A~~ payment ~~shall be is~~ deemed to be additional compensation paid to ~~such the~~ officers or employees, but for purposes of determining contributions or benefits under ~~any a~~ public pension or retirement system it ~~shall is~~ not be deemed to be additional compensation. ~~Any~~ One or more of ~~such~~ governmental units may determine that a person is an officer or employee if ~~such officer or employee the person~~ receives income from ~~such the~~ governmental subdivisions without regard to the manner of election or appointment, including but not limited to employees of county historical societies that receive funding from the county. The appropriate officer of ~~such the~~ governmental unit, or those disbursing county extension funds, shall deduct from the salary or wages of each officer and employee who elects to become insured or so protected, on the officer's or employee's written order, all or part of the officer's or employee's share of ~~such~~ premiums or charges and remit the ~~same share or portion~~ to the insurer or company issuing ~~such the~~ policy or contract.

~~Any A~~ governmental unit, other than a school district, ~~which that~~ pays all or ~~any part of such the~~ premiums or charges is authorized to levy and collect a tax, if necessary, in the next annual tax levy for the purpose of providing the necessary ~~funds money~~ for the payment of ~~such the~~ premiums or charges, and ~~such the~~ sums ~~so~~ levied and appropriated ~~shall are~~ not, in the event ~~such the~~ sum exceeds the maximum sum allowed by any law or the charter of a municipal corporation, ~~be~~ considered part of the cost of government of ~~such the~~ governmental unit as defined in any tax levy or per capita expenditure limitation; provided at least 50 percent of the cost of benefits on dependents ~~shall must~~ be contributed by the employee or be paid by levies within existing per capita tax limitations.

The word "dependents" as used ~~herein shall mean in this subdivision means~~ spouse and minor unmarried children under the age of 18 years actually dependent upon the employee.

ARTICLE 3

PURCHASES OF PRIOR SERVICE AND RELATED PROVISIONS

Section 1. PURCHASES OF PRIOR SERVICE.

Subdivision 1. ELIGIBILITY. The following persons are eligible to purchase credit for the specified period or periods of prior service from the indicated retirement fund:

(1) from the public employees retirement association, a person whose employment with the city of Hibbing began in June 1971, but for whom no salary deductions were taken until June 1973, for the period for which the deductions were omitted;

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

(2) from the public employees retirement association, a person who is currently a state employee and who has prior service as an employee of the Fond du Lac Indian reservation from July 2, 1973, to December 29, 1980, for that period of employment by the Fond du Lac Indian reservation for which the person has not previously received service credit;

(3) from the general state employees retirement fund of the Minnesota state retirement system, a permanent employee of the metropolitan sports facilities commission who was an employee of the metropolitan sports facilities commission on May 17, 1977, and who was born on January 10, 1930, and began employment by the commission in 1956 or who was born on November 14, 1937, and began employment by the commission in 1961, and who did not exercise an option to purchase the prior service under Minnesota Statutes, section 473.565, subdivision 3 or 4, for that period of direct or indirect employment by the commission for which the person has not previously received service credit;

(4) from the teachers retirement association, a member who rendered teaching service, as defined in Minnesota Statutes, section 354.05, before July 1, 1957, and who did not make contributions for the service because of the limited or permanent exempt status of the person and optional membership, for that period of teaching service for which the person has not previously received service credit;

(5) from the public employees retirement association, a person employed by a public hospital as defined in Minnesota Statutes, section 355.71, subdivision 3, who exercised an option under Laws 1963, chapter 793, section 3, subdivision 5, between July 1, 1963, and June 30, 1967, to terminate membership in the coordinated program of the public employees retirement association and who elects to resume public employees retirement association coordinated program membership under article 5, section 40, for all or a portion of the period between the person's termination of membership and the election to resume membership;

(6) from the teachers retirement association, notwithstanding any other law, a person who is currently a member of the teachers retirement association and who taught at the University of Minnesota - southern school of agriculture as a certified science teacher from October 1, 1957, through March 31, 1959, for the period taught at that school, provided the purchase is initiated before January 1, 1989; and

(7) from the public employees retirement association, a person who was elected clerk of court for Fillmore county from 1969 to 1976, who was appointed court administrator for Fillmore county in January 1977, who was discovered in 1985 to have not had appropriate member and employer contributions made on behalf of the person, and who retired March 1, 1988, for the period during calendar years 1979, 1980, and 1981 for which contributions were omitted, subject to approval by the board of commissioners of Fillmore county and compliance with section 645.021.

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

Subd. 2. PURCHASE PAYMENT AMOUNT. For a person eligible to purchase credit for prior service under subdivision 1, there must be paid to the retirement fund of which the person is a member an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity that would be obtained by virtue of the purchase of the additional service credit, using the applicable preretirement interest rate specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the retirement fund and assuming continuous future service in the retirement fund until, and retirement at, the age at which the minimum requirements of the retirement association for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased, and also assuming a future salary history that includes annual salary increases at the applicable salary increase rate specified in Minnesota Statutes, section 356.215, subdivision 4d. The person requesting the purchase of prior service shall establish in the records of the retirement fund 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 fund.

Subd. 3. PAYMENT; CREDITING SERVICE. Payment must be made in one lump sum, unless the executive director of the retirement fund agrees to accept payment in installments over a period not to exceed three years from the date of the agreement, with interest at a rate deemed appropriate by the executive director. The period of allowable service may be credited to the account of the person only after receipt of full payment by the executive director.

Subd. 4. OPTIONAL EMPLOYER PARTIAL PAYMENT. Payment must be made by the person entitled to purchase prior service. However, the current or former employer of a person specified in subdivision 1, clause (1), (2), (4), (5), (6), or (7) may, at its discretion, and the metropolitan sports facilities commission for a person specified in subdivision 1, clause (3), shall pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect for the retirement fund 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 six 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.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

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

ARTICLE 4

TRANSIT COMMISSION EMPLOYEES

Section 1. Minnesota Statutes 1986, section 473.418, is amended to read:

473.418 DISABILITY AND SURVIVORSHIP COVERAGE.

From and after the effective date of Laws 1978, chapter 538, the metropolitan transit commission shall provide for all active employees of the transit operating division of the metropolitan transit commission disability and survivorship coverage which, when added to the disability benefit or the survivorship benefit payable from the Minnesota state retirement system pursuant to sections 352.113 or 352.12, subdivision 2, will at least equal the disability benefit or the survivorship benefit which that employee at the time of disability or the employee's surviving spouse at the time of the death of the employee while on active duty would have been entitled to receive under the disability benefit or survivor of active employee deceased while on active duty benefit provisions of the metropolitan transit commission-transit operating division employees retirement fund plan document in effect on December 31, 1977. The metropolitan transit commission shall not be required to provide any supplementary disability benefit coverage or benefit amount to replace the amount of any reduction in any disability payable from the Minnesota state retirement system due to the receipt of benefits under the workers' compensation law unless no offset of the amount of workers' compensation benefits from the amount of a disability benefit was required pursuant to the provisions of article 10 of the metropolitan transit commission-transit operating division employees retirement fund plan document in effect on December 31, 1977. The metropolitan transit commission may elect to provide the additional disability and survivorship coverage either through contract with an insurance carrier or through self insurance. If the commission elects to provide the coverage through an insurance contract, the chair of the metropolitan transit commission is authorized to request bids from, or to negotiate with, insurance carriers and to enter into contracts with carriers which in the judgment of the commission are best qualified to underwrite and service this insurance benefit coverage. The commission shall consider factors such as the cost of the contracts as well as the service capabilities, character, financial position and reputation with respect to carriers under consideration, as well as any other factors which the commission deems appropriate. The disability and survivorship insurance contract with the particular insurance carrier shall be for a uniform term of at least one year, but may be made automatically renewable from term to term in absence of notice of termination by either party. The disability and survivorship insurance contract shall contain a detailed statement of benefits offered, maximums, limitations and exclusions. A summary description of the essential terms of the contract shall be provided by the commission to the labor organization which is the exclusive bargaining agent representing employees of the transit operating division of the metropolitan transit commission and to each active employee of the transit operating division. The determination of whether the disability or survivorship insurance coverage meets the minimum requirements of this section shall be made by the commission upon consultation with the executive director of the

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

Minnesota state retirement system. If the disability or survivorship coverage provided by the metropolitan transit commission fails at any time after the effective date of Laws 1978, chapter 538 to meet the requirements of this section as to the level of disability or survivorship coverage to be provided, the deficiency in the actual benefits provided shall continue to be an obligation of the commission. Notwithstanding any provisions of chapter 179 to the contrary, the labor organization which is the exclusive bargaining agent representing employees of the transit operating division of the metropolitan transit commission may meet and bargain with the commission on an increase in the level of disability or survivor of active employee deceased while on active duty coverage to be provided by the commission at the same time that wages and other terms and conditions of employment are considered. This section does not apply to employees hired after December 31, 1977.

Sec. 2. APPLICATION.

Section 1 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

ARTICLE 5

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 1987 Supplement, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **EXCLUDED EMPLOYEES.** (a) The following persons are excluded from the meaning of "public employee":

(a) (1) persons employed for professional services where ~~such the~~ service is incidental to regular professional duties. Service is incidental if, determined on the basis that compensation for ~~it the~~ the service amounts to no more than 25 percent of ~~a the~~ the person's total annual gross earnings for all professional duties;

(b) (2) election officers;

(c) (3) independent contractors and their employees;

(d) (4) patient and inmate help in governmental subdivision charitable, penal, and correctional institutions;

(e) (5) members of boards, commissions, bands, and others who serve the governmental subdivision intermittently;

(f) (6) ~~employees who hold positions of an essentially temporary or seasonal character, provided such employment does not continue for a period in excess of 120 working days in any calendar year or in any school year for school employees. Immediately following the expiration of such 120 working days if such employees continue in public service and earn in excess of \$325 in any one~~

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

calendar month, the department heads must then report all such employees for membership and must cause employee contributions to be made on behalf of such employees in accordance with section 353.27, subdivision 4, and they shall remain members until termination of public service, whose employment is not expected to continue for a period longer than six consecutive months;

(g) (7) part-time employees who receive monthly compensation from a governmental subdivision not exceeding ~~\$325~~ \$425, and part-time employees and elected officials whose annual compensation from a governmental subdivision is stipulated in advance, in writing, to be not more than ~~\$3,900~~ \$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 ~~\$3,900~~ \$5,100 per employment period for employment expected to be of less than a full year's duration, except that members shall continue their membership until termination of public service;

