

Signed by the governor May 24, 1993, 12:12 p.m.

CHAPTER 336—S.F.No. 625

An act relating to retirement; providing conditions for survivor and dependent benefits from various systems; first class city teachers; annuities, death-while-active survivor benefits, and administration; St. Paul teachers postretirement adjustments; administrative expenses; amending Minnesota Statutes 1992, sections 352.01, by adding a subdivision; 352.12, subdivision 2, and by adding subdivisions; 353.01, subdivision 15, and by adding a subdivision; 353.32, subdivision 1a, and by adding subdivisions; 354.05, subdivision 8, and by adding a subdivision; 354.46, subdivisions 2, 5, and by adding subdivisions; 354A.011, subdivision 27, and by adding a subdivision; 354A.021, subdivision 5; 354A.12, subdivisions 1, 1a, 2a, 2b, and by adding a subdivision; 354A.23, subdivision 3; 354A.31, by adding subdivisions; 354A.35, subdivision 2, and by adding subdivisions; and 356.215, subdivision 4j.

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

ARTICLE 1

Section 1. Minnesota Statutes 1992, section 354A.011, subdivision 27, is amended to read:

Subd. 27. **TEACHER.** "Teacher" means any person who renders service in a public school district located in the corporate limits of one of the cities of the first class which was so classified on January 1, 1979, as any of the following:

(a) a full-time employee in a position for which a valid license from the state ~~board~~ department of education is required;

(b) an employee of the teachers retirement fund association located in the city of the first class unless the employee has exercised the option pursuant to Laws 1955, chapter 10, section 1, to retain membership in the Minneapolis employees retirement fund established pursuant to chapter 422A;

(c) a part-time employee in a position for which a valid license from the state ~~board~~ department of education is required; or

(d) a part-time employee in a position for which a valid license from the state ~~board~~ department of education is required who also renders other non-teaching services for the school district unless the board of trustees of the teachers retirement fund association determines that the combined employment is on the whole so substantially dissimilar to teaching service that the service shall not be covered by the association.

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

The term shall not mean any person who renders service in the school district as any of the following:

(1) an independent contractor or the employee of an independent contractor;

(2) an employee who is a full-time teacher covered by another teachers retirement fund association established pursuant to this chapter or chapter 354;

(3) an employee holding a part-time adult supplementary technical college license who renders part-time teaching service in a technical college if (1) the service is incidental to the regular nonteaching occupation of the person; and (2) the applicable technical college 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; or

(4) an employee exempt from licensure pursuant to section 125.031.

Sec. 2. Minnesota Statutes 1992, section 354A.021, subdivision 5, is amended to read:

Subd. 5. **TAX SHELTERED ANNUITY PROGRAM AND FUND.** Any teachers retirement fund association may establish a tax sheltered annuity program and fund meeting the requirements of section 403(b) of the Internal Revenue Code of 1954, as amended, which shall include all assets which were acquired for the specific purpose of being credited to the program and fund and to which shall be credited all employee contributions, and employer contributions if negotiated under a collective bargaining agreement, designated for this purpose and all interest income attributable to the assets of the program and fund.

Sec. 3. Minnesota Statutes 1992, section 354A.12, subdivision 1, is amended to read:

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

Association and Program	Percentage of Total Salary
Duluth teachers retirement association	
old law and new law coordinated programs	4.5 percent
Minneapolis teachers retirement association	
basic program	8.5 percent
coordinated program	4.5 percent

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

St. Paul teachers retirement
association

basic program

8 percent

coordinated program

4.5 percent

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

Sec. 4. Minnesota Statutes 1992, section 354A.12, subdivision 1a, is amended to read:

Subd. 1a. **OBLIGATION FOR OMITTED SALARY DEDUCTIONS.** If the full required contributions are not deducted from the salary of a teacher, payment of the shortage in such deductions is the sole obligation of the employing unit during the three-year period following the end of the fiscal year in which the shortage occurred. The shortage is payable by the employing unit upon notification of the shortage by the executive director of the applicable retirement fund association. The employing unit shall also pay any employer contributions related to the shortage. The amount of the shortage in employee contributions and associated employer contributions is payable with interest at the rate of six percent per annum preretirement interest assumption for the retirement fund as specified in section 356.215, subdivision 4d, compounded annually, from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest shall be credited to the fund stated as a monthly rate from the date due until the date payment is received in the office of the association, with a minimum interest charge of \$10. If the shortage payment and interest is not paid by the employing unit within 60 days of notification, the executive director shall certify the amount of the shortage payment and interest to the commissioner of finance, who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.

