

Subd. 3. HOUSING DEVELOPMENT FUND. In addition to any amount appropriated by other law, \$250,000 is appropriated from the general fund to the housing development fund for fiscal year 1999, \$800,000 for fiscal year 2000, and \$800,000 for fiscal year 2001 to provide matching grants for employer contributions for affordable housing under Minnesota Statutes, section 462A.2092. This appropriation is available until expended.

Subd. 4. TRANSPORTATION. \$1,500,000 is appropriated from the general fund for fiscal year 1999 to the state treasurer for transfer to the transit account in the transportation revolving loan fund established in Minnesota Statutes, section 446A.085, subdivision 3.

Sec. 36. REPEALER.

(a) Minnesota Statutes 1997 Supplement, sections 3.987, subdivision 3, and 14.431, are repealed.

(b) 1998 S.F. No. 3353, section 60, relating to the exchange and sale of certain lake-shore lots, if enacted, is repealed.

Sec. 37. EFFECTIVE DATE.

Sections 8, 9, 12, 20, 21, 23, 24, 28, and 30 are effective the day following final enactment. Sections 15 and 25 are effective retroactively to January 1, 1998.

Section 16 is effective January 1, 1999.

Presented to the governor April 10, 1998

Signed by the governor April 21, 1998, 9:28 a.m.

CHAPTER 390—H.F.No. 2970

An act relating to retirement; various retirement plans; adjusting pension coverage for certain privatized public hospital employees; providing for voluntary deduction of health insurance premiums from certain annuities; providing for increased survivor benefits relating to certain public employees murdered in the line of duty; authorizing certain service credit purchases; specifying prior service credit purchase payment amount determination procedures increasing salaries of various judges; modifying other judicial salaries; modifying the judges retirement plan member and employer contribution rates; authorizing the transfer of certain prior retirement contributions from the legislators retirement plan and from the elective state officers retirement plan; creating a contribution transfer account in the general fund of the state; appropriating money; reformulating the Columbia Heights volunteer firefighters relief association plan as a defined contribution plan under the general volunteer fire law; restructuring the Columbia Heights volunteer firefighter relief association board; modifying various higher education retirement plan provisions; modifying administrative expense provisions for various public pension plans; expanding the teacher retirement plans part-time teaching positions eligible to participate in the qualified full-time service credit for part-time teaching service program; making certain Minneapolis fire department relief association survivor benefit options retroactive; providing increased disability benefit coverage for certain local government correctional facility employees; increasing local government correctional employee and employer contribution rates; providing increased survivor benefits to certain Minneapolis em-

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ployee retirement fund survivors; authorizing certain Hennepin county regional park employees to change retirement plan membership; modifying benefit increase provision for Eveleth police and firefighters; modifying the length of the actuarial services contract of the legislative commission on pensions and retirement; modifying the scope of quadrennial projection valuations; providing special disability coverage for local correctional employees; requiring report on tax sheltered annuity for higher education employees; amending Minnesota Statutes 1996, sections 3A.13; 11A.17, subdivision 2; 136F.45, by adding subdivisions; 136F.48; 352.96, subdivision 4; 352D.09, subdivision 7; 352D.12; 353.27, subdivision 3; 353.33, subdivision 3a; 353D.05, subdivision 3; 354.445; 354.66, subdivisions 2 and 3; 354A.094, subdivisions 2 and 3; 354B.23, by adding a subdivision; 354C.12, by adding a subdivision; 383B.52; 422A.23, subdivision 2; and 490.123, subdivisions 1a and 1b; Minnesota Statutes 1997 Supplement, sections 3.85, subdivision 11; 15A.083, subdivisions 5, 6a, and 7; 353.27, subdivision 2; 354B.25, subdivisions 1a and 5; 354C.12, subdivision 4; and 356.215, subdivision 2; Laws 1977, chapter 61, section 6, as amended; Laws 1995, chapter 262, article 10, section 1; Laws 1997, Second Special Session chapter 3, section 16; proposing coding for new law in Minnesota Statutes, chapter 356; repealing Minnesota Statutes 1996, sections 11A.17, subdivisions 10a and 14; and 352D.09, subdivision 8; Minnesota Statutes 1997 Supplement, section 136F.45, subdivision 3.

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

ARTICLE 1

PUBLIC MEDICAL FACILITY PRIVATIZATIONS

Section 1. LUVERNE COMMUNITY HOSPITAL; PENSION COVERAGE FOR TRANSFERRED EMPLOYEES.

Subdivision 1. AUTHORIZATION. This section applies if the Luverne Community Hospital is sold, leased, or transferred to a private entity, nonprofit corporation, or public corporation. Notwithstanding Minnesota Statutes, sections 356.24 and 356.25, to facilitate the orderly transition of employees affected by the sale, lease, or transfer, the city may, at its discretion, make, from assets to be transferred to the private entity, nonprofit corporation, or public corporation, payments to a qualified pension plan established for the transferred employees by the private entity, nonprofit corporation, or public corporation, to provide benefits substantially similar to those the employees would have been entitled to under the provisions of the public employees retirement association applicable to nonpublic safety employees under Minnesota Statutes, chapter 353, as amended, in effect on the date of the sale, lease, or transfer.

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

- (1) is an employee of the Luverne Community Hospital immediately prior to the sale, lease, or transfer of that facility to a private entity, nonprofit corporation, or public corporation;
- (2) is terminated at the time of the sale, lease, or transfer; and
- (3) had less than three years of service credit in the public employees retirement association plan at the date of termination.

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

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

Sec. 2. ARNOLD MEMORIAL HOSPITAL, ADRIAN, MINNESOTA; PENSION COVERAGE FOR TRANSFERRED EMPLOYEES.

Subdivision 1. AUTHORIZATION. This section applies if the Arnold Memorial Hospital in Adrian is sold, leased, or transferred to a private entity, nonprofit corporation, or public corporation. Notwithstanding Minnesota Statutes, sections 356.24 and 356.25, to facilitate the orderly transition of employees affected by the sale, lease, or transfer, the city may, at its discretion, make, from assets to be transferred to the private entity, nonprofit corporation, or public corporation, payments to a qualified pension plan established for the transferred employees by the private entity, nonprofit corporation, or public corporation, to provide benefits substantially similar to those the employees would have been entitled to under the provisions of the public employees retirement association applicable to nonpublic safety employees under Minnesota Statutes, chapter 353, as amended, in effect on the date of the sale, lease, or transfer.

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

(1) is an employee of the Arnold Memorial Hospital in Adrian immediately prior to the sale, lease, or transfer of that facility to a private entity, nonprofit corporation, or public corporation;

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

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

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

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

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lent amount of \$200 or less may, at the preference of the individual, be made to the individual or to an individual retirement account under section 408(a) of the Internal Revenue Code, as amended, or to another qualified plan.

Sec. 3. EFFECTIVE DATE.

(a) Section 1 is effective on the day following approval by the Luverne city council and compliance with Minnesota Statutes, section 645.021.

(b) Section 2 is effective on the day following approval by the Adrian city council and compliance with Minnesota Statutes, section 645.021.

ARTICLE 2

MISCELLANEOUS GENERAL EMPLOYEE PENSION CHANGES

Section 1. Minnesota Statutes 1996, section 3A.13, is amended to read:

3A.13 EXEMPTION FROM PROCESS AND TAXATION; HEALTH PREMIUM DEDUCTION.

The provisions of section 352.15 shall apply to the legislators retirement plan, chapter 3A. The executive director of the Minnesota state retirement system must, at the request of a retired legislator who is enrolled in a health insurance plan covering state employees, deduct the person's health insurance premiums from the person's annuity and transfer the amount of the premium to a health insurance carrier covering state employees.

Sec. 2. Minnesota Statutes 1996, section 11A.17, subdivision 2, is amended to read:

Subd. 2. **ASSETS.** The assets of the supplemental investment fund shall consist of the money certified and transmitted to the state board from the participating public retirement plans and funds and shall or from the board of the Minnesota state colleges and universities under section 136F.45. The assets must be used to purchase investment shares in the investment accounts specified by the plan or fund.

Sec. 3. Minnesota Statutes 1996, section 136F.45, is amended by adding a subdivision to read:

Subd. 1a. **SUBSEQUENT VENDOR CONTRACTS.** (a) The board may limit the number of vendors under subdivision 1.

(b) In addition to any other tax-sheltered annuity program investment options, the board may offer as an investment option the Minnesota supplemental investment fund administered by the state board of investment under section 11A.17.