(h) (8) persons who first occupy an elected office after ~~March 1, 1978~~ July 1, 1988, the compensation for which does not exceed ~~\$325~~ \$425 per month;

(i) (9) emergency employees who are employed by reason of work caused by fire, flood, storm, or similar disaster;

(j) (10) employees who by virtue of their employment as an officer or employee of a governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the state employees retirement fund system, the teachers retirement fund, the state patrol retirement fund, the Duluth teachers retirement fund association, the Minneapolis teachers retirement fund association, the St. Paul teachers retirement fund association, the Minneapolis employees retirement fund, the Minnesota state retirement system correctional officers retirement plan, or any police or firefighters relief association governed by section 69.77 ~~which that~~ has not consolidated with the public employees police and fire fund and for which the employee has not elected coverage by the public employees police and fire fund benefit plan as provided in sections 353A.01 to 353A.10, other than as an act of the legislature has specifically enabled participation by employees of a designated governmental subdivision in a plan supplemental to the public employees retirement association. ~~This clause shall not prevent a person from being a member of and contributing to the public employees retirement association and also belonging to or contributing to another public pension fund for other service occurring during the same period of time;~~

(k) (11) police matrons employed in a police department of ~~any a~~ city who are transferred to the jurisdiction of a joint city and county detention and corrections authority;

(l) (12) 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;

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

(m) (13) full-time students who are enrolled and are regularly attending classes at an accredited school, college, or university; provided, no person and who are not employed full time by a governmental subdivision shall be exempt under this paragraph;

(n) (14) resident physicians, medical interns, and pharmacist interns who are serving in public hospitals;

(o) (15) appointed or elected officers, paid entirely on a fee basis, and who were not members on June 30, 1971;

(p) Nothing in Laws 1973, chapter 753 shall be interpreted to impair or revoke any option exercised under Laws 1963, chapter 793.

(q) Town, city, or county assessors elected or appointed pursuant to chapter 273 who do not receive compensation in excess of \$325 per month from any one employing governmental subdivision or who are employed pursuant to an employment contract which sets forth the total compensation to be paid and the length of service, not to exceed three months in duration, required for the performance of the contract and which was entered into in advance of the commencement of employment;

(r) (16) persons holding a part-time adult supplementary vocational technical school license who render part-time teaching service in a vocational technical school if (1) the service is incidental to the person's regular nonteaching occupation; and (2) the applicable vocational technical school stipulates annually in advance that the part-time teaching service will not exceed 300 hours in a fiscal year; and (3) the part-time teaching service actually does not exceed 300 hours in a fiscal year; and

(s) (17) persons exempt from licensure pursuant to under section 125.031.

(b) Immediately following the expiration of a six-month period of employment by an employee covered by paragraph (a), clause (6), if the employee continues in public service and earns more than \$425 from a governmental subdivision in any one calendar month, the department head shall report the employee for membership and cause employee contributions to be made on behalf of the employee in accordance with section 353.27, subdivision 4, and the employee remains a member until termination of public service. This paragraph may not be construed to exclude an employee from membership whose employment is expected to continue for more than six months but who is serving a probationary period.

(c) If compensation from a governmental subdivision to an employee covered by paragraph (a), clause (7), exceeds \$5,100 per calendar year or school year after being stipulated in advance, the stipulation is no longer valid and contributions must be made on behalf of the employee in accordance with section 353.27, subdivision 12, from the month in which the employee first exceeded \$425.

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

(d) Paragraph (a), clause (10), does not prevent a person from being a member of and contributing to the public employees retirement association and also belonging to or 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 section 353.01, subdivision 2, by virtue of other service occurring during the same period of time shall become 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 in accordance with section 354.05, subdivision 2.

Sec. 2. Minnesota Statutes 1986, section 353.01, is amended by adding a subdivision to read:

Subd. 2c. DEFINING OF TERMINATION OF PUBLIC SERVICE. A person who terminates employment that was excluded from membership under subdivision 2b, paragraph (a), clause (6) or (7), who returns within 30 days to employment in the same governmental subdivision in another position excluded from membership under subdivision 2b, paragraph (a), clause (6) or (7), is considered a member from the beginning of the reemployment unless the total period covered by all periods of employment is less than six months or on which the amount earned does not exceed the dollar limitations in subdivision 2b, paragraph (a), clause (7).

Sec. 3. Minnesota Statutes 1987 Supplement, section 353.01, subdivision 10, is amended to read:

Subd. 10. SALARY. "Salary" means the periodical compensation of ~~any~~ a public employee, before deductions for deferred compensation ~~or~~, supplemental retirement plans, or other voluntary salary reduction programs, and also means "wages" and includes net income from fees. Fees paid to district court reporters ~~shall are~~ not be considered a salary. Lump sum annual or lump sum sick leave payments and, severance payments, and all payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage, shall are not be deemed to be salary. ~~Prior to~~ Before the time that all sick leave has been used, amounts paid to an employee ~~pursuant to~~ under a disability insurance policy or program where the employer paid the premiums ~~shall be~~ are considered salary, and, after all sick leave has been used, the payment ~~shall is~~ not be considered salary. Workers' compensation payments ~~shall are~~ not be considered salary. For ~~any~~ a public employee who has prior service covered by a local police or firefighters relief association ~~which that~~ has consolidated with the public employees police and fire fund and who has elected coverage by the public employees police and fire fund benefit plan as provided in section 353A.08 following the consolidation, ~~the term~~ "salary" means the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified ~~in the applicable general law, special by law, and by~~ by bylaw provisions governing the relief association ~~as of on~~ the date of the initiation of the consolidation procedure and the actual periodical

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

cal compensation of the public employee after the effective date of the consolidation.

Sec. 4. Minnesota Statutes 1986, section 353.01, subdivision 15, is amended to read:

Subd. 15. **DEPENDENT CHILD.** "Dependent child" means ~~any~~ a natural or adopted child of a deceased member, provided such child is ~~(a)~~ (a) under the age of 18; ~~(b)~~ (b) or age 18 through 21 and a full time student in an accredited school, university, or college, and in either case unmarried and dependent for more than one-half of support upon ~~such~~ the member at the time of death and for not less than 90 days ~~prior thereto before~~ the time of death; provided, that the child of a deceased member; who at the time of death was receiving total and permanent disability benefits ~~pursuant to~~ under section 353.33, ~~shall be~~ is deemed dependent if dependent upon the decedent for more than one-half of support during the 90 days ~~prior to~~ before the decedent's becoming totally and permanently disabled. It "Dependent child" also includes ~~any~~ a child of the member conceived during the member's lifetime and born after the member's death. It also means ~~any~~ a dependent child who is the subject of adoption proceedings filed by a member, and who within two years after death of the member, by judgment and decree duly entered, is adjudged to be the adopted child of the deceased member; subject, however, to the qualifying conditions of age and dependency ~~aforsaid and in this subdivision.~~ The dependency of the child hereunder shall date dates from the decree of adoption. "Dependent child" also includes a child age 18 to 21 who was attending an accredited school, university, or college full time, but was determined to be medically unable to continue school on a full-time basis. The board of trustees shall adopt written procedures to make determinations regarding eligibility based on a student being medically unable to continue school, and may not continue a benefit for medical reasons for a period greater than one year.

Sec. 5. Minnesota Statutes 1987 Supplement, section 353.01, subdivision 16, is amended to read:

Subd. 16. **ALLOWABLE SERVICE.** (a) "Allowable service" means: (1) service during years of actual membership in the course of which employee contributions were ~~currently~~ made; periods covered by payments in lieu of salary deductions made as provided in section 353.35, and service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect.

(2) ~~Any~~ (b) "Allowable service" also means a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund.

(3) ~~Any~~ (c) "Allowable service" also means a period of authorized leave of absence without pay ~~which that~~ which does not exceed one year, and during or for which a member obtained credit by payments to the fund ~~made in lieu in place~~ made in lieu in place of salary deductions, provided that ~~such~~ the payments are made in an amount or amounts based on the member's average salary on which deductions were

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

paid ~~(a)~~ for the last six months of public service, or ~~(b)~~ for that portion of the last six months while the member was in public service, to apply to the period in either case immediately preceding commencement of ~~such the~~ leave of absence; provided, however, that if the employee elects to pay employee contributions for the period of any leave of absence without pay, or for any portion ~~thereof of the leave~~, the employee shall also, as a condition to the exercise of ~~such the~~ election, pay to the fund an amount equivalent to both the required employer and additional employer contributions ~~therefor, such for the employee~~. The payment ~~to~~ must be made currently or within one year from the date the leave of absence terminates, unless the. The employer by appropriate action of its governing body and, made a part of its official records, prior to before the date of the first payment of such the employee contribution, certifies may certify to the association in writing that it will cause to be paid such the employer and additional employer contributions from the proceeds of a tax levy made pursuant to under section 353.28. Payments under this clause shall paragraph must include interest at the rate of six percent per annum a year from the date of the termination of the leave of absence to the date payment is made.

(4) Any (d) "Allowable service" also means a period during which a member is on an authorized sick leave of absence, without pay limited to one year, or an authorized temporary layoff.

(5) Any (e) "Allowable service" also means a period during which a member is on an authorized leave of absence to enter military service, provided that the member returns to public service upon discharge from military service pursuant to under section 192.262; and pays into the fund employee contributions based upon the employee's salary at the date of return from military service. After June 30, 1983, Payment must be made within five years of the date of discharge from the military service. The amount of these contributions shall must be in accord with the contribution rates and salary limitations, if any, in effect during such the leave, plus interest thereon at six percent per annum a year compounded annually from the date of return to public service to the date payment is made. In such cases the matching employer contribution and additional employer contribution provided in section 353.27, subdivisions 3 and 3a, shall must be paid by the department employing such the member upon return to public service, and the governmental subdivision involved is hereby authorized to may appropriate money therefor for those payments. Such A member shall may not receive credit for any a voluntary extension of military service at the instance of the member beyond the initial period of enlistment, induction, or call to active duty.

(6) (f) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the community corrections act, Minnesota Statutes 1984, chapter 401, and transferred into county service under Minnesota Statutes 1984, section 401.04, "allowable service" means combined years of allowable service as defined in Minnesota Statutes 1984, section sections 352.01, subdivision 11, and Minnesota Statutes 1984, section 353.01, subdivision 16, paragraphs (1) to (5).

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

(7) (g) For any a public employee who has prior service covered by a local police or firefighters relief association which ~~that~~ has consolidated with the public employees police and fire fund, and who has elected coverage by the public employees police and fire fund benefit plan as provided in section 353A.08 following the consolidation, any "applicable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on the applicable general law, special law, and on bylaw provisions governing the relief association as of on the date of the initiation of the consolidation procedure.