Sec. 5. Minnesota Statutes 1992, section 354A.12, subdivision 2a, is amended to read:

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

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

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

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

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

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

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

Minneapolis teachers retirement fund association	4.85 percent
St. Paul teachers retirement fund association	4.63 percent

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

Duluth teachers retirement fund association	1.29 percent
Minneapolis teachers retirement fund association	
July 1, 1992 - June 30, 1993	0.00 percent
July 1, 1993, and thereafter	1.00 percent
St. Paul teachers retirement fund association	
July 1, 1992 - June 30, 1993	0.00 percent
July 1, 1993, and thereafter	1.00 percent

(b) For basic members of the Minneapolis teachers retirement fund association and the St. Paul teachers retirement fund association who retire on or after July 1, 1993, the employing unit shall continue to make an additional employer contribution to the retirement fund in an amount equal to the average salary of the employing unit's basic members multiplied by the relevant percentages in paragraph (a), clause (4).

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

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

Sec. 6. Minnesota Statutes 1992, section 354A.12, subdivision 2b, is amended to read:

Subd. 2b. **REPORT ON CONTRIBUTION INSUFFICIENCIES.** By January 1 of each year, the executive secretary or director of each first class city teachers retirement fund association shall report to the chair of the legislative commission on pensions and retirement, the chair of the committee on ~~appropriations~~ ways and means of the house of representatives, and the chair of the committee on finance of the senate on the amount raised by the additional employer contribution rates then in effect and the sufficiency of the total statutory support when compared to the total required contributions determined under section 356.215.

Sec. 7. Minnesota Statutes 1992, section 354A.12, is amended by adding a subdivision to read:

Subd. 5. EMPLOYEE REPORTING. Each school district shall provide to the appropriate teachers retirement fund association information regarding all new or returning employees on a form provided by the executive secretary or director before the employee's first payroll date.

Sec. 8. Minnesota Statutes 1992, section 354A.23, subdivision 3, is amended to read:

Subd. 3. Notwithstanding anything to the contrary in the articles and bylaws of the basic programs enumerated in chapter 354A, eligibility for payment and the payment of interest on refunds and interest on repayment of refunds shall be ~~computed~~ determined in the same manner as for the coordinated programs covered by this chapter.

Sec. 9. Minnesota Statutes 1992, section 354A.31, is amended by adding a subdivision to read:

Subd. 1a. APPLICATION FOR ANNUITY. Application for a retirement annuity may be made by a member or by a person authorized to act on behalf of the member. Every application for retirement must be made in writing on a form prescribed by the executive secretary or director and must be substantiated by written proof of the member's age and identity. The notarized signature of a member's spouse on a retirement annuity application acknowledging the mem-

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ber's annuity selection meets the notice requirement to the spouse under section 356.371, subdivision 3. An application for a retirement annuity is not complete until all necessary supporting documents are received by the executive secretary or director.

Sec. 10. EFFECTIVE DATE.

Sections 1 to 9 are effective the day following final enactment.

ARTICLE 2

Section 1. Minnesota Statutes 1992, section 354A.31, is amended by adding a subdivision to read:

Subd. 2a. APPLICATIONS AFTER RETIREMENT. If an application for retirement is filed with the board during the 90-day period immediately following the termination of teaching service, the annuity may begin to accrue as if the application for retirement had been filed with the board on the date teaching service terminated. In no event may an annuity begin to accrue more than one month before the date of final salary receipt.

Sec. 2. BYLAW AMENDMENT.

Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the boards of the Duluth teachers retirement fund association, the Minneapolis teachers retirement fund association, and the St. Paul teachers retirement fund association may amend the bylaws or articles of incorporation to provide that, if an application for retirement is filed with the board during the 90-day period immediately following the termination of teaching service, the annuity may begin to accrue as if the application for retirement had been filed with the board on the date teaching service terminated. An annuity may not begin to accrue more than one month before the date of final salary receipt.

Sec. 3. EFFECTIVE DATE.

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

ARTICLE 3

Section 1. ST. PAUL TEACHERS BYLAW AMENDMENT.