(c) For the tax-sheltered annuity program vendor contracts to be executed for the period beginning July 1, 2000, the board shall actively solicit participation of and shall include as vendors lower expense and "no-load" mutual funds or equivalent investment products as those terms are defined by the federal securities and exchange commission. To the extent possible, in addition to a range of insurance annuity contract providers and other mutual fund provider arrangements, the board must assure that no less than five in-

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surance annuity providers and no less than one nor more than three lower expense and "no-load" mutual funds or equivalent investment products will be made available for direct-access by employee participants. To the extent that offering a lower expense "no-load" product increases the total necessary and reasonable expenses of the program and if the board is unable to negotiate a rebate of fees from the mutual fund or equivalent investment product providers, the board may charge the participants utilizing the lower expense "no-load" mutual fund products a fee to cover those expenses. The participant fee may not exceed one percent of the participant's annual contributions or \$20 per participant per year, whichever is greater. Any excess fee revenue generated under this subdivision must be reimbursed to participant accounts in the manner provided in subdivision 3a.

Sec. 4. Minnesota Statutes 1996, section 136F.45, is amended by adding a subdivision to read:

Subd. 3a. SHARING OF FEES. (a) For purposes of this subdivision, a gross fee amount is defined as the fees, commissions, and other charges which an annuity investment provider or vendor would charge a typical consumer of those services for identical or similar products. A net fee amount is an amount below the gross fee amount reflecting a negotiated reduction below gross fees.

(b) To offset the board's necessary and reasonable expenses incurred under subdivisions 1 and 2, the Minnesota state colleges and universities system is authorized to negotiate with an annuity investment provider or vendor to establish a net fee amount.

(c) Under the negotiated arrangements, the Minnesota state colleges and universities system is authorized to either make arrangements to recapture the difference between gross and net fee amounts through a rebate from the annuity investment provider or vendor, or deduct those amounts prior to transmitting the contributions or premiums.

(d) The revenues collected or retained under these negotiated arrangements must be used to offset the board's necessary and reasonable expenses incurred under this section. Any excess above the necessary and reasonable expenses must be allocated annually to the accounts of the participants.

Sec. 5. Minnesota Statutes 1996, section 136F.48, is amended to read:

136F.48 EMPLOYER-PAID HEALTH INSURANCE.

(a) This section applies to a person who:

(1) retires from the state university system, the technical college system, or the community college system, or from a successor system employing state university, technical college, or community college faculty, with at least ten years of combined service credit in a system under the jurisdiction of the board of trustees of the Minnesota state colleges and universities;

(2) was employed on a full-time basis immediately preceding retirement as a state university, technical college, or community college faculty member or as an unclassified administrator in one of those systems;

(3) begins drawing an annuity from the teachers retirement association or from a first class city teacher plan; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which

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the person may not earn a salary of more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employer president of the institution where the person returns to work and the employee. The employer president may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The employer president shall determine the time of year the employee shall work. The employer or the president may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section.

(c) For a person eligible under paragraphs (a) and (b), the employing board shall make the same employer contribution for hospital, medical, and dental benefits as would be made if the person were employed full time.

(d) For work under paragraph (a), a person must receive a percentage of the person's salary at the time of retirement that is equal to the percentage of time the person works compared to full-time work.

(e) If a collective bargaining agreement covering a person provides for an early retirement incentive that is based on age, the incentive provided to the person must be based on the person's age at the time employment under this section ends. However, the salary used to determine the amount of the incentive must be the salary that would have been paid if the person had been employed full time for the year immediately preceding the time employment under this section ends.

(f) A person who returns to work under this section is a member of the appropriate bargaining unit and is covered by the appropriate collective bargaining contract. Except as provided in this section, the person's coverage is subject to any part of the contract limiting rights of part-time employees.

Sec. 6. Minnesota Statutes 1996, section 352.96, subdivision 4, is amended to read:

Subd. 4. **EXECUTIVE DIRECTOR TO ESTABLISH RULES.** The executive director of the system with the advice and consent of the board of directors shall establish rules and procedures to carry out this section including allocation of administrative costs against the assets accumulated under this section. Funds to pay these costs are appropriated from the fund or account in which the assets accumulated under this section are placed of the plan to participants. Fees cannot be charged on contributions and investment returns attributable to contributions made to the Minnesota supplemental investment funds before July 1, 1992. Annual total fees charged for plan administration for the Minnesota supplemental investment funds cannot exceed 40/100 of one percent of the contributions and investment returns attributable to contributions made on or after July 1, 1992. The rules established by the executive director must conform to federal and state tax laws, regulations, and rulings, and are not subject to the administrative procedure act. Except for the marketing rules, rules relating to the options provided under subdivision 2, clauses (2) and (3), must be approved by the state board of investment.

Sec. 7. Minnesota Statutes 1996, section 352D.09, subdivision 7, is amended to read:

Subd. 7. Up to one-tenth of one percent of salary shall be deducted from the employee contributions and up to one-tenth of one percent of salary from the employer con-

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tributions authorized by section 352D.04, subdivision 2, The board of directors shall establish a budget and charge participants a fee to pay the administrative expenses of the unclassified program. Fees cannot be charged on contributions and investment returns attributable to contributions made before July 1, 1992. Annual total fees charged for plan administration cannot exceed 10/100 of one percent of the contributions and investment returns attributable to contributions made on or after July 1, 1992.

Sec. 8. Minnesota Statutes 1996, section 353D.05, subdivision 3, is amended to read:

Subd. 3. **ADMINISTRATIVE EXPENSES.** The executive director of the association with the advice and consent of the board shall annually set an amount to recover the costs of the association in administering the public employees defined contribution plan that are not met by the amount recovered under section 11A.17.

Sec. 9. Minnesota Statutes 1996, section 354.445, is amended to read:

354.445 NO ANNUITY REDUCTION.

(a) The annuity reduction provisions of section 354.44, subdivision 5, do not apply to a person who:

(1) retires from the state university system, technical college system, or the community college system, or from a successor system employing state university, technical college, or community college faculty, with at least ten years of combined service credit in a system under the jurisdiction of the board of trustees of the Minnesota state colleges and universities;

(2) was employed on a full-time basis immediately preceding retirement as a state university, technical college, or community college faculty member or as an unclassified administrator in one of these systems;

(3) begins drawing an annuity from the teachers retirement association; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employer president of the institution where the person returns to work and the employee. The employer president may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The employer president shall determine the time of year the employee shall work. The employer or the president may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section.

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

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(d) For a person eligible under paragraphs (a) and (b) who earns more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired, the annuity reduction provisions of section 354.44, subdivision 5, apply only to income over \$35,000.

(e) A person who returns to work under this section is a member of the appropriate bargaining unit and is covered by the appropriate collective bargaining contract. Except as provided in this section, the person's coverage is subject to any part of the contract limiting rights of part-time employees.

Sec. 10. Minnesota Statutes 1996, section 354B.23, is amended by adding a subdivision to read:

Subd. 5a. EXCESS CONTRIBUTIONS. (a) When contributions to the plan exceed limits imposed by federal law or regulation and it is necessary to return contributions to comply with the federal limits, excess contributions must be returned to the employee and to the employer in the same proportions as the contributions were made.

(b) When an employer contribution required under section 354B.24 due to a sabbatical leave is made after completion of the leave or an employer contribution is made due to omitted deductions under subdivision 5, and these employer contributions cause or would cause total contributions to the plan to exceed limits imposed by federal law or regulation, the employer must make that portion of the contribution that would exceed the federal limit during the next calendar year.

Sec. 11. Minnesota Statutes 1997 Supplement, section 354B.25, subdivision 1a, is amended to read:

Subd. 1a. ADVISORY COMMITTEE. (a) A committee is created to advise the state board of investment and the board of trustees of the Minnesota state colleges and universities concerning administration of the individual retirement account plan and the supplemental retirement plan established in chapter 354C. The committee shall adopt recommendations by majority vote of those members voting on each issue. The exclusive representatives of the state university instructional unit, the community college instructional unit, and the technical college instructional unit shall each appoint two members to the committee. The exclusive representatives of the general professional unit, the supervisory employees unit and the state university administrative unit shall each appoint one member to the committee. The chancellor of the Minnesota state colleges and universities shall appoint three members, at least one of whom shall be a personnel administrator. No member of the committee shall be retired. Members serve at the pleasure of the applicable appointing authority, but no member shall serve for more than a total of five years. Members shall be reimbursed from the administrative expense account of the individual retirement account plan for expenses as provided in section 15.059, subdivision 3.

(b) The committee shall:

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

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

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

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

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

Sec. 12. Minnesota Statutes 1997 Supplement, section 354B.25, subdivision 5, is amended to read:

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

(1) from plan participants with amounts invested in the Minnesota supplemental investment fund, the plan administrator may charge an administrative expense assessment as provided in section 11A.17, subdivisions 10a and 14 in an amount such that annual total fees charged for plan administration cannot exceed 40/100 of one percent of the assets of the Minnesota supplemental investment funds; and

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

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

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

Sec. 13. Minnesota Statutes 1996, section 354C.12, is amended by adding a subdivision to read:

Subd. 1a. EXCESS CONTRIBUTIONS. (a) When contributions to the plan exceed limits imposed by federal law or regulation and it is necessary to return contributions to comply with the federal limits, one-half of the excess contributions must be returned to the employee and half to the employer.