Sec. 6. Minnesota Statutes 1987 Supplement, section 353.01, subdivision 20, is amended to read:

Subd. 20. SURVIVING SPOUSE. "Surviving spouse" means the unmarried spouse of a deceased member who had the same legal residence as was legally married to the member at the time of death, or at the time the member became totally and permanently disabled.

Sec. 7. Minnesota Statutes 1986, section 353.01, subdivision 29, is amended to read:

Subd. 29. DESIGNATED BENEFICIARY. "Designated beneficiary" means the person or organization designated by a member, former member, disabilitant, or retired member in writing, signed and filed with the association before the death of the member, former member, disabilitant, or retired member, to receive a refund of the balance of the member's accumulated deductions after death.

Sec. 8. Minnesota Statutes 1986, section 353.028, subdivision 2, is amended to read:

Subd. 2. ELECTION. A city manager may elect to be excluded from membership in the association. The election of exclusion shall must be made within 30 days six months following the commencement of employment or within 30 days following May 22, 1981, whichever occurs later, in writing on a form prescribed by the executive director, and shall must be approved by a resolution of the governing body of the city. The election of exclusion shall is not be effective until it is filed with the executive director. Membership of a city manager in the association shall cease on the date the written election is received by the executive director or upon a later date specified. The election to be excluded from membership shall must include a provision agreeing that the person will not at any time in the future seek any authorization to purchase service credit for any period of excluded service and shall be is irrevocable. Employee and employer contributions made on behalf of a person exercising the option to be excluded from membership under this section must be refunded in accordance with section 353.27, subdivision 7.

Sec. 9. Minnesota Statutes 1986, section 353.03, subdivision 1, is amended to read:

New language is indicated by underline, deletions by strikeout.

Subdivision 1. **MANAGEMENT; COMPOSITION; ELECTION.** The management of the public employees retirement fund is vested in a board of trustees consisting of the state auditor and eight members. The governor shall appoint five trustees to four-year terms, one of whom shall be designated to represent school boards, one to represent cities, one to represent counties, one who shall be a retired annuitant, and one who is a public member knowledgeable in pension matters. The membership of the association shall elect three trustees for terms of four years. Trustees elected by the membership of the association ~~shall must~~ be public employees and members of the association. For seven days beginning ~~November~~ October 1 of each year preceding a year in which an election is held, the association shall accept at its office filings in person or by mail of candidates for the board of trustees. A candidate shall submit at the time of filing a nominating petition signed by 25 or more members of the fund. No name may be withdrawn from nomination by the nominee after ~~November~~ October 15. At the request of a candidate for an elected position on the board of trustees, the board shall mail a statement of up to 300 words prepared by the candidate to all persons eligible to vote in the election of the candidate. The board may adopt policies to govern form and length of these statements, timing of mailings, and deadlines for submitting materials to be mailed. These policies must be approved by the secretary of state. The secretary of state shall resolve disputes between the board and a candidate concerning application of these policies to a particular statement ~~shall be resolved by the secretary of state.~~ A candidate who:

(a) (1) receives contributions or makes expenditures in excess of \$100; or

(b) (2) has given implicit or explicit consent for any other person to receive contributions or make expenditures in excess of \$100; for the purpose of bringing about the candidate's election, must file a report with the ethical practices board disclosing the source and amount of all contributions to the candidate's campaign. The ethical practices board shall prescribe forms governing these disclosures. Expenditures and contributions have the meaning defined in section 10A.01. These terms do not include the mailing made by the association board on behalf of the candidate. A candidate must file a report within 30 days from the day that the results of the election are announced. The ethical practices board shall maintain these reports and make them available for public inspection in the same manner as the board maintains and makes available other reports filed with it. By January 10 of each year in which elections are to be held the board shall distribute by mail to the members ballots listing the candidates. No member may vote for more than one candidate for each board position to be filled. A ballot indicating a vote for more than one person for any position ~~shall be~~ is void. No special marking may be used on the ballot to indicate incumbents. The last day for mailing ballots to the fund ~~shall be~~ is January 31. Terms expire on January 31 of the fourth year, and positions are vacant until newly elected members are qualified. The ballot envelopes ~~shall~~ must be so designed and the ballots ~~shall be~~ counted in ~~such a manner as to insure that ensures~~ that each vote is secret.

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

The secretary of state shall supervise the elections shall be supervised by the secretary of state. It shall be the duty of The board of trustees to shall faithfully administer the law without prejudice and consistent with the expressed intent of the legislature. They Board members shall act as trustees with a fiduciary obligation to the state of Minnesota, which created the fund, the taxpayers of the governmental subdivisions which that aid in financing it, and the public employees who are its beneficiaries. They shall act in good faith and shall exercise that degree of judgment and care, under circumstances then prevailing, which that persons of prudence, discretion, and intelligence exercise in the management of their own affairs.

Sec. 10. Minnesota Statutes 1986, section 353.27, subdivision 7, is amended to read:

Subd. 7. **ADJUSTMENT FOR ERRONEOUS RECEIPTS OR DISBURSEMENTS.** ~~(+)~~ **(a) ERRONEOUS DEDUCTIONS.** Any Deductions taken in error by the employer from the salary of an employee for the retirement fund and transmitted to the association shall ~~must~~ be refunded to the employee calculated in accordance with section 353.34, subdivision 2; and the employer contribution and the additional employer contribution, if any, for the erroneous employee contribution ~~shall must~~ be refunded to the employer, provided, however, that the association and the state social security agency may make proper adjustments of moneys money taken as employee and employer deductions, and provided further that the refund of deductions taken in error has been made within three calendar years of the calendar year in which the initial erroneous deduction taken in error was received by the association. If the refund of deductions taken in error has not been made within three calendar years of the calendar year in which the initial erroneous deduction taken in error was received by the association, the erroneous contributions are considered valid, and the years of allowable service attributable to the erroneous deductions must be credited to the member in accordance with section 353.01, subdivision 16, and, notwithstanding a law to the contrary, the employee may continue to be a member until termination of public service.

~~(2)~~ **(b) ERRONEOUS DISBURSEMENT.** In the event a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or check returned to the funds of the department making the payment, a refund of the sum ~~so~~ deducted, or any a portion of it as that is required to adjust the deductions, ~~shall must~~ be made to the department or institution.

Sec. 11. Minnesota Statutes 1986, section 353.27, is amended by adding a subdivision to read:

Subd. 7a. **DEDUCTIONS OR CONTRIBUTIONS TRANSMITTED BY ERROR.** If employee deductions and employer contributions were erroneously transmitted to the association, but should have been transmitted to another public pension fund listed in section 356.30, subdivision 3, the association shall transfer the erroneous employee deductions and employer contributions to the appropriate retirement fund without interest. The time limitations in section 353.27, subdivisions 7 and 12, do not apply.

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

Sec. 12. Minnesota Statutes 1987 Supplement, section 353.27, subdivision 10, is amended to read:

Subd. 10. **EMPLOYERS; FURNISH COPIES OF PAYROLL ABSTRACTS.** The head of each department is required to furnish the executive director with a carbon or duplicate copy of the departmental payroll abstracts for the last full pay period during the ~~months~~ month of March May for school districts and October December for all other governmental subdivisions, respectively, in each year. Instead of a duplicate copy of the payroll abstract, the employer may submit an exception report listing only those employees who worked the last full pay period of May or December, but who are not members of the association. Minimum reporting requirements to be shown on either the payroll abstract or exception report include: (1) name of the governmental subdivision and department identification; (2) the association's assigned unit number and unique code; (3) pay period coverage dates; (4) any employee deductions; (5) gross salary for the pay period; (6) each employee's year-to-date gross pay; and (7) the reason for any exclusion. It shall be the duty of said ~~The~~ executive director ~~to~~ shall check the copies of all ~~such~~ payroll abstracts against the membership records of the association to ascertain whether ~~or not~~ any omissions have been made by ~~any~~ a department head in the reporting of ~~any~~ new public employees for membership. The head of any department shall furnish a carbon or duplicate copy of the department payroll abstract at the request of the executive director. The executive director may delegate an association employee by appointment, in accordance with section 353.03, subdivision 3a, paragraph (b), clause (5), to conduct a field audit to review the payroll records of a governmental subdivision.

Sec. 13. Minnesota Statutes 1987 Supplement, section 353.27, subdivision 12, is amended to read:

Subd. 12. **OMITTED SALARY DEDUCTIONS; OBLIGATIONS.** In the case of omission of required deductions from salary of an employee, past due for a period of 60 days or less, the head of the department shall deduct from the employee's next salary payment and ~~forthwith~~ remit to the executive director the amount of the employee contribution delinquency, with cumulative interest ~~thereon~~ at the rate of six percent ~~per annum~~ a year, compounded annually, from the date or dates each delinquent employee contribution was first payable; ~~such~~. The interest to must be paid by the employer. To the extent that any such omitted required deductions are not paid by the employee, they shall constitute a liability of the governmental subdivision which failed to make said required deductions, with interest thereon as hereinbefore specified. After July 1, 1973, any such Omitted required deductions, past due for a period in excess of 60 days, shall become are the sole obligation of the governmental subdivision from the time such the deductions were first payable, together with interest thereon as hereinbefore specified in this subdivision. Any amount so due, together with employer and additional employer contributions at the rates and in the amounts specified in subdivisions 3 and 3a, with interest ~~thereon~~ at the rate of six percent compounded annually from the date they were first payable, ~~shall~~ must be paid from the proceeds of a tax levy made ~~pursuant to~~ under section 353.28; or from

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

other funds available to the employer. Unless otherwise indicated, this subdivision ~~shall have~~ has both retroactive and prospective application, and the governmental subdivision is liable retroactively and prospectively for all amounts due ~~hereunder~~ under it. No action for the recovery of ~~delinquent omitted~~ employee and employer contributions or interest on contributions may be commenced and no payment of ~~delinquent omitted~~ contributions may be made or accepted unless the association has already commenced action for recovery of ~~delinquent omitted~~ contributions, after the expiration of three calendar years ~~next following~~ after the calendar year in which the contributions were omitted. An action for the recovery of omitted contributions or interest commences five calendar days after the date of the written correspondence requesting information from the governmental unit that may lead to a recovery of omitted contributions.