Pursuant to Minnesota Statutes, section 354A.12, subdivision 4, permission is granted for St. Paul teachers retirement fund association to amend its articles to:

(a) Reduce the waiting period for receipt of the additional lump sum postretirement payment from three years to one year.

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(b) The assets of the fund used to determine the dollar amount payable be the assets as defined in Minnesota Statutes, section 356.215, subdivision 1, clause 6, the actuarial value of the fund.

(c) The lump sum postretirement adjustment, at the request of the annuitant or benefit recipient, may be converted to a monthly annuity of equivalent actuarial value based on:

(1) the age of the annuitant or benefit recipient on January 1 of the year following the end of the fiscal year;

(2) the mortality table established by the board of trustees of the association and approved under Minnesota Statutes, section 356.215, subdivision 7; and

(3) a postretirement interest rate assumption of 7.5 percent.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

ARTICLE 4

Section 1. Minnesota Statutes 1992, section 356.215, subdivision 4j, is amended to read:

Subd. 4j. **ADMINISTRATIVE EXPENSES.** The actuarial valuation must indicate the administrative expenses of the fund, expressed both in dollars and as a percentage of covered payroll. Administrative expenses are costs incurred by the retirement plans excluding investment expenses. Investment expenses include all expenses incurred for the retention of professional external investment managers and professional investment consultants, custodian bank fees, investment transaction costs, and the costs incurred by the retirement plans to manage investment portfolios or assets internally. Investment expenses must be deducted from investment return in the actuarial valuation, and not included in administrative expenses when calculating the allowance for expenses.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

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ARTICLE 5

Section 1. Minnesota Statutes 1992, section 354A.35, subdivision 2, is amended to read:

Subd. 2. **DEATH WHILE ELIGIBLE TO RETIRE; SURVIVING SPOUSE OPTIONAL ANNUITY.** The surviving spouse of any coordinated member who ~~has attained the age of at least 50 years and~~ has credit for at least three years of service ~~or has credit for at least 30 years of service regardless of age shall be~~ is entitled to joint and survivor annuity coverage in the event of death of the member prior to retirement. 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 member's surviving spouse shall be paid a joint and survivor annuity as provided in section 354A.32 and computed pursuant to section 354A.31. Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity payable under this section. The benefits shall be payable for life.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

ARTICLE 6

Section 1. Minnesota Statutes 1992, section 352.01, is amended by adding a subdivision to read:

Subd. 26. **DEPENDENT CHILD.** "Dependent child" means a biological or adopted child of a deceased employee who has not reached the age of 20 and is dependent upon the employee for more than one-half of the child's support at the time of the employee's death. It also means a child of the member conceived during the member's lifetime and born after the member's death.

Sec. 2. Minnesota Statutes 1992, section 352.12, subdivision 2, is amended to read:

Subd. 2. **SURVIVING SPOUSE BENEFIT.** (a) If an employee or former employee ~~is at least 50 years old and~~ has credit for at least three years allowable service ~~or who has credit for at least 30 years of allowable service, regardless of age, and~~ dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund with interest ~~provided in~~ under subdivision 1, an annuity equal to the joint and 100 percent survivor annuity which the employee could have qualified for had the employee terminated service on the date of death.

(b) If the employee was under age 55 and has credit for at least 30 years of

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allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If the employee was under age 55 and has credit for at least three years of allowable service credit on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1 or 1a, to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

The surviving spouse eligible for surviving spouse benefits under paragraph (a) 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 surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for the annuity at any time after the employee's death. The annuity must be computed as provided in under sections 352.115, subdivisions 1, 2, and 3, and 352.116, subdivisions 1, 1a, and 3. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision. The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse, or upon expiration of a term certain benefit payment to a surviving spouse under subdivision 2a. An amount equal to the excess, if any, of the accumulated contributions credited to the account of the deceased employee in excess of the total of the benefits paid and payable to the surviving spouse must be paid to the deceased employee's last designated beneficiary or, if none, to the surviving children of the deceased spouse in equal shares or, if none, to the surviving parents of the deceased spouse or, if none, to the representative of the estate of the deceased spouse as specified under subdivision 1.

Any employee may request in writing that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

Sec. 3. Minnesota Statutes 1992, section 352.12, is amended by adding a subdivision to read:

Subd. 2a. SURVIVING SPOUSE COVERAGE TERM CERTAIN. In lieu of the 100 percent optional annuity under subdivision 2, or refund under subdivision 1, the surviving spouse of a deceased employee may elect to receive survivor coverage in a term certain of five, ten, 15, or 20 years, but monthly payments must not exceed 75 percent of the average high-five monthly salary of the deceased employee. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 2.