(b) When an employer contribution is made due to omitted deductions under subdivision 2, and these employer contributions cause or would cause total contributions to the

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plan to exceed limits imposed by federal law or regulation, the employer must make that portion of the contribution that would exceed the federal limit during the next calendar year.

Sec. 14. Minnesota Statutes 1997 Supplement, section 354C.12, subdivision 4, is amended to read:

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

(1) from participants whose contributions are invested with the state board of investment, the plan administrator may recover administrative expenses in the manner provided by section 11A.17, subdivisions 10a and 14 authorized by the Minnesota state colleges and universities in an amount such that annual total fees charged for plan administration cannot exceed 40/100 of one percent of the assets of the Minnesota supplemental investment funds; or

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

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

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

Sec. 15. Minnesota Statutes 1996, section 383B.52, is amended to read:

383B.52 ADMINISTRATION COSTS.

The board of county commissioners of Hennepin county is hereby authorized to appropriate money for the administration of the supplementary benefit program created by sections 383B.46 to 383B.52. The board of county commissioners of Hennepin county may charge participants a fee to recover the administrative expenses of the supplementary benefit program. Annual total fees charged to administer the supplementary benefit program may not exceed 40/100 of one percent of the assets of the program.

Sec. 16. Minnesota Statutes 1996, section 422A.23, subdivision 2, is amended to read:

Subd. 2. **SHORT-SERVICE SURVIVOR BENEFIT.** Upon the death of a contributing (a) If an active member after having been in the city service not less than dies prior to termination of service with at least 18 months but before the effective date of retirement, the board shall in lieu of the settlement hereinbefore provided pay to the surviving spouse and/or children of the member under the age of 18, or under the age of 22 if a

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full-time student at an accredited school, college or university, and single, the following monthly benefit:

(a) Surviving spouse \$325 per month, except for benefits beginning after July 1, 1983, which shall be 30 percent of member's average salary in effect over the last six months of allowable service preceding the month in which the death occurred.

(b) Each surviving child \$150 per month, except for benefits beginning after July 1, 1983, which shall be ten percent of the member's average salary in effect over the last six months of allowable service preceding the month in which the death occurred but less than 20 years of service credit, the surviving spouse or surviving child or children is eligible to receive the survivor benefit specified in paragraph (b) or (c), as applicable. Payments for the Payment of a benefit of for any surviving child under the age of 18 years shall be made to the surviving parent, or if there be none, to the legal guardian of such the surviving child. The maximum monthly benefit shall not exceed a total of \$750.

(c) Effective for payments made after June 30, 1991, surviving spouse and surviving child benefits under paragraphs (a) and (b) beginning on or before July 1, 1983, are increased to \$500 per month and \$225 per month, respectively. The maximum monthly payment under paragraph (b) is increased to \$900. The increased cost resulting from the benefit increases in this paragraph must be allocated to each employing unit listed in section 422A.101, subdivisions 1a, 2, and 2a, on the basis of the additional accrued liability resulting from increased benefits paid to the survivors of employees from that unit. For purposes of this subdivision, a surviving child is an unmarried child of the deceased member under the age of 18, or under the age of 22 if a full-time student at an accredited school, college, or university.

(b) If the surviving spouse or surviving child benefit commenced before July 1, 1983, the surviving spouse benefit is \$750 per month and the surviving child benefit is \$225 per month, beginning with the first monthly payment payable after the effective date of this section. The sum of surviving spouse and surviving child benefits payable under this paragraph shall not exceed \$900 per month. The increased cost resulting from the benefit increases under this paragraph must be allocated to each employing unit listed in section 422A.101, subdivisions 1a, 2, and 2a, on the basis of the additional accrued liability resulting from increased benefits paid to the survivors of employees from that unit.

(c) If the surviving spouse or surviving child benefit commences after June 30, 1983, the surviving spouse benefit is 30 percent of the member's average salary in effect over the last six months of allowable service preceding the month in which death occurs. The surviving child benefit is ten percent of the member's average salary in effect over the last six months of allowable service preceding the month in which death occurs. The sum of surviving spouse and surviving child benefits payable under this paragraph shall not exceed 50 percent of the member's average salary in effect over the last six months of allowable service.

(d) Any surviving child benefit or surviving spouse benefit computed under paragraph (c) and in effect for the month immediately prior to the effective date of this section is increased by 15 percent as of the first payment on or after the effective date of this section.

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(e) Surviving child benefits under this subdivision terminate when the child no longer meets the definition of surviving child.

Sec. 17. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION; SPECIAL SURVIVING SPOUSE BENEFIT ELIGIBILITY.

(a) Notwithstanding any provision of law to the contrary, the surviving spouse of a deceased qualified public employee who died as a result of an alleged homicide in the line of duty within one month of eligibility for normal retirement is entitled to receive the second portion of a 100 percent joint and survivor optional annuity under Minnesota Statutes, section 353.31, subdivision 1b, calculated as if the deceased qualified public employee had qualified for the "rule of 90" early normal retirement annuity on the date of death.

(b) A deceased qualified public employee is a person who:

- (1) was born on August 18, 1941;
- (2) became a member of the public employees retirement association on July 7, 1964;
- (3) was a member of the basic program of the public employees retirement association;
- (4) was employed as a building inspector by the city of St. Paul;
- (5) died during the course of employment duties on December 24, 1997; and
- (6) would have been eligible to retire under the "rule of 90" early normal retirement provision on or before February 1, 1998.

(c) The benefit under paragraph (a) is payable in lieu of any other survivor benefit from the public employee retirement association. The benefit under paragraph (a) accrues on January 1, 1998, and the initial payment of the benefit must include any applicable retroactive payment amounts. The benefit under paragraph (a) must be elected by the surviving spouse on a form prescribed by the executive director of the public employee retirement association.

Sec. 18. REIMBURSEMENT OF ACTUARIAL COST BY CITY OF ST. PAUL.

On the effective date of this section, the city of St. Paul shall pay to the public employees retirement association \$36,698 and whatever portion of a remaining \$36,697 is not appropriated from the general fund to the public employees retirement association for this purpose in order to offset the increased actuarial accrued liability related to the survivor benefit increase provided in section 15.

Sec. 19. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION COVERAGE TERMINATION.

Subdivision 1. ELIGIBILITY. (a) An eligible member specified in paragraph (b) is authorized to apply for a retirement annuity, provided necessary age and service requirements are met, under Minnesota Statutes, section 353.29 or 353.30, as applicable, as further specified under subdivision 2.

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(b) An eligible member is an individual who:

(1) is an active member of the public employees retirement association coordinated plan;

(2) contributes to that plan based on employment by the suburban Hennepin county regional park district and as an elected member of the Minneapolis park and recreation board; and

(3) was born on February 25, 1936.

Subd. 2. RETIREMENT ANNUITY. (a) Notwithstanding Minnesota Statutes, section 353.01, subdivision 2a, clause (3), and continuation of elected service, an eligible individual under subdivision 1, paragraph (b), is deemed to have terminated membership under Minnesota Statutes, section 353.01, subdivision 11b, following termination of the suburban Hennepin county regional park district employment and meeting applicable length of separation requirements.

(b) If the requirements of paragraph (a) are satisfied, the eligible individual may apply for a retirement annuity under Minnesota Statutes, section 353.29 or 353.30, whichever applies. In computing the annuity, the public employees retirement association must exclude salary due to appointed and elected Minneapolis park and recreation board service.

Subd. 3. TREATMENT OF MINNEAPOLIS PARK AND RECREATION BOARD CONTRIBUTION TO THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION. (a) Upon termination of the suburban Hennepin county regional park district employment, all employee contributions to the public employees retirement association coordinated plan by an eligible individual in subdivision 1, paragraph (b), due to Minneapolis park and recreation board appointed and elected service, and all corresponding employer contributions, terminate.

(b) Following termination of contributions under paragraph (a), an eligible member under subdivision 1, paragraph (b), must elect, within one year of termination of contributions under paragraph (a) or termination of elective service, whichever is earlier, a refund under Minnesota Statutes, section 353.34, subdivision 2, or coverage by the public employees defined contribution plan under Minnesota Statutes, chapter 353D, as further specified in paragraph (c).

(c) If public employee defined contribution plan coverage is elected under this paragraph, contributions to that plan commence as of the first day of the pay period following this election. Notwithstanding Minnesota Statutes, section 353D.12, accumulated employee contributions made by an eligible member as specified in subdivision 1, paragraph (b), and corresponding employer contributions, due to the Minneapolis park and recreation board appointed and elected service, must be transferred with six percent annual interest to an account for an eligible member in the public employees defined contribution plan.

(d) If no election is made by an eligible member by the required date in paragraph (b), the individual is assumed to have elected the refund indicated in paragraph (b).

