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State of Minnesota  
**HOUSE OF REPRESENTATIVES**  
EIGHTY-FIFTH  
SESSION

**HOUSE FILE NO. 1978**

- March 12, 2007  
    Authored by Murphy, M.  
    The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections
- May 11, 2007  
    Committee Recommendation and Adoption of Report:  
    To Pass as Amended and re-referred to the Committee on Rules and Legislative Administration
- May 14, 2007  
    Committee Recommendation and Adoption of Report: To Pass and re-referred to the Committee on Taxes
- May 14, 2007  
    Committee Recommendation and Adoption of Report:  
    To Pass as Amended and Read Second Time
- May 15, 2007  
    By motion, re-referred to the Committee on Ways and Means

A bill for an act

1.1 relating to retirement; various retirement plans; authorizing an optional  
1.2 annuity election for the surviving spouse of a deceased former legislator;  
1.3 permitting the optional early division of legislators retirement plan retirement  
1.4 allowances upon a marriage dissolution; expanding the membership of the  
1.5 general state employees retirement plan and the State Patrol retirement plan;  
1.6 permitting withholding of insurance premiums from public safety employee  
1.7 annuities; providing special coverage to privatized employees of Lakefield  
1.8 Nursing Home, Lakeview Nursing Home, Oakland Park Nursing Home,  
1.9 and Hutchinson Area Health Care; permitting various prior service credit  
1.10 purchases; exempting certain Anoka County employees from reemployed  
1.11 annuitant earnings limitations; permitting certain combined service annuity  
1.12 back payments; permitting a delayed disability benefit application; making  
1.13 various administrative changes in various statewide retirement plans; modifying  
1.14 disability determination procedures and disability benefits in various plans  
1.15 administered by the Public Employees Retirement Association; authorizing  
1.16 investment in the State Board of Investment by the Minneapolis Employees  
1.17 Retirement Fund; relaxing certain Minneapolis Employees Retirement Fund  
1.18 liquidity transfer requirements; expanding the coverage group of the state  
1.19 employees correctional retirement plan to include various Department of  
1.20 Corrections and Department of Human Services employees; modifying various  
1.21 aspects of the volunteer fire supplemental benefit coverage; correcting various  
1.22 2006 drafting errors; replacing the investment-related postretirement adjustment  
1.23 mechanism for the St. Paul Teachers Retirement Fund Association with a cost  
1.24 of living adjustment mechanism; extending the St. Paul Teachers Retirement  
1.25 Fund Association amortization target date; modifying certain Minneapolis  
1.26 Police Relief Association surviving spouse benefit amounts and validating prior  
1.27 payments; increasing the amount available for distribution by the Minneapolis  
1.28 Firefighters Relief Association as a postretirement adjustment; including the  
1.29 Public Employees Retirement Association staff in the state's postretirement  
1.30 option; extending the 2006 special retirement incentive to 2009 and making  
1.31 certain modifications; authorizing an additional postretirement adjustment for  
1.32 surviving spouses receiving benefits from the Thief River Falls Police Trust  
1.33 Fund; amending Minnesota Statutes 2006, sections 3.85, subdivisions 3, 10;  
1.34 3A.02, subdivisions 1, 5; 3A.05; 13.632, subdivision 1; 43A.346, subdivisions 1,  
1.35 2; 126C.41, subdivision 4; 352.01, subdivisions 2a, 2b, 11; 352.12, subdivision  
1.36 2a; 352.27; 352.91, subdivisions 3d, 3e, 3f, 4b; 352.951; 352.98, by adding  
1.37 a subdivision; 352B.01, subdivision 2; 352D.02, subdivisions 1, 3; 352D.06,  
1.38 subdivision 3; 353.01, subdivisions 2a, 2b, 6, 16, 28, 37, by adding subdivisions;  
1.39

2.1 353.03, subdivisions 3, 3a, 4; 353.27, by adding a subdivision; 353.28,  
 2.2 subdivision 6; 353.29, subdivision 3; 353.30, subdivisions 1a, 1b, 1c; 353.32,  
 2.3 subdivisions 1a, 1b; 353.33, subdivisions 1, 2, 4, 6, 7a; 353.34, subdivision  
 2.4 3; 353.651, subdivision 4; 353.656, subdivisions 1a, 3, 4, 5a, 6a, 8, 10, by  
 2.5 adding subdivisions; 353.657, subdivisions 1, 2, 2a, 3; 353B.08, subdivision 11;  
 2.6 353E.06, subdivisions 1, 2, 4, 8; 353F.02, subdivision 4; 353F.04, subdivision  
 2.7 1; 354.05, subdivision 13; 354.093; 354.094; 354.095; 354.096, subdivision  
 2.8 2; 354.35; 354.44, subdivision 6; 354.45, subdivision 1a; 354.48, subdivision  
 2.9 3; 354A.12, subdivisions 3b, 3c, 3d; 354A.29, subdivisions 3, 4; 354B.21,  
 2.10 subdivision 3; 355.01, subdivision 3h; 356.195, subdivision 1; 356.215,  
 2.11 subdivision 11; 356.405; 356.46, subdivision 3; 356.87; 356A.06, subdivision 6;  
 2.12 422A.01, subdivision 13a; 422A.05, subdivision 2c; 422A.06, subdivisions 3, 5,  
 2.13 7, 8; 422A.101, subdivision 3; 423A.02, subdivisions 3, 5; 423B.10, subdivision  
 2.14 1; 423C.06, subdivision 2; 424A.10, subdivisions 1, 2, 3; 490.121, subdivisions  
 2.15 15a, 21f; 626.84, subdivision 1; Laws 1981, chapter 68, section 42, subdivision  
 2.16 1, as amended; Laws 2006, chapter 271, article 2, sections 12, subdivision 1; 13,  
 2.17 subdivision 3; article 3, section 43; article 14, section 2, subdivision 3; proposing  
 2.18 coding for new law in Minnesota Statutes, chapters 3A; 352; 353; 353E; 354;  
 2.19 356; repealing Minnesota Statutes 2006, sections 352.031; 353.30, subdivision  
 2.20 1; 353.33, subdivisions 6a, 6b, 8; 353.34, subdivision 7; 353.656, subdivisions  
 2.21 5, 9, 11, 12; 353.69; 354.071; 354.49, subdivision 5; 354A.12, subdivision 3d;  
 2.22 354A.29, subdivision 6; 356.90; 422A.101, subdivision 4.

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

## 2.24 ARTICLE 1

### 2.25 VARIOUS CLARIFICATIONS AND CORRECTIONS

2.26 Section 1. Minnesota Statutes 2006, section 3A.05, is amended to read:

#### 2.27 3A.05 APPLICATION FOR SURVIVOR BENEFIT.

2.28 (a) Applications for survivor benefits under section 3A.04 must be filed with the  
 2.29 director by the surviving spouse and dependent child or children entitled to benefits under  
 2.30 section 3A.04, or by the guardian of the estate, if there is one, of the dependent child or  
 2.31 children.

2.32 (b) Survivor benefits accrue as of the first day of the month following the death of  
 2.33 the member of the legislature or former legislator and payments commence as of the first  
 2.34 of the month next following the filing of the application, and are retroactive to the date the  
 2.35 benefit accrues or the first of the month occurring 12 months before the month in which  
 2.36 the application is filed with the director, whichever is ~~earlier~~ later.

2.37 **EFFECTIVE DATE.** This section is effective retroactively to July 1, 2006.

2.38 Sec. 2. Minnesota Statutes 2006, section 13.632, subdivision 1, is amended to read:

2.39 Subdivision 1. **Beneficiary and survivor data.** The following data on beneficiaries  
 2.40 and survivors of the ~~Minneapolis Teachers Retirement Fund Association, the St. Paul~~  
 2.41 Teachers Retirement Fund Association; and the Duluth Teachers Retirement Fund

3.1 Association members are private data on individuals: home address, date of birth, direct  
3.2 deposit number, and tax withholding data.

3.3 **EFFECTIVE DATE.** This section is effective the day after final enactment.

3.4 Sec. 3. Minnesota Statutes 2006, section 126C.41, subdivision 4, is amended to read:

3.5 Subd. 4. **Minneapolis health insurance subsidy.** Each year Special School District  
3.6 No. 1, Minneapolis, may make an additional levy not to exceed the amount raised by a net  
3.7 tax rate of .10 percent times the adjusted net tax capacity for taxes payable in 1991 and  
3.8 thereafter of the property in the district for the preceding year. The proceeds may be used  
3.9 only to subsidize health insurance costs for eligible teachers as provided in this section.

3.10 "Eligible teacher" means a retired teacher who is a retired member of the Teachers  
3.11 Retirement Association, who was a basic member of the former Minneapolis Teachers  
3.12 Retirement Fund Association, who retired before May 1, 1974, or who had 20 or more  
3.13 years of basic member service in the former Minneapolis Teachers Retirement Fund  
3.14 Association and retired before June 30, 1983, and who is not eligible to receive the  
3.15 hospital insurance benefits of the federal Medicare program of the Social Security Act  
3.16 without payment of a monthly premium. The district must notify eligible teachers that a  
3.17 subsidy is available. To obtain a subsidy, an eligible teacher must submit to the school  
3.18 district a copy of receipts for health insurance premiums paid. The district must disburse  
3.19 the health insurance premium subsidy to each eligible teacher according to a schedule  
3.20 determined by the district, but at least annually. An eligible teacher may receive a subsidy  
3.21 up to an amount equal to the lesser of 90 percent of the cost of the eligible teacher's  
3.22 health insurance or up to 90 percent of the cost of the number two qualified plan of health  
3.23 coverage for individual policies made available by the Minnesota comprehensive health  
3.24 association under chapter 62E.

3.25 If funds remaining from the previous year's health insurance subsidy levy, minus  
3.26 the previous year's required subsidy amount, are sufficient to pay the estimated current  
3.27 year subsidy, the levy must be discontinued until the remaining funds are estimated by the  
3.28 school board to be insufficient to pay the subsidy.

3.29 This subdivision does not extend benefits to teachers who retire after June 30,  
3.30 1983, and does not create a contractual right or claim for altering the benefits in this  
3.31 subdivision. This subdivision does not restrict the district's right to modify or terminate  
3.32 coverage under this subdivision.

3.33 **EFFECTIVE DATE.** This section is effective the day after final enactment.

4.1 Sec. 4. Minnesota Statutes 2006, section 353.01, subdivision 2b, is amended to read:

4.2 Subd. 2b. **Excluded employees.** The following public employees are not eligible  
4.3 to participate as members of the association with retirement coverage by the public  
4.4 employees retirement plan, the local government correctional employees retirement plan  
4.5 under chapter 353E, or the public employees police and fire retirement plan:

4.6 (1) public officers, other than county sheriffs, who are elected to a governing body,  
4.7 or persons who are appointed to fill a vacancy in an elective office of a governing body,  
4.8 whose term of office commences on or after July 1, 2002, for the service to be rendered  
4.9 in that elective position. Elected governing body officials who were active members of  
4.10 the association's coordinated or basic retirement plans as of June 30, 2002, continue  
4.11 participation throughout incumbency in office until termination of public service occurs as  
4.12 defined in subdivision 11a;

4.13 (2) election officers or election judges;

4.14 (3) patient and inmate personnel who perform services for a governmental  
4.15 subdivision;

4.16 (4) except as otherwise specified in subdivision 12a, employees who are hired for  
4.17 a temporary position as defined under subdivision 12a, and employees who resign from  
4.18 a nontemporary position and accept a temporary position within 30 days in the same  
4.19 governmental subdivision;

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

4.22 (6) employees who by virtue of their employment in one governmental subdivision  
4.23 are required by law to be a member of and to contribute to any of the plans or funds  
4.24 administered by the Minnesota State Retirement System, the Teachers Retirement  
4.25 Association, the Duluth Teachers Retirement Fund Association, ~~the Minneapolis Teachers~~  
4.26 ~~Retirement Fund Association~~, the St. Paul Teachers Retirement Fund Association, the  
4.27 Minneapolis Employees Retirement Fund, or any police or firefighters relief association  
4.28 governed by section 69.77 that has not consolidated with the Public Employees Retirement  
4.29 Association, or any local police or firefighters consolidation account who have not elected  
4.30 the type of benefit coverage provided by the public employees police and fire fund under  
4.31 sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4,  
4.32 5, or 6, who have not elected public employees police and fire plan benefit coverage. This  
4.33 clause must not be construed to prevent a person from being a member of and contributing  
4.34 to the Public Employees Retirement Association and also belonging to and contributing to  
4.35 another public pension plan or fund for other service occurring during the same period  
4.36 of time. A person who meets the definition of "public employee" in subdivision 2 by

5.1 virtue of other service occurring during the same period of time becomes a member of the  
5.2 association unless contributions are made to another public retirement fund on the salary  
5.3 based on the other service or to the Teachers Retirement Association by a teacher as  
5.4 defined in section 354.05, subdivision 2;

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

5.10 (8) employees of a governmental subdivision who have not reached the age of  
5.11 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time  
5.12 basis at an accredited school, college, or university in an undergraduate, graduate, or  
5.13 professional-technical program, or a public or charter high school;

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

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

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

5.20 (12) except for employees of Hennepin County or Hennepin Healthcare System,  
5.21 Inc., foreign citizens working for a governmental subdivision with a work permit of less  
5.22 than three years, or an H-1b visa valid for less than three years of employment. Upon  
5.23 notice to the association that the work permit or visa extends beyond the three-year period,  
5.24 the foreign citizens must be reported for membership from the date of the extension;

5.25 (13) public hospital employees who elected not to participate as members of the  
5.26 association before 1972 and who did not elect to participate from July 1, 1988, to October  
5.27 1, 1988;

5.28 (14) except as provided in section 353.86, volunteer ambulance service personnel,  
5.29 as defined in subdivision 35, but persons who serve as volunteer ambulance service  
5.30 personnel may still qualify as public employees under subdivision 2 and may be members  
5.31 of the Public Employees Retirement Association and participants in the public employees  
5.32 retirement fund or the public employees police and fire fund, whichever applies, on the  
5.33 basis of compensation received from public employment service other than service as  
5.34 volunteer ambulance service personnel;

5.35 (15) except as provided in section 353.87, volunteer firefighters, as defined in  
5.36 subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties;

6.1 provided that a person who is a volunteer firefighter may still qualify as a public  
6.2 employee under subdivision 2 and may be a member of the Public Employees Retirement  
6.3 Association and a participant in the public employees retirement fund or the public  
6.4 employees police and fire fund, whichever applies, on the basis of compensation received  
6.5 from public employment activities other than those as a volunteer firefighter;

6.6 (16) pipefitters and associated trades personnel employed by Independent School  
6.7 District No. 625, St. Paul, with coverage under a collective bargaining agreement by the  
6.8 pipefitters local 455 pension plan who were either first employed after May 1, 1997, or,  
6.9 if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter  
6.10 241, article 2, section 12;

6.11 (17) electrical workers, plumbers, carpenters, and associated trades personnel  
6.12 employed by Independent School District No. 625, St. Paul, or the city of St. Paul,  
6.13 who have retirement coverage under a collective bargaining agreement by the Electrical  
6.14 Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan,  
6.15 or the Carpenters Local 87 pension plan who were either first employed after May 1,  
6.16 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000,  
6.17 chapter 461, article 7, section 5;

6.18 (18) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers,  
6.19 painters, allied tradesworkers, and plasterers employed by the city of St. Paul or  
6.20 Independent School District No. 625, St. Paul, with coverage under a collective  
6.21 bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan,  
6.22 the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324  
6.23 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities  
6.24 Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if  
6.25 first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special  
6.26 Session chapter 10, article 10, section 6;

6.27 (19) plumbers employed by the Metropolitan Airports Commission, with coverage  
6.28 under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either  
6.29 were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to  
6.30 be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

6.31 (20) employees who are hired after June 30, 2002, to fill seasonal positions under  
6.32 subdivision 12b which are limited in duration by the employer to 185 consecutive calendar  
6.33 days or less in each year of employment with the governmental subdivision;

6.34 (21) persons who are provided supported employment or work-study positions  
6.35 by a governmental subdivision and who participate in an employment or industries  
6.36 program maintained for the benefit of these persons where the governmental subdivision

7.1 limits the position's duration to three years or less, including persons participating in a  
 7.2 federal or state subsidized on-the-job training, work experience, senior citizen, youth, or  
 7.3 unemployment relief program where the training or work experience is not provided as a  
 7.4 part of, or for, future permanent public employment;

7.5 (22) independent contractors and the employees of independent contractors; and

7.6 (23) reemployed annuitants of the association during the course of that  
 7.7 reemployment.

7.8 **EFFECTIVE DATE.** This section is effective the day after final enactment.

7.9 Sec. 5. Minnesota Statutes 2006, section 354.44, subdivision 6, is amended to read:

7.10 Subd. 6. **Computation of formula program retirement annuity.** (a) The formula  
 7.11 retirement annuity must be computed in accordance with the applicable provisions of the  
 7.12 formulas stated in paragraph (b) or (d) on the basis of each member's average salary under  
 7.13 section 354.05, subdivision 13a, for the period of the member's formula service credit.