Sec. 14. Minnesota Statutes 1986, section 353.27, is amended by adding a subdivision to read:

Subd. 12a. A member who was employed and met the eligibility requirements for participation in the association before July 1, 1973, who has a period of employment in which previously omitted employer contributions were made under subdivision 12 but for whom no, or only partial, omitted employee contributions have been made, or a member who had prior coverage in the association for which previously omitted employer contributions were made under subdivision 12 but who terminated service before required omitted employee contributions could be withheld from salary, may pay the omitted employee contributions for the period on which omitted employer contributions were previously paid plus interest at the rate of six percent compounded annually. The statute of limitations for payment of omitted deductions in subdivision 12 applies.

Sec. 15. Minnesota Statutes 1986, section 353.27, subdivision 13, is amended to read:

Subd. 13. **CERTAIN WARRANTS CANCELED.** Any A warrant payable from the retirement fund remaining unpaid for a period of ~~six~~ five years, ~~shall~~ must be canceled into the retirement fund and not into the general fund.

Sec. 16. Minnesota Statutes 1987 Supplement, section 353.29, subdivision 6, is amended to read:

Subd. 6. **RETIREMENT BEFORE ELIGIBILITY FOR SOCIAL SECURITY BENEFITS.** Any A member or former member who retires before becoming eligible for social security retirement benefits may elect to receive an optional retirement annuity from the association ~~which that~~ which provides for different annuity amounts over different periods of retirement. The election of this optional retirement annuity ~~shall~~ must be exercised by making application to the board of trustees. The optional annuity ~~shall~~ must take the form of an annuity payable for the period before the annuitant becomes eligible for social security old age retirement benefits in a greater amount than the amount of the annuity calculated under subdivisions 2 and 3 on the basis of the age of the annuitant at

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

retirement but equal insofar as possible to the social security old age retirement benefit and the adjusted retirement annuity amount payable immediately after the annuitant becomes eligible for social security old age retirement benefits in an amount less than the amount of the annuity calculated under subdivisions 2 and 3 on the basis of the age of the annuitant at retirement. The social security leveling option may be calculated based on broad average social security old age retirement benefits. The optional annuity ~~shall~~ must be the actuarial equivalent of the normal retirement annuity computed on the basis of age at retirement. This greater amount ~~shall~~ must be paid until the annuitant reaches the age of 62, at which time the payment from the association ~~shall~~ must be reduced. The board of trustees shall establish the method of computing the optional retirement annuity under this subdivision ~~shall be established by the board of trustees~~. In establishing the method of computing the optional retirement annuity, the board of trustees shall obtain the written ~~recommendation~~ approval of the commission-retained actuary. The recommendations ~~shall~~ must be a part of the permanent records of the board of trustees.

Sec. 17. Minnesota Statutes 1987 Supplement, section 353.32, subdivision 1a, is amended to read:

Subd. 1a. **SURVIVING SPOUSE OPTIONAL ANNUITY.** If a member or former member who has attained the at least age of ~~at least~~ 50 years and has credit for not less than five years of allowable service; or who has credit for not less than 30 years of allowable service, regardless of age attained, dies before the annuity or disability benefit ~~has become payable~~ begins to accrue in accordance with section 353.29, subdivision 7, or 353.33, subdivision 2, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive, ~~in lieu~~ instead of a refund with interest provided in subdivision 1, or survivor benefits otherwise payable ~~pursuant to~~ under section 353.31, an annuity equal to the 100 percent joint and survivor annuity ~~which that~~ the member could have qualified for had the member terminated service on the date of death. The surviving spouse may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. The annuity ~~shall~~ must be computed as provided in sections 353.29, subdivisions 2 and 3; and 353.30, subdivisions 1, 1a, 1b and 1c. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision. No payment ~~shall~~ may accrue beyond the end of the month in which entitlement to the annuity has terminated. An amount equal to ~~the any~~ any excess, ~~if any,~~ of the accumulated contributions ~~which that~~ were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse ~~shall~~ must be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of the deceased member. ~~Any~~ A member may specify in writing that this subdivision ~~shall~~ does not apply and that payment ~~shall~~ may be made only to the designated beneficiary; as otherwise provided by this chapter.

Sec. 18. Minnesota Statutes 1986, section 353.32, subdivision 5, is amended to read:

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

Subd. 5. **\$1,500 OR LESS, LIMITED.** If a member or former member dies without having designated a beneficiary, or if the beneficiary should die before making application for refund of the sum to the credit of such decedent, and the amount of the refund is \$1,500 or less, the board of trustees may 90 days after the date of death, in the absence of probate proceedings, make payment to the surviving spouse of the said decedent; or, if none, to the next of kin under the laws of descent of the state of Minnesota decedent's personal representative or, if none, to the estate. ~~Such A~~ payment shall be under this subdivision is a bar to recovery by any other person or persons. Any A retirement annuity; or disability or survivor benefit ~~which shall have that has~~ accrued at the time of death of an annuitant, disabilitant or survivor may be paid in ~~like~~ the same manner.

Sec. 19. Minnesota Statutes 1986, section 353.33, subdivision 7, is amended to read:

Subd. 7. **PARTIAL REEMPLOYMENT.** ~~Should such~~ If a disabled person ~~resume resumes~~ a gainful occupation from which earnings are less than the salary at the date of disability or the salary currently paid for similar positions, the board shall continue the disability benefit in an amount ~~which that~~, when added to ~~such the~~ earnings, does not exceed the salary at the date of disability or the salary currently paid for similar positions, whichever is higher, provided the disability benefit in ~~such case~~ does not exceed the disability benefit originally allowed, plus any postretirement adjustments payable after December 31, 1988, in accordance with section 11A.18, subdivision 10. No deductions for the retirement fund ~~shall may~~ be taken from the salary of a disabled person who is receiving a disability benefit as provided in this subdivision.

Sec. 20. Minnesota Statutes 1987 Supplement, section 353.34, subdivision 3, is amended to read:

Subd. 3. **DEFERRED ANNUITY; ELIGIBILITY; COMPUTATION.** ~~Any person A~~ member with at least five years of allowable service when termination of public service occurs ~~shall have has~~ the option of leaving the accumulated deductions in the fund and ~~thereby be being~~ entitled to a deferred retirement annuity commencing at age 65 or ~~for to~~ a deferred early retirement annuity ~~pursuant to under~~ section 353.30, subdivision 1, 1a, 1b or 1c. The deferred annuity ~~shall must~~ be computed ~~in the manner provided in under~~ section 353.29, subdivisions 2 and 3, on the basis of the law in effect on the date of termination of public service and ~~shall must~~ be augmented as provided in section 353.71, subdivision 2. ~~Any person A~~ former member qualified to apply for a deferred retirement annuity may revoke this option at any time ~~prior to before~~ the commencement of deferred annuity payments by making application for a refund. The person ~~shall be is~~ entitled to a refund of accumulated member contributions within 30 days following date of receipt of the application by the executive director.

Sec. 21. Minnesota Statutes 1986, section 353.37, subdivision 1, is amended to read:

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

Subdivision 1. **EFFECT ON ANNUITY.** The annuity of a person otherwise eligible ~~therefor~~ for an annuity under this chapter ~~shall~~ must be suspended if the person reenters, and for as long as the person remains in, public service as a nonelective employee of a governmental subdivision, if earned compensation for the reemployment service equals or exceeds the annual maximum earnings allowable for that age for the continued receipt of full benefit amounts monthly under the federal old age, survivors and disability insurance program as set by the secretary of health and human services ~~pursuant to the provisions of~~ under United States Code, title 42, section 403, in any calendar year. In the event that the person has not yet reached the minimum age for the receipt of social security benefits, the maximum earnings for the person ~~shall be~~ are equal to the annual maximum earnings allowable for the minimum age for the receipt of social security benefits. The suspension of the annuity ~~shall~~ must commence as of the first of the month after the month in which the maximum permitted compensation is exceeded ~~as herein provided~~, but ~~shall it applies~~ only apply to those months in which the annuitant is actually employed in nonelective service in a position covered by this chapter. ~~Any~~ An annuitant of the association who is elected to public office after retirement ~~shall be~~ is entitled to hold ~~such~~ the office and receive the annuity otherwise payable from the public employees retirement association. Upon proper showing by an annuitant that the reason for the suspension of the annuity payments no longer exists, the monthly annuity payments ~~shall~~ must be resumed. Public service performed by an annuitant subsequent to retirement under this chapter ~~shall~~ does not increase or decrease the amount of ~~any~~ an annuity when payment of the annuity is resumed. The annuitant ~~shall~~ may not be required to make any further contributions to the retirement fund by reason of this subsequent public service.

Sec. 22. Minnesota Statutes 1986, section 353.65, subdivision 2, is amended to read:

Subd. 2. The employee contribution ~~shall be~~ is an amount equal to eight percent of the total salary of ~~every~~ the member. This contribution ~~shall~~ must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, ~~such~~ the member's employee contribution ~~shall be~~ is based on the total salary received from all sources. ~~If the member is a firefighter employed on less than a full-time basis, the member's total salary shall not include any reimbursement payments for fire calls.~~

Sec. 23. Minnesota Statutes 1987 Supplement, section 353A.10, subdivision 3, is amended to read:

Subd. 3. **LEVY AND BONDING AUTHORITY.** A municipality in which was located a local police or firefighters relief association ~~which~~ that has consolidated with the fund may issue ~~special~~ general obligation bonds of the municipality to defray all or a portion of the principal amounts specified in section 353A.09, subdivisions 2 to 6, or certify to the county auditor an additional special levy in the amount necessary to defray all or a portion of the principal

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

amount specified in section 353A.09, subdivisions 2 to 6, or the annual amount specified in section 353A.09, subdivisions 2 to 6. The municipality may pledge the full faith, credit, and taxing power of the municipality for the payment of the principal of and interest on the general obligation bonds. Notwithstanding any law to the contrary, any additional special levy ~~shall~~ may not be included in any limitation concerning rate or amount established by charter or law and ~~shall~~ must be a special levy for the purposes of section 275.50, subdivision 5, clause (o), and any municipal bond may be issued shall without an election under section 475.58 and may not be included in the net debt of the municipality for purposes of any charter or statutory debt limitation, nor shall may any tax levy for the payment of bond principal or interest be subject to any limitation concerning rate or amount established by charter or law.

Sec. 24. Minnesota Statutes 1987 Supplement, section 353C.02, is amended to read:

353C.02 CORRECTIONAL SERVICE EMPLOYEES.