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If a survivor elects a term certain annuity and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Sec. 4. Minnesota Statutes 1992, section 352.12, is amended by adding a subdivision to read:

Subd. 2b. DEPENDENT CHILD SURVIVOR COVERAGE. If there is no surviving spouse eligible for benefits under subdivision 2, a dependent child or children as defined in section 352.01, subdivision 26, is eligible for monthly payments. Payments to a dependent child must be paid from the date of the employee's death to the date the dependent child attains age 20 if the child is under age 15. If the child is 15 years or older on the date of death, payment must be made for five years. The payment to a dependent child is an amount actuarially equivalent to the value of a 100 percent optional annuity under subdivision 2 using the age of the employee and age of the dependent child at the date of death in lieu of the age of the surviving spouse. If there is more than one dependent child, each dependent child shall receive a proportionate share of the actuarial value of the employee's account.

Sec. 5. Minnesota Statutes 1992, section 353.01, subdivision 15, is amended to read:

Subd. 15. DEPENDENT CHILD. For the purpose of survivor benefit eligibility under sections 353.31, subdivision 1, and 353.657, subdivision 3, "dependent child" means a natural biological or adopted child of a deceased member who is unmarried, and under the age of 18, or age 18 to 23, so long as the child submits evidence of full-time enrollment in an accredited educational institution. "Dependent child" also includes a child of the member conceived during the member's lifetime and born after the member's death. It also means 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 under this subdivision. The dependency of the child dates from the decree of adoption. "Dependent child" also includes a child age 18 to 23 who had submitted evidence of full-time enrollment in an accredited educational institution 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. 6. Minnesota Statutes 1992, section 353.01, is amended by adding a subdivision to read:

Subd. 15a. DEPENDENT CHILD. For the purpose of survivor benefit eligibility under section 353.32, subdivision 1c, "dependent child" means any biological or adopted child of a deceased member who has not reached the age of

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20 and is dependent for more than one-half of support upon the member. It also includes any child of the member conceived during the member's lifetime and born after the member's death.

Sec. 7. Minnesota Statutes 1992, section 353.32, subdivision 1a, is amended to read:

Subd. 1a. **SURVIVING SPOUSE OPTIONAL ANNUITY.** (a) If a member or former member who has ~~attained at least age 50 and has credit for not less than three years of allowable service or who has credit for not less than 30 years of allowable service, regardless of age attained,~~ and dies before the annuity or disability benefit begins to accrue under 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, instead of a refund with interest under subdivision 1, or surviving spouse benefits otherwise payable under section 353.31, an annuity equal to the 100 percent joint and survivor annuity that the member could have qualified for had the member terminated service on the date of death.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 353.30, subdivisions 1b and 1c, to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If the member was under age 55 and has credit for at least three years of allowable service on the date of death but did not qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and surviving spouse at the time of death. The annuity is payable using the full early retirement reduction under section 353.30, subdivision 1, 1b, 1c, or 5, to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse optional annuity if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under subdivision 1, if provided for in a marriage dissolution decree but not a monthly surviving spouse optional annuity despite the terms of a marriage dissolution decree filed with the association.

The surviving spouse eligible for surviving spouse benefits under paragraph (a) 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 surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity any time after the

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member's death. The annuity must be computed under sections 353.29, subdivisions 2 and 3; 353.30, subdivisions 1, 1a, 1b, 1c, and 5; and 353.31, subdivision 3.

Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision. No payment may accrue beyond the end of the month in which entitlement to the annuity has terminated or upon expiration of the term certain benefit payment under subdivision 1b. An amount equal to any excess of the accumulated contributions 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 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~~ as specified under subdivision 1.

A member may specify in writing that this subdivision does not apply and that payment may be made only to the designated beneficiary as otherwise provided by this chapter.

Sec. 8. Minnesota Statutes 1992, section 353.32, is amended by adding a subdivision to read:

Subd. 1b. SURVIVOR COVERAGE TERM CERTAIN. In lieu of the 100 percent optional annuity under subdivision 1a, or a refund under subdivision 1, the surviving spouse of a deceased member may elect to receive survivor coverage for a term certain of five, ten, 15, or 20 years, but monthly payments must not exceed 75 percent of the average high-five monthly salary of the deceased member. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 1a.