7.14 (b) This paragraph, in conjunction with paragraph (c), applies to a person who first  
 7.15 became a member of the association or a member of a pension fund listed in section  
 7.16 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with  
 7.17 paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The  
 7.18 average salary as defined in section 354.05, subdivision 13a, multiplied by the following  
 7.19 percentages per year of formula service credit shall determine the amount of the annuity to  
 7.20 which the member qualifying therefor is entitled for service rendered before July 1, 2006:

7.21		Coordinated Member	Basic Member
7.22	Each year of service	the percent specified	the percent
7.23	during first ten	in section 356.315,	specified in
7.24		subdivision 1, per year	section 356.315,
7.25			subdivision 3, per
7.26			year
7.27	Each year of service	the percent specified	the percent
7.28	thereafter	in section 356.315,	specified in
7.29		subdivision 2, per year	section 356.315,
7.30			subdivision 4, per
7.31			year

7.32 For service rendered on or after July 1, 2006, the average salary as defined in section  
 7.33 354.05, subdivision 13a, multiplied by the following percentages per year of service credit,  
 7.34 determines the amount the annuity to which the member qualifying therefor is entitled:

8.1		Coordinated Member	Basic Member
8.2	Each year of service	the percent specified	the percent
8.3	during first ten	in section 356.315,	specified in
8.4		subdivision 1a, per year	section 356.315,
8.5			subdivision 3, per
8.6			year
8.7	Each year of service after	the percent specified	the percent
8.8	ten years of service	in section 356.315,	specified in
8.9		subdivision 2b, per year	section 356.315,
8.10			subdivision 4, per
8.11			year

8.12 (c)(i) This paragraph applies only to a person who first became a member of the  
 8.13 association or a member of a pension fund listed in section 356.30, subdivision 3, before  
 8.14 July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in  
 8.15 conjunction with this paragraph than when calculated under paragraph (d), in conjunction  
 8.16 with paragraph (e).

8.17 (ii) Where any member retires prior to normal retirement age under a formula  
 8.18 annuity, the member shall be paid a retirement annuity in an amount equal to the normal  
 8.19 annuity provided in paragraph (b) reduced by one-quarter of one percent for each month  
 8.20 that the member is under normal retirement age at the time of retirement except that for  
 8.21 any member who has 30 or more years of allowable service credit, the reduction shall be  
 8.22 applied only for each month that the member is under age 62.

8.23 (iii) Any member whose attained age plus credited allowable service totals 90 years  
 8.24 is entitled, upon application, to a retirement annuity in an amount equal to the normal  
 8.25 annuity provided in paragraph (b), without any reduction by reason of early retirement.

8.26 (d) This paragraph applies to a member who has become at least 55 years old and  
 8.27 first became a member of the association after June 30, 1989, and to any other member  
 8.28 who has become at least 55 years old and whose annuity amount when calculated under  
 8.29 this paragraph and in conjunction with paragraph (e), is higher than it is when calculated  
 8.30 under paragraph (b), in conjunction with paragraph (c). For a basic member, the average  
 8.31 salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified  
 8.32 by section 356.315, subdivision 4, for each year of service for a basic member shall  
 8.33 determine the amount of the retirement annuity to which the basic member is entitled.  
 8.34 The annuity of a basic member who was a member of the former Minneapolis Teachers  
 8.35 Retirement Fund Association as of June 30, 2006, must be determined according to the  
 8.36 annuity formula under the articles of incorporation of the former Minneapolis Teachers  
 8.37 Retirement Fund Association in effect as of that date. For a coordinated member, the  
 8.38 average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent  
 8.39 specified in section 356.315, subdivision 2, for each year of service rendered before July

9.1 1, 2006, and by the percent specified in section 356.315, subdivision 2b, for each year of  
 9.2 service rendered on or after July 1, 2006, determines the amount of the retirement annuity  
 9.3 to which the coordinated member is entitled.

9.4 (e) This paragraph applies to a person who has become at least 55 years old and first  
 9.5 becomes a member of the association after June 30, 1989, and to any other member who  
 9.6 has become at least 55 years old and whose annuity is higher when calculated under  
 9.7 paragraph (d) in conjunction with this paragraph than when calculated under paragraph  
 9.8 (b), in conjunction with paragraph (c). An employee who retires under the formula annuity  
 9.9 before the normal retirement age shall be paid the normal annuity provided in paragraph  
 9.10 (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would  
 9.11 be payable to the employee if the employee deferred receipt of the annuity and the annuity  
 9.12 amount were augmented at an annual rate of three percent compounded annually from the  
 9.13 day the annuity begins to accrue until the normal retirement age if the employee became  
 9.14 an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee  
 9.15 becomes an employee after June 30, 2006.

9.16 (f) No retirement annuity is payable to a former employee with a salary that exceeds  
 9.17 95 percent of the governor's salary unless and until the salary figures used in computing  
 9.18 the highest five successive years average salary under paragraph (a) have been audited by  
 9.19 the Teachers Retirement Association and determined by the executive director to comply  
 9.20 with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

9.21 **EFFECTIVE DATE.** This section is effective retroactively to July 1, 2006.

9.22 Sec. 6. Minnesota Statutes 2006, section 354A.12, subdivision 3b, is amended to read:

9.23 Subd. 3b. **Special direct state matching aid to the Teachers Retirement**  
 9.24 **Association.** (a) Special School District No. 1 must make an additional employer  
 9.25 contribution to the Teachers Retirement Fund Association. The city of Minneapolis must  
 9.26 make a contribution to the Teachers Retirement Association. This contribution must be  
 9.27 made by a levy of the board of estimate and taxation of the city of Minneapolis and the  
 9.28 levy, if made, is classified as that of a special taxing district for purposes of sections  
 9.29 275.065 and 276.04, and for all other property tax purposes.

9.30 (b) ~~\$1,125,000~~ \$1,250,000 must be contributed by Special School District No.  
 9.31 1 and ~~\$1,125,000~~ \$1,250,000 must be contributed by the city of Minneapolis to the  
 9.32 Teachers Retirement Association under paragraph (a), and the state shall pay to the  
 9.33 Teachers Retirement Association \$2,500,000 each fiscal year. The superintendent of  
 9.34 Special School District No. 1, the mayor of the city of Minneapolis, and the executive  
 9.35 director of the Teachers Retirement Association shall jointly certify to the commissioner

10.1 of finance the total amount that has been contributed by Special School District No. 1  
10.2 and by the city of Minneapolis to the Teachers Retirement Association. Any certification  
10.3 to the commissioner of education must be made quarterly. If the total certifications for a  
10.4 fiscal year exceed the maximum annual direct state matching aid amount in any quarter,  
10.5 the amount of direct state matching aid payable to the Teachers Retirement Association  
10.6 must be limited to the balance of the maximum annual direct state matching aid amount  
10.7 available. The amount required under this paragraph, subject to the maximum direct state  
10.8 matching aid amount, is appropriated annually to the commissioner of finance.

10.9 (c) The commissioner of finance may prescribe the form of the certifications  
10.10 required under paragraph (b).

10.11 **EFFECTIVE DATE.** This section is effective retroactively to July 1, 2006.

10.12 Sec. 7. Minnesota Statutes 2006, section 354A.12, subdivision 3c, is amended to read:

10.13 Subd. 3c. **Termination of supplemental contributions and direct matching**  
10.14 **and state aid.** (a) The supplemental contributions payable to the Minneapolis Teachers  
10.15 Retirement Fund Association by Special School District No. 1 and the city of Minneapolis  
10.16 under section 423A.02, subdivision 3, ~~which~~ must continue to be paid to the Teachers  
10.17 Retirement Association until 2037, ~~or~~ The supplemental contributions payable to the St.  
10.18 Paul Teachers Retirement Fund Association by Independent School District No. 625 under  
10.19 section 423A.02, subdivision 3, or the direct state aids under subdivision 3a to the St. Paul  
10.20 Teachers Retirement Fund Association terminate at the end of the fiscal year in which the  
10.21 accrued liability funding ratio for that fund, as determined in the most recent actuarial  
10.22 report for that fund by the actuary retained under section 356.214, equals or exceeds the  
10.23 accrued liability funding ratio for the teachers retirement association, as determined in  
10.24 the most recent actuarial report for the Teachers Retirement Association by the actuary  
10.25 retained under section 356.214.

10.26 (b) If the state direct matching, state supplemental, or state aid is terminated for a  
10.27 first class city teachers retirement fund association under paragraph (a), it may not again  
10.28 be received by that fund.

10.29 (c) If the St. Paul Teachers Retirement Fund Association is funded at the funding  
10.30 ratio applicable to the Teachers Retirement Association when the provisions of paragraph  
10.31 (b) become effective, then any state aid previously distributed to that association must be  
10.32 immediately transferred to the Teachers Retirement Association.

10.33 **EFFECTIVE DATE.** This section is effective retroactively to July 1, 2006.

11.1 Sec. 8. Minnesota Statutes 2006, section 354A.12, subdivision 3d, is amended to read:

11.2 Subd. 3d. **Supplemental administrative expense assessment.** (a) The active and  
11.3 retired membership of the St. Paul Teachers Retirement Fund Association is responsible  
11.4 for defraying supplemental administrative expenses other than investment expenses of the  
11.5 respective teacher retirement fund association.

11.6 (b) Investment expenses of the teachers retirement fund association are those  
11.7 expenses incurred by or on behalf of the retirement fund in connection with the investment  
11.8 of the assets of the retirement fund other than investment security transaction costs. Other  
11.9 administrative expenses are all expenses incurred by or on behalf of the retirement fund  
11.10 for all other retirement fund functions other than the investment of retirement fund assets.  
11.11 Investment and other administrative expenses must be accounted for using generally  
11.12 accepted accounting principles and in a manner consistent with the comprehensive annual  
11.13 financial report of the teachers retirement fund association for the immediately previous  
11.14 fiscal year under section 356.20.

11.15 (c) Supplemental administrative expenses other than investment expenses of the St.  
11.16 Paul Teachers Retirement Fund Association are those expenses for the fiscal year that:

11.17 (1) exceed, for the St. Paul Teachers Retirement Fund Association, \$443,745 plus  
11.18 an additional amount derived by applying the percentage increase in the Consumer Price  
11.19 Index for Urban Wage Earners and Clerical Workers All Items Index published by the  
11.20 Bureau of Labor Statistics of the United States Department of Labor since July 1, 2001,  
11.21 to the dollar amount; and

11.22 (2) exceed the amount computed by applying the most recent percentage of  
11.23 pay administrative expense amount, other than investment expenses, for the teachers  
11.24 retirement association governed by chapter 354 to the covered payroll of the respective  
11.25 teachers retirement fund association for the fiscal year.

11.26 (d) The board of trustees of the St. Paul Teachers Retirement Fund Association  
11.27 shall allocate the total dollar amount of supplemental administrative expenses other than  
11.28 investment expenses determined under paragraph (c), clause (2), among the various active  
11.29 and retired membership groups of the teachers retirement fund association and shall assess  
11.30 the various membership groups their respective share of the supplemental administrative  
11.31 expenses other than investment expenses, in amounts determined by the board of trustees.  
11.32 The supplemental administrative expense assessments must be paid by the membership  
11.33 group in a manner determined by the board of trustees of the respective teachers retirement  
11.34 association. Supplemental administrative expenses payable by the active members of the  
11.35 pension plan must be picked up by the employer in accordance with section 356.62.

12.1 (e) With respect to the St. Paul Teachers Retirement Fund Association, the  
12.2 supplemental administrative expense assessment must be fully disclosed to the various  
12.3 active and retired membership groups of the teachers retirement fund association. The  
12.4 chief administrative officer of the St. Paul Teachers Retirement Fund Association shall  
12.5 prepare a supplemental administrative expense assessment disclosure notice, which must  
12.6 include the following:

12.7 (1) the total amount of administrative expenses of the St. Paul Teachers Retirement  
12.8 Fund Association, the amount of the investment expenses of the St. Paul Teachers  
12.9 Retirement Fund Association, and the net remaining amount of administrative expenses of  
12.10 the St. Paul Teachers Retirement Fund Association;

12.11 (2) the amount of administrative expenses for the St. Paul Teachers Retirement Fund  
12.12 Association that would be equivalent to the teachers retirement association noninvestment  
12.13 administrative expense level described in paragraph (c);

12.14 (3) the total amount of supplemental administrative expenses required for assessment  
12.15 calculated under paragraph (c);

12.16 (4) the portion of the total amount of the supplemental administrative expense  
12.17 assessment allocated to each membership group and the rationale for that allocation;

12.18 (5) the manner of collecting the supplemental administrative expense assessment  
12.19 from each membership group, the number of assessment payments required during the  
12.20 year, and the amount of each payment or the procedure used to determine each payment;  
12.21 and

12.22 (6) any other information that the chief administrative officer determines is necessary  
12.23 to fairly portray the manner in which the supplemental administrative expense assessment  
12.24 was determined and allocated.

12.25 (f) The disclosure notice must be provided annually in the annual report of the  
12.26 association.

12.27 (g) The supplemental administrative expense assessments must be deposited in the  
12.28 applicable teachers retirement fund upon receipt.

12.29 (h) Any omitted active membership group assessments that remain undeducted  
12.30 and unpaid to the teachers retirement fund association for 90 days must be paid by the  
12.31 respective school district. The school district may recover any omitted active membership  
12.32 group assessment amounts that it has previously paid. The teachers retirement fund  
12.33 association shall deduct any omitted retired membership group assessment amounts from  
12.34 the benefits next payable after the discovery of the omitted amounts.

12.35 **EFFECTIVE DATE.** This section is effective retroactively to July 1, 2006.

13.1 Sec. 9. Minnesota Statutes 2006, section 354B.21, subdivision 3, is amended to read:

13.2 Subd. 3. **Default coverage.** (a) Prior to making an election under subdivision 2, or  
 13.3 if an eligible person fails to elect coverage by the plan under subdivision 2 or if the person  
 13.4 fails to make a timely election, the following retirement coverage applies:

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

13.8 (2) for employees of the board who are employed in faculty positions in the technical  
 13.9 colleges, the retirement coverage is by the plan established by this chapter unless on June  
 13.10 30, 1997, the employee was a member of the Teachers Retirement Association established  
 13.11 under chapter 354 and then the retirement coverage is by the Teachers Retirement  
 13.12 Association, or, unless the employee was a member of a first class city teacher retirement  
 13.13 fund established under chapter 354A on June 30, 1995, and then the retirement coverage  
 13.14 is by the Duluth Teachers Retirement Fund Association if the person was a member of  
 13.15 that plan on June 30, 1995, or the ~~Minneapolis Teachers Retirement Fund Association~~  
 13.16 Teachers Retirement Association if the person was a member of ~~that plan~~ the former  
 13.17 Minneapolis Teachers Retirement Fund Association on June 30, 1995, or the St. Paul  
 13.18 Teachers Retirement Fund Association if the person was a member of that plan on June  
 13.19 30, 1995; and

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

13.22 (b) If an employee fails to correctly certify prior membership in the Teachers  
 13.23 Retirement Association to the Minnesota State colleges and Universities system, the  
 13.24 system shall not pay interest on employee contributions, employer contributions, and  
 13.25 additional employer contributions to the Teachers Retirement Association under section  
 13.26 354.52, subdivision 4.

13.27 **EFFECTIVE DATE.** This section is effective the day after final enactment.

13.28 Sec. 10. Minnesota Statutes 2006, section 355.01, subdivision 3h, is amended to read:

13.29 Subd. 3h. **Minneapolis teacher.** "Minneapolis teacher" means a person employed  
 13.30 by Special School District No. 1, Minneapolis, who holds a position covered by the  
 13.31 ~~Minneapolis Teachers Retirement Fund Association~~ established Teachers Retirement  
 13.32 Association under ~~chapter 354A~~ section 354.70.

13.33 **EFFECTIVE DATE.** This section is effective the day after final enactment.

14.1 Sec. 11. Minnesota Statutes 2006, section 356A.06, subdivision 6, is amended to read:

14.2 Subd. 6. **Limited list of authorized investment securities.** (a) Except to the  
14.3 extent otherwise authorized by law, a covered pension plan may invest its assets only in  
14.4 investment securities authorized by this subdivision if the plan does not:

14.5 (1) have assets with a book value in excess of \$1,000,000;

14.6 (2) use the services of an investment advisor registered with the Securities and  
14.7 Exchange Commission in accordance with the Investment Advisers Act of 1940, or  
14.8 registered as an investment advisor in accordance with sections 80A.58; and ~~80A.59~~  
14.9 80A.60, for the investment of at least 60 percent of its assets, calculated on book value;

14.10 (3) use the services of the State Board of Investment for the investment of at least 60  
14.11 percent of its assets, calculated on book value; or

14.12 (4) use a combination of the services of an investment advisor meeting the  
14.13 requirements of clause (2) and the services of the State Board of Investment for the  
14.14 investment of at least 75 percent of its assets, calculated on book value.

14.15 (b) Investment securities authorized for a pension plan covered by this subdivision  
14.16 are:

14.17 (1) certificates of deposit issued, to the extent of available insurance or  
14.18 collateralization, by a financial institution that is a member of the Federal Deposit  
14.19 Insurance Corporation or the Federal Savings and Loan Insurance Corporation, is insured  
14.20 by the National Credit Union Administration, or is authorized to do business in this state  
14.21 and has deposited with the chief administrative officer of the plan a sufficient amount of  
14.22 marketable securities as collateral in accordance with section 118A.03;

14.23 (2) savings accounts, to the extent of available insurance, with a financial institution  
14.24 that is a member of the Federal Deposit Insurance Corporation or the Federal Savings  
14.25 and Loan Insurance Corporation;

14.26 (3) governmental obligations, including bonds, notes, bills, or other fixed  
14.27 obligations, issued by the United States, an agency or instrumentality of the United States,  
14.28 an organization established and regulated by an act of Congress or by a state, state agency  
14.29 or instrumentality, municipality, or other governmental or political subdivision that:

14.30 (i) for the obligation in question, issues an obligation that equals or exceeds the  
14.31 stated investment yield of debt securities not exempt from federal income taxation and of  
14.32 comparable quality;

14.33 (ii) for an obligation that is a revenue bond, has been completely self-supporting  
14.34 for the last five years; and

14.35 (iii) for an obligation other than a revenue bond, has issued an obligation backed by  
14.36 the full faith and credit of the applicable taxing jurisdiction and has not been in default on

15.1 the payment of principal or interest on the obligation in question or any other nonrevenue  
15.2 bond obligation during the preceding ten years;

15.3 (4) corporate obligations, including bonds, notes, debentures, or other regularly  
15.4 issued and readily marketable evidences of indebtedness issued by a corporation organized  
15.5 under the laws of any state that during the preceding five years has had on average  
15.6 annual net pretax earnings at least 50 percent greater than the annual interest charges  
15.7 and principal payments on the total issued debt of the corporation during that period  
15.8 and that, for the obligation in question, has issued an obligation rated in one of the top  
15.9 three quality categories by Moody's Investors Service, Incorporated, or Standard and  
15.10 Poor's Corporation; and

15.11 (5) shares in an open-end investment company registered under the federal  
15.12 Investment Company Act of 1940, if the portfolio investments of the company are limited  
15.13 to investments that meet the requirements of clauses (1) to (4).