A local government correctional service employee is a person who:

(1) meets the definition of "essential employee" in section 179A.03, subdivision 7, excluding state employees, University of Minnesota employees, firefighters, peace officers subject to licensure under sections 626.84 to 626.855, employees of hospitals other than state hospitals, confidential employees, supervisory employees other than ~~supervisory~~ employees of who supervise correctional officers and who are stationed at correctional facilities or city or county jails, principals, and assistant principals;

(2) is employed by Dakota county, Hennepin county, Ramsey county, ~~St. Louis county~~, or Washington county, if the county elects to participate under section 353C.04 or by a joint-powers correctional agency in which St. Louis county or its municipalities participate, if the governing body of the agency elects to participate under section 353C.04;

(3) is a public employee within the meaning of section 353.01, subdivisions 2 and 2a; and

(4) is not at the time of the exercise of the participation option under section 353C.04 a member of the basic program of the public employees retirement association or a member of the public employees police and fire fund.

Sec. 25. Minnesota Statutes 1987 Supplement, section 353C.03, is amended to read:

353C.03 CORRECTIONAL SERVICE PLAN COVERAGE.

Subdivision 1. **INITIAL COVERAGE.** A person who is a local government correctional service employee on June 30, 1988, or on the date on which the county elects to participate in the plan under section 353C.04, whichever is later, is a member of the local government correctional service retirement plan and shall begin contributing to the plan on July 1, 1988, or on the first day of

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

the first pay period following the date on which the county elects to participate in the plan under section 353C.04, whichever is later.

Subd. 2. **SUBSEQUENT COVERAGE.** A person who becomes a local government correctional service employee after June 30, 1988, or on the date on which the county elects to participate in the plan under section 353C.04, whichever is later, is a member of the local government correctional service retirement plan and shall contribute to the plan.

Sec. 26. Minnesota Statutes 1987 Supplement, section 353C.04, is amended to read:

353C.04 LOCAL GOVERNMENT EMPLOYING UNIT PARTICIPATION OPTION.

Dakota county, Hennepin county, Ramsey county, ~~St. Louis county,~~ or Washington county or the governing board of a joint-powers correctional agency in which St. Louis county or its municipalities participate may elect to provide its correctional employees with retirement coverage by the local government correctional service retirement plan ~~in lieu~~ instead of retirement coverage by the public employees retirement association or the public employees police and fire fund. The election must be made on a form provided by the executive director of the public employees retirement association and, once made, is irrevocable for all local government correctional service employees employed by the ~~county~~ employing unit.

Sec. 27. Minnesota Statutes 1987 Supplement, section 353C.05, is amended to read:

353C.05 CORRECTIONAL SERVICE PLAN CONTRIBUTIONS.

Subdivision 1. **MEMBER CONTRIBUTIONS.** Beginning with the first full pay period after July 1, 1988, after the effective date of the election to provide retirement coverage by the local governmental unit, or after becoming a local government correctional service employee, whichever is later, ~~in lieu~~ instead of employee contributions payable under section 353.27, subdivision 2, a local government correctional service employee shall make an employee contribution in an amount equal to ~~five~~ 7.5 percent of salary.

Subd. 2. **EMPLOYER CONTRIBUTIONS.** Beginning with the first full pay period after July 1, 1988, after the effective date of the election to provide retirement coverage by the local governmental unit, or after becoming a local government correctional service employee, whichever is later, ~~in lieu~~ instead of employer contributions payable under section 353.27, subdivision 3, the employer shall contribute for a local government correctional service employee an amount equal to ~~five~~ 7.5 percent of salary.

Subd. 3. **ADJUSTMENT IN CONTRIBUTION RATES.** Beginning with the first full pay period after the most recent actuarial valuation of the local

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

government correctional service retirement plan prepared by the actuary retained by the legislative commission on pensions and retirement is filed with the executive director of the public employees retirement association, the member contribution rate is a percentage that equals one-half of the calculated total actuarial requirement of the plan, and the employer contribution rate is the balance of the calculated total actuarial requirement of the plan.

Sec. 28. Minnesota Statutes 1987 Supplement, section 353C.06, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY REQUIREMENTS.** After separation from public employment, an employee covered under section 353C.02 who has attained the age of at least 55 years and has credit for not less than ~~ten~~ five years of coverage in the local government correctional service plan is entitled, upon application, to a normal retirement annuity. ~~In lieu~~ Instead of a normal retirement annuity, a retiring employee may elect to receive the optional annuity provided in section 353.30, subdivision 3.

Sec. 29. Minnesota Statutes 1987 Supplement, section 353C.06, subdivision 3, is amended to read:

Subd. 3. **ANNUITY AMOUNT.** The average salary as defined in subdivision 2, multiplied by two percent for each year of allowable service for the first ten years and 2.5 percent for each additional year of allowable service, and pro rata for completed months less than a full year, determines the amount of the normal annuity. If a person has earned allowable service in the public employees retirement association or the public employees police and fire fund for performing services other than those of a local government correctional employee, the annuity representing such service must be computed in accordance with the coordinated formula under sections 353.29 and 353.30 or section 353.651, whichever applies.

Sec. 30. Minnesota Statutes 1987 Supplement, section 353C.06, subdivision 4, is amended to read:

Subd. 4. **ACCRUAL AND DURATION.** The annuity under this section begins to accrue as provided in section 353.29, subdivision 7; ~~and must be paid for an additional.~~ The annuity is payable for the life of the recipient, or in accordance with the terms of any optional annuity form selected, and is payable for 84 full calendar months or to the first of the month following the month in which the employee becomes age 65, whichever occurs first. After a recipient has received the annuity calculated under this formula for 84 full calendar months or to the first of the month following the month in which the employee becomes age 65, whichever occurs first, the benefit must be recomputed in accordance with the coordinated formula in sections 353.29 and 353.30, except that if this amount, when added to the social security benefit based on state public service the employee is eligible to receive at that time, is less than the benefit payable under subdivision 3, the retired employee ~~must~~ is entitled to receive an amount payable under subdivision 3, less any amount payable from

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

social security based on public service used in the benefit calculation. When an annuity is reduced under this subdivision, any percentage of adjustments that have been applied to the original annuity under section 11A.18, before the reduction, must be compounded and applied to the reduced annuity.

Sec. 31. Minnesota Statutes 1987 Supplement, section 353C.07, is amended to read:

353C.07 AUGMENTATION IN CERTAIN CASES.

Subdivision 1. AUGMENTATION FOR PRIOR SERVICE BENEFITS. Unless prior service has been transferred or unless a combined service annuity under section 356.30 has been elected, an employee who becomes a local government correctional employee after being a member of the public employees retirement association or the public employees police and fire fund is covered under section 353.71, subdivision 2, with respect to that prior service.

Subd. 2. DEFERRED ANNUITIES AUGMENTATION. The deferred annuity, if any, accruing under section 353.71 or 353C.06, must be computed as provided in section 353C.06, subdivision 3, on the basis of allowable service before the termination of correctional service and augmented as provided in this subdivision. The required reserves applicable to a deferred annuity or to an annuity for which a former correctional service employee was eligible, but had not applied, or to any deferred segment of an annuity must be determined as of the date on which the benefit begins to accrue and augmented by interest at the rate of three percent compounded annually from the first day of the month following the month in which the person ceased to be a correctional service employee to the first day of the month in which the annuity begins to accrue. If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented by interest under this subdivision. The sum of the augmented required reserves so determined is the present value of the annuity. "Uninterrupted service" has the meaning given it in section 353.71, subdivision 2. If a person repays a refund, the service restored by the repayment must be considered to be continuous with the next period of service for which the person has credit by the plan. The formula percentages used for each period of uninterrupted service must be those applicable to a new employee. The mortality table and interest assumption used to compute this annuity must be those in effect when the person files an application for the annuity. This subdivision shall not reduce the annuity otherwise payable under this chapter.

Sec. 32. Minnesota Statutes 1987 Supplement, section 353C.08, subdivision 5, is amended to read:

Subd. 5. DISABILITY BENEFIT TERMINATION. The disability benefit paid to a disabled local government correctional employee terminates at the end of the month in which the employee reaches age 62. If the disabled local government correctional employee is still disabled when the employee reaches age 62, the employee is deemed to be a retired employee and, if the employee

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

had elected an optional annuity under subdivision 3, must receive an annuity in accordance with the terms of the optional annuity previously elected. If the employee had not elected an optional annuity under subdivision 3, the employee may elect either to receive a normal retirement annuity computed on the coordinated formula in the manner provided in section ~~353C.06~~ 353.29 or to receive an optional annuity as provided in section 353.30, subdivision 3, based on the same length of service as used in the calculation of the disability benefit. Election of an optional annuity must be made before attaining the age of 62 years. The reduction for retirement prior to age 65 as provided in section 353.30, subdivisions 1 and 1c, is not applicable. The savings clause provision of section 353C.06, subdivision 4, is applicable.

Sec. 33. Minnesota Statutes 1987 Supplement, section 353C.08, is amended by adding a subdivision to read:

Subd. 7. COMBINED SERVICE DISABILITY BENEFIT. If the employee is entitled to receive a disability benefit as provided in subdivision 1 or 2 and has credit for less covered correctional service than the length of service upon which the correctional disability benefit is based, and also has credit for regular plan service, the employee is entitled to a disability benefit or deferred retirement annuity based on the regular plan service only for the service that, when combined with the correctional service, exceeds the number of years on which the correctional disability benefit is based. The disabled employee who also has credit for regular plan service must in all respects qualify under section 353.33 to be entitled to receive a disability benefit based on the regular plan service, except that the service may be combined to satisfy length of service requirements. Any deferred annuity to which the employee may be entitled based on regular plan service must be augmented as provided in section 353.71 while the employee is receiving a disability benefit under this section.

Sec. 34. Minnesota Statutes 1987 Supplement, section 353D.05, subdivision 2, is amended to read:

Subd. 2. INVESTMENT OPTIONS. (a) An individual participant may elect to purchase shares in the income share account, the growth share account, the money market account, the bond market account, or the common stock index account established by section 11A.17, or a combination of those accounts. The participant may elect to purchase shares in a combination of those accounts by specifying the percentage of contributions to be used to purchase shares in each of the accounts.

(b) Twice in a calendar year, a participant may indicate in writing a choice of options for subsequent purchases of shares. ~~Thereafter~~ After a choice is made, until the participant makes a different written indication, the executive director of the association shall purchase shares in the supplemental investment fund or funds specified by the participant. If no initial option is indicated by a participant, the executive director shall invest all contributions made by or on behalf of a participant in the income share account. A choice of investment options is

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

effective no later than the first pay date ~~first~~ occurring more than 30 days after receipt of the written choice of options.