If a surviving spouse elects a term certain annuity and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Sec. 9. Minnesota Statutes 1992, section 353.32, is amended by adding a subdivision to read:

Subd. 1c. DEPENDENT CHILD SURVIVOR COVERAGE. If there is no surviving spouse eligible for benefits under subdivision 1a, a dependent child or children as defined in section 353.01, subdivision 15a, is eligible for monthly payments. Payments to a dependent child must be paid from the date of the member's death to the date the dependent child attains age 20 if the child is under age 15. If the child is 15 years or older on the date of death, payment must be made for five years. The payment to a dependent child is an amount actuarially equivalent to the value of a 100 percent optional annuity under subdivision 1a using the age of the member and age of the dependent child at the date of death in lieu of the age of the surviving spouse. If there is more than one dependent child, each dependent child shall receive a proportionate share of the actuarial value of the employee's account.

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Sec. 10. Minnesota Statutes 1992, section 354.05, subdivision 8, is amended to read:

Subd. 8. **DEPENDENT CHILD.** For the purpose of survivor benefit eligibility under section 354.46, subdivision 1, "dependent child" means any natural biological or adopted child of a deceased member who has not reached the age of 18, or who is under age 22 and is a full-time student throughout the normal school year, unmarried and dependent for more than one-half of support upon such the member and for a period of at least 90 days prior to the member's death. It also includes any child of the member conceived while living and born after death.

Sec. 11. Minnesota Statutes 1992, section 354.05, is amended by adding a subdivision to read:

Subd. 8a. **DEPENDENT CHILD.** For the purpose of survivor benefit eligibility under section 354.46, subdivision 2b, "dependent child" means any biological or adopted child of a deceased member who has not reached the age of 20 and is dependent for more than one-half of support upon the member. It also includes any child of the member conceived while living and born after death.

Sec. 12. Minnesota Statutes 1992, section 354.46, subdivision 2, is amended to read:

Subd. 2. **DEATH WHILE ELIGIBLE DESIGNATED BENEFICIARY BENEFIT.** (a) The surviving spouse of any member or former member who has attained the age of at least 50 years and has credit for at least three years of allowable service or who has credit for at least 30 years of allowable service irrespective of age is entitled to joint and survivor annuity coverage in the event of death of the member prior to retirement. If the surviving spouse does not elect to receive a surviving spouse benefit provided pursuant to under subdivision 1, if applicable, or does not elect to receive a refund of accumulated member contributions provided pursuant to under section 354.47, subdivision 1, the surviving spouse is entitled to receive, upon written application on a form prescribed by the executive director, a benefit equal to the second portion of a 100 percent joint and survivor annuity as provided pursuant to specified under section 354.45, based on the age of the member and surviving spouse at the time of death of the member, and computed pursuant to under section 354.44, subdivision 2, or 6, or 7, whichever is applicable.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 354.44, subdivision 6, paragraph (3)(ii), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If the member was under age 55 and has credit for at least three years of

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allowable service on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the surviving spouse at the time of death. The annuity is calculated using the full early retirement reduction under section 354.44, subdivision 6, to age 55 and one-half of the early retirement reduction from age 55 to the age the annuity begins. The surviving spouse eligible for a surviving spouse benefit under paragraph (a) 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 surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for the annuity any time after the member's death. This benefit accrues from the day following the date of the member's death but may not begin to accrue more than six months before the date the application is filed with the executive director. Sections 354.44, 354.55, subdivision 6, 11, and 354.60 apply to a deferred annuity payable under this section. The benefit is payable for life.

Sec. 13. Minnesota Statutes 1992, section 354.46, is amended by adding a subdivision to read:

Subd. 2a. SURVIVOR COVERAGE TERM CERTAIN. In lieu of the 100 percent optional annuity under subdivision 2, or a refund under section 354.47, subdivision 1, the surviving spouse of a deceased member may elect to receive survivor coverage in a term certain of five, ten, 15, or 20 years, but monthly payments must not exceed 75 percent of the average high-five monthly salary of the deceased member. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 2.