15.14 **EFFECTIVE DATE.** This section is effective retroactively to August 1, 2006.

15.15 Sec. 12. Minnesota Statutes 2006, section 423A.02, subdivision 3, is amended to read:

15.16 Subd. 3. **Reallocation of amortization or supplementary amortization state**  
15.17 **aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year  
15.18 amortization aid or supplemental amortization aid distributed under subdivisions 1 and 1a  
15.19 that is not distributed for any reason to a municipality for use by a local police or salaried  
15.20 fire relief association must be distributed by the commissioner of revenue according to this  
15.21 paragraph. The commissioner shall distribute 70 percent of the amounts derived under this  
15.22 paragraph to the ~~Minneapolis Teachers Retirement Fund Association~~ Teachers Retirement  
15.23 Association and 30 percent to the St. Paul Teachers Retirement Fund Association to  
15.24 fund the unfunded actuarial accrued liabilities of the respective funds. These payments  
15.25 shall be made on or before June 30 each fiscal year. The amount required under this  
15.26 paragraph is appropriated annually from the general fund to the commissioner of revenue.  
15.27 ~~If either the Minneapolis Teachers Retirement Fund Association or the St. Paul Teachers~~  
15.28 ~~Retirement Fund Association becomes funded at the funding ratio applicable to the~~  
15.29 ~~teachers retirement association based on the actuarial reports prepared by the actuary for~~  
15.30 ~~the Legislative Commission on Pensions and Retirement, then the commissioner shall~~  
15.31 ~~distribute that fund's share under this paragraph to the other fund. The appropriation~~  
15.32 ~~under this paragraph terminates when both funds become fully funded, its eligibility for~~  
15.33 this aid ceases. Amounts remaining in the undistributed balance account at the end of the  
15.34 biennium if aid eligibility ceases cancel to the general fund.

16.1 (b) In order to receive amortization and supplementary amortization aid under  
 16.2 paragraph (a), Independent School District No. 625, St. Paul, must make contributions  
 16.3 to the St. Paul Teachers Retirement Fund Association in accordance with the following  
 16.4 schedule:

16.5	Fiscal Year	Amount
16.6	1996	\$0
16.7	1997	\$0
16.8	1998	\$200,000
16.9	1999	\$400,000
16.10	2000	\$600,000
16.11	2001 and thereafter	\$800,000

16.12 (c) ~~In order to receive amortization and supplementary amortization aid under~~  
 16.13 ~~paragraph (a), Special School District No. 1, Minneapolis, and the city of Minneapolis~~  
 16.14 ~~must each make contributions to the Minneapolis Teachers Retirement Fund Association~~  
 16.15 Teachers Retirement Association in accordance with the following schedule:

16.16		City	School
16.17		amount	district
16.18	Fiscal Year		amount
16.19	1996	\$0	\$0
16.20	1997	\$0	\$0
16.21	1998	\$250,000	\$250,000
16.22	1999	\$400,000	\$400,000
16.23	2000	\$550,000	\$550,000
16.24	2001	\$700,000	\$700,000
16.25	2002	\$850,000	\$850,000
16.26	2003 and thereafter	\$1,000,000	\$1,000,000

16.27 (d) Money contributed under paragraph (a) and either paragraph (b) or (c), as  
 16.28 applicable, must be credited to a separate account in the applicable teachers retirement  
 16.29 fund and may not be used in determining any benefit increases. The separate account  
 16.30 terminates for a fund when the aid payments to the fund under paragraph (a) cease.

16.31 (e) Thirty percent of the difference between \$5,720,000 and the current year  
 16.32 amortization aid or supplemental amortization aid under subdivisions 1 and 1a that is not  
 16.33 distributed for any reason to a municipality for use by a local police or salaried firefighter  
 16.34 relief association must be distributed under section 69.021, subdivision 7, paragraph (d),  
 16.35 as additional funding to support a minimum fire state aid amount for volunteer firefighter  
 16.36 relief associations. The amount required under this paragraph is appropriated annually  
 16.37 to the commissioner of revenue.

16.38 **EFFECTIVE DATE.** This section is effective retroactively to July 1, 2006.

17.1 Sec. 13. Minnesota Statutes 2006, section 423A.02, subdivision 5, is amended to read:

17.2 Subd. 5. **Termination of state aid programs.** The amortization state aid,  
17.3 supplemental amortization state aid, and additional amortization state aid programs  
17.4 terminate as of the December 31, next following the date of the actuarial valuation when  
17.5 ~~the assets of the Minneapolis Teachers Retirement Fund Association equal the actuarial~~  
17.6 ~~accrued liability of that plan and when the assets of the St. Paul Teachers Retirement~~  
17.7 Fund Association equal the actuarial accrued liability of that plan or December 31, 2009,  
17.8 whichever is later.

17.9 **EFFECTIVE DATE.** This section is effective the day after final enactment.

17.10 Sec. 14. Laws 2006, chapter 271, article 2, section 12, subdivision 1, is amended to  
17.11 read:

17.12 Subdivision 1. **Election of prior state coverage.** (a) An employee in the  
17.13 occupational position of laundry coordinator or delivery van driver at the Minnesota  
17.14 Correctional Facility-Faribault who has future retirement coverage transferred to the  
17.15 correctional state employees retirement plan under section 5 is entitled to elect to obtain  
17.16 prior service credit for eligible correctional state service performed after June 30, 1997,  
17.17 and before July 1, 2006, with the Department of Corrections and an employee who had  
17.18 future retirement coverage transferred to the correctional state employees retirement  
17.19 plan under Laws 2004, chapter 267, article 1, section 1, is entitled to elect to obtain  
17.20 prior service credit for eligible correctional state service performed at the Minnesota  
17.21 Correctional Facility-Rush City before August 1, 2004. All prior service credit in either  
17.22 instance must be purchased.

17.23 (b) Eligible correctional state service is either a prior period of continuous service  
17.24 after June 30, 1997, at the Minnesota Correctional Facility-Faribault, or a prior period  
17.25 of continuous service at the Minnesota Correctional Facility-Rush City before August 1,  
17.26 2004, whichever applies, performed as an employee of the Department of Corrections that  
17.27 would have been eligible for the correctional state employees retirement plan coverage  
17.28 under section 1, if that prior service had been performed after August 1, 2004, or June 30,  
17.29 2006, rather than before August 1, 2004, or July 1, 2006, whichever applies. Service is  
17.30 continuous if there has been no period of discontinuation of eligible state service for a  
17.31 period greater than 30 calendar days.

17.32 (c) The commissioner of corrections shall certify eligible correctional state service  
17.33 to the commissioner of employee relations and to the executive director of the Minnesota  
17.34 State Retirement System.

18.1 (d) A correctional employee covered under ~~section 1~~ this subdivision is entitled to  
18.2 purchase the past service if the department certifies that the employee met the eligibility  
18.3 requirements for coverage. The employee must make additional employee contributions.  
18.4 Payment for past service must be completed by June 30, 2007.

18.5 **EFFECTIVE DATE.** This section is effective retroactively to June 14, 2006.

18.6 Sec. 15. Laws 2006, chapter 271, article 2, section 13, subdivision 3, is amended to  
18.7 read:

18.8 Subd. 3. **Employee equivalent contribution.** To receive the transfer of service  
18.9 credit specified in subdivision 1, the individual must pay to the executive director of the  
18.10 Minnesota State Retirement System the difference between the employee contribution rate  
18.11 for the general state employees retirement plan and the employee contribution rate for the  
18.12 correctional state employees retirement plan in effect during the period eligible for transfer  
18.13 applied to the eligible individual's salary at the time each additional contribution would  
18.14 have been deducted from pay if coverage had been provided by the correctional state  
18.15 employees retirement plan. These amounts shall be paid in a lump sum by September 1,  
18.16 ~~2005~~ 2007, or prior to termination of service, whichever is earlier, plus 8.5 percent annual  
18.17 compound interest from the applicable payroll deduction date until paid.

18.18 **EFFECTIVE DATE.** This section is effective retroactively to July 1, 2006.

18.19 Sec. 16. Laws 2006, chapter 271, article 14, section 2, subdivision 3, is amended to  
18.20 read:

18.21 Subd. 3. **Payment.** If an eligible person meets the requirements to purchase service  
18.22 credit under this section, the public employees police and fire fund must be paid the  
18.23 amount determined under Minnesota Statutes, section 356.551. Of this amount:

18.24 (1) the eligible person must pay an amount equal to the employee contribution rate  
18.25 during the period of service to be purchased, applied to the actual salary in effect during  
18.26 that period, plus interest at the rate of 8.5 percent per year compounded annually from  
18.27 the date on which the contributions should have been made to the date on which payment  
18.28 is made under this section; and

18.29 (2) the city of Faribault must pay the remainder of the amount determined under  
18.30 Minnesota Statutes, section 356.551.

18.31 **EFFECTIVE DATE.** This section is effective retroactively to June 2, 2006.

## ARTICLE 2

## ADMINISTRATIVE PROVISIONS

19.1  
19.2

19.3 Section 1. Minnesota Statutes 2006, section 3A.02, subdivision 1, is amended to read:

19.4 Subdivision 1. **Qualifications.** (a) A former legislator is entitled, upon written  
19.5 application to the director, to receive a retirement allowance monthly, if the person:

19.6 (1) has either served at least six full years, without regard to the application of  
19.7 section 3A.10, subdivision 2, or has served during all or part of four regular sessions as a  
19.8 member of the legislature, which service need not be continuous;

19.9 (2) has attained the normal retirement age;

19.10 (3) has retired as a member of the legislature; and

19.11 (4) has made all contributions provided for in section 3A.03, has made payments  
19.12 for past service under subdivision 2, or has made payments in lieu of contributions under  
19.13 Minnesota Statutes 1992, section 3A.031, before July 1, 1994.

19.14 (b) Unless the former legislator has legislative service before January 1, 1979,  
19.15 the retirement allowance is an amount equal to 2-1/2 percent per year of service of that  
19.16 member's average monthly salary and adjusted for that person on an actuarial equivalent  
19.17 basis to reflect the change in the postretirement interest rate actuarial assumption under  
19.18 section 356.215, subdivision 8, from five percent to six percent. The adjustment must be  
19.19 calculated by or, alternatively, the adjustment procedure must be specified by, the actuary  
19.20 retained under section 356.214. The purpose of this adjustment is to ensure that the total  
19.21 amount of benefits that the actuary predicts an individual member will receive over the  
19.22 member's lifetime under this paragraph will be the same as the total amount of benefits the  
19.23 actuary predicts the individual member would receive over the member's lifetime under  
19.24 the law in effect before enactment of this paragraph. If the former legislator has legislative  
19.25 service before January 1, 1979, the person's benefit must include the additional benefit  
19.26 amount in effect on January 1, 1979, and adjusted as otherwise provided in this paragraph.

19.27 (c) The retirement allowance accrues ~~beginning with the first day of the month of~~  
19.28 ~~receipt of the application,~~ following the receipt by the director of a retirement application  
19.29 on a form prescribed by the director, but not before the normal retirement age 60, and,  
19.30 except as specified in subdivision 1b. The annuity is payable for the remainder of the  
19.31 former legislator's life, if the former legislator is not serving as a member of the legislature  
19.32 or as a constitutional officer as defined in section 3A.01, subdivision 1c. The annuity does  
19.33 not begin to accrue before the person's retirement as a legislator. No annuity payment may  
19.34 be made retroactive for more than 180 days before the date that the annuity application  
19.35 is filed with the director.

20.1 (d) Any member who has served during all or part of four regular sessions is  
20.2 considered to have served eight years as a member of the legislature.

20.3 (e) The retirement allowance ceases with the last payment that accrued to the retired  
20.4 legislator during the retired legislator's lifetime, except that the surviving spouse, if any,  
20.5 is entitled to receive the retirement allowance of the retired legislator for the calendar  
20.6 month in which the retired legislator died.

20.7 **EFFECTIVE DATE.** This section is effective the day after final enactment.

20.8 Sec. 2. Minnesota Statutes 2006, section 352.01, subdivision 2a, is amended to read:

20.9 Subd. 2a. **Included employees.** (a) "State employee" includes:

20.10 (1) employees of the Minnesota Historical Society;

20.11 (2) employees of the State Horticultural Society;

20.12 ~~(3) employees of the Disabled American Veterans, Department of Minnesota,~~  
20.13 ~~Veterans of Foreign Wars, Department of Minnesota, if employed before July 1, 1963;~~

20.14 ~~(4)~~ (3) employees of the Minnesota Crop Improvement Association;

20.15 ~~(5)~~ (4) employees of the adjutant general who are paid from federal funds and who  
20.16 are not covered by any federal civilian employees retirement system;

20.17 ~~(6)~~ (5) employees of the Minnesota State Colleges and Universities employed under  
20.18 the university or college activities program;

20.19 ~~(7)~~ (6) currently contributing employees covered by the system who are temporarily  
20.20 employed by the legislature during a legislative session or any currently contributing  
20.21 employee employed for any special service as defined in subdivision 2b, clause (8);

20.22 ~~(8) employees of the Armory Building Commission;~~

20.23 ~~(9)~~ (7) employees of the legislature appointed without a limit on the duration of their  
20.24 employment and persons employed or designated by the legislature or by a legislative  
20.25 committee or commission or other competent authority to conduct a special inquiry,  
20.26 investigation, examination, or installation;

20.27 ~~(10)~~ (8) trainees who are employed on a full-time established training program  
20.28 performing the duties of the classified position for which they will be eligible to receive  
20.29 immediate appointment at the completion of the training period;

20.30 ~~(11)~~ (9) employees of the Minnesota Safety Council;

20.31 ~~(12)~~ (10) any employees on authorized leave of absence from the Transit Operating  
20.32 Division of the former Metropolitan Transit Commission who are employed by the  
20.33 labor organization which is the exclusive bargaining agent representing employees of  
20.34 the Transit Operating Division;

21.1 ~~(13)~~ (11) employees of the Metropolitan Council, Metropolitan Parks and Open  
 21.2 Space Commission, Metropolitan Sports Facilities Commission, Metropolitan Mosquito  
 21.3 Control Commission, or Metropolitan Radio Board unless excluded or covered by another  
 21.4 public pension fund or plan under section 473.415, subdivision 3;

21.5 ~~(14)~~ (12) judges of the Tax Court;

21.6 ~~(15)~~ (13) personnel employed on June 30, 1992, by the University of Minnesota  
 21.7 in the management, operation, or maintenance of its heating plant facilities, whose  
 21.8 employment transfers to an employer assuming operation of the heating plant facilities,  
 21.9 so long as the person is employed at the University of Minnesota heating plant by that  
 21.10 employer or by its successor organization;

21.11 ~~(16)~~ (14) seasonal help in the classified service employed by the Department of  
 21.12 Revenue; ~~and~~

21.13 ~~(17)~~ (15) persons employed by the Department of Commerce as a peace officer in  
 21.14 the Insurance Fraud Prevention Division under section 45.0135 who have attained the  
 21.15 mandatory retirement age specified in section 43A.34, subdivision 4; and

21.16 (16) employees of the University of Minnesota unless excluded under subdivision  
 21.17 2b, clause (3).

21.18 (b) Employees specified in paragraph (a), clause ~~(15)~~ (13), are included employees  
 21.19 under paragraph (a) if employer and employee contributions are made in a timely manner  
 21.20 in the amounts required by section 352.04. Employee contributions must be deducted from  
 21.21 salary. Employer contributions are the sole obligation of the employer assuming operation  
 21.22 of the University of Minnesota heating plant facilities or any successor organizations to  
 21.23 that employer.

21.24 **EFFECTIVE DATE.** This section is effective the day after final enactment.