(c) Twice in a calendar year, a participant or former participant may also change the investment options selected for all or a portion of the individual's previously purchased shares. If a partial transfer of previously purchased shares is selected, a minimum of ~~\$500~~ \$200 must be transferred and a minimum balance of ~~\$500~~ \$200 must remain in the previously selected investment option. A change may be made only from one account or a combination of accounts to a single account. A change under this paragraph is effective as soon as cash flow to an account permits, but not later than six months from the requested change.

Sec. 35. Minnesota Statutes 1987 Supplement, section 353D.07, subdivision 1, is amended to read:

Subdivision 1. **TYPE OF PLAN; UNIFORMITY.** The plan is a defined contribution plan ~~where~~ when the benefits are payable upon termination of service, retirement, or death; ~~or withdrawal when permitted; are.~~ The amount of benefits is determined by the value of accumulated contributions plus a proportionate share of investment income of the fund credited to each individual account. Each ambulance service shall determine eligibility for participation subject to terms of this act. Eligibility standards must be uniform among all ambulance service personnel of an ambulance service electing to participate.

Sec. 36. Minnesota Statutes 1987 Supplement, section 353D.07, subdivision 2, is amended to read:

Subd. 2. **AGE; VESTING PAYMENT OF BENEFITS.** ~~Normal retirement age is 50 years. Early retirement is not allowed. Sixty months of service credit are required for vesting of retirement benefits. No minimum period of service is required for vesting of death benefits. Withdrawal of or a retirement benefit based on member contributions and employer contributions plus accrued investment income vests is payable immediately upon the death or termination of an active member for a period that exceeds 30 days. Upon completion of 60 months of service under the plan with one or more ambulance services, a participant terminating active service prior to age 50 is entitled to receive the value of the participant's individual account upon or after attaining age 50. An application by or on behalf of the participant must be filed before any payment of benefits may be made.~~

Sec. 37. Minnesota Statutes 1987 Supplement, section 353D.07, subdivision 4, is amended to read:

Subd. 4. **DISABILITY OR DEATH OF A MEMBER.** ~~No disability coverage shall be provided by the plan. In the event of the death of an active participant with any credited service or a deferred participant under age 50, the total value of the account shall must be paid in a lump sum to the designated beneficiary or, if none, the heirs at law of the decedent.~~

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

Sec. 38. Minnesota Statutes 1987 Supplement, section 353D.08, is amended to read:

353D.08 PORTABILITY.

Qualified ambulance service personnel who change employment or membership among participating ambulance services ~~may~~ must continue participation in the plan ~~without penalty or forfeiture after their interest vests.~~ Qualified ambulance service personnel who change employment or membership to a non-participating ambulance service are not subject to the forfeiture required by section 353D.07, subdivision 5 if termination from one participating ambulance service and commencement in another participating ambulance service occur within 30 days.

Sec. 39. Minnesota Statutes 1987 Supplement, section 356.302, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (a) The terms used in this section are defined in this subdivision.

(b) "Average salary" means the highest average of covered salary for the appropriate period of credited service that is required for the calculation of a disability benefit by the covered retirement plan and that is drawn from any period of credited service and successive years of covered salary in a covered retirement plan.

(c) "Covered retirement plan" or "plan" means a retirement plan listed in subdivision 7.

(d) "Duty-related" means a disabling illness or injury that occurred while the person was actively engaged in employment duties or that arose out of the person's active employment duties.

(e) "General employee retirement plan" means a covered retirement plan listed in subdivision 7, clauses (1) to (8).

(f) "Occupationally disabled" means ~~the condition of having any a~~ a medically determinable physical or mental impairment that makes a person unable to satisfactorily perform the minimum requirements of the person's employment position or a substantially similar employment position.

(g) "Public safety employee retirement plan" means a covered retirement plan listed in subdivision 7, clauses (9) to (11).

(h) "Totally and permanently disabled" means ~~the condition of having any a~~ a medically determinable physical or mental impairment that makes a person unable to engage in any substantial gainful activity and that is expected to continue or has continued for a period of at least one year or that is expected to result directly in the person's death.

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

Sec. 40. Minnesota Statutes 1987 Supplement, section 356.302, subdivision 3, is amended to read:

Subd. 3. **GENERAL EMPLOYEE PLAN ELIGIBILITY REQUIREMENTS.** A disabled member of a covered retirement plan who has credit for allowable service in a combination of general employee retirement plans is entitled to a combined service disability benefit if the member:

(1) is less than 65 years of age on the date of application for the disability benefit;

(2) has become totally and permanently disabled;

(3) has credit for allowable service in any combination of general employee retirement plans totaling ~~at least ten years if the person has not reached age 50~~ or at least five years if the person has reached age 50;

(4) has credit for at least six months of allowable service with the current general employee retirement plan before the commencement of the disability;

(5) has at least five continuous years of allowable service credit by the general employee retirement plan or has at least a total of five years of allowable service credit by a combination of general employee retirement plans in a 72-month period during which no interruption of allowable service credit from a termination of employment exceeded 29 days; and

(6) is not receiving a retirement annuity or disability benefit from any covered general employee retirement plan at the time of the commencement of the disability.

Sec. 41. **ELECTION TO RESUME RETIREMENT COVERAGE.**

A person employed by a public hospital as defined in section 355.71, subdivision 3, who exercised an option under Laws 1963, chapter 793, section 3, subdivision 5, between July 1, 1963, and June 30, 1967, to terminate membership in the coordinated program of the public employees retirement association may elect to resume that membership. The election to resume membership must be made before October 1, 1988, on a form prescribed by the executive director of the public employees retirement association. Resumption of membership begins as of the first day of the first full pay period after the election is filed with the executive director.

Sec. 42. **REPEALER.**

Minnesota Statutes 1987 Supplement, section 353D.07, subdivision 5, is repealed.

Sec. 43. **EFFECTIVE DATE.**

Section 12 is effective March 1, 1988. Section 21 is effective January 1, 1988. The remaining sections are effective July 1, 1988.

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

ARTICLE 6

MEDICARE COVERAGE REFERENDUM

Section 1. [355.90] OPTIONAL MEDICARE COVERAGE FOR CERTAIN PRE-1986 PUBLIC EMPLOYEES.

Subdivision 1. DEFINITIONS. (a) Notwithstanding any provision of section 355.01 to the contrary, the terms used in this section are defined in this subdivision.

(b) "Employee" means an active member or participant of a public employee pension plan listed in section 356.30, subdivision 3, clauses (5), (6), (7), (9), (10), (11), and (12), who is not covered by a previous agreement under section 355.02 for that employment and who meets the requirements of United States Code, title 42, section 418(v)(2).

(c) "Employment" means service performed for compensation by an employee in the employ of the state or of a political subdivision that constitutes Medicare qualified government employment under the provisions of United States Code, title 42, section 410(p).

(d) "Political subdivision" means a public employer under section 355.01, subdivision 10.

(e) "Social Security Act" means the act cited in section 355.01, subdivision 8.

(f) "State agency" means the commissioner of employee relations or the commissioner's designee.

(g) "Wages" means compensation specified in section 355.01, subdivision 2.

Subd. 2. OPTIONAL MEDICARE COVERAGE AGREEMENT. The state agency, with the approval of the governor, may modify its agreement on behalf of the state and its political subdivisions with the Secretary of Health and Human Services to extend the provisions of United States Code, title 42, sections 426, 426-1, and 1395c, to current employees of the state and its political subdivisions who do not have that coverage through coverage by the federal old age, survivors, and disability insurance program for that employment under any previous agreement or modification of the agreement.

Subd. 3. REFERENDUM. A referendum on the question of extending the provisions of United States Code, title 42, sections 426, 426-1, and 1395c, must be held for each public employee pension plan listed in section 356.30, subdivision 3, except clauses (5) and (6), that has current members or participants who do not have coverage by the federal old age, survivors, and disability insurance program for the employment giving rise to that pension plan membership. The state agency shall supervise the referendum in accordance with United States Code, title 42, section 418, on the date or dates set by the governor for each pension plan. The notice of the referendum provided to each employee must contain a statement sufficient to inform the person of the rights available to the person as an employee in Medicare qualified government employment

New language is indicated by underline, deletions by strikeout.

and the employee contribution rates applicable to the program. The referendum is approved if a majority of the members or participants indicate their desire to have the coverage on a form prescribed by the state agency. If the referendum is approved, the governor shall certify that fact to the Secretary of Health and Human Services, and the coverage is effective for all members or participants of the plan on the first of the month after the certification unless the participant or member elects coverage effective retroactively to April 1, 1986.

Subd. 4. EMPLOYEE AND EMPLOYER CONTRIBUTIONS. (a) If the referendum is approved, beginning on the first of the month after the certification of approval by the governor, the employer of each member or participant covered by the referendum shall deduct from the wages of the employee an amount equal to the tax that would be imposed under United States Code, title 26, section 3101(b), if the services of the employee for which wages were paid constituted employment as defined in United States Code, title 26, section 3121.

(b) In addition to the deduction specified in paragraph (a), the employer of each member or participant covered by the referendum shall also pay an amount equal to the tax that would be imposed under United States Code, title 26, section 3111(b), on the same wage base specified in paragraph (a).

(c) The amounts under paragraphs (a) and (b) shall be paid by the employer to the Secretary of the Treasury in the manner required by the secretary.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

ARTICLE 7

VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATIONS

Section 1. [60A.40] APPROVAL OF VOLUNTEER FIRE ANNUITY CONTRACT BUSINESS.

No insurance company that issues single premium annuity contracts may enter into an annuity contract with a volunteer firefighters relief association in this state unless the insurance company has been authorized to conduct this type of business by the commissioner. If the commissioner finds that the insurance company is rated according to a recognized national rating agency or organization among the top 25 percent of all insurance companies doing this type of business and is so situated and has sufficient capabilities to service these contracts throughout the state, the commissioner shall approve the insurance company for the conduct of this type of business.

Sec. 2. Minnesota Statutes 1986, section 424A.02, is amended by adding a subdivision to read:

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

Subd. 8a. PURCHASE OF ANNUITY CONTRACTS. A relief association providing a lump-sum service pension, if the governing articles of incorporation or bylaws so provide, may purchase an annuity contract on behalf of a retiring member in an amount equal to the service pension otherwise payable at the request of the person and in place of a direct payment to the person. The annuity contract must be purchased from an insurance carrier licensed to do business in this state and approved for this product by the commerce commissioner under section 1.