(e) Upon an election under paragraph (b), or a mandatory refund under paragraph (d), all rights in the public employees retirement association coordinated plan due to elected and appointed service are forfeited and may not be reestablished.

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Sec. 20. MNSCU STUDY.

(a) The board of the Minnesota state colleges and universities, in consultation with representatives of the respective collective bargaining units, shall study the issue of converting the tax sheltered annuity program under Minnesota Statutes, section 136F.45, to an unrestricted investment vendor program, recognizing that college and university employees should have maximum flexibility to exercise their own judgment about the investment of their personal retirement savings. As an unrestricted investment vendor program, the role of the Minnesota state colleges and universities system would be to minimize additional costs for activities other than those necessary for administrative or monitoring duties required under state or federal law.

(b) The study results must be reported to the chair of the legislative commission on pensions and retirement, the chair of the committee on governmental operations of the house of representatives, and the chair of the committee on governmental operations and veterans of the senate. The study report must be filed on or before February 1, 1999.

Sec. 21. REPEALER.

(a) Minnesota Statutes 1996, sections 11A.17, subdivisions 10a and 14; and 352D.09, subdivision 8, are repealed.

(b) Minnesota Statutes 1997 Supplement, section 136F.45, subdivision 3, is repealed.

Sec. 22. EFFECTIVE DATE.

(a) Sections 4 and 21, paragraph (b), are effective on the day following final enactment. Sections 5 and 9 do not abrogate or modify any memorandum of understanding between an exclusive representative of affected employees and the board of the Minnesota state colleges and universities entered into before the effective date of those sections.

(b) Sections 2, 3, 5, 9, 10, 11, 13, 19, and 20 are effective on the day following final enactment.

(c) Sections 1, 6, 7, 8, 12, 14, 15, and 21, paragraph (a), are effective July 1, 1999.

(d) Section 16 is effective upon approval by the Minneapolis city council and compliance with Minnesota Statutes, section 645.021.

(e) Sections 17 and 18 are effective on the day following approval by the city council of the city of St. Paul and compliance with Minnesota Statutes, section 645.021.

ARTICLE 3**QUALIFIED PART-TIME TEACHER RETIREMENT PROGRAM
REPORTING DEADLINE**

Section 1. Minnesota Statutes 1996, section 354.66, subdivision 2, is amended to read:

Subd. 2. **QUALIFIED PART-TIME POSITIONS TEACHER PROGRAM PARTICIPATION REQUIREMENTS.** A teacher in the a Minnesota public elementa-

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ry schools school, a Minnesota secondary schools school, or technical the Minnesota state colleges or in the community college system or the state university and universities system of the state who has three years or more of allowable service in the association or three years or more of full-time teaching service in Minnesota public elementary schools, Minnesota secondary schools, or technical the Minnesota state colleges or in the community college system or the state university and universities system, may, by agreement with the board of the employing district or with the authorized representative of the board, may be assigned to teaching service within the district in a part-time teaching position under subdivision 3. The association must receive a copy of the agreement must be executed before October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4. A copy of the executed agreement must be filed with the executive director of the association. If the copy of the executed agreement is filed with the association after October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4, the employing unit shall pay the fine specified in section 354.52, subdivision 6, for each calendar day that elapsed since the October 1 due date. The association may not accept an executed agreement that is received by the association more than 15 months late. The association may not waive the fine required by this section.

Sec. 2. Minnesota Statutes 1996, section 354.66, subdivision 3, is amended to read:

Subd. 3. **PART-TIME TEACHING POSITION, DEFINED.** For purposes of this section, the term "part-time teaching position" shall mean a teaching position within the district in which the teacher is employed for at least 50 full days or a fractional equivalent thereof as prescribed in section 354.091, and for which the teacher is compensated in an amount not exceeding 67.80 percent of the compensation established by the board for a full-time teacher with identical education and experience with the employing unit. The compensation of a teacher in the state colleges and university system may exceed the 67.80 percent limit if the teacher does not teach just one of the three quarters in the system's full school year, provided no additional services are performed while the teacher participates in the program.

Sec. 3. Minnesota Statutes 1996, section 354A.094, subdivision 2, is amended to read:

Subd. 2. **PART-TIME TEACHING POSITION, DEFINED.** For purposes of this section, the term "part-time teaching position" shall mean a teaching position within the district in which the teacher is employed for at least 50 full days or a fractional equivalent of 50 full days calculated using the appropriate minimum number of hours which would result in a full day of service credit by the appropriate association and for which the teacher is compensated in an amount not to exceed 67.80 percent of the compensation rate established by the board for a full-time teacher with identical education and experience within the district.

Sec. 4. Minnesota Statutes 1996, section 354A.094, subdivision 3, is amended to read:

Subd. 3. **QUALIFIED PART-TIME TEACHER PROGRAM PARTICIPATION REQUIREMENTS.** A teacher in the public schools of a city of the first class who has three years or more allowable service in the applicable retirement fund association or three years or more of full-time teaching service in Minnesota public elementary

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schools, Minnesota secondary schools, and technical Minnesota state colleges and universities system may, by agreement with the board of the employing district, be assigned to teaching service within the district in a part-time teaching position. The agreement must be executed before October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4. A copy of the executed agreement must be filed with the executive director of the retirement fund association. If the copy of the executed agreement is filed with the association after October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4, the employing school district shall pay a fine of \$5 for each calendar day that elapsed since the October 1 due date. The association may not accept an executed agreement that is received by the association more than 15 months late. The association may not waive the fine required by this section.

Sec. 5. EFFECTIVE DATE.

(a) Sections 1 and 4 are effective on the day following final enactment.

(b) Sections 2 and 3 are effective on July 1, 1998.

ARTICLE 4

PRIOR SERVICE CREDIT PURCHASES

Section 1. [356.55] PRIOR SERVICE CREDIT PURCHASE PAYMENT AMOUNT DETERMINATION PROCEDURE.

Subdivision 1. APPLICATION. Unless the prior service credit purchase authorization special law or general statute provision explicitly specifies a different purchase payment amount determination procedure, this section governs the determination of the prior service credit purchase payment amount of any prior service credit purchase.

Subd. 2. DETERMINATION. (a) Unless the prior service credit purchase minimum amount determined under paragraph (d) is greater, the prior service credit purchase amount is the result obtained by subtracting the amount determined under paragraph (c) from the amount determined under paragraph (b).

(b) The present value of the unreduced single life retirement annuity, with the purchase of the additional service credit included, must be calculated as follows:

(1) the age at first eligibility for an unreduced single life retirement annuity, including the purchase of the additional service credit, must be determined;

(2) the length of total service credit, including the period of the purchase of the additional service credit, at the age determined under clause (1) must be determined;

(3) the highest five successive years average salary at the age determined under clause (1), assuming five percent annual compounding salary increases from the most current annual salary amount at the age determined under clause (1), must be determined;

(4) using the benefit accrual rate or rates applicable to the prospective purchaser of the service credit based on the prospective purchaser's actual date of entry into covered

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service, the length of service determined under clause (2), and the final average salary determined under clause (3), the annual unreduced single life retirement annuity amount must be determined;

(5) the actuarial present value of the projected annual unreduced single life retirement annuity amount determined under clause (4) at the age determined under clause (1), using the same actuarial factor that the plan would use to determine actuarial equivalence for optional annuity forms and related purposes, must be determined; and

(6) the discounted value of the amount determined under clause (5) to the date of the prospective purchase, using an interest rate of 8.5 percent and no mortality probability decrement, must be determined.

(c) The present value of the unreduced single life retirement annuity, without the purchase of the additional service credit included, must be calculated as follows:

(1) the age at first eligibility for an unreduced single life retirement annuity, not including the purchase of additional service credit, must be determined;

(2) the length of accrued service credit, without the period of the purchase of the additional service credit, at the age determined under clause (1), must be determined;

(3) the highest five successive years average salary at the age determined under clause (1), assuming five percent annual compounding salary increases from the most current annual salary amount to the age determined under clause (1), must be determined;

(4) using the benefit accrual rate or rates applicable to the prospective purchaser of the service credit based on the prospective purchaser's actual date of entry into covered service the length of service credit determined under clause (2), and the final average salary determined under clause (3), the annual unreduced single life retirement annuity amount must be determined;

(5) the actuarial present value of the projected annual unreduced single life retirement annuity amount determined under clause (4) at the age determined under clause (1), using the same actuarial factor that the plan would use to determine actuarial equivalence for optional annuity forms and related purposes, must be determined;

(6) the discounted value of the amount determined under clause (5) to the date of the prospective purchase, using an interest rate of 8.5 percent and no mortality probability decrement, must be determined; and

(7) the net value of the discounted value determined under clause (6), must be determined by applying a service ratio, where the numerator is the total length of credited service determined under paragraph (b), clause (2), reduced by the period of the additional service credit proposed to be purchased, and where the denominator is the total length of service credit determined under clause (2).