21.25 Sec. 3. Minnesota Statutes 2006, section 352.01, subdivision 2b, is amended to read:

21.26 Subd. 2b. **Excluded employees.** "State employee" does not include:

21.27 (1) students employed by the University of Minnesota, or the state colleges and  
 21.28 universities, unless approved for coverage by the Board of Regents of the University of  
 21.29 Minnesota or the Board of Trustees of the Minnesota State Colleges and Universities, ~~as~~  
 21.30 ~~the case may be~~ whichever is applicable;

21.31 (2) employees who are eligible for membership in the state Teachers Retirement  
 21.32 Association, except employees of the Department of Education who have chosen or may  
 21.33 choose to be covered by the general state employees retirement plan of the Minnesota  
 21.34 State Retirement System instead of the Teachers Retirement Association;

22.1 (3) employees of the University of Minnesota who are excluded from coverage by  
22.2 action of the Board of Regents;

22.3 (4) officers and enlisted personnel in the National Guard and the naval militia who  
22.4 are assigned to permanent peacetime duty and who under federal law are or are required to  
22.5 be members of a federal retirement system;

22.6 (5) election officers;

22.7 (6) persons who are engaged in public work for the state but who are employed  
22.8 by contractors when the performance of the contract is authorized by the legislature or  
22.9 other competent authority;

22.10 (7) officers and employees of the senate, or of the house of representatives, or of a  
22.11 legislative committee or commission who are temporarily employed;

22.12 (8) receivers, jurors, notaries public, and court employees who are not in the judicial  
22.13 branch as defined in section 43A.02, subdivision 25, except referees and adjusters  
22.14 employed by the Department of Labor and Industry;

22.15 (9) patient and inmate help in state charitable, penal, and correctional institutions  
22.16 including the Minnesota Veterans Home;

22.17 (10) persons who are employed for professional services where the service is  
22.18 incidental to their regular professional duties and whose compensation is paid on a per  
22.19 diem basis;

22.20 (11) employees of the Sibley House Association;

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

22.26 (13) state troopers and persons who are described in section 352B.01, subdivision 2,  
22.27 clauses (2) to (6);

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

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

22.36 ~~(16) persons who are described in section 352B.01, subdivision 2, clauses (2) to (6);~~

23.1 ~~(17)~~ (16) temporary employees in the classified service, and temporary employees  
23.2 in the unclassified service who are appointed for a definite period of not more than six  
23.3 months and who are employed less than six months in any one-year period;

23.4 ~~(18)~~ (17) interns hired for six months or less and trainee employees, except those  
23.5 listed in subdivision 2a, clause ~~(10)~~ (8);

23.6 ~~(19)~~ (18) persons whose compensation is paid on a fee basis or as an independent  
23.7 contractor;

23.8 ~~(20)~~ (19) state employees who are employed by the Board of Trustees of the  
23.9 Minnesota State Colleges and Universities in unclassified positions enumerated in section  
23.10 43A.08, subdivision 1, clause (9);

23.11 ~~(21)~~ (20) state employees who in any year have credit for 12 months service as  
23.12 teachers in the public schools of the state and as teachers are members of the Teachers  
23.13 Retirement Association or a retirement system in St. Paul, Minneapolis, or Duluth, except  
23.14 for incidental employment as a state employee that is not covered by one of the teacher  
23.15 retirement associations or systems;

23.16 ~~(22)~~ (21) employees of the adjutant general who are employed on an unlimited  
23.17 intermittent or temporary basis in the classified or unclassified service for the support of  
23.18 Army and Air National Guard training facilities;

23.19 ~~(23)~~ (22) chaplains and nuns who are excluded from coverage under the federal  
23.20 Old Age, Survivors, Disability, and Health Insurance Program for the performance of  
23.21 service as specified in United States Code, title 42, section 410(a)(8)(A), as amended, if  
23.22 no irrevocable election of coverage has been made under section 3121(r) of the Internal  
23.23 Revenue Code of 1986, as amended through December 31, 1992;

23.24 ~~(24)~~ (23) examination monitors who are employed by departments, agencies,  
23.25 commissions, and boards to conduct examinations required by law;

23.26 ~~(25)~~ (24) persons who are appointed to serve as members of fact-finding  
23.27 commissions or adjustment panels, arbitrators, or labor referees under chapter 179;

23.28 ~~(26)~~ (25) temporary employees who are employed for limited periods under any state  
23.29 or federal program for training or rehabilitation, including persons who are employed for  
23.30 limited periods from areas of economic distress, but not including skilled and supervisory  
23.31 personnel and persons having civil service status covered by the system;

23.32 ~~(27)~~ (26) full-time students who are employed by the Minnesota Historical Society  
23.33 intermittently during part of the year and full-time during the summer months;

23.34 ~~(28)~~ (27) temporary employees who are appointed for not more than six months,  
23.35 of the Metropolitan Council and of any of its statutory boards, if the board members are  
23.36 appointed by the Metropolitan Council;

24.1 ~~(29)~~ (28) persons who are employed in positions designated by the Department of  
 24.2 Employee Relations as student workers;

24.3 ~~(30)~~ (29) members of trades who are employed by the successor to the Metropolitan  
 24.4 Waste Control Commission, who have trade union pension plan coverage under a  
 24.5 collective bargaining agreement, and who are first employed after June 1, 1977;

24.6 ~~(31) persons who are employed in subsidized on-the-job training, work experience,  
 24.7 or public service employment as enrollees under the federal Comprehensive Employment  
 24.8 and Training Act after March 30, 1978, unless the person has as of the later of March 30,  
 24.9 1978, or the date of employment sufficient service credit in the retirement system to meet  
 24.10 the minimum vesting requirements for a deferred annuity, or the employer agrees in  
 24.11 writing on forms prescribed by the director to make the required employer contributions,  
 24.12 including any employer additional contributions, on account of that person from revenue  
 24.13 sources other than funds provided under the federal Comprehensive Employment and  
 24.14 Training Act, or the person agrees in writing on forms prescribed by the director to make  
 24.15 the required employer contribution in addition to the required employee contribution;~~

24.16 (32) (30) off-duty peace officers while employed by the Metropolitan Council;

24.17 (33) (31) persons who are employed as full-time police officers by the Metropolitan  
 24.18 Council and as police officers are members of the public employees police and fire fund;

24.19 (34) (32) persons who are employed as full-time firefighters by the Department  
 24.20 of Military Affairs and as firefighters are members of the public employees police and  
 24.21 fire fund;

24.22 (35) (33) foreign citizens with a work permit of less than three years, or an H-1b/JV  
 24.23 visa valid for less than three years of employment, unless notice of extension is supplied  
 24.24 which allows them to work for three or more years as of the date the extension is granted,  
 24.25 in which case they are eligible for coverage from the date extended; and

24.26 ~~(36)~~ (34) persons who are employed by the Board of Trustees of the Minnesota State  
 24.27 Colleges and Universities and who elect to remain members of the Public Employees  
 24.28 Retirement Association or the Minneapolis Employees Retirement Fund, whichever  
 24.29 applies, under section 136C.75.

24.30 **EFFECTIVE DATE.** This section is effective the day after final enactment.

24.31 Sec. 4. Minnesota Statutes 2006, section 352.01, subdivision 11, is amended to read:

24.32 Subd. 11. **Allowable service.** (a) "Allowable service" means:

24.33 (1) ~~Service by an employee for which on or before July 1, 1957, the employee was  
 24.34 entitled to allowable service credit on the records of the system by reason of employee  
 24.35 contributions in the form of salary deductions, payments in lieu of salary deductions, or in~~

25.1 ~~any other manner authorized by Minnesota Statutes 1953, chapter 352, as amended by~~  
25.2 ~~Laws 1955, chapter 239.~~

25.3 ~~(2)~~ (1) service by an employee for which on or before July 1, 1961, the employee  
25.4 chose to obtain credit for service by making payments to the fund under Minnesota  
25.5 Statutes 1961, section 352.24;

25.6 ~~(3) Except as provided in clauses (8) and (9),~~ (2) service by an employee after July 1,  
25.7 1957, for any calendar month in which the employee is paid salary from which deductions  
25.8 are made, deposited, and credited in the fund, including deductions made, deposited, and  
25.9 credited as provided in section 352.041;

25.10 ~~(4) Except as provided in clauses (8) and (9),~~ (3) service by an employee after July  
25.11 1, 1957, for any calendar month for which payments in lieu of salary deductions are  
25.12 made, deposited, and credited in the fund, as provided in section 352.27 and Minnesota  
25.13 Statutes 1957, section 352.021, subdivision 4;

25.14 ~~For purposes of clauses (3) and (4), except as provided in clauses (8) and (9), any~~  
25.15 ~~salary paid for a fractional part of any calendar month, including the month of separation~~  
25.16 ~~from state service, is deemed the compensation for the entire calendar month.~~

25.17 ~~(5)~~ (4) the period of absence from their duties by employees who are temporarily  
25.18 disabled because of injuries incurred in the performance of duties and for which disability  
25.19 the state is liable under the workers' compensation law until the date authorized by the  
25.20 director for the commencement of payments of a total and permanent disability benefit  
25.21 from the retirement fund;

25.22 ~~(6)~~ (5) service covered by a refund repaid as provided in section 352.23 or 352D.05,  
25.23 subdivision 4, except service rendered as an employee of the adjutant general for which  
25.24 the person has credit with the federal civil service retirement system;

25.25 ~~(7)~~ (6) service before July 1, 1978, by an employee of the Transit Operating Division  
25.26 of the Metropolitan Transit Commission or by an employee on an authorized leave of  
25.27 absence from the Transit Operating Division of the Metropolitan Transit Commission who  
25.28 is employed by the labor organization which is the exclusive bargaining agent representing  
25.29 employees of the Transit Operating Division, which was credited by the Metropolitan  
25.30 Transit Commission-Transit Operating Division employees retirement fund or any of its  
25.31 predecessor plans or funds as past, intermediate, future, continuous, or allowable service  
25.32 as defined in the Metropolitan Transit Commission-Transit Operating Division employees  
25.33 retirement fund plan document in effect on December 31, 1977;

25.34 ~~(8)~~ (7) service after July 1, 1983, by an employee who is employed on a part-time  
25.35 basis for less than 50 percent of full time, for which the employee is paid salary from  
25.36 which deductions are made, deposited, and credited in the fund, including deductions

26.1 made, deposited, and credited as provided in section 352.041 or for which payments in  
 26.2 lieu of salary deductions are made, deposited, and credited in the fund as provided in  
 26.3 section 352.27 shall be credited on a fractional basis either by pay period, monthly, or  
 26.4 annually based on the relationship that the percentage of salary earned bears to a full-time  
 26.5 salary, with any salary paid for the fractional service credited on the basis of the rate of  
 26.6 salary applicable for a full-time pay period, month, or a full-time year. For periods of  
 26.7 part-time service that is duplicated service credit, section 356.30, subdivision 1, clauses  
 26.8 (i) and (j), govern; and

26.9 ~~Allowable service determined and credited on a fractional basis shall be used in~~  
 26.10 ~~calculating the amount of benefits payable, but service as determined on a fractional basis~~  
 26.11 ~~must not be used in determining the length of service required for eligibility for benefits.~~

26.12 ~~(9) (8) any period of authorized leave of absence without pay that does not~~  
 26.13 ~~exceed one year and for which the employee obtained credit by payment to the fund~~  
 26.14 ~~in lieu of salary deductions. To obtain credit, the employee shall pay an amount equal~~  
 26.15 ~~to the employee and employer contribution rate in section 352.04, subdivisions 2 and 3,~~  
 26.16 ~~multiplied by the employee's hourly rate of salary on the date of return from leave of~~  
 26.17 ~~absence and by the days and months of the leave of absence without pay for which the~~  
 26.18 ~~employee wants allowable service credit. The employing department, at its option, may~~  
 26.19 ~~pay the employer amount on behalf of its employees. Payments made under this clause~~  
 26.20 ~~must include interest at an annual rate of 8.5 percent compounded annually from the date~~  
 26.21 ~~of termination of the leave of absence to the date payment is made unless payment is~~  
 26.22 ~~completed within one year of the return from leave of absence under section 352.017.~~

26.23 (10) MS 2002 [Expired]

26.24 (11) [Expired, 2002 c 392 art 2 s 4]

26.25 (b) For purposes of paragraph (a), clauses (2) and (3), any salary that is paid for  
 26.26 a fractional part of any calendar month, including the month of separation from state  
 26.27 service, is deemed to be the compensation for the entire calendar month.

26.28 (c) Allowable service determined and credited on a fractional basis must be used in  
 26.29 calculating the amount of benefits payable, but service as determined on a fractional basis  
 26.30 must not be used in determining the length of service required for eligibility for benefits.

26.31 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
 26.32 authorized leaves of absence that commence on or after the effective date.

26.33 Sec. 5. **[352.017] AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT**  
 26.34 **PURCHASE PROCEDURE.**

27.1 Subdivision 1. **Application.** Except for leaves or breaks in service covered by  
27.2 section 352.27 or 352.275, this section applies to all plans specified in this chapter for  
27.3 any period of authorized leave of absence without pay that does not exceed one year  
27.4 and for which the employee obtains credit for allowable service by making payment as  
27.5 specified in this section to the applicable fund.

27.6 Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in  
27.7 this chapter may purchase credit for allowable service in that plan for a period specified  
27.8 in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c),  
27.9 whichever applies. The employing unit, at its option, may pay the employer portion of the  
27.10 amount specified in paragraph (b) on behalf of its employees.

27.11 (b) If payment is received by the executive director within one year from the end  
27.12 of the authorized leave, the payment amount is equal to the employee and employer  
27.13 contribution rates specified in law for the applicable plan at the end of the leave period  
27.14 multiplied by the employee's hourly rate of salary on the date of return from the leave of  
27.15 absence and by the days and months of the leave of absence for which the employee wants  
27.16 allowable service credit. Payments made under this paragraph must include compound  
27.17 interest at a monthly rate of 0.71 percent from the last day of the leave period until the last  
27.18 day of the month in which payment is received.

27.19 (c) If payment is received by the executive director after one year, the payment  
27.20 amount is the amount determined under section 356.551.

27.21 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
27.22 authorized leaves of absence that commence on or after the effective date.

27.23 Sec. 6. Minnesota Statutes 2006, section 352.12, subdivision 2a, is amended to read:

27.24 Subd. 2a. **Surviving spouse coverage term certain.** (a) In lieu of the 100 percent  
27.25 optional annuity under subdivision 2, or refund under subdivision 1, the surviving spouse  
27.26 of a deceased employee or former employee may elect to receive survivor coverage in  
27.27 a term certain of five, ten, 15, or 20 years, but monthly payments must not exceed 75  
27.28 percent of the average high-five monthly salary of the deceased employee or former  
27.29 employee. The monthly term certain annuity must be actuarially equivalent to the 100  
27.30 percent optional annuity under subdivision 2.

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

27.34 **EFFECTIVE DATE.** This section is effective the day after final enactment.

28.1 Sec. 7. Minnesota Statutes 2006, section 352.27, is amended to read:

28.2 **352.27 CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED**  
28.3 **SERVICE.**

28.4 (a) An employee who is absent from employment by reason of service in the  
28.5 uniformed services, as defined in United States Code, title 38, section 4303(13), and who  
28.6 returns to state service upon discharge from service in the uniformed service within the  
28.7 time frames required in United States Code, title 38, section 4312(e), may obtain service  
28.8 credit for the period of the uniformed service as further specified in this section, provided  
28.9 that the employee did not separate from uniformed service with a dishonorable or bad  
28.10 conduct discharge or under other than honorable conditions.

28.11 (b) The employee may obtain credit by paying into the fund an equivalent employee  
28.12 contribution based upon the contribution rate or rates in effect at the time that the  
28.13 uniformed service was performed multiplied by the full and fractional years being  
28.14 purchased and applied to the annual salary rate. The annual salary rate is the average  
28.15 annual salary during the purchase period that the employee would have received if the  
28.16 employee had continued to be employed in covered employment rather than to provide  
28.17 uniformed service, or, if the determination of that rate is not reasonably certain, the annual  
28.18 salary rate is the employee's average salary rate during the 12-month period of covered  
28.19 employment rendered immediately preceding the period of the uniformed service.

28.20 (c) The equivalent employer contribution and, if applicable, the equivalent  
28.21 additional employer contribution provided in ~~section 352.04~~ chapter 352 must be paid by  
28.22 the department employing the employee from funds available to the department at the  
28.23 time and in the manner provided in ~~section 352.04~~ chapter 352, using the employer and  
28.24 additional employer contribution rate or rates in effect at the time that the uniformed  
28.25 service was performed, applied to the same annual salary rate or rates used to compute the  
28.26 equivalent employee contribution.

28.27 (d) If the employee equivalent contributions provided in this section are not paid in  
28.28 full, the employee's allowable service credit must be prorated by multiplying the full and  
28.29 fractional number of years of uniformed service eligible for purchase by the ratio obtained  
28.30 by dividing the total employee contribution received by the total employee contribution  
28.31 otherwise required under this section.

28.32 (e) To receive service credit under this section, the contributions specified in this  
28.33 section must be transmitted to the Minnesota State Retirement System during the period  
28.34 which begins with the date on which the individual returns to state service and which has a  
28.35 duration of three times the length of the uniformed service period, but not to exceed five  
28.36 years. If the determined payment period is less than one year, the contributions required

29.1 under this section to receive service credit may be made within one year of the discharge  
29.2 date.

29.3 (f) The amount of service credit obtainable under this section may not exceed five  
29.4 years unless a longer purchase period is required under United States Code, title 38,  
29.5 section 4312.

29.6 (g) The employing unit shall pay interest on all equivalent employee and employer  
29.7 contribution amounts payable under this section. Interest must be computed at a rate of  
29.8 8.5 percent compounded annually from the end of each fiscal year of the leave or the break  
29.9 in service to the end of the month in which the payment is received.

29.10 **EFFECTIVE DATE.** This section is effective the day after final enactment.

29.11 Sec. 8. Minnesota Statutes 2006, section 352.951, is amended to read:

29.12 **352.951 APPLICABILITY OF GENERAL LAW.**

29.13 Except as otherwise provided, this chapter applies to covered correctional  
29.14 employees, military affairs personnel covered under section 352.85, ~~and~~ Transportation  
29.15 Department pilots covered under section 352.86, and state fire marshal employees under  
29.16 section 352.87.

29.17 **EFFECTIVE DATE.** This section is effective the day after final enactment.