If a surviving spouse elects a term certain payment and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Sec. 14. Minnesota Statutes 1992, section 354.46, is amended by adding a subdivision to read:

Subd. 2b. DEPENDENT CHILD SURVIVOR COVERAGE. If there is no surviving spouse eligible for benefits under subdivision 2, a dependent child or children as defined in section 354.05, subdivision 8a, is eligible for monthly payments. Payments to a dependent child must be paid from the date of the member's death to the date the dependent child attains age 20 if the child is under age 15. If the child is 15 years or older on the date of death, payment must be made for five years. The payment to a dependent child is an amount actuarially equivalent to the value of a 100 percent optional annuity under subdivision 2 using the age of the member and age of the dependent child at the date of death in lieu of the age of the member and the spouse. If there is more than one dependent child, each dependent child shall receive a proportionate share of the actuarial value of the member's account.

Sec. 15. Minnesota Statutes 1992, section 354.46, subdivision 5, is amended to read:

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

Subd. 5. **PAYMENT TO DESIGNATED BENEFICIARY.** Any member and the spouse of the member may make a joint specification in writing on a form prescribed by the executive director that the benefits provided in subdivision 2, or in section 354.47, subdivision 1, shall be paid only to a designated beneficiary. For purposes of this subdivision, a designated beneficiary may only be either a former spouse or a child, either natural biological or adopted, of the member, but more than one beneficiary may be designated for the benefit provided in section 354.47, subdivision 1.

Sec. 16. Minnesota Statutes 1992, section 354A.011, is amended by adding a subdivision to read:

Subd. 12a. DEPENDENT CHILD. "Dependent child" means any biological or adopted child of a deceased member who has not reached the age of 20 and is dependent on the member for more than one-half of the child's support at the time of the member's death. It also means a child of the member conceived during the member's lifetime and born after the member's death.

Sec. 17. Minnesota Statutes 1992, section 354A.35, subdivision 2, is amended to read:

Subd. 2. **DEATH WHILE ELIGIBLE TO RETIRE; SURVIVING SPOUSE OPTIONAL ANNUITY.** (a) The surviving spouse of any a coordinated member who has attained the age of at least 50 years and has credit for at least three years of service or has credit for at least 30 years of service regardless of age shall be entitled to joint and survivor annuity coverage in the event of death of the member and dies prior to retirement, may elect to receive, instead of a refund with interest under subdivision 1, an annuity equal to the 100 percent joint and survivor annuity the member could have qualified for had the member terminated service on the date of death. The surviving spouse eligible for a surviving spouse benefit under this paragraph 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. A surviving spouse eligible for surviving spouse benefits under paragraph (b) and (c) may apply for an annuity at any time after the member's death. The member's surviving spouse shall be paid a joint and survivor annuity as provided in under section 354A.32 and computed pursuant to under section 354A.31.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If the member was under age 55 and has credit for at least three years of allowable service on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the early retirement reduction from age 55 to the date payment begins.

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

Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity or surviving spouse benefit payable under this section. The benefits shall be are payable for the life of the surviving spouse, or upon expiration of the term certain benefit payment under subdivision 2b.

Sec. 18. Minnesota Statutes 1992, section 354A.35, is amended by adding a subdivision to read:

Subd. 2b. SURVIVOR COVERAGE TERM CERTAIN. In lieu of the 100 percent optional annuity under subdivision 2, or a refund under subdivision 1, the surviving spouse of a deceased member may elect to receive survivor coverage in a term certain of five, ten, 15, or 20 years, but monthly payments must not exceed 75 percent of the average high-five monthly salary of the deceased member. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 2.

If a surviving spouse elects a term certain annuity and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Sec. 19. Minnesota Statutes 1992, section 354A.35, is amended by adding a subdivision to read:

Subd. 2c. DEPENDENT CHILD SURVIVOR COVERAGE. If there is no surviving spouse eligible for benefits under subdivision 2, a dependent child or children as defined in section 354A.011, subdivision 12a, is eligible for monthly payments. Payments to a dependent child must be paid from the date of the member's death to the date the dependent child attains age 20 if the child is under age 15. If the child is 15 years or older on the date of death, payment must be made for five years. The payment to a dependent child is an amount actuarially equivalent to the value of a 100 percent optional annuity under subdivision 2 using the age of the member and age of the dependent child at the date of death. If there is more than one dependent child, each dependent child shall receive a proportionate share of the actuarial value of the employee's account.

Sec. 20. EFFECTIVE DATE.

Sections 1 to 19 are effective July 1, 1993.

Presented to the governor May 20, 1993

Signed by the governor May 24, 1993, 5:46 p.m.

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