(d) The minimum prior service credit purchase amount is the amount determined by multiplying the most current annual salary of the prospective purchaser by the combined current employee, employer, and any additional employer contribution rates for the applicable pension plan and by multiplying that results by the number of years of service or fractions of years of service of the potential service credit purchase.

Subd. 3. SOURCE OF DETERMINATION. The prior service credit purchase amounts under subdivision 2 must be calculated by the chief administrative officer of the

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public pension plan using a prior service credit purchase amount determination process that has been verified for accuracy and consistency under this section by the commission-retained actuary. That verification must be in writing and must occur before the first prior service credit purchase for the plan under this section is accepted and every five years thereafter or whenever the preretirement interest rate, postretirement interest rate, payroll growth, or mortality actuarial assumption for the applicable pension plan is modified under section 356.215, whichever occurs first.

Subd. 4. PRIOR SERVICE CREDIT PURCHASE PROCESSING FEE. A public pension plan may establish a fee to be charged to the prospective purchaser for processing a prior service credit purchase application and the prior service credit payment amount calculation. The fee must be established by the governing board of the pension plan and must be uniform for comparable service credit purchase situations or actuarial calculation requests. The prior service credit purchase processing fee structure must be published by the chief administrative officer of the applicable retirement plan in the State Register.

Subd. 5. PAYMENT RESPONSIBILITY; EMPLOYER OPTION. Unless the prior service credit purchase authorization special law or general statute provision explicitly specifies otherwise, the prior service credit purchase payment amount determined under subdivision 2 is payable by the purchaser, but the former employer of the purchaser or the current employer of the purchaser may, at its discretion, pay all or a portion of the purchase payment amount in excess of an amount equal to the employee contribution rate or rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made.

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

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

Subd. 7. EXPIRATION OF PURCHASE PAYMENT DETERMINATION PROCEDURE. (a) This section expires and is repealed on July 1, 2001.

(b) Authority for any public pension plan to accept a prior service credit payment calculated in a timely fashion under this section expires on October 1, 2001.

Sec. 2. [356.551] POST-JULY 1, 2001, PRIOR SERVICE CREDIT PURCHASE PAYMENT AMOUNT DETERMINATION PROCEDURE.

New language is indicated by underline, deletions by strikeout.

(a) Unless the prior service credit purchase authorization special law or general statute provision explicitly specifies a different purchase payment amount determination procedure, and if section 356.55 has expired, this section governs the determination of the prior service credit purchase payment amount of any prior service credit purchase.

(b) The prior service credit purchase amount is an amount equal to the actuarial present value, on the date of payment, as calculated by the chief administrative officer of the pension plan and reviewed by the actuary retained by the legislative commission on pensions and retirement, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section. Calculation of this amount must be made using the preretirement interest rate applicable to the public pension plan specified in section 356.215, subdivision 4d, and the mortality table adopted for the public pension plan. The calculation must assume continuous future service in the public pension plan until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including section 356.30, are met with the additional service credit purchased. The calculation must also assume a full-time equivalent salary, or actual salary, whichever is greater, and a future salary history that includes annual salary increases at the applicable salary increase rate for the plan specified in section 356.215, subdivision 4d. Payment must be made in one lump sum within one year of the prior service credit authorization. Payment of the amount calculated under this subdivision must be made by the applicable eligible person. However, the current employer or the prior employer may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 8.5 percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this paragraph, the purchaser must make the employee payments required under this paragraph within 290 days of the prior service credit authorization. If that employee payment is made, the employer payment under this paragraph must be remitted to the chief administrative officer of the public pension plan within 60 days of receipt by the chief administrative officer of the employee payments specified under this paragraph.

(c) The prospective purchaser must provide any relevant documentation required by the chief administrative officer of the public pension plan to determine eligibility for the prior service credit under this section.

(d) Service credit for the purchase period must be granted by the public pension plan to the purchaser upon receipt of the purchase payment amount specified in paragraph (b).

Sec. 3. PRIOR SERVICE CREDIT PURCHASE AUTHORIZATION.

Subdivision 1. INDEPENDENT SCHOOL DISTRICT NO. 77, MANKATO, TEACHER. (a) Notwithstanding any provision of Minnesota Statutes, section 354.094, or other law to the contrary, an eligible person described in paragraph (b) is entitled to obtain allowable and formula service credit in the teachers retirement association for the period described in paragraph (c) upon the payment of the full service credit purchase amount specified in Minnesota Statutes, section 356.55.

(b) An eligible person is a person who was:

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(1) born on June 23, 1946;

(2) granted an extended leave of absence from employment under the teacher mobility program by independent school district No. 77, Mankato, on March 3, 1986, for the period July 1, 1986, to June 30, 1989; and

(3) granted a leave which was erroneously characterized in the "other" category on the leave of absence report submitted to the teachers retirement association.

(c) The period for service credit purchase is July 1, 1986, to June 30, 1989.

(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before September 1, 1998, an amount equal to the employee contribution rate or rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made and independent school district No. 77, Mankato, must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the superintendent of independent school district No. 77, Mankato, of its payment amount and payment due date if the eligible person makes the required payment.

(e) If independent school district No. 77, Mankato, fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of finance of that fact and the commissioner of finance may order that the required school district payment be deducted from the next subsequent payment or payments of state education aid to the school district and be transmitted to the teachers retirement association.

Subd. 2. INDEPENDENT SCHOOL DISTRICT NO. 199, INVER GROVE HEIGHTS, TEACHER. (a) Notwithstanding Minnesota Statutes, section 354.096, an eligible person described in paragraph (b) is entitled to purchase allowable service credit in the teachers retirement association for the period described in paragraph (c) by paying the amount specified in Minnesota Statutes, section 356.55, subdivision 2.

(b) An eligible person is a person who:

(1) was on medical leave for multiple sclerosis in the fall of 1990;

(2) was employed by independent school district No. 199, Inver Grove Heights, during the period that the medical leave was taken; and

(3) was not properly notified of the deadline to purchase service credit for the medical leave period.

(c) The period for service credit purchase is 18 days of a period of medical leave during the fall of 1990.

(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before September 1, 1998, an amount equal to the employee contribution rate or rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of

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8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made and independent school district No. 199, Inver Grove Heights, must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the superintendent of independent school district No. 199, Inver Grove Heights, of its payment amount and payment due date if the eligible person makes the required payment.

(e) If independent school district No. 199, Inver Grove Heights, fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of finance of that fact and the commissioner of finance may order that the required school district payment be deducted from the next subsequent payment or payments of state education aid to the school district and be transmitted to the teachers retirement association.

Subd. 3. PRE-JANUARY 1, 1998, LATE REPORTED QUALIFIED PART-TIME TEACHER PROGRAM AGREEMENT PERIODS. (a) Notwithstanding any provision of Minnesota Statutes, section 354.66, to the contrary, an eligible person described in paragraph (b) is entitled to obtain allowable and formula service credit in the teachers retirement association for the period described in paragraph (c) upon the payment of the full service credit purchase amount specified in Minnesota Statutes, section 356.55.

(b) An eligible person is a person who rendered part-time teaching service after the end of the 1993-1994 school year and before the beginning of the 1998-1999 school year under an agreement with a school district or other applicable employer under Minnesota Statutes, section 354.66, that was executed before the applicable October 1, but was not filed by the employing unit with the teachers retirement association before the applicable October 1 deadline.

(c) The period for service credit purchase is the uncredited portion of a full year of service credit during the 1994-1995, 1995-1996, 1996-1997, and 1997-1998 school years where the uncredited period of service resulted solely from a failure of the employing unit to file the part-time teaching participation agreement with the teachers retirement association in a timely fashion.

(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before November 30, 1998, an amount equal to the employee contribution rate or rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made and the employing unit that agreed to the part-time teaching service participation program must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the chief administrative officer of the applicable employing unit of its payment amount and payment due date if the eligible person makes the required payment.

(e) If the applicable employing unit fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commission-

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er of finance of that fact and the commissioner of finance may order that the required employer payment be deducted from the next subsequent payment or payments of any state education or other aid to that employing unit and be transmitted to the teachers retirement association.

Subd. 4. PURCHASE OF SERVICE CREDIT AUTHORIZATION; MIDDLE MANAGEMENT ASSOCIATION EMPLOYEE. (a) Notwithstanding Minnesota Statutes, sections 352.01, subdivision 2, and 352.029, subdivision 1, and Minnesota Statutes 1997 Supplement, section 352.01, subdivision 2a, an eligible employee described in paragraph (b) is eligible for membership in the Minnesota state retirement system general plan and is eligible to purchase service credit in that plan as specified in paragraph (d).

(b) An eligible employee is a person who:

(1) has been employed by the middle management association since February 14, 1994; and

(2) was born on September 13, 1958.

(c) An eligible employee in paragraph (b) remains eligible for membership in the Minnesota state retirement system general plan, under this subdivision, while the individual remains employed by the middle management association or a successor organization providing contribution requirements and other general requirements for membership are met.