29.18 Sec. 9. Minnesota Statutes 2006, section 352.98, is amended by adding a subdivision  
29.19 to read:

29.20 **Subd. 8. Exemption from process.** Assets in a health care savings plan account  
29.21 described in this section must be used for the reimbursement of health care expenses and  
29.22 are not assignable or subject to execution, levy, attachment, garnishment, or other legal  
29.23 process, except as provided in section 518.58, 518.581, or 518A.53.

29.24 **EFFECTIVE DATE.** This section is effective the day after final enactment.

29.25 Sec. 10. Minnesota Statutes 2006, section 352D.02, subdivision 1, is amended to read:

29.26 Subdivision 1. **Coverage.** (a) Employees enumerated in paragraph (c), clauses (2),  
29.27 (3), (4), ~~and~~ (6) to (14), and (16) to (18), if they are in the unclassified service of the state  
29.28 or Metropolitan Council and are eligible for coverage under the general state employees  
29.29 retirement plan under chapter 352, are participants in the unclassified ~~plan~~ program under  
29.30 this chapter unless the employee gives notice to the executive director of the Minnesota  
29.31 State Retirement System within one year following the commencement of employment

30.1 in the unclassified service that the employee desires coverage under the general state  
30.2 employees retirement plan. For the purposes of this chapter, an employee who does not  
30.3 file notice with the executive director is deemed to have exercised the option to participate  
30.4 in the unclassified plan program.

30.5 (b) Persons referenced in paragraph (c), clause (5), are participants in the unclassified  
30.6 program under this chapter unless the person was eligible to elect different coverage under  
30.7 section 3A.07 and elected retirement coverage by the applicable alternative retirement  
30.8 plan. Persons referenced in paragraph (c), clause (15), are participants in the unclassified  
30.9 program under this chapter for judicial employment in excess of the service credit limit in  
30.10 section 490.121, subdivision 22.

30.11 (c) Enumerated employees and referenced persons are:

30.12 (1) the governor, the lieutenant governor, the secretary of state, the state auditor,  
30.13 and the attorney general;

30.14 (2) an employee in the Office of the Governor, Lieutenant Governor, Secretary  
30.15 of State, State Auditor, Attorney General;

30.16 (3) an employee of the State Board of Investment;

30.17 (4) the head of a department, division, or agency created by statute in the unclassified  
30.18 service, an acting department head subsequently appointed to the position, or an employee  
30.19 enumerated in section 15A.0815 or 15A.083, subdivision 4;

30.20 (5) a member of the legislature;

30.21 (6) a full-time unclassified employee of the legislature or a commission or agency of  
30.22 the legislature who is appointed without a limit on the duration of the employment or a  
30.23 temporary legislative employee having shares in the supplemental retirement fund as a  
30.24 result of former employment covered by this chapter, whether or not eligible for coverage  
30.25 under the Minnesota State Retirement System;

30.26 (7) a person who is employed in a position established under section 43A.08,  
30.27 subdivision 1, clause (3), or in a position authorized under a statute creating or establishing  
30.28 a department or agency of the state, which is at the deputy or assistant head of department  
30.29 or agency or director level;

30.30 (8) the regional administrator, or executive director of the Metropolitan Council,  
30.31 general counsel, division directors, operations managers, and other positions as designated  
30.32 by the council, all of which may not exceed 27 positions at the council and the chair;

30.33 (9) the executive director, associate executive director, and not to exceed nine  
30.34 positions of the Minnesota Office of Higher Education in the unclassified service, as  
30.35 designated by the Minnesota Office of Higher Education before January 1, 1992, or  
30.36 subsequently redesignated with the approval of the board of directors of the Minnesota

31.1 State Retirement System, unless the person has elected coverage by the individual  
31.2 retirement account plan under chapter 354B;

31.3 (10) the clerk of the appellate courts appointed under article VI, section 2, of the  
31.4 Constitution of the state of Minnesota;

31.5 (11) the chief executive officers of correctional facilities operated by the Department  
31.6 of Corrections and of hospitals and nursing homes operated by the Department of Human  
31.7 Services;

31.8 (12) an employee whose principal employment is at the state ceremonial house;

31.9 (13) an employee of the ~~Minnesota Educational Computing Corporation~~ Agricultural  
31.10 Utilization Research Institute;

31.11 (14) an employee of the State Lottery who is covered by the managerial plan  
31.12 established under section 43A.18, subdivision 3; ~~and~~

31.13 (15) a judge who has exceeded the service credit limit in section 490.121,  
31.14 subdivision 22-;

31.15 (16) an employee of Minnesota Technology Incorporated;

31.16 (17) a person employed by the Minnesota State Colleges and Universities as faculty  
31.17 or in an eligible unclassified administrative position as defined in section 354B.20,  
31.18 subdivision 6, who was employed by the former state university or the former community  
31.19 college system before May 1, 1995, and elected unclassified program coverage prior to  
31.20 May 1, 1995; and

31.21 (18) a person employed by the Minnesota State Colleges and Universities who  
31.22 was employed in state service before July 1, 1995, who subsequently is employed in an  
31.23 eligible unclassified administrative position as defined in section 354B.20, subdivision  
31.24 6, and who elects coverage by the unclassified program.

31.25 **EFFECTIVE DATE.** This section is effective the day after final enactment.

31.26 Sec. 11. Minnesota Statutes 2006, section 352D.02, subdivision 3, is amended to read:

31.27 Subd. 3. ~~Election irrevocable~~ **Transfer to general plan.** ~~An election to not~~  
31.28 ~~participate is irrevocable during any period of covered employment.~~ (a) An employee  
31.29 credited with employee shares in the unclassified program, after acquiring credit for  
31.30 ten years of allowable service ~~but prior to~~ and not later than one month following the  
31.31 termination of covered employment, may, notwithstanding other provisions of this  
31.32 subdivision, elect to terminate participation in the unclassified plan program and be  
31.33 covered by the regular general plan by filing such a written election with the executive  
31.34 director. The executive director shall thereupon then redeem the employee's total shares  
31.35 and shall credit to the employee's account in the regular general plan the amount of

32.1 contributions that would have been so credited had the employee been covered by the  
 32.2 ~~regular~~ general plan during the employee's entire covered employment. The balance  
 32.3 of money so redeemed and not credited to the employee's account shall be transferred  
 32.4 to the ~~state contribution reserve of the state employees~~ general plan retirement fund,  
 32.5 except that (1) the employee contribution paid to the unclassified ~~plan~~ program must be  
 32.6 compared to (2) the employee contributions that would have been paid to the general plan  
 32.7 for the comparable period, if the individual had been covered by that plan. If clause (1)  
 32.8 is greater than clause (2), the difference must be refunded to the employee as provided  
 32.9 in section 352.22. If clause (2) is greater than clause (1), the difference must be paid by  
 32.10 the employee within six months of electing general plan coverage or before the effective  
 32.11 date of the annuity, whichever is sooner.

32.12 (b) An election under paragraph (a) to transfer coverage to the general plan is  
 32.13 irrevocable during any period of covered employment.

32.14 **EFFECTIVE DATE.** This section is effective the day after final enactment.

32.15 Sec. 12. Minnesota Statutes 2006, section 352D.06, subdivision 3, is amended to read:

32.16 Subd. 3. **Accrual date.** An annuity under this section accrues the first day of the first  
 32.17 full month after an application is received or ~~after~~ the day following termination of state  
 32.18 service, whichever is later. ~~Upon the former employee's request, the annuity may begin~~  
 32.19 ~~to accrue up to six months before redemption of shares, but not prior to the termination~~  
 32.20 ~~date from covered service, and must be based on the account value at redemption and~~  
 32.21 ~~upon the age of the former employee at the date annuity accrual starts.~~ The account must  
 32.22 be valued and redeemed on the later of the end of the month of termination of covered  
 32.23 employment, or the end of the month of receipt of the annuity application for the purpose  
 32.24 of computing the annuity.

32.25 **EFFECTIVE DATE.** This section is effective the day after final enactment.

32.26 Sec. 13. Minnesota Statutes 2006, section 353.01, subdivision 2a, is amended to read:

32.27 Subd. 2a. **Included employees.** (a) Public employees whose salary from  
 32.28 employment in one or more positions within one governmental subdivision exceeds \$425  
 32.29 in any month shall participate as members of the association. If the salary is less than  
 32.30 \$425 in a subsequent month, the employee retains membership eligibility. Eligible public  
 32.31 employees shall participate as members of the association with retirement coverage by  
 32.32 the public employees retirement plan or the public employees police and fire retirement  
 32.33 plan under this chapter, or the local government correctional employees retirement plan

33.1 under chapter 353E, whichever applies, as a condition of their employment on the first  
33.2 day of employment unless they:

33.3 (1) are specifically excluded under subdivision 2b;

33.4 (2) do not exercise their option to elect retirement coverage in the association as  
33.5 provided in subdivision 2d, paragraph (a); or

33.6 (3) are employees of the governmental subdivisions listed in subdivision 2d,  
33.7 paragraph (b), where the governmental subdivision has not elected to participate as a  
33.8 governmental subdivision covered by the association.

33.9 (b) A public employee who was a member of the association on June 30, 2002,  
33.10 based on employment that qualified for membership coverage by the public employees  
33.11 retirement plan or the public employees police and fire plan under this chapter, or the  
33.12 local government correctional employees retirement plan under chapter 353E as of June  
33.13 30, 2002, retains that membership for the duration of the person's employment in that  
33.14 position or incumbency in elected office. Except as provided in subdivision 28, the person  
33.15 shall participate as a member until the employee or elected official terminates public  
33.16 employment under subdivision 11a or terminates membership under subdivision 11b.

33.17 (c) Public employees under paragraph (a) include physicians under section 353D.01,  
33.18 subdivision 2, who do not elect public employees defined contribution plan coverage  
33.19 under section 353D.02, subdivision 2.

33.20 **EFFECTIVE DATE.** This section is effective the day after final enactment.

33.21 Sec. 14. Minnesota Statutes 2006, section 353.01, subdivision 2b, is amended to read:

33.22 Subd. 2b. **Excluded employees.** The following public employees are not eligible  
33.23 to participate as members of the association with retirement coverage by the public  
33.24 employees retirement plan, the local government correctional employees retirement plan  
33.25 under chapter 353E, or the public employees police and fire retirement plan:

33.26 (1) public officers, other than county sheriffs, who are elected to a governing body,  
33.27 or persons who are appointed to fill a vacancy in an elective office of a governing body,  
33.28 whose term of office commences on or after July 1, 2002, for the service to be rendered  
33.29 in that elective position. ~~Elected governing body officials who were active members~~  
33.30 ~~of the association's coordinated or basic retirement plans as of June 30, 2002, continue~~  
33.31 ~~participation throughout incumbency in office until termination of public service occurs as~~  
33.32 ~~defined in subdivision 11a;~~

33.33 (2) election officers or election judges;

33.34 (3) patient and inmate personnel who perform services for a governmental  
33.35 subdivision;

34.1 (4) except as otherwise specified in subdivision 12a, employees who are hired for  
34.2 a temporary position as defined under subdivision 12a, and employees who resign from  
34.3 a nontemporary position and accept a temporary position within 30 days in the same  
34.4 governmental subdivision;

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

34.7 (6) employees who by virtue of their employment in one governmental subdivision  
34.8 are required by law to be a member of and to contribute to any of the plans or funds  
34.9 administered by the Minnesota State Retirement System, the Teachers Retirement  
34.10 Association, the Duluth Teachers Retirement Fund Association, the Minneapolis Teachers  
34.11 Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, the  
34.12 Minneapolis Employees Retirement Fund, or any police or firefighters relief association  
34.13 governed by section 69.77 that has not consolidated with the Public Employees Retirement  
34.14 Association, or any local police or firefighters consolidation account who have not elected  
34.15 the type of benefit coverage provided by the public employees police and fire fund under  
34.16 sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4,  
34.17 5, or 6, who have not elected public employees police and fire plan benefit coverage. This  
34.18 clause must not be construed to prevent a person from being a member of and contributing  
34.19 to the Public Employees Retirement Association and also belonging to and contributing to  
34.20 another public pension plan or fund for other service occurring during the same period  
34.21 of time. A person who meets the definition of "public employee" in subdivision 2 by  
34.22 virtue of other service occurring during the same period of time becomes a member of the  
34.23 association unless contributions are made to another public retirement fund on the salary  
34.24 based on the other service or to the Teachers Retirement Association by a teacher as  
34.25 defined in section 354.05, subdivision 2;

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

34.31 (8) employees of a governmental subdivision who have not reached the age of  
34.32 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time  
34.33 basis at an accredited school, college, or university in an undergraduate, graduate, or  
34.34 professional-technical program, or a public or charter high school;

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

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

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

35.5 (12) except for employees of Hennepin County or Hennepin Healthcare System,  
35.6 Inc., foreign citizens working for a governmental subdivision with a work permit of less  
35.7 than three years, or an H-1b visa valid for less than three years of employment. Upon  
35.8 notice to the association that the work permit or visa extends beyond the three-year period,  
35.9 the foreign citizens must be reported for membership from the date of the extension;

35.10 (13) public hospital employees who elected not to participate as members of the  
35.11 association before 1972 and who did not elect to participate from July 1, 1988, to October  
35.12 1, 1988;

35.13 (14) except as provided in section 353.86, volunteer ambulance service personnel,  
35.14 as defined in subdivision 35, but persons who serve as volunteer ambulance service  
35.15 personnel may still qualify as public employees under subdivision 2 and may be members  
35.16 of the Public Employees Retirement Association and participants in the public employees  
35.17 retirement fund or the public employees police and fire fund, whichever applies, on the  
35.18 basis of compensation received from public employment service other than service as  
35.19 volunteer ambulance service personnel;

35.20 (15) except as provided in section 353.87, volunteer firefighters, as defined in  
35.21 subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties;  
35.22 provided that a person who is a volunteer firefighter may still qualify as a public  
35.23 employee under subdivision 2 and may be a member of the Public Employees Retirement  
35.24 Association and a participant in the public employees retirement fund or the public  
35.25 employees police and fire fund, whichever applies, on the basis of compensation received  
35.26 from public employment activities other than those as a volunteer firefighter;

35.27 (16) pipefitters and associated trades personnel employed by Independent School  
35.28 District No. 625, St. Paul, with coverage under a collective bargaining agreement by the  
35.29 pipefitters local 455 pension plan who were either first employed after May 1, 1997, or,  
35.30 if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter  
35.31 241, article 2, section 12;

35.32 (17) electrical workers, plumbers, carpenters, and associated trades personnel  
35.33 employed by Independent School District No. 625, St. Paul, or the city of St. Paul,  
35.34 who have retirement coverage under a collective bargaining agreement by the Electrical  
35.35 Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan,  
35.36 or the Carpenters Local 87 pension plan who were either first employed after May 1,

36.1 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000,  
36.2 chapter 461, article 7, section 5;

36.3 (18) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers,  
36.4 painters, allied tradesworkers, and plasterers employed by the city of St. Paul or  
36.5 Independent School District No. 625, St. Paul, with coverage under a collective  
36.6 bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan,  
36.7 the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324  
36.8 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities  
36.9 Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if  
36.10 first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special  
36.11 Session chapter 10, article 10, section 6;

36.12 (19) plumbers employed by the Metropolitan Airports Commission, with coverage  
36.13 under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either  
36.14 were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to  
36.15 be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

36.16 (20) employees who are hired after June 30, 2002, to fill seasonal positions under  
36.17 subdivision 12b which are limited in duration by the employer to 185 consecutive calendar  
36.18 days or less in each year of employment with the governmental subdivision;

36.19 (21) persons who are provided supported employment or work-study positions  
36.20 by a governmental subdivision and who participate in an employment or industries  
36.21 program maintained for the benefit of these persons where the governmental subdivision  
36.22 limits the position's duration to three years or less, including persons participating in a  
36.23 federal or state subsidized on-the-job training, work experience, senior citizen, youth, or  
36.24 unemployment relief program where the training or work experience is not provided as a  
36.25 part of, or for, future permanent public employment;

36.26 (22) independent contractors and the employees of independent contractors; and

36.27 (23) reemployed annuitants of the association during the course of that  
36.28 reemployment.

36.29 **EFFECTIVE DATE.** This section is effective the day after final enactment.

36.30 Sec. 15. Minnesota Statutes 2006, section 353.01, subdivision 6, is amended to read:

36.31 Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means  
36.32 a county, city, town, school district within this state, or a department ~~or~~ unit, or  
36.33 instrumentality of state or local government, or any public body ~~whose revenues are~~  
36.34 ~~derived~~ established under state or local authority that has a governmental purpose, is  
36.35 under public control, is responsible for the employment and payment of the salaries of

37.1 employees of the entity, and receives a major portion of its revenues from taxation, fees,  
37.2 assessments or from other public sources.

37.3 (b) Governmental subdivision also means the Public Employees Retirement  
37.4 Association, the League of Minnesota Cities, the Association of Metropolitan  
37.5 Municipalities, charter schools formed under section 124D.10, service cooperatives  
37.6 exercising retirement plan participation under section 123A.21, subdivision 5, joint powers  
37.7 boards organized under section 471.59, subdivision 11, paragraph (a), family service  
37.8 collaboratives and children's mental health collaboratives organized under section 471.59,  
37.9 subdivision 11, paragraph (b) or (c), provided that the entities creating the collaboratives  
37.10 are governmental units that otherwise qualify for retirement plan membership, public  
37.11 hospitals owned or operated by, or an integral part of, a governmental subdivision or  
37.12 governmental subdivisions, the Association of Minnesota Counties, the ~~Metropolitan~~  
37.13 Minnesota Intercounty Association, the Minnesota Municipal Utilities Association, the  
37.14 Metropolitan Airports Commission, the University of Minnesota with respect to police  
37.15 officers covered by the public employees police and fire retirement plan, the Minneapolis  
37.16 Employees Retirement Fund for employment initially commenced after June 30, 1979, the  
37.17 Range Association of Municipalities and Schools, soil and water conservation districts,  
37.18 economic development authorities created or operating under sections 469.090 to  
37.19 469.108, the Port Authority of the city of St. Paul, the Spring Lake Park Fire Department,  
37.20 incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing  
37.21 Environmental Learning Center, the Dakota County Agricultural Society, and Hennepin  
37.22 Healthcare System, Inc.