Sec. 3. Minnesota Statutes 1986, section 424A.02, is amended by adding a subdivision to read:

Subd. 13. COMBINED SERVICE PENSIONS. If the articles of incorporation or bylaws of the associations so provide, a volunteer firefighter with total service credit of ten years or more as a member of two or more relief associations is entitled, when otherwise qualified, to a prorated service pension from each association in which the member has two years or more of service credit. The prorated service pension must be based on the service pension amount in effect for the relief association on the date volunteer firefighting services covered by that relief association terminate. To receive a service pension under this subdivision, the firefighter must become a member of the second or succeeding association and give notice of membership to the prior association within two years of termination of active service with the prior association. The notice must be attested to by the association secretary.

Sec. 4. EFFECTIVE DATE.

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

Section 3 is effective July 1, 1988, and applies to service performed by a volunteer serving with a fire department on that date or thereafter.

ARTICLE 8

LOCAL POLICE AND FIRE RELIEF ASSOCIATIONS

Section 1. **VIRGINIA FIREFIGHTERS RELIEF ASSOCIATION; PRIOR LEGISLATION.** Laws 1987, chapter 372, article 2, section 16, is amended to read:

Sec. 16. EFFECTIVE DATE.

Section 1 is effective the day following final enactment. Sections 2 to 6 and 15 are effective upon approval by the Minneapolis city council and compliance with Minnesota Statutes, section 645.021. Sections 7 to 9 are effective upon approval by the Hibbing city council and compliance with Minnesota Statutes, section 645.021. Section 10 is effective as approved by the governing body of

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

the city of West St. Paul and if there is compliance with Minnesota Statutes, section 645.021, and the increase in service pensions payable due to section 10 is initially payable on January 1, 1988, and is applicable to any member of the West St. Paul police relief association who retired on or after February 1, 1985. Section 11 is effective upon approval by the Clifton independent nonprofit firefighting corporation and the approval of the governing body of the township of Duluth and compliance with Minnesota Statutes, section 645.021. Section 12 is effective upon approval by the Mankato city council and compliance with Minnesota Statutes, section 645.021. Section 13 is effective upon approval by the governing body of the city of Millerville and compliance with Minnesota Statutes, section 645.021. Section 14 is effective retroactive to January 1, 1987, upon approval by the Virginia city council and compliance with Minnesota Statutes, section 645.021.

Sec. 2. VIRGINIA FIREFIGHTERS RELIEF ASSOCIATION; SURVIVOR BENEFITS.

Survivor benefits accrued to a member of the Virginia firefighters relief association up to the date of death must be paid to surviving children, if any, if the spouse of the member predeceases the member. If no children survive the member, survivor benefits accrued to the member up to the date of death must be paid to the beneficiary designated by the member.

Sec. 3. EVELETH POLICE AND FIREFIGHTERS; BENEFIT INCREASE.

Notwithstanding any general or special law to the contrary, in addition to other benefits payable, retirement benefits payable to retired police officers and firefighters and their surviving spouses by the Eveleth police and fire trust fund may be increased by \$50 a month. Increases may be made retroactive to January 1, 1988.

Sec. 4. FRIDLEY FIREFIGHTERS; DEFINED CONTRIBUTION PLAN.

Notwithstanding any law to the contrary, the Fridley volunteer firefighters relief association may amend its articles of incorporation or bylaws to convert its defined benefit pension plan to a defined contribution plan. The conversion plan must provide for allocation of special fund assets among individual accounts to be established for each active firefighters association member. Instead of providing further defined pension plan benefits, the association shall purchase annuity contracts with existing special fund assets for retired members and for active members who may not qualify as a "volunteer firefighter" under Minnesota Statutes, chapter 424A. All provisions of Minnesota Statutes not inconsistent with this section govern the defined contribution plan established under this section.

Sec. 5. Laws 1955, chapter 151, section 9, subdivision 7, as amended by Laws 1963, chapter 271, section 6, is amended to read:

Subd. 7. The association shall pay to any member who, after not less than

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

~~ten~~ five years of service in the police department, retires because of sickness or injury occurring while not on duty and not engaged in police work and the retirement is necessary because the member is unable to perform police duties, a pension of ~~20~~ ten units per month, and for each additional year of service over ~~ten~~ five years, a pension of two units per month, but not to exceed a total of 40 units. If a member is entitled to more than 40 units through years of service, he shall receive those additional units over 40 when he becomes 50 years of age, but the total of these pension payments shall not exceed 50 units per month.

Sec. 6. MINNETONKA VOLUNTEER FIREFIGHTERS.

Subdivision 1. EXCLUSION FROM COVERAGE. Notwithstanding any law to the contrary, a volunteer firefighter serving with the Minnetonka fire department is excluded from the definition of "public employee" in Minnesota Statutes, section 353.01, subdivision 2, for activities undertaken as part of volunteer firefighter duties. Compensation paid to a Minnetonka volunteer firefighter for volunteer firefighting duties must be excluded from the definition of "salary" in section 353.01, subdivision 10. A Minnetonka volunteer firefighter is not a member of the public employees police and fire fund as a result of volunteer firefighter duties.

Subd. 2. QUALIFICATION FOR CERTAIN PERSONS. A person who is a Minnetonka volunteer firefighter may qualify as a "public employee" under section 353.01, subdivision 2, and may be a member of the public employees police and fire fund for compensation received from employment and activities other than volunteer firefighter duties.

Subd. 3. REFUND. A volunteer firefighter who is excluded from membership by subdivision 1 is entitled to a refund of member contributions to the public employees retirement association or the public employees police and fire fund based on compensation as a volunteer firefighter, plus interest at the rate of six percent a year, compounded annually, if the person or the city of Minnetonka demonstrates to the satisfaction of the executive director of the association the amount of contributions made by the person on behalf of service as a volunteer firefighter.

Sec. 7. THIEF RIVER FALLS VOLUNTEER FIRE RELIEF ASSOCIATION; VALIDATION OF CERTAIN SERVICE PENSIONS.

The payment of a service pension before January 1, 1988, by the Thief River Falls volunteer firefighters relief association to a person who terminated active service with the Thief River Falls fire department with at least 20 years of active service before attaining age 50 and who complies with all other conditions of the articles of incorporation or bylaws of the relief association are validated.

Sec. 8. ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION FIVE-YEAR VESTING.

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the St. Paul teachers retirement fund association to amend the bylaws of the association in effect on June 1, 1978, as amended.

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

governing the benefits of the basic division of the association, article IV, section 3, paragraph 1, clauses (b), applicable to limited service pensions, and (d), applicable to deferred pensions, and article IV, section 3, paragraph 10, applicable to survivor benefits, by replacing the ten years of accredited service vesting requirement with a five years of accredited service vesting requirement.

**Sec. 9. MINNEAPOLIS TEACHERS PARTICIPATING ANNUITY;
EXTENSION TO CERTAIN RETIREES.**

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the Minneapolis teachers retirement fund association to amend its articles of incorporation to permit annual participating annuity adjustments under article IX, subsection (19), to be applied, effective January 1, 1989, to minimum normal retirement annuities payable to eligible recipients under article IX, subsection (14), as amended pursuant to Laws 1987, chapter 372, article 3, section 1, paragraph (f).

Sec. 10. LOCAL APPROVAL.

Sections 1 and 2 are effective upon approval by the Virginia city council and compliance with Minnesota Statutes, section 645.021.

Section 3 is effective upon approval by the Eveleth city council and compliance with Minnesota Statutes, section 645.021.

Section 4 is effective upon approval by the Fridley city council and compliance with Minnesota Statutes, section 645.021.

Section 5 is effective upon approval by the St. Paul city council and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Section 6 is effective upon approval by the Minnetonka city council and compliance with Minnesota Statutes, section 645.021.

Section 7 is effective upon approval by the Thief River Falls city council and compliance with Minnesota Statutes, section 645.021.

Sections 8 and 9 are effective the day following final enactment.

ARTICLE 9

OTHER RETIREMENT ISSUES

Section 1. Minnesota Statutes 1987 Supplement, section 352.85, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY; RETIREMENT ANNUITY.** Any person who is employed by the department of military affairs other than as a full-time

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

firefighter, who is covered by the general employee retirement plan of the system as provided in section 352.01, subdivision 23, who is ordered to active duty under section 190.08, subdivision 3, who elects this special retirement coverage under subdivision 4, who is required to retire from federal military status at the an age of 60 years earlier than age 65 by applicable federal laws or regulations and who terminates employment as a state employee upon attaining that mandatory retirement age is entitled, upon application, to a retirement annuity computed in accordance with section 352.115, subdivisions 2 and 3, without any reduction for early retirement under section 352.116, subdivision 1.

Sec. 2. Minnesota Statutes 1987 Supplement, section 352.85, subdivision 2, is amended to read:

Subd. 2. **DISABILITY BENEFIT.** An employee described in subdivision 1, who is less than ~~60 years of the~~ applicable federal military status mandatory retirement age and who becomes disabled and physically or mentally unfit to perform occupational duties due to injury, sickness, or other disability, and who is found disqualified for retention on active duty as a result of a physical examination required by applicable federal laws or regulations, is entitled upon application to disability benefits computed in the manner specified in section 352.113. Disability benefits are otherwise governed by section 352.113, except that the age for the termination of the disability benefit is ~~60 years~~ the applicable federal military status mandatory retirement age.

Sec. 3. **[356.245] LOCAL ELECTED OFFICIALS.**

An elected official covered by section 353.01, subdivision 2a, is eligible to participate in the state of Minnesota deferred compensation plan under section 356.24. A local governmental unit may make the matching employer contributions authorized by that section on the part of a participating elected official.

Sec. 4. Minnesota Statutes 1986, section 490.124, subdivision 2, is amended to read:

Subd. 2. **MINIMUM SERVICE REQUIREMENT; EXTENSION OF TERM.** No judge shall be eligible for an annuity at normal or early retirement date if the judge has less than ~~ten~~ five years of allowable service. A judge who shall retire on or, as permitted under sections 490.121 to 490.132, after mandatory retirement date, shall be entitled to a proportionate annuity based upon the allowable service of the judge at date of retirement.

A judge who was in office on December 31, 1973 and thereafter and who, by the date on which the current term expires, would not be eligible to retire with full benefits under statutes in effect on December 31, 1973, may apply to the governor for an extension to serve up to three additional years, stating the intention of the judge to retire upon attaining eligibility to receive a retirement allowance. Notwithstanding section 490.125, the governor shall forthwith make a written order accepting the retirement application, and extending the term of office of the judge for the period of time, not to exceed three years, as may be

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

necessary to make the judge eligible for retirement, solely for purposes of computing benefits hereunder.