(d) An eligible employee under paragraph (b) is entitled to purchase service credit in the Minnesota state retirement system general plan for the period of service prior to the effective date of this act for service with the middle management association. An eligible employee may not purchase service credit for any period during which the employer has made contributions on behalf of the employee to a defined contribution pension plan or for any period during which the employee or the employer have made contributions to a defined benefit pension plan covering public, nonprofit, or private sector employees, other than a volunteer firefighter relief association governed by Minnesota Statutes, chapter 424A. Authority to make the payment terminates on July 1, 1999, or upon termination of employment with the middle management association, whichever is earlier.

Subd. 5. INDEPENDENT SCHOOL DISTRICT NO. 13, COLUMBIA HEIGHTS, TEACHER. (a) Notwithstanding Minnesota Statutes, section 354.094, an eligible person described in paragraph (b) is entitled to purchase allowable and formula service credit in the teachers retirement association for the period described in paragraph (c) by paying the amount specified in Minnesota Statutes, section 356.55, subdivision 2.

(b) An eligible person for purposes of paragraph (a) is a person who was born on January 26, 1944, was initially hired by independent school district No. 13, Columbia Heights, on August 30, 1967, was granted a five year extended leave of absence by independent school district No. 13, Columbia Heights, for the period July 1, 1994, through June 30, 1999, and was unable to make contributions under Minnesota Statutes, section 354.094, subdivision 1, because of the failure of independent school district No. 13, Columbia Heights, to timely forward the person's leave payment to the teachers retirement association.

(c) The period for service credit purchase is the extended leave of absence for the 1996-1997 school year.

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(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before September 1, 1998, an amount equal to the employee, employer, and employer additional contribution rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made and independent school district No. 13, Columbia Heights, must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the superintendent of independent school district No. 13, Columbia Heights, of its payment amount and payment due date if the eligible person makes the required payment.

(e) If independent school district No. 13, Columbia Heights, fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of finance of that fact and the commissioner of finance may order that the required employer payment be deducted from any state education or other aid payable to independent school district No. 13, Columbia Heights, and be transmitted to the teachers retirement association.

Subd. 6. WINONA STATE UNIVERSITY FACULTY MEMBER. (a) Notwithstanding Minnesota Statutes, section 354.094, an eligible person described in paragraph (b) is entitled to purchase allowable service credit in the teachers retirement association for the period described in paragraph (c) by paying the amount specified in Minnesota Statutes, section 356.55, subdivision 2.

(b) An eligible person for purposes of paragraph (a) is a person who was born on September 5, 1943, was initially hired by Winona state university on September 4, 1979, was granted an extended leave of absence by Winona state university on March 18, 1996, and was unable to make contributions under Minnesota Statutes, section 354.094, subdivision 1, because of the failure of Winona state university to timely submit the leave of absence report to the teachers retirement association.

(c) The period for service credit purchase is the first year of a three year extended leave of absence that began with the 1996-1997 school year.

(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before September 1, 1998, an amount equal to the employee, employer, and employer additional contribution rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made and Winona state university must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the president of Winona state university of its payment amount and payment due date if the eligible person makes the required payment.

(e) If Winona state university fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of

finance of that fact and the commissioner of finance may order that the required employer payment be deducted from any appropriation to the Minnesota state colleges and universities system and be transmitted to the teachers retirement association.

Subd. 7. INDEPENDENT SCHOOL DISTRICT NO. 621, MOUNDS VIEW, TEACHER. (a) Notwithstanding Minnesota Statutes, section 354.092, an eligible person described in paragraph (b) is entitled to purchase allowable service credit in the teachers retirement association for the period described in paragraph (c) by paying the amount specified in Minnesota Statutes, section 356.55, subdivision 2.

(b) An eligible person for purposes of paragraph (a) is a person who was born on December 19, 1940, was initially employed as a teacher on August 27, 1968, and is employed by independent school district No. 621, Mounds View.

(c) The period for service credit purchase is the uncredited portion of a sabbatical leave during the 1984-1985 school year.

(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before September 1, 1998, an amount equal to the employee contribution rate or rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made. Independent school district No. 621, Mounds View, must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the superintendent of independent school district No. 621, Mounds View, of its payment amount and payment due date if the eligible person makes the required payment.

(e) If independent school district No. 621, Mounds View, fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of finance of that fact and the commissioner of finance may order that the required employer payment be deducted from the next subsequent payment or payments of state education aid to the school district be transmitted to the teachers retirement association.

Subd. 8. INDEPENDENT SCHOOL DISTRICT NO. 709, DULUTH, TEACHER. (a) Notwithstanding any provision of Minnesota Statutes, chapter 354A, the articles of incorporation of the Duluth teachers retirement fund association, or the Duluth teachers retirement fund association bylaws to the contrary, an eligible person described in paragraph (b) is entitled to purchase allowable service credit in the Duluth teachers retirement fund association for the periods described in paragraph (c) by paying the amount specified in Minnesota Statutes, section 356.55, subdivision 2.

(b) An eligible person for purposes of paragraph (a) is a person who was born on October 29, 1942, was first employed by independent school district No. 709, Duluth, on September 7, 1966, was granted a maternity leave that began on February 26, 1968, was employed by independent school district No. 709, Duluth, on a less-than-full-time basis during the 1970-1971 and 1971-1972 school years, and was employed on a full-time contract basis from September 4, 1972, through the 1997-1998 school year.

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(c) The period for service credit purchase is any portion of the period February 26, 1968, to September 4, 1972, that was not previously credited as allowable service by the Duluth teachers retirement fund association, but not to exceed one year of service credit for any school year.

Subd. 9. INDEPENDENT SCHOOL DISTRICT NO. 200, HASTINGS, TEACHER. (a) Notwithstanding Minnesota Statutes, section 354.094, an eligible person described in paragraph (b) is entitled to purchase allowable and formula service credit in the teachers retirement association for the period described in paragraph (c) by paying the amount specified in Minnesota Statutes, section 356.55, subdivision 2.

(b) An eligible person for purposes of paragraph (a) is a person who was born on December 17, 1941, was initially employed by independent school district No. 200, Hastings, and was first granted an extended leave of absence for the 1996-1997 school year.

(c) The period for service credit purchase is the 1996-1997 school year.

(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before September 1, 1998, an amount equal to the employee contribution rate or rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made. Independent school district No. 200, Hastings, must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the superintendent of independent school district No. 200, Hastings, of its payment amount and payment due date if the eligible person makes the required payment.

(e) If independent school district No. 200, Hastings, fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of finance of that fact and the commissioner of finance may order that the required employer payment be deducted from the next subsequent payment or payments of state education aid to the school district be transmitted to the teachers retirement association.

Sec. 4. EFFECTIVE DATE.

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

ARTICLE 5

JUDGES RETIREMENT PLAN CONTRIBUTION MODIFICATIONS

Section 1. Minnesota Statutes 1997 Supplement, section 15A.083, subdivision 5, is amended to read:

Subd. 5. TAX COURT. The salary of a judge of the tax court is the same as 98.52 percent of the salary for a district court judge. The salary of the chief tax court judge is the same as 98.52 percent of the salary for a chief district court judge.

New language is indicated by underline, deletions by strikethrough.

Sec. 2. Minnesota Statutes 1997 Supplement, section 15A.083, subdivision 6a, is amended to read:

Subd. 6a. **ADMINISTRATIVE LAW JUDGE; SALARIES.** The salary of the chief administrative law judge is ~~the same as~~ 98.52 percent of the salary of a district court judge. The salaries of the assistant chief administrative law judge and administrative law judge supervisors are 95.93.60 percent of the salary of a district court judge. The salary of an administrative law judge employed by the office of administrative hearings is 90.88.67 percent of the salary of a district court judge as set under section 15A.082, subdivision 3.

Sec. 3. Minnesota Statutes 1997 Supplement, section 15A.083, subdivision 7, is amended to read:

Subd. 7. **WORKERS' COMPENSATION COURT OF APPEALS AND COMPENSATION JUDGES.** Salaries of judges of the workers' compensation court of appeals are ~~the same as~~ 98.52 percent of the salary for district court judges. The salary of the chief judge of the workers' compensation court of appeals is ~~the same as~~ 98.52 percent of the salary for a chief district court judge. Salaries of compensation judges are 90.88.67 percent of the salary of district court judges. The chief workers' compensation settlement judge at the department of labor and industry may be paid an annual salary that is up to five percent greater than the salary of workers' compensation settlement judges at the department of labor and industry.

Sec. 4. Minnesota Statutes 1996, section 490.123, subdivision 1a, is amended to read:

Subd. 1a. **MEMBER CONTRIBUTION RATES.** (a) A judge who is covered by the federal old age, survivors, disability, and health insurance program shall contribute to the fund from each salary payment a sum equal to ~~6.27~~ 8.00 percent of salary.