37.23 (c) Governmental subdivision does not mean any municipal housing and  
37.24 redevelopment authority organized under the provisions of sections 469.001 to 469.047;  
37.25 or any port authority organized under sections 469.048 to 469.089 other than the Port  
37.26 Authority of the city of St. Paul; or any hospital district organized or reorganized prior  
37.27 to July 1, 1975, under sections 447.31 to 447.37 or the successor of the district, ~~nor~~  
37.28 ~~the Minneapolis Community Development Agency;~~ or the board of a family service  
37.29 collaborative or children's mental health collaborative organized under sections 124D.23,  
37.30 245.491 to 245.495, or 471.59, if that board is not controlled by representatives of  
37.31 governmental units.

37.32 (d) A nonprofit corporation governed by chapter 317A or organized under Internal  
37.33 Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a  
37.34 governmental subdivision unless the entity has obtained a written advisory opinion from  
37.35 the United States Department of Labor or a ruling from the Internal Revenue Service  
37.36 declaring the entity to be an instrumentality of the state so as to provide that any future

38.1 contributions by the entity on behalf of its employees are contributions to a governmental  
38.2 plan within the meaning of Internal Revenue Code, section 414(d).

38.3 (e) A public body created by state or local authority may request membership on  
38.4 behalf of its employees by providing sufficient evidence that it meets the requirements in  
38.5 paragraph (a).

38.6 (f) An entity determined to be a governmental subdivision is subject to the reporting  
38.7 requirements of this chapter upon receipt of a written notice of eligibility from the  
38.8 association.

38.9 **EFFECTIVE DATE.** This section is effective the day after final enactment.  
38.10 Paragraphs (e) and (f) apply to initial plan coverage dates occurring on or after the  
38.11 effective date.

38.12 Sec. 16. Minnesota Statutes 2006, section 353.01, subdivision 16, is amended to read:

38.13 Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service"  
38.14 means:

38.15 (1) service during years of actual membership in the course of which employee  
38.16 contributions were made, periods covered by payments in lieu of salary deductions under  
38.17 section 353.35;

38.18 (2) service in years during which the public employee was not a member but for  
38.19 which the member later elected, while a member, to obtain credit by making payments to  
38.20 the fund as permitted by any law then in effect;

38.21 (3) a period of authorized leave of absence with pay from which deductions for  
38.22 employee contributions are made, deposited, and credited to the fund;

38.23 (4) a period of authorized personal, parental, or medical leave of absence without  
38.24 pay, including a leave of absence covered under the federal Family Medical Leave Act,  
38.25 that does not exceed one year, and ~~during or~~ for which a member obtained service credit  
38.26 for each month in the leave period by ~~payments~~ payment under section 353.0161 to the  
38.27 fund made in place of salary deductions. ~~The payments must be made in an amount~~  
38.28 ~~or amounts based on the member's average salary on which deductions were paid for~~  
38.29 ~~the last six months of public service, or for that portion of the last six months while the~~  
38.30 ~~member was in public service, to apply to the period in either case that immediately~~  
38.31 ~~precedes the commencement of the leave of absence. If the employee elects to pay the~~  
38.32 ~~employee contributions for the period of any authorized personal, parental, or medical~~  
38.33 ~~leave of absence without pay, or for any portion of the leave, the employee shall also, as~~  
38.34 ~~a condition to the exercise of the election, pay to the fund an amount equivalent to the~~  
38.35 ~~required employer and the additional employer contributions, if any, for the employee.~~

39.1 ~~The payment must be made within one year from the expiration of the leave of absence~~  
39.2 ~~or within 20 days after termination of public service under subdivision 11a, whichever~~  
39.3 ~~is earlier. The employer, by appropriate action of its governing body which is made a~~  
39.4 ~~part of its official records and which is adopted before the date of the first payment of~~  
39.5 ~~the employee contribution, may certify to the association in writing its commitment to~~  
39.6 ~~pay the employer and additional employer contributions from the proceeds of a tax levy~~  
39.7 ~~made under section 353.28. Payments under this paragraph must include interest at an~~  
39.8 ~~annual rate of 8.5 percent compounded annually from the date of the termination of the~~  
39.9 ~~leave of absence to the date payment is made. An employee must return to public service~~  
39.10 ~~and render a minimum of three months of allowable service in order to be eligible to~~  
39.11 ~~pay employee and employer contributions~~ make payment under section 353.0161 ~~for a~~  
39.12 ~~subsequent authorized leave of absence without pay. Upon payment, the employee must~~  
39.13 ~~be granted allowable service credit for the purchased period;~~

39.14 (5) a periodic, repetitive leave that is offered to all employees of a governmental  
39.15 subdivision. The leave program may not exceed 208 hours per annual normal work  
39.16 cycle as certified to the association by the employer. A participating member obtains  
39.17 service credit by making employee contributions in an amount or amounts based on the  
39.18 member's average salary that would have been paid if the leave had not been taken. The  
39.19 employer shall pay the employer and additional employer contributions on behalf of the  
39.20 participating member. The employee and the employer are responsible to pay interest on  
39.21 their respective shares at the rate of 8.5 percent a year, compounded annually, from the  
39.22 end of the normal cycle until full payment is made. An employer shall also make the  
39.23 employer and additional employer contributions, plus 8.5 percent interest, compounded  
39.24 annually, on behalf of an employee who makes employee contributions but terminates  
39.25 public service. The employee contributions must be made within one year after the end of  
39.26 the annual normal working cycle or within 20 days after termination of public service,  
39.27 whichever is sooner. The executive director shall prescribe the manner and forms to be  
39.28 used by a governmental subdivision in administering a periodic, repetitive leave. Upon  
39.29 payment, the member must be granted allowable service credit for the purchased period;

39.30 (6) an authorized temporary or seasonal layoff under subdivision 12, limited to three  
39.31 months allowable service per authorized temporary or seasonal layoff in one calendar year.  
39.32 An employee who has received the maximum service credit allowed for an authorized  
39.33 temporary or seasonal layoff must return to public service and must obtain a minimum of  
39.34 three months of allowable service subsequent to the layoff in order to receive allowable  
39.35 service for a subsequent authorized temporary or seasonal layoff; or

40.1 (7) a period during which a member is absent from employment by a governmental  
40.2 subdivision by reason of service in the uniformed services, as defined in United States  
40.3 Code, title 38, section 4303(13), if the member returns to public service upon discharge  
40.4 from service in the uniformed service within the time frames required under United  
40.5 States Code, title 38, section 4312(e), provided that the member did not separate from  
40.6 uniformed service with a dishonorable or bad conduct discharge or under other than  
40.7 honorable conditions. The service is credited if the member pays into the fund equivalent  
40.8 employee contributions based upon the contribution rate or rates in effect at the time  
40.9 that the uniformed service was performed multiplied by the full and fractional years  
40.10 being purchased and applied to the annual salary rate. The annual salary rate is the  
40.11 average annual salary during the purchase period that the member would have received  
40.12 if the member had continued to be employed in covered employment rather than to  
40.13 provide uniformed service, or, if the determination of that rate is not reasonably certain,  
40.14 the annual salary rate is the member's average salary rate during the 12-month period of  
40.15 covered employment rendered immediately preceding the period of the uniformed service.  
40.16 Payment of the member equivalent contributions must be made during a period that begins  
40.17 with the date on which the individual returns to public employment and that is three times  
40.18 the length of the military leave period, or within five years of the date of discharge from  
40.19 the military service, whichever is less. If the determined payment period is less than  
40.20 one year, the contributions required under this clause to receive service credit may be  
40.21 made within one year of the discharge date. Payment may not be accepted following 20  
40.22 days after termination of public service under subdivision 11a. If the member equivalent  
40.23 contributions provided for in this clause are not paid in full, the member's allowable  
40.24 service credit must be prorated by multiplying the full and fractional number of years of  
40.25 uniformed service eligible for purchase by the ratio obtained by dividing the total member  
40.26 contributions received by the total member contributions otherwise required under this  
40.27 clause. The equivalent employer contribution, and, if applicable, the equivalent additional  
40.28 employer contribution must be paid by the governmental subdivision employing the  
40.29 member if the member makes the equivalent employee contributions. The employer  
40.30 payments must be made from funds available to the employing unit, using the employer  
40.31 and additional employer contribution rate or rates in effect at the time that the uniformed  
40.32 service was performed, applied to the same annual salary rate or rates used to compute the  
40.33 equivalent member contribution. The governmental subdivision involved may appropriate  
40.34 money for those payments. The amount of service credit obtainable under this section may  
40.35 not exceed five years unless a longer purchase period is required under United States Code,  
40.36 title 38, section 4312. The employing unit shall pay interest on all equivalent member and

41.1 employer contribution amounts payable under this clause. Interest must be computed at  
 41.2 a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave  
 41.3 or the break in service to the end of the month in which the payment is received. Upon  
 41.4 payment, the employee must be granted allowable service credit for the purchased period.

41.5 (b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for  
 41.6 state officers and employees displaced by the Community Corrections Act, chapter 401,  
 41.7 and transferred into county service under section 401.04, "allowable service" means the  
 41.8 combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and  
 41.9 section 352.01, subdivision 11.

41.10 (c) For a public employee who has prior service covered by a local police or  
 41.11 firefighters relief association that has consolidated with the Public Employees Retirement  
 41.12 Association or to which section 353.665 applies, and who has elected the type of benefit  
 41.13 coverage provided by the public employees police and fire fund either under section  
 41.14 353A.08 following the consolidation or under section 353.665, subdivision 4, "applicable  
 41.15 service" is a period of service credited by the local police or firefighters relief association  
 41.16 as of the effective date of the consolidation based on law and on bylaw provisions  
 41.17 governing the relief association on the date of the initiation of the consolidation procedure.

41.18 (d) No member may receive more than 12 months of allowable service credit in a  
 41.19 year either for vesting purposes or for benefit calculation purposes.

41.20 (e) MS 2002 [Expired]

41.21 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
 41.22 authorized leaves of absence that commence on or after the effective date.

41.23 Sec. 17. Minnesota Statutes 2006, section 353.01, subdivision 28, is amended to read:

41.24 Subd. 28. **Retirement.** (a) "Retirement" means the commencement of the payment  
 41.25 of an annuity based on a date designated by the board of trustees. This date determines  
 41.26 the rights under this chapter which occur either before or after retirement. A right to  
 41.27 retirement is subject to termination of public service under subdivision 11a. A right to  
 41.28 retirement requires a complete and continuous separation for 30 days from employment as  
 41.29 a public employee and from the provision of paid services to that employer.

41.30 (b) An individual who separates from employment as a public employee and who,  
 41.31 within 30 days of separation, returns to provide service to a governmental subdivision  
 41.32 as an independent contractor or as an employee of an independent contractor, has not  
 41.33 satisfied the separation requirements under paragraph (a).

41.34 ~~(c) A former member of the basic or police and fire fund who becomes a coordinated~~  
 41.35 ~~member upon returning to eligible, nontemporary public service, terminates employment~~

42.1 ~~before obtaining six months' allowable service under subdivision 16, paragraph (a), in~~  
 42.2 ~~the coordinated fund, and is eligible to receive an annuity the first day of the month after~~  
 42.3 ~~the most recent termination date shall not accrue a right to a retirement annuity under the~~  
 42.4 ~~coordinated fund. An annuity otherwise payable to the former member must be based on~~  
 42.5 ~~the laws in effect on the date of termination of the most recent service under the basic or~~  
 42.6 ~~police and fire fund and shall be retroactive to the first day of the month following that~~  
 42.7 ~~termination date or one year preceding the filing of an application for retirement annuity~~  
 42.8 ~~as provided by section 353.29, subdivision 7, whichever is later. The annuity payment~~  
 42.9 ~~must be suspended under the provisions of section 353.37, if earned compensation for the~~  
 42.10 ~~reemployment equals or exceeds the amounts indicated under that section. The association~~  
 42.11 ~~will refund the employee deductions made to the coordinated fund, with interest under~~  
 42.12 ~~section 353.34, subdivision 2, return the accompanying employer contributions, and~~  
 42.13 ~~remove the allowable service credits covering the deductions refunded.~~

42.14 ~~(d)~~ (c) Notwithstanding the 30-day separation requirement under paragraph (a), a  
 42.15 member of ~~the~~ a defined benefit plan under this chapter, who also participates in the public  
 42.16 employees defined contribution plan under chapter 353D for other public service, may be  
 42.17 paid, if eligible, a retirement annuity from the defined benefit plan while participating in the  
 42.18 defined contribution plan. A retirement annuity is also payable from a defined benefit plan  
 42.19 under this chapter to an eligible member who terminates public service and who, within  
 42.20 30 days of separation, takes office as an elected official of a governmental subdivision.

42.21 (d) Elected officials included in association membership under subdivisions 2a and  
 42.22 2d meet the 30-day separation requirement under this section by resigning from office  
 42.23 before filing for a subsequent term in the same office and by remaining completely and  
 42.24 continuously separated from that office for 30 days prior to the date of the election.

42.25 **EFFECTIVE DATE.** This section is effective the day after final enactment.

42.26 Sec. 18. **[353.0161] AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT**  
 42.27 **PURCHASE PROCEDURE.**

42.28 Subdivision 1. **Application.** This section applies to employees covered by any  
 42.29 plan specified in this chapter or chapter 353E for any period of authorized leave of  
 42.30 absence specified in section 353.01, subdivision 16, paragraph (a), clause (4), for which  
 42.31 the employee obtains credit for allowable service by making payment as specified in  
 42.32 this section to the applicable fund.

42.33 Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in  
 42.34 subdivision 1 may purchase credit for allowable service in that plan for a period specified  
 42.35 in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c),

43.1 whichever applies. The employing unit, at its option, may pay the employer portion of the  
 43.2 amount specified in paragraph (b) on behalf of its employees.

43.3 (b) If payment is received by the executive director within one year from the end  
 43.4 of the authorized leave, the payment amount is equal to the employee and employer  
 43.5 contribution rates specified in law for the applicable plan at the end of the leave period  
 43.6 multiplied by the employee's hourly rate of salary on the date of return from the leave of  
 43.7 absence and by the days and months of the leave of absence for which the employee wants  
 43.8 allowable service credit. Payments made under this paragraph must include compound  
 43.9 interest at a monthly rate of 0.71 percent from the last day of the leave period until the last  
 43.10 day of the month in which payment is received.

43.11 (c) If payment is received by the executive director after one year, the payment  
 43.12 amount is the amount determined under section 356.551.

43.13 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
 43.14 authorized leaves of absence that commence on or after the effective date.

43.15 Sec. 19. Minnesota Statutes 2006, section 353.03, subdivision 3, is amended to read:

43.16 Subd. 3. **Duties and powers of the board.** (a) The board shall:

43.17 (1) elect a president and vice-president. ~~The board shall;~~

43.18 (2) approve the staffing complement, as recommended by the executive director,  
 43.19 necessary to administer the fund. ~~The cost of administering this chapter must be paid by~~  
 43.20 the fund.;

43.21 ~~(b) The board shall~~ (3) adopt bylaws for its own government and for the management  
 43.22 of the fund consistent with the laws of the state and may modify them at pleasure. ~~It shall;~~

43.23 (4) adopt, alter, and enforce reasonable rules consistent with the laws of the state  
 43.24 and the terms of the applicable benefit plans for the administration and management of the  
 43.25 fund, for the payment and collection of payments from members; and for the payment  
 43.26 of withdrawals and benefits. ~~It shall,~~ and that are necessary in order to comply with the  
 43.27 applicable federal Internal Revenue Service and Department of Labor requirements;

43.28 (5) pass upon and allow or disallow all applications for membership in the fund  
 43.29 and ~~shall~~ allow or disallow claims for withdrawals, pensions, or benefits payable from  
 43.30 the fund. ~~It shall;~~

43.31 (6) adopt an appropriate mortality table based on experience of the fund as  
 43.32 recommended by the association actuary and approved under section 356.215, subdivision  
 43.33 18, with interest set at the rate specified in section 356.215, subdivision 8. ~~It shall;~~

44.1 (7) provide for the payment out of the fund of the cost of administering this  
 44.2 chapter, of all necessary expenses for the administration of the fund and of all claims for  
 44.3 withdrawals, pensions, or benefits allowed. ~~The board shall; and~~

44.4 (8) approve or disapprove all recommendations and actions of the executive director  
 44.5 made subject to its approval or disapproval by subdivision 3a.

44.6 ~~(e)~~ (b) In passing upon all applications and claims, the board may summon, swear,  
 44.7 hear, and examine witnesses and, in the case of claims for disability benefits, may require  
 44.8 the claimant to submit to a medical examination by a physician of the board's choice, at the  
 44.9 expense of the fund, as a condition precedent to the passing on the claim, and, in the case  
 44.10 of all applications and claims, may conduct investigations necessary to determine their  
 44.11 validity and merit. The board shall establish procedures to assure that a benefit applicant  
 44.12 and recipient may have a review of a benefit eligibility or benefit amount determination  
 44.13 affecting the applicant or recipient. The review procedure may afford the benefit applicant  
 44.14 or benefit recipient an opportunity to present views at any review proceeding conducted,  
 44.15 but is not a contested case under chapter 14.