Sec. 5. Laws 1986, chapter 359, section 25, is amended to read:

Sec. 25. STATE AIDS FOR WINONA.

Upon receipt of the state auditor's report of the relief association for calendar year 1985 and of the valuation report for December 31, 1985, the commissioner of finance shall issue warrants to the city of Winona in the amounts equal to the amounts of police state aid, amortization state aid, and supplemental amortization state aid withheld by the department of finance since August 26, ~~1985~~ 1984, plus interest at a rate of six percent per annum from the date each state aid payment was withheld. This section does not apply to state aids for which the relief association must qualify after December 31, 1987.

Sec. 6. EFFECTIVE DATE.

Sections 1, 2, and 5 are effective on the day following final enactment. Sections 3 and 4 are effective July 1, 1988.

ARTICLE 10

UNIFORM JUDICIAL RETIREMENT PLAN

Section 1. Minnesota Statutes 1986, section 490.123, subdivision 1, is amended to read:

Subdivision 1. **CREATION; CONTRIBUTIONS.** ~~There is hereby created a special fund known as~~ The "judges' retirement fund": ~~The fund shall must~~ be credited with all contributions, all interest, and all other income authorized by law. From this fund there are appropriated the payments authorized by sections 490.121 to 490.132, in the amounts and at the times provided herein, including the expenses of administering the fund. ~~Each~~ A judge shall contribute to the fund from each salary payment a sum equal to one-half of one percent of salary, plus a sum equal to the salary multiplied by the rate of employee tax specified in the Federal Insurance Contributions Act as defined in section 355.01, subdivision 9, but in aggregate not less than seven percent of salary. In addition, a judge referred to in section 355.392, subdivision 1, clause (b), shall contribute to the fund from each salary payment a sum equal to an additional three-quarters of one percent of salary. The balance of all money necessary for administering sections 490.121 to 490.132 and the judges' retirement fund, including payment of retirement compensation and other benefits under sections 490.121 to 490.132, ~~shall must~~ be contributed to the fund by the state.

Money certified by the executive director of the Minnesota state retirement system to the commissioner of finance as needed to meet the state's obligations

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

to the judges' retirement fund ~~shall~~ must be transferred to the fund at least once a month.

Sec. 2. Minnesota Statutes 1987 Supplement, section 490.124, subdivision 11, is amended to read:

Subd. 11. **OPTIONAL ANNUITIES.** ~~There shall be~~ No survivor or death benefits may be paid in connection with the death of a judge who retires after December 31, 1973, except as otherwise provided in sections 490.121 to 490.132. Within 30 days before retirement, except as provided in subdivision 10, a judge may elect to receive, ~~in lieu~~ instead of the normal retirement annuity, an optional retirement annuity ~~which shall take in~~ the form of ~~either~~ an annuity payable for a period certain and for life ~~thereafter or after that period,~~ a joint and survivor annuity without reinstatement in the event of the designated beneficiary predeceasing the retired judge, or a joint and survivor annuity with reinstatement in the event of the designated beneficiary predeceasing the retired judge. ~~The An~~ optional retirement annuity ~~shall~~ must be actuarially equivalent to a single life annuity with no term certain and ~~shall~~ must be established by the board of directors of the Minnesota state retirement system. In establishing these optional retirement annuity forms, the board shall obtain the written recommendation of the actuary retained by the legislative commission on pensions and retirement. The recommendations ~~shall~~ must be a part of the permanent records of the board.

Sec. 3. Minnesota Statutes 1986, section 490.129, is amended to read:

490.129 BENEFITS OFFSET.

Upon any event of maturity of benefits for ~~any a~~ judge referred to in section 355.392, subdivision 1, clause (b), the amount payable from the judges' retirement fund ~~shall~~ must be reduced by ~~75~~ 50 percent of the amount of the judge's primary benefit payable upon the event of maturity of benefits under the Social Security Act.

Upon any event of maturity of benefits for the judge's surviving spouse or dependent children under section 490.124, subdivision 9, the amount payable from the judges' retirement fund ~~shall~~ must be based ~~(a)~~ (1) on the judge's normal retirement annuity or ~~(b)~~ (2) upon the event of maturity of benefits under the Social Security Act, on the judge's normal retirement annuity after reduction by ~~75~~ 50 percent of the amount of the judge's primary benefit under the Social Security Act; provided that the surviving spouse or dependent children ~~shall~~ must receive an annuity of not less than 25 percent of the judge's final average compensation.

Sec. 4. **EFFECTIVE DATE.**

Sections 1 and 2 are effective July 1, 1988. Section 3 is effective retroactively to August 1, 1987, and applies to benefits that accrued, accrue, or would have accrued after that date.

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

ARTICLE 11

INDIVIDUAL RETIREMENT ACCOUNT PLAN

Section 1. Minnesota Statutes 1986, section 354.05, is amended by adding a subdivision to read:

Subd. 2a. EXCEPTIONS. Notwithstanding subdivision 2, a person who is first employed as a teacher in the state university system or the state community college system after June 30, 1988, is not a member of the fund unless the person is covered by section 3, subdivision 2, and has exercised an option under that subdivision to remain a member of the fund.

Sec. 2. [354B.01] DEFINITIONS.

Subdivision 1. PLAN. "Plan" means the individual retirement account plan established by sections 2 to 5.

Subd. 2. COVERED EMPLOYMENT, STATE UNIVERSITIES. "Covered employment," with respect to employment by the state university system, means employment in a position included in the definition of teacher under section 354.05, subdivision 2, other than that of an administrator covered by or eligible for coverage in the Minnesota state retirement system unclassified employees retirement plan.

Subd. 3. COVERED EMPLOYMENT, COMMUNITY COLLEGES. "Covered employment," with respect to employment by the community college system, means employment in a position included in the definition of teacher under section 354.05, subdivision 2.

Sec. 3. [354B.02] COVERED PERSONS.

Subdivision 1. PLAN PARTICIPANTS. Except as provided in subdivision 2, a person who was first employed in covered employment after June 30, 1988, shall participate in the plan.

Subd. 2. PERSONS WITH CERTAIN PRIOR SERVICE. A person with prior service as a member of the teachers retirement association other than in covered employment under section 2, subdivision 2 or 3, who is entitled to a deferred annuity under section 354.55, subdivision 11, and who is first employed in covered employment after June 30, 1988, may, at the person's option, remain a member of the teacher's retirement association or participate in the plan.

Sec. 4. [354B.04] CONTRIBUTIONS.

Subdivision 1. MEMBER CONTRIBUTIONS. Persons in covered employment who participate in the plan shall make a member contribution in an amount equal to the amount prescribed by section 354.42, subdivision 2. The contribution must be made by payroll deduction each pay period.

Subd. 2. EMPLOYER CONTRIBUTIONS. The employer of persons in covered employment who participate in the plan shall make an employer contri-

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

bution in an amount equal to the amount prescribed by section 354.42, subdivision 3, and shall continue to make an additional employer contribution to the teachers retirement association in an amount equal to the amount prescribed by section 354.42, subdivision 5.

Subd. 3. MANNER OF EMPLOYER CONTRIBUTIONS. The employer of persons in covered employment shall make employer contributions from any available revenue sources. The employer contribution must be made each pay period.

Sec. 5. [354B.05] ADMINISTRATION.

Subdivision 1. GOVERNING BOARDS. The state university board shall administer the plan for persons in covered employment under section 2, subdivision 2. The community college board shall administer the plan for persons in covered employment under section 2, subdivision 3.

Subd. 2. PURCHASE OF CONTRACTS. The state university board and the community college board shall arrange for the purchase of annuity contracts, fixed, variable, or a combination of fixed and variable, or custodial accounts to provide retirement and death benefits to members of the plan. The contracts or accounts must be purchased with contributions under section 4 or money or assets otherwise provided by law or by authority of the state university board or community college board and acceptable by the financial institutions from which the contracts or accounts are purchased.

Subd. 3. SELECTION OF FINANCIAL INSTITUTIONS. The state university board and the community college board shall select no more than three financial institutions to provide annuity contracts or custodial accounts. Investment programs offered by the institutions must meet the requirements of section 401(a) or 403(b) of the Internal Revenue Code of 1986, as amended. In making their selections, the boards shall consider these criteria:

(1) the experience and ability of the financial institution to provide retirement and death benefits suited to the needs of the covered employees;

(2) the relationship of the benefits to their cost; and

(3) the financial strength and stability of the institution.

Subd. 4. BENEFITS OWNED BY MEMBERS. The retirement and death benefits provided by the annuity contracts or custodial accounts are owned by the members of the plan and must be paid in accordance with the provisions of the annuity contracts or custodial accounts.

Sec. 6. Minnesota Statutes 1986, section 356.24, is amended to read:

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

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

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 ~~which that~~ is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than to a supplemental pension plan ~~which that~~ was established, maintained and operated ~~prior to~~ before May 6, 1971, to ~~any a~~ plan ~~which that~~ provides solely for group health, hospital, disability, or death benefits, to the individual retirement account plan established by sections 2 to 5, or to ~~any a~~ plan ~~which that~~ provides solely for severance pay as authorized ~~pursuant to~~ by section 465.72 to a retiring or terminating employee. No change in benefits or employer contributions in any plan to which this section applies after May 6, 1971 ~~shall be,~~ is effective without prior legislative authorization.

Sec. 7. CERTAIN NEW EMPLOYEES.

Notwithstanding section 3, a person who was first hired in covered employment after June 30, 1988, does not become a member of the plan established by sections 3 to 5 until the plan is in operation and ready to accept contributions, and the payment of employer and employee contributions under section 4 does not begin until that time.

Sec. 8. EFFECTIVE DATE.

Sections 1 to 7 are effective July 1, 1988.

Approved May 4, 1988

CHAPTER 710—S.F.No. 1618

An act relating to armories; increasing the limit on bonded indebtedness; amending Minnesota Statutes 1986, section 193.143.

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

Section 1. Minnesota Statutes 1986, section 193.143, is amended to read:

193.143 STATE ARMORY BUILDING COMMISSION, POWERS.

Such corporation, subject to the conditions and limitations prescribed in sections 193.141 to 193.149, shall possess all the powers of a body corporate necessary and convenient to accomplish the objectives and perform the duties prescribed by sections 193.141 to 193.149, including the following, which shall not be construed as a limitation upon the general powers hereby conferred:

(1) To acquire by lease, purchase, gift or condemnation proceedings all necessary right, title and interest in and to the lands required for a site for a new armory and all other

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