(b) A judge not so covered shall contribute to the fund from each salary payment a sum equal to 8.15 percent of salary.

(c) The contribution under this subdivision is payable by salary deduction.

Sec. 5. Minnesota Statutes 1996, section 490.123, subdivision 1b, is amended to read:

Subd. 1b. **EMPLOYER CONTRIBUTION RATE.** The employer contribution rate on behalf of a judge is ~~22~~ 20.5 percent of salary.

The employer contribution must be paid by the state court administrator and is payable at the same time as member contributions under subdivision 1a are remitted.

Sec. 6. Laws 1997, Second Special Session chapter 3, section 16, is amended to read:

Sec. 16. **SALARIES OF CONSTITUTIONAL OFFICERS, LEGISLATORS, AND JUDGES.**

(a) The salaries of constitutional officers are increased by 2.5 percent effective July 1, 1997, and by 2.5 percent effective January 1, 1998.

(b) The salaries of legislators are increased by 5.0 percent effective January 4, 1999.

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(c) The salaries of the judges of the supreme court, court of appeals, and district court are increased by 4.0 percent effective July 1, 1997, ~~and by 5.0 percent effective January 1, 1998,~~ and by 1.5 percent effective July 1, 1998.

(d) Effective July 1, 1999, the salaries of judges of the supreme court, court of appeals, and district court are increased by the average of the general salary adjustments for state employees in fiscal year 1998 provided by negotiated collective bargaining agreements or arbitration awards ratified by the legislature in the 1998 legislative session.

(e) Effective January 1, 2000, the salaries of judges of the supreme court, court of appeals, and district court are increased by the average of the general salary adjustments for state employees in fiscal year 1999 provided by negotiated collective bargaining agreements or arbitration awards ratified by the legislature in the 1998 legislative session:

(f) The commissioner of employee relations shall calculate the average of the general salary adjustments provided by negotiated collective bargaining agreements or arbitration awards ratified by the legislature in the 1998 legislative session. Negotiated collective bargaining agreements or arbitration awards that do not include general salary adjustments may not be included in these calculations. The commissioner shall weigh the general salary adjustments by the number of full-time equivalent employees covered by each agreement or arbitration award. The commissioner shall calculate the average general salary adjustment for each fiscal year covered by the agreements or arbitration awards. The results of these calculations must be expressed as percentages, rounded to the nearest one-tenth of one percent. The commissioner shall calculate the new salaries for the positions listed in paragraphs (d) and (e) using the applicable percentages from the calculations in this paragraph and report them to the speaker of the house, the president of the senate, the chief justice of the supreme court, and the governor.

Sec. 7. SALARY INCREASE CONDITIONED ON MEMBER CONTRIBUTION INCREASE.

(a) The increase in judicial salaries under section 6 is not applicable to a judge if the member contribution rate increase under section 4, paragraph (a), is not also deducted from the salary of the judge.

(b) The increase in judicial salaries under section 6 also applies to judges who are not covered by the federal old age, survivors, disability, and health insurance program.

Sec. 8. EFFECTIVE DATE.

Sections 1 to 7 are effective on July 1, 1998.

ARTICLE 6

UNCLASSIFIED STATE EMPLOYEE PENSION PLAN MODIFICATIONS

Section 1. Minnesota Statutes 1996, section 352D.12, is amended to read:

352D.12 TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.

(a) An employee who is a participant in the unclassified program and who has prior service credit in a covered plan under chapters 3A, 352, 352C, 353, 354, 354A, and 422A

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may, within the time limits specified in this section, elect to transfer to the unclassified program prior service contributions to one or more of those plans. Participants with six or more years of prior service credit in a plan governed by chapter 3A or 352C on July 1, 1998, may not transfer prior service contributions. Participants with less than six years of prior service credit in a plan governed by chapter 3A or 352C on July 1, 1998, must be contributing to the unclassified plan on or after January 5, 1999, in order to transfer prior contributions.

(b) For participants with prior service credit in a plan governed by chapter 352, 353, 354, 354A, or 422A, "prior service contributions" means the accumulated employee and equal employer contributions with interest at an annual rate of 8.5 percent compounded annually, based on fiscal year balances. For participants with less than six years of service credit as of July 1, 1998, and with prior service credit in a plan governed by chapter 3A or 352C, "prior service contributions" means an amount equal to twice the amount of the accumulated member contributions plus annual compound interest at the rate of 8.5 percent, computed on fiscal year balances.

(c) If a participant has taken a refund from a fund retirement plan listed in this section, the participant may repay the refund to that fund plan, notwithstanding any restrictions on repayment to that fund plan, plus 8.5 percent interest compounded annually and have the accumulated employee and equal employer contributions transferred to the unclassified program with interest at an annual rate of 8.5 percent compounded annually based on fiscal year balances. If a person repays a refund and subsequently elects to have the money transferred to the unclassified program, the repayment amount, including interest, is added to the fiscal year balance in the year which the repayment was made.

(d) A participant electing to transfer prior service contributions credited to a retirement plan governed by chapter 352, 353, 354, 354A, or 422A as provided under this section must complete the application for the transfer and repay any refund within one year of July 1, 1985 or the commencement of the employee's participation in the unclassified program, whichever is later. A participant electing to transfer prior service contributions credited to a retirement plan governed by chapter 3A or 352C as provided under this section must complete the application for the transfer and repay any refund between January 5, 1999, and June 1, 1999, if the employee commenced participation in the unclassified program before January 5, 1999, or within one year of the commencement of the employee's participation in the unclassified program if the employee commenced participation in the unclassified program after January 4, 1999.

Sec. 2. FUNDING.

Money appropriated in Laws 1997, chapter 202, article 1, section 31, may be used to make transfers of funds on behalf of legislators and constitutional officers under section 1.

Sec. 3. EFFECTIVE DATE.

Sections 1 and 2 are effective July 1, 1998.

New language is indicated by underline, deletions by strikeout.

ARTICLE 7

LOCAL POLICE AND FIRE RELIEF ASSOCIATION
PENSION CHANGESSection 1. **COLUMBIA HEIGHTS VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION; INCORPORATION AND PLAN RESTRUCTURING.**

Subdivision 1. **ORGANIZATION AND PLAN RESTRUCTURING.** Notwithstanding the provisions of Laws 1977, chapter 374, sections 38 to 60, as amended, the entity currently known as the "Columbia Heights fire department relief association, volunteer division" shall become incorporated under Minnesota Statutes, chapter 317A, and be known as the "Columbia Heights volunteer fire department relief association." The new entity will be governed by Minnesota Statutes, chapters 69, 317A, 356, 356A, and 424A, and any other laws applicable to volunteer fire department relief associations. The Columbia Heights volunteer fire department relief association may adopt the existing bylaws of the "Columbia Heights fire department relief association, volunteer division"; provided, however, that the bylaws must provide that future benefits payable to any member of the association are defined contribution lump sum service pensions under Minnesota Statutes, section 424A.02, subdivision 4.

Subd. 2. **BOARD RESTRUCTURING.** The board must be reconstituted in conformance with Minnesota Statutes, section 424A.04 within 90 days after the effective date of this section.

Sec. 2. **MINNEAPOLIS FIRE; OPTIONAL ANNUITY EXTENSION TO CERTAIN SURVIVORS.**

(a) Notwithstanding Laws 1997, chapter 233, article 4, section 18, the surviving spouse of any service pensioner or disability benefit recipient of the Minneapolis fire department relief association who died between July 1, 1997, and October 1, 1997, is entitled to a surviving spouse benefit equal to the 100 percent joint and survivor annuity amount which the decedent would have been eligible to select if the decedent had been entitled and able to select an optional annuity form on the date of death.

(b) The benefit under paragraph (a) is in lieu of any other survivor benefit payable from the Minneapolis fire department relief association.

(c) The benefit under this section accrues as of October 1, 1997, and is payable on the first day of the month next following the effective date of this section. The initial benefit payment must include the increase amounts retroactive to October 1, 1997.

Sec. 3. Laws 1977, chapter 61, section 6, as amended by Laws 1981, chapter 68, section 39, is amended to read:

Sec. 6. **FINANCIAL REQUIREMENTS OF THE TRUST FUND.**

Commencing January 1, 1978, (a) The city of Eveleth shall provide by annual levy an amount sufficient to pay the greater of either (a) an amount which when added to the investment income of the trust fund is sufficient to pay the benefits provided under the trust fund for the succeeding year as certified by the board of trustees of the trust fund; or (b) an amount equal to the level annual dollar amount sufficient to amortize the unfunded

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accrued liability of the trust fund by December 31, 1991, as determined in accordance with Minnesota Statutes, Sections 69.77, 356.215 and 356.216, in the latest actuarial valuation.

The annual levy under this section shall not be included in any limitation as to rate or amount set by charter and shall be a special levy for purposes of Minnesota Statutes, Section 275.50, Subdivision 5. All revenues generated by the levy required under this section shall be transferred to the trust fund.