44.16 ~~(d)~~ (c) The board may continue to authorize the sale of life insurance to members  
 44.17 under the insurance program in effect on January 1, 1985, but must not change that  
 44.18 program without the approval of the commissioner of finance. The association shall  
 44.19 not receive any financial benefit from the life insurance program beyond the amount  
 44.20 necessary to reimburse the association for costs incurred in administering the program.  
 44.21 The association shall not engage directly or indirectly in any other activity involving the  
 44.22 sale or promotion of goods or services, or both, whether to members or nonmembers.

44.23 ~~(e)~~ (d) The board shall establish procedures governing reimbursement of expenses to  
 44.24 board members. These procedures ~~shall~~ must define the types of activities and expenses  
 44.25 that qualify for reimbursement, ~~shall~~ must provide that all out-of-state travel ~~must~~  
 44.26 authorized by the board, and ~~shall~~ must provide for the independent verification of claims  
 44.27 for expense reimbursement. The procedures must comply with the applicable rules  
 44.28 and policies of the Department of Finance, the Department of Administration, and the  
 44.29 Department of Employee Relations.

44.30 ~~(f)~~ (e) The board may purchase fiduciary liability insurance and official bonds for the  
 44.31 officers and members of the board of trustees and employees of the association and may  
 44.32 purchase property insurance or may establish a self-insurance risk reserve including, but  
 44.33 not limited to, data processing insurance and "extra-expense" coverage.

44.34 **EFFECTIVE DATE.** This section is effective the day after final enactment.

44.35 Sec. 20. Minnesota Statutes 2006, section 353.03, subdivision 3a, is amended to read:

45.1 Subd. 3a. **Executive director.** (a) **Appointment.** The board shall appoint, ~~with~~  
45.2 ~~the advice and consent of the senate,~~ an executive director on the basis of education,  
45.3 experience in the retirement field, and leadership ability. The executive director ~~shall~~ must  
45.4 have had at least five years' experience in an executive level management position, which  
45.5 has included responsibility for pensions, deferred compensation, or employee benefits.  
45.6 The executive director serves at the pleasure of the board. The salary of the executive  
45.7 director is as provided by section 15A.0815.

45.8 (b) **Duties.** The management of the association is vested in the executive director  
45.9 who shall be the executive and administrative head of the association. The executive  
45.10 director shall act as adviser to the board on all matters pertaining to the association and  
45.11 shall also act as the secretary of the board. The executive director shall:

45.12 (1) attend all meetings of the board;

45.13 (2) prepare and recommend to the board appropriate rules to carry out the provisions  
45.14 of this chapter;

45.15 (3) establish and maintain an adequate system of records and accounts following  
45.16 recognized accounting principles and controls;

45.17 (4) designate, with the approval of the board, up to two persons who ~~shall~~ may serve  
45.18 in the unclassified service and whose ~~salary is~~ salaries are set in accordance with section  
45.19 43A.18, subdivision 3, appoint a confidential secretary in the unclassified service, and  
45.20 appoint employees to carry out this chapter, who are subject to chapters 43A and 179A  
45.21 in the same manner as are executive branch employees;

45.22 (5) organize the work of the association as the director deems necessary to fulfill  
45.23 the functions of the association, and define the duties of its employees and delegate to  
45.24 them any powers or duties, subject to the control of, and under such conditions as, the  
45.25 executive director may prescribe;

45.26 (6) with the approval of the board, contract for the services of an approved actuary,  
45.27 professional management services, and any other consulting services as necessary  
45.28 to fulfill the purposes of this chapter. All contracts are subject to chapter 16C. The  
45.29 commissioner of administration shall not approve, and the association shall not enter  
45.30 into, any contract to provide lobbying services or legislative advocacy of any kind.  
45.31 Any approved actuary retained by the executive director shall function as the actuarial  
45.32 advisor of the board and the executive director and may perform actuarial valuations and  
45.33 experience studies to supplement those performed by the actuary retained under section  
45.34 356.214. Any supplemental actuarial valuations or experience studies shall be filed with  
45.35 the executive director of the Legislative Commission on Pensions and Retirement. Copies  
45.36 of professional management survey reports shall be transmitted to the secretary of the

46.1 senate, the chief clerk of the house of representatives, and the Legislative Reference  
46.2 Library as provided by section 3.195, and to the executive director of the commission at  
46.3 the same time as reports are furnished to the board. Only management firms experienced  
46.4 in conducting management surveys of federal, state, or local public retirement systems  
46.5 shall be qualified to contract with the director hereunder;

46.6 (7) with the approval of the board provide in-service training for the employees  
46.7 of the association;

46.8 (8) make refunds of accumulated contributions to former members and to the  
46.9 designated beneficiary, surviving spouse, legal representative or next of kin of deceased  
46.10 members or deceased former members, as provided in this chapter;

46.11 (9) determine the amount of the annuities and disability benefits of members covered  
46.12 by the association and authorize payment of the annuities and benefits beginning as of  
46.13 the dates on which the annuities and benefits begin to accrue, in accordance with the  
46.14 provisions of this chapter;

46.15 (10) pay annuities, refunds, survivor benefits, salaries, and necessary operating  
46.16 expenses of the association;

46.17 (11) prepare and submit to the board and the legislature an annual financial report  
46.18 covering the operation of the association, as required by section 356.20;

46.19 (12) prepare and submit biennial and annual budgets to the board for its approval  
46.20 and submit the approved budgets to the Department of Finance for approval by the  
46.21 commissioner;

46.22 (13) reduce all or part of the accrued interest payable under section 353.27,  
46.23 subdivisions 12, 12a, and 12b, or 353.28, subdivision 5, upon receipt of proof by the  
46.24 association of an unreasonable processing delay or other extenuating circumstances of  
46.25 the employing unit. The executive director shall prescribe and submit for approval by the  
46.26 board the conditions under which such interest may be reduced; and

46.27 (14) with the approval of the board, perform such other duties as may be required for  
46.28 the administration of the association and the other provisions of this chapter and for the  
46.29 transaction of its business.

46.30 **EFFECTIVE DATE.** This section is effective the day after final enactment.

46.31 Sec. 21. Minnesota Statutes 2006, section 353.03, subdivision 4, is amended to read:

46.32 Subd. 4. **Offices.** The commissioner of administration shall make provision for  
46.33 suitable office space in the ~~state capitol or other state office buildings, or at such other~~  
46.34 ~~location as is determined by the commissioner for the use of the board of trustees and its~~  
46.35 ~~executive director. The commissioner shall give the board at least four months notice~~

47.1 ~~for any proposed removal from their present location. Any and all rental charges shall~~  
 47.2 ~~be paid by the trustees from the public employees retirement fund~~ public pension fund  
 47.3 facilities created under section 356B.10.

47.4 **EFFECTIVE DATE.** This section is effective the day after final enactment.

47.5 Sec. 22. Minnesota Statutes 2006, section 353.27, is amended by adding a subdivision  
 47.6 to read:

47.7 **Subd. 14. Treatment of periods before initial coverage date.** (a) If an entity  
 47.8 is determined to be a governmental subdivision due to receipt of a written notice of  
 47.9 eligibility from the association, that employer and its employees are subject to the  
 47.10 requirements of subdivision 12, effective retroactive to the date that the executive director  
 47.11 of the association determines that the entity first met the definition of a governmental  
 47.12 subdivision, if that date predates the notice of eligibility.

47.13 (b) If the retroactive time period under paragraph (a) exceeds three years, an  
 47.14 employee is authorized to purchase service credit in the applicable Public Employees  
 47.15 Retirement Association plan for the portion of the period in excess of three years, by  
 47.16 making payment under section 356.551.

47.17 (c) This subdivision does not apply if the applicable employment under paragraph  
 47.18 (a) included coverage by any public or private defined benefit or defined contribution  
 47.19 retirement plan, other than a volunteer firefighters relief association. If this paragraph  
 47.20 applies, an individual is prohibited from purchasing service credit for any period or  
 47.21 periods specified in paragraph (a).

47.22 **EFFECTIVE DATE.** This section is effective the day after final enactment and  
 47.23 applies to initial plan coverage dates occurring on or after the effective date.

47.24 Sec. 23. Minnesota Statutes 2006, section 353.28, subdivision 6, is amended to read:

47.25 **Subd. 6. Collection of unpaid amounts.** (a) If a governmental subdivision which  
 47.26 receives the direct proceeds of property taxation fails to pay an amount due under chapter  
 47.27 353, 353A, 353B, 353C, or 353D, the executive director shall certify the amount to the  
 47.28 governmental subdivision for payment. If the governmental subdivision fails to remit the  
 47.29 sum so due in a timely fashion, the executive director shall certify the amount to the  
 47.30 applicable county auditor for collection. The county auditor shall collect the amount  
 47.31 out of the revenue of the governmental subdivision, or shall add the amount to the levy  
 47.32 of the governmental subdivision and make payment directly to the association. This

48.1 tax must be levied, collected, and apportioned in the manner that other taxes are levied,  
48.2 collected, and apportioned.

48.3 (b) If a governmental subdivision which is not funded directly from the proceeds  
48.4 of property taxation fails to pay an amount due under this chapter, the executive  
48.5 director shall certify the amount to the governmental subdivision for payment. If the  
48.6 governmental subdivision fails to pay the amount for a period of 60 days after the date  
48.7 of the certification, the executive director shall certify the amount to the commissioner  
48.8 of finance, who shall deduct the amount from any subsequent state-aid payment or state  
48.9 appropriation amount applicable to the governmental subdivision and make payment  
48.10 directly to the association. If the amount of the state-aid payment or state appropriation is  
48.11 not sufficient to pay the full sum due, the amounts paid to the association must be applied  
48.12 first to the unpaid employee deductions withheld from the employees' wages and next to  
48.13 the unpaid employer contributions. Any remaining amount received by the association  
48.14 must be applied to the interest due on the employee and employer contribution amounts.  
48.15 If a government subdivision under this paragraph owes amounts to more than one public  
48.16 retirement plan, section 356.98 applies.

48.17 (c) If a governmental subdivision has been dissolved or closed, the requirements in  
48.18 paragraph (b) of a certification to the governmental subdivision and the related 60-day  
48.19 waiting period do not apply. The executive director is authorized to immediately certify  
48.20 the applicable amount to the commissioner of finance.

48.21 **EFFECTIVE DATE.** This section is effective the day after final enactment.

48.22 Sec. 24. Minnesota Statutes 2006, section 353.29, subdivision 3, is amended to read:

48.23 Subd. 3. **Retirement annuity formula.** (a) This paragraph, in conjunction with  
48.24 section 353.30, subdivisions ~~1~~, 1a, 1b, and 1c, applies to any member who first became a  
48.25 public employee or a member of a pension fund listed in section 356.30, subdivision 3,  
48.26 before July 1, 1989, unless paragraph (b), in conjunction with section 353.30, subdivision  
48.27 5, produces a higher annuity amount, in which case paragraph (b) will apply. The average  
48.28 salary as defined in section 353.01, subdivision 17a, multiplied by the percent specified in  
48.29 section 356.315, subdivision 3, for each year of allowable service for the first ten years  
48.30 and thereafter by the percent specified in section 356.315, subdivision 4, per year of  
48.31 allowable service and completed months less than a full year for ~~the "basic member," a~~  
48.32 basic member, and the percent specified in section 356.315, subdivision 1, for each year of  
48.33 allowable service for the first ten years and thereafter by the percent specified in section  
48.34 356.315, subdivision 2, per year of allowable service and completed months less than a

49.1 full year for ~~the "coordinated member,"~~ a coordinated member shall determine the amount  
49.2 of the ~~"normal"~~ normal retirement annuity.

49.3 (b) This paragraph applies to a member who has become at least 55 years old and  
49.4 first became a public employee after June 30, 1989, and to any other member whose  
49.5 annuity amount, when calculated under this paragraph and in conjunction with section  
49.6 353.30, subdivision 5, is higher than it is when calculated under paragraph (a), in  
49.7 conjunction with section 353.30, subdivisions ~~1~~, 1a, 1b, and 1c. The average salary, as  
49.8 defined in section 353.01, subdivision 17a, multiplied by the percent specified in section  
49.9 356.315, subdivision 4, for each year of allowable service and completed months less than  
49.10 a full year for a basic member and the percent specified in section 356.315, subdivision 2,  
49.11 per year of allowable service and completed months less than a full year for a coordinated  
49.12 member, shall determine the amount of the normal retirement annuity.

49.13 **EFFECTIVE DATE.** This section is effective the day after final enactment.

49.14 Sec. 25. Minnesota Statutes 2006, section 353.30, subdivision 1a, is amended to read:

49.15 Subd. 1a. **Pre-July 1, 1989 members: rule of 90.** ~~Any~~ Upon termination of  
49.16 public service under section 353.01, subdivision 11a, a person who first became a public  
49.17 employee or a member of a pension fund listed in section 356.30, subdivision 3, before  
49.18 July 1, 1989, and whose attained age plus credited allowable service totals 90 years is  
49.19 entitled upon application to a retirement annuity in an amount equal to the normal annuity  
49.20 provided in section 353.29, ~~subdivisions 2 and~~ subdivision 3, paragraph (a), without any  
49.21 reduction in annuity ~~by reason of such~~ due to early retirement.

49.22 **EFFECTIVE DATE.** This section is effective the day after final enactment.

49.23 Sec. 26. Minnesota Statutes 2006, section 353.30, subdivision 1b, is amended to read:

49.24 Subd. 1b. **Pre-July 1, 1989 members: 30 years of service.** ~~Any~~ Upon termination  
49.25 of public service under section 353.01, subdivision 11a, a person who first became a  
49.26 public employee or a member of a pension fund listed in section 356.30, subdivision  
49.27 3, before July 1, 1989, with 30 years or more of allowable service credit, who elects  
49.28 ~~early retirement under subdivision 1~~ to retire prior to normal retirement age, shall receive  
49.29 an annuity in an amount equal to the normal annuity provided under section 353.29,  
49.30 ~~subdivisions 2 and~~ subdivision 3, paragraph (a), reduced by one-quarter of one percent for  
49.31 each month that the member is under age 62 at the time of retirement.

49.32 **EFFECTIVE DATE.** This section is effective the day after final enactment.

50.1 Sec. 27. Minnesota Statutes 2006, section 353.30, subdivision 1c, is amended to read:

50.2 Subd. 1c. **Pre-July 1, 1989 members: early retirement.** ~~Any~~ Upon termination of  
50.3 public service, a person who first became a public employee or a member of a pension  
50.4 fund listed in section 356.30, subdivision 3, before July 1, 1989, ~~and who has received~~  
50.5 ~~credit for at least 30 years of allowable service or who has become at least 55 years old but~~  
50.6 not normal retirement age, and has received credit for at least three years of allowable  
50.7 service is entitled upon application to a retirement annuity in an amount equal to the  
50.8 normal annuity provided in section 353.29, ~~subdivisions 2 and~~ subdivision 3, paragraph  
50.9 (a), reduced by one-quarter of one percent for each month that the member is under normal  
50.10 retirement age at the time of retirement, ~~except that for any member who has 30 or more~~  
50.11 ~~years of allowable service the reduction shall be applied only for each month that the~~  
50.12 ~~member is under age 62 at the time of retirement.~~

50.13 **EFFECTIVE DATE.** This section is effective the day after final enactment.

50.14 Sec. 28. Minnesota Statutes 2006, section 353.32, subdivision 1a, is amended to read:

50.15 Subd. 1a. **Surviving spouse optional annuity.** (a) If a member or former member  
50.16 who has credit for not less than three years of allowable service and dies before the  
50.17 annuity or disability benefit begins to accrue under section 353.29, subdivision 7, or  
50.18 353.33, subdivision 2, notwithstanding any designation of beneficiary to the contrary, the  
50.19 surviving spouse may elect to receive, instead of a refund with interest under subdivision  
50.20 1, or surviving spouse benefits otherwise payable under section 353.31, an annuity equal  
50.21 to ~~the~~ a 100 percent joint and survivor annuity ~~that the member could have qualified for~~  
50.22 ~~had the member terminated service on the date of death~~ computed consistent with section  
50.23 353.30, subdivision 1a, 1c, or 5, whichever is applicable.

50.24 (b) If ~~the~~ a member ~~was under age 55~~ first became a public employee or a member of  
50.25 a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and has credit  
50.26 for at least 30 years of allowable service on the date of death, the surviving spouse may  
50.27 elect to receive a 100 percent joint and survivor annuity ~~based on the age of the member~~  
50.28 ~~and surviving spouse on the date of death. The annuity is payable using~~ computed using  
50.29 section 353.30, subdivision 1b, except that the full early retirement reduction under ~~section~~  
50.30 ~~353.30, subdivisions 1b and 1c, to~~ that provision will be applied from age 62 back to age 55  
50.31 and one-half of the early retirement reduction from age 55 back to the age payment begins.

50.32 (c) If ~~the~~ a member who was under age 55 and has credit for at least three years of  
50.33 allowable service ~~on the date of death~~ dies, but did not qualify for retirement on the date  
50.34 of death, the surviving spouse may elect to receive ~~the~~ a 100 percent joint and survivor  
50.35 annuity ~~based on the age of the member and surviving spouse at the time of death. The~~

51.1 ~~annuity is payable~~ computed using section 353.30, subdivision 1c or 5, as applicable,  
51.2 except that the full early retirement reduction under section 353.30, subdivision 1, 1b, 1c,  
51.3 or 5, specified in the applicable subdivision will be applied to age 55 and one-half of the  
51.4 early retirement reduction from age 55 back to the age payment begins.