(b) If the city of Eveleth fails to contribute the amount required in paragraph (a) in a given year, no postretirement adjustment granted under Laws 1995, chapter 262, article 10, section 1, or Laws 1997, chapter 241, article 2, section 19, is payable in the following year.

Sec. 4. Laws 1995, chapter 262, article 10, section 1, is amended to read:

Section 1. EVELETH POLICE AND FIREFIGHTERS; BENEFIT INCREASE.

Notwithstanding any general or special law to the contrary, in addition to the current pensions and other retirement benefits payable, the pensions and retirement benefits payable to retired police officers and firefighters and their surviving spouses by the Eveleth police and fire trust fund are increased by \$100 a month. Increases are retroactive to January 1, 1995. If the city of Eveleth fails to contribute an amount required in a given year sufficient to amortize the unfunded actuarial accrued liability of the police and fire trust fund by December 31, 1998, the increases under this section in the following year are not payable.

Sec. 5. EFFECTIVE DATE.

(a) Section 1 is effective the day after approval by the Columbia Heights city council and compliance with Minnesota Statutes, section 645.021.

(b) Section 2 is effective upon approval by the city council of the city of Minneapolis and compliance with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 8

ACTUARIAL SERVICES CONTRACT-RELATED CHANGES

Section 1. Minnesota Statutes 1997 Supplement, section 3.85, subdivision 11, is amended to read:

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

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

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

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- (2) the general state employees retirement plan, Minnesota state retirement system;
- (3) the correctional employees retirement plan, Minnesota state retirement system;
- (4) the state patrol retirement plan, Minnesota state retirement system;
- (5) the judges retirement plan, Minnesota state retirement system;
- (6) the Minneapolis employees retirement plan, Minneapolis employees retirement fund;
- (7) the public employees retirement plan, public employees retirement association;
- (8) the public employees police and fire plan, public employees retirement association;
- (9) the Duluth teachers retirement plan, Duluth teachers retirement fund association;
- (10) the Minneapolis teachers retirement plan, Minneapolis teachers retirement fund association;
- (11) the St. Paul teachers retirement plan, St. Paul teachers retirement fund association;
- (12) the legislators retirement plan, Minnesota state retirement system; and
- (13) the elective state officers retirement plan, Minnesota state retirement system.

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

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

- (1) individual salary progression;
- (2) rate of return on investments based on current asset value;
- (3) payroll growth;
- (4) mortality;
- (5) retirement age;
- (6) withdrawal; and
- (7) disablement.

(d) The actuary retained by the commission shall annually prepare a report to the legislature, including the commentary on the actuarial valuation calculations for the plans named in paragraph (b) and summarizing the results of the actuarial valuation calculations. The commission-retained actuary shall include with the report the actuary's recommendations concerning the appropriateness of the support rates to achieve proper

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funding of the retirement funds by the required funding dates. The commission-retained actuary shall, as part of the quadrennial published experience study, include recommendations to the legislature on the appropriateness of the actuarial valuation assumptions required for evaluation in the study.

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

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

Sec. 2. Minnesota Statutes 1997 Supplement, section 356.215, subdivision 2, is amended to read:

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

(b) ~~The A quadrennial projection valuations valuation~~ valuation required under paragraph (a) ~~are~~ is intended to serve as an additional analytical tool with which policy makers may assess the future funding status of public plans through forecasting and testing various potential outcomes over time if certain plan assumptions or valuation methods were to be modified. In consultation with the executive director of the legislative commission on pensions and retirement, the retirement fund directors, the state economist, the state demographer, the commissioner of finance, and the commissioner of employee relations, the actuary retained by the legislative commission on pensions and retirement shall perform the quadrennial projection valuations, testing future implications for plan funding by modifying assumptions and methods currently in place. The commission-retained ac-

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tuary shall provide advice to the commission as to the periods over which such projections should be made, the nature and scope of the scenarios to be analyzed, and the measures of funding status to be employed, and shall report the results of these analyses in the same manner as for quadrennial experience studies.

Sec. 3. EFFECTIVE DATE.

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

ARTICLE 9

PERA CORRECTIONAL EMPLOYEE DISABILITY COVERAGE

Section 1. Minnesota Statutes 1997 Supplement, section 353.27, subdivision 2, is amended to read:

Subd. 2. **EMPLOYEE CONTRIBUTION.** (a) Except as provided in paragraph (b), the employee contribution shall be an amount ~~(a)~~ (1) for a "basic member" equal to 8.75 percent of total salary; and ~~(b)~~ (2) for a "coordinated member" equal to 4.75 percent of total salary.

(b) For local government correctional service employees, as defined in section 353.33, subdivision 3a, the employee contribution is an amount equal to 4.96 percent of total salary.

(c) These contributions must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, such member's employee contribution must be based on the total salary received from all sources.

Sec. 2. Minnesota Statutes 1996, section 353.27, subdivision 3, is amended to read:

Subd. 3. **EMPLOYER CONTRIBUTION.** (a) Except as provided in paragraph (b), the employer contribution shall be an amount equal to the employee contribution under subdivision 2.

(b) On behalf of local government correctional service employees, as defined in section 353.33, subdivision 3a, the employer contribution is an amount equal to 5.06 percent of total salary.

(c) This contribution shall be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

Sec. 3. Minnesota Statutes 1996, section 353.33, subdivision 3a, is amended to read:

Subd. 3a. **CORRECTIONAL EMPLOYEE DISABILITY BENEFIT COVERAGE.** (a) For purposes of the disability benefit coverage provided under this subdivision, a local government correctional service employee is a person who:

(1) is an "essential employee" as defined in section 179A.03, subdivision 7;

(2) is employed in a county-administered jail or correctional facility or in a regional correctional facility administered by multiple counties;

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(3) spends at least 75 percent of the employee's working time in direct contact with persons confined in the jail or facility, as certified by the employer to the executive director of the association before August 1, 1998, or within 30 days of employment in the qualifying county employment position, whichever is later; and

(4) is a "public employee" as defined in section 353.01, and is not a member of the public employees retirement association police and fire fund.

(b) A local government correctional employee who becomes disabled and physically or mentally unfit to perform the duties of the position as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty that renders the employee physically or mentally unable to perform the employee's correctional facility duties, is entitled to a disability benefit based on covered service under this chapter only in an amount equal to 45 percent of the average salary defined in section 353.29, subdivision 2, plus an additional 1.8 percent for each year of service as a correctional service employee after July 1, 1998, in excess of 25 years.

(c) If the eligible employee is entitled to receive a disability benefit as provided in paragraph (b) 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 subdivision.

Subd. 3b. OPTIONAL ANNUITY ELECTION. A disabled member may elect to receive the normal disability benefit or an optional annuity under section 353.30, subdivision 3. The election of an optional annuity must be made prior to the commencement of payment of the disability benefit. The optional annuity must begin to accrue on the same date as provided for the disability benefit.

(1) If a person who is not the spouse of a member is named as beneficiary of the joint and survivor optional annuity, the person is eligible to receive the annuity only if the spouse, on the disability application form prescribed by the executive director, permanently waives the surviving spouse benefits under sections 353.31, subdivision 1, and 353.32, subdivision 1a. If the spouse of the member refuses to permanently waive the surviving spouse coverage, the selection of a person other than the spouse of the member as a joint annuitant is invalid.

(2) If the spouse of the member permanently waives survivor coverage, the dependent children, if any, continue to be eligible for survivor benefits under section 353.31, subdivision 1, including the minimum benefit in section 353.31, subdivision 1a. The designated optional annuity beneficiary may draw the monthly benefit; however, the amount payable to the dependent child or children and joint annuitant must not exceed the 70 percent maximum family benefit under section 353.31, subdivision 1a. If the maximum is exceeded, the benefit of the joint annuitant must be reduced to the amount necessary so

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that the total family benefit does not exceed the 70 percent maximum family benefit amount.

(3) If the spouse is named as the beneficiary of the joint and survivor optional annuity, the spouse may draw the monthly benefits; however, the amount payable to the dependent child or children and the joint annuitant must not exceed the 70 percent maximum family benefit under section 353.31, subdivision 1a. If the maximum is exceeded, each dependent child will receive ten percent of the member's specified average monthly salary, and the benefit to the joint annuitant must be reduced to the amount necessary so that the total family benefit does not exceed the 70 percent maximum family benefit amount. The joint and survivor optional annuity must be restored to the surviving spouse, plus applicable postretirement adjustments under section 356.41, as the dependent child or children become no longer dependent under section 353.01, subdivision 15.

Sec. 4. EFFECTIVE DATE.

Sections 1 and 2 are effective the first full pay period beginning after June 30, 1998. Section 3 is effective July 1, 1998, and applies to disabilities that occur after June 30, 1998.

Presented to the governor April 10, 1998

Signed by the governor April 20, 1998, 11:25 a.m.

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