51.5 (d) Notwithstanding the definition of surviving spouse in section 353.01, subdivision  
51.6 20, a former spouse of the member, if any, is entitled to a portion of the monthly surviving  
51.7 spouse optional annuity if stipulated under the terms of a marriage dissolution decree filed  
51.8 with the association. If there is no surviving spouse or child or children, a former spouse  
51.9 may be entitled to a lump-sum refund payment under subdivision 1, if provided for in a  
51.10 marriage dissolution decree, but not a monthly surviving spouse optional annuity, despite  
51.11 the terms of a marriage dissolution decree filed with the association.

51.12 (e) The surviving spouse eligible for surviving spouse benefits under paragraph (a)  
51.13 may apply for the annuity at any time after the date on which the deceased employee would  
51.14 have attained the required age for retirement based on the employee's allowable service.  
51.15 The surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may  
51.16 apply for an annuity any time after the member's death. ~~The annuity must be computed~~  
51.17 ~~under sections 353.29, subdivisions 2 and 3; and 353.30, subdivisions 1, 1a, 1b, 1c, and 5.~~

51.18 (f) Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred  
51.19 annuity or surviving spouse benefit payable under this subdivision. ~~No payment may~~  
51.20 ~~accrue beyond the end of the month in which entitlement to the annuity has terminated or~~  
51.21 ~~upon expiration of the term certain benefit payment under subdivision 1b.~~

51.22 (g) An amount equal to any excess of the accumulated contributions that were  
51.23 credited to the account of the deceased employee over and above the total of the annuities  
51.24 paid and payable to the surviving spouse must be paid to the surviving spouse's estate.

51.25 (g) (h) A member may specify in writing that this subdivision does not apply and  
51.26 that payment may be made only to the designated beneficiary as otherwise provided by  
51.27 this chapter. The waiver of a surviving spouse annuity under this section does not make a  
51.28 dependent child eligible for benefits under subdivision 1c.

51.29 (i) If the deceased member or former member first became a public employee or a  
51.30 member of a public pension plan listed in section 356.30, subdivision 3, on or after July  
51.31 1, 1989, a survivor annuity computed under paragraph (a) or (c) must be computed as  
51.32 specified in section 353.30, subdivision 5, except for the revised early retirement reduction  
51.33 specified in paragraph (c), if paragraph (c) is the applicable provision.

51.34 (j) For any survivor annuity determined under this subdivision, the payment is to be  
51.35 based on the total allowable service that the member had accrued as of the date of death  
51.36 and the age of the member and surviving spouse on that date.

52.1 **EFFECTIVE DATE.** This section is effective for survivor benefits based on a date  
 52.2 of death occurring on or after July 1, 2007. This section, other than paragraph (j), is not  
 52.3 intended to increase, modify, impair, or diminish the benefit entitlements specified in  
 52.4 the subdivision within the Minnesota Statutes being amended. If the executive director  
 52.5 of the Public Employees Retirement Association determines that any provision of this  
 52.6 section, other than paragraph (j), does increase, modify, impair, or diminish the benefit  
 52.7 entitlements as reflected in applicable law just before the effective date of this section,  
 52.8 the executive director shall certify that determination and a recommendation as to the  
 52.9 required legislative correction to the chairs of the Legislative Commission on Pensions  
 52.10 and Retirement, the house Governmental Operations, Reform, Technology and Elections  
 52.11 Committee, the senate State and Local Governmental Operations Committee, and to the  
 52.12 executive director of the Legislative Commission on Pensions and Retirement.

52.13 Sec. 29. Minnesota Statutes 2006, section 353.32, subdivision 1b, is amended to read:

52.14 Subd. 1b. **Survivor coverage term certain.** (a) In lieu of the 100 percent optional  
 52.15 annuity under subdivision 1a, or a refund under subdivision 1, the surviving spouse of  
 52.16 a deceased member may elect to receive survivor coverage for a term certain period of  
 52.17 ten, 15, or 20 years, but monthly payments must not exceed 75 percent of the average  
 52.18 high-five monthly salary of the deceased member. The benefit terminates at the end of  
 52.19 the specified term certain period. Except as otherwise specified in this subdivision, the  
 52.20 monthly term certain annuity must be actuarially equivalent to the 100 percent optional  
 52.21 annuity under subdivision 1a.

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

52.25 **EFFECTIVE DATE.** This section is effective the day after final enactment.

52.26 Sec. 30. Minnesota Statutes 2006, section 353.34, subdivision 3, is amended to read:

52.27 Subd. 3. **Deferred annuity; eligibility; computation.** A member with at least  
 52.28 three years of allowable service when termination of public service or termination of  
 52.29 membership occurs has the option of leaving the accumulated deductions in the fund and  
 52.30 being entitled to a deferred retirement annuity commencing at normal retirement age  
 52.31 or to a deferred early retirement annuity under section 353.30, subdivision ~~1~~, 1a, 1b,  
 52.32 1c, or 5. The deferred annuity must be computed under section 353.29, ~~subdivisions 2~~  
 52.33 ~~and subdivision 3~~, on the basis of the law in effect on the date of termination of public  
 52.34 service or termination of membership, whichever is earlier, and must be augmented as

53.1 provided in section 353.71, subdivision 2. A former member qualified to apply for a  
53.2 deferred retirement annuity may revoke this option at any time before the commencement  
53.3 of deferred annuity payments by making application for a refund. The person is entitled to  
53.4 a refund of accumulated member contributions within 30 days following date of receipt of  
53.5 the application by the executive director.

53.6 **EFFECTIVE DATE.** This section is effective the day after final enactment.

53.7 Sec. 31. Minnesota Statutes 2006, section 354.05, subdivision 13, is amended to read:

53.8 Subd. 13. **Allowable service.** "Allowable service" means:

53.9 (1) Any service rendered by a teacher for which on or before July 1, 1957, the  
53.10 teacher's account in the retirement fund was credited by reason of employee contributions  
53.11 in the form of salary deductions, payments in lieu of salary deductions, or in any other  
53.12 manner authorized by Minnesota Statutes 1953, sections 135.01 to 135.13, as amended by  
53.13 Laws 1955, chapters 361, 549, 550, 611, or

53.14 (2) Any service rendered by a teacher for which on or before July 1, 1961, the  
53.15 teacher elected to obtain credit for service by making payments to the fund pursuant to  
53.16 Minnesota Statutes 1980, section 354.09 and section 354.51, or

53.17 (3) Any service rendered by a teacher after July 1, 1957, for any calendar month  
53.18 when the member receives salary from which deductions are made, deposited and credited  
53.19 in the fund, or

53.20 (4) Any service rendered by a person after July 1, 1957, for any calendar month  
53.21 where payments in lieu of salary deductions are made, deposited and credited into the  
53.22 fund as provided in Minnesota Statutes 1980, section 354.09, subdivision 4, and section  
53.23 354.53, or

53.24 (5) Any service rendered by a teacher for which the teacher elected to obtain  
53.25 credit for service by making payments to the fund pursuant to Minnesota Statutes 1980,  
53.26 section 354.09, subdivisions 1 and 4, sections 354.50, 354.51, Minnesota Statutes 1957,  
53.27 section 135.41, subdivision 4, Minnesota Statutes 1971, section 354.09, subdivision 2, or  
53.28 Minnesota Statutes, 1973 Supplement, section 354.09, subdivision 3, or

53.29 (6) Both service during years of actual membership in the course of which  
53.30 contributions were currently made and service in years during which the teacher was not a  
53.31 member but for which the teacher later elected to obtain credit by making payments to the  
53.32 fund as permitted by any law then in effect, or

53.33 (7) Any service rendered where contributions were made and no ~~allowable service~~  
53.34 credit was established because of the limitations contained in Minnesota Statutes 1957,  
53.35 section 135.09, subdivision 2, as determined by the ratio between the amounts of money

54.1 credited to the teacher's account in a fiscal year and the maximum retirement contribution  
54.2 allowable for that year, or

54.3 (8) MS 2002 [Expired]

54.4 (9) A period of time during which a teacher ~~who is a state employee~~ was on strike  
54.5 without pay, not to exceed a period of one year, if ~~the teacher makes a payment in lieu of~~  
54.6 ~~salary deductions or makes a prior service credit purchase payment, whichever applies. If~~  
54.7 ~~the payment is made within 12 months, the payment by the teacher must be an amount~~  
54.8 ~~equal to the employee and employer contribution rates set forth in section 354.42,~~  
54.9 ~~subdivisions 2 and 3, applied to the teacher's rate of salary in effect on the conclusion of~~  
54.10 ~~the strike for the period of the strike without pay, plus compound interest at a monthly rate~~  
54.11 ~~of 0.71 percent from the last day of the strike until the date of payment. If the payment by~~  
54.12 ~~the employee is not made within 12 months, the payment must be in an amount equal to~~  
54.13 ~~the payment amount determined under section 356.551 354.72, or~~

54.14 (10) A period of service before July 1, 2006, that was properly credited as allowable  
54.15 service by the Minneapolis Teachers Retirement Fund Association, and that was rendered  
54.16 by a teacher as an employee of Special School District No. 1, Minneapolis, or by an  
54.17 employee of the Minneapolis Teachers Retirement Fund Association who was a member  
54.18 of the Minneapolis Teachers Retirement Fund Association by virtue of that employment,  
54.19 who has not begun receiving an annuity or other retirement benefit from the former  
54.20 Minneapolis Teachers Retirement Fund Association calculated in whole or in part on that  
54.21 service before July 1, 2006, and who has not taken a refund of member contributions  
54.22 related to that service unless the refund is repaid under section 354.50, subdivision 4.  
54.23 Service as an employee of Special School District No. 1, Minneapolis, on or after July 1,  
54.24 2006, is "allowable service" only as provided by this chapter.

54.25 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
54.26 authorized leaves of absence that commence on or after the effective date.

54.27 Sec. 32. Minnesota Statutes 2006, section 354.093, is amended to read:

54.28 **354.093 PARENTAL LEAVE.**

54.29 Upon granting a parental leave for the birth or adoption of a child, the employing  
54.30 unit granting the leave must certify the leave to the association on a form specified by the  
54.31 executive director. A member of the association granted parental leave of absence by  
54.32 the employing unit is entitled to service credit not to exceed one year for the period of  
54.33 leave upon payment ~~to the association by the end of the fiscal year following the fiscal~~  
54.34 ~~year in which the leave of absence terminated. This payment must equal the total required~~

55.1 ~~employee and employer contributions, and amortization contributions, if any, for the~~  
55.2 ~~period of leave prescribed in section 354.42. The payment must be based on the member's~~  
55.3 ~~average full-time monthly salary rate on the date the leave of absence commenced, and~~  
55.4 ~~must be without interest under section 354.72.~~ Notwithstanding the provisions of any  
55.5 agreements to the contrary, the contributions specified in this section may not be made to  
55.6 receive allowable service credit under this section if the member does not retain the right  
55.7 to full reinstatement at the end of the leave.

55.8 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
55.9 authorized leaves of absence that commence on or after the effective date.

55.10 Sec. 33. Minnesota Statutes 2006, section 354.094, is amended to read:

55.11 **354.094 EXTENDED LEAVES OF ABSENCE.**

55.12 Subdivision 1. **Service credit contributions.** (a) Upon granting any extended leave  
55.13 of absence under section 122A.46 or 136F.43, the employing unit granting the leave  
55.14 must certify the leave to the association on a form specified by the executive director.  
55.15 A member granted an extended leave of absence under section 122A.46 or 136F.43  
55.16 ~~may pay employee contributions and shall~~ receive allowable and formula service credit  
55.17 toward annuities and other benefits under this chapter, for each year of the leave, provided  
55.18 that ~~the member and the employing board make the required employer contribution in~~  
55.19 ~~any proportion they may agree upon, during the period of the leave~~ payment is made as  
55.20 specified in paragraph (b). The employer may enter into an agreement with the exclusive  
55.21 bargaining representative of the teachers in the district under which, for an individual  
55.22 teacher, all or a portion of the employee's contribution is paid by the employer. Any such  
55.23 agreement must include a sunset of eligibility to qualify for the payment and must not  
55.24 be a part of the collective bargaining agreement. The leave period must not exceed five  
55.25 years. A member may not receive more than five years of allowable or formula service  
55.26 credit under this section. ~~The employee and employer contributions must be based upon~~  
55.27 ~~the rates of contribution prescribed by section 354.42 for the salary received during the~~  
55.28 ~~year immediately preceding the extended leave.~~

55.29 (b) Employee contribution payments without interest for the years for which a  
55.30 member is receiving service credit while on extended leave must be made on or before  
55.31 June 30 of each fiscal year for which service credit is to be received, or in instances of  
55.32 late reporting by the employer, within 30 days after the association gives notification to  
55.33 the member of the amount due. ~~If payment is to be made by a transfer of pretax assets~~  
55.34 ~~authorized under section 356.441, payment is authorized after June 30 of the fiscal year~~

56.1 ~~providing that authorization for the asset transfer has been received by the applicable~~  
 56.2 ~~third party administrator by June 30, and the payment must include interest at a rate of~~  
 56.3 ~~.708 percent per month from June 30 through the end of the month in which payment~~  
 56.4 ~~is received. No payment is permitted after the following September 30. Payment is~~  
 56.5 ~~authorized after June 30 as specified in section 354.72.~~

56.6 (c) Notwithstanding the provisions of any agreements to the contrary, ~~employee and~~  
 56.7 ~~employer contributions payments~~ payments may not be made to receive allowable and formula  
 56.8 service credit if the member does not have full reinstatement rights as provided in section  
 56.9 122A.46 or 136F.43, both during and at the end of the extended leave.

56.10 (d) Any school district paying the employee's retirement contributions or payments  
 56.11 under this section shall forward to the ~~applicable~~ Teachers Retirement Association ~~or~~  
 56.12 ~~retirement fund~~ a copy of the agreement executed by the school district and the employee.

56.13 Subd. 2. **Membership; retention.** Notwithstanding section 354.49, subdivision  
 56.14 4, clause (3), a member on extended leave ~~whose employee and employer contributions~~  
 56.15 ~~are paid into the fund pursuant to~~ under subdivision 1 shall retain membership in the  
 56.16 association ~~for as long as the contributions are paid~~ if payment under subdivision 1,  
 56.17 paragraph (b), or section 354.72, is made, under the same terms and conditions as if  
 56.18 the member had continued to teach in the district or the Minnesota State Colleges and  
 56.19 Universities system.

56.20 Subd. 3. **Effect of nonpayment.** A member on extended leave of absence ~~pursuant~~  
 56.21 ~~to~~ under section 122A.46 or 136F.43 who ~~does not pay employee contributions or whose~~  
 56.22 ~~employer contribution is not paid into the fund in any~~ fails to make payments under  
 56.23 subdivision 1, paragraph (b), or section 354.72, for any given year of the leave shall be  
 56.24 deemed to cease to render teaching services beginning in that year for purposes of this  
 56.25 chapter and may not ~~pay employee or employer contributions into~~ make payment to the  
 56.26 ~~fund in~~ for any subsequent year of the leave until full payment is made for all prior years  
 56.27 ~~of the leave. Nonpayment of contributions into the fund shall~~ Failure to make payment  
 56.28 does not affect the rights or obligations of the member or the member's employer under  
 56.29 section 122A.46 or 136F.43.

56.30 Subd. 4. **Member who does not resume teaching.** A member who ~~pays employee~~  
 56.31 ~~contributions into~~ makes the payments specified in subdivision 1, paragraph (b), or  
 56.32 section 354.72, to the fund for the agreed maximum duration of an extended leave and  
 56.33 who does not resume teaching in the first school year after that maximum duration has  
 56.34 elapsed ~~shall be~~ is deemed to cease to render teaching services beginning in that year for  
 56.35 purposes of this chapter.

57.1 Subd. 5. **Discharge; layoff.** The provisions of this section ~~shall~~ do not apply to a  
 57.2 member who is discharged or placed on unrequested leave of absence or retrenchment  
 57.3 or layoff or whose contract is terminated while the member is on an extended leave of  
 57.4 absence ~~pursuant to~~ under section 122A.46 or 136F.43.

57.5 Subd. 6. **Limits on other service credit.** A member who ~~pays employee~~  
 57.6 ~~contributions~~ makes the payments required under subdivision 1, paragraph (b), or section  
 57.7 354.72, and receives allowable and formula service credit in the association ~~pursuant to~~  
 57.8 under this section may not pay employee contributions or receive allowable or formula  
 57.9 service credit for the same fiscal year in any other Minnesota public employee pension  
 57.10 plan, except a volunteer firefighters' relief association governed by sections 69.771  
 57.11 to 69.776. This subdivision ~~shall~~ must not be construed to prohibit a member who  
 57.12 ~~pays employee contributions and~~ receives allowable and formula service credit in the  
 57.13 association ~~pursuant to~~ under this section ~~in any~~ for a given year from being employed as  
 57.14 a substitute teacher by any school district during that year. Notwithstanding the provisions  
 57.15 of sections 354.091 and 354.42, a teacher may not pay retirement contributions or receive  
 57.16 allowable or formula service credit in the association for teaching service rendered for any  
 57.17 part of any year for which the teacher pays retirement contributions or receives allowable  
 57.18 or formula service credit ~~pursuant to~~ under this section or section 354A.091 while on an  
 57.19 extended leave of absence ~~pursuant to~~ under section 122A.46.

57.20 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
 57.21 authorized leaves of absence that commence on or after the effective date.

57.22 Sec. 34. Minnesota Statutes 2006, section 354.095, is amended to read:

57.23 **354.095 MEDICAL LEAVE; PAYMENT PROCEDURES.**

57.24 Upon granting a medical leave, an employing unit must certify the leave to the  
 57.25 association on a form specified by the executive director. A member of the association  
 57.26 who is on an authorized medical leave of absence is entitled to receive allowable service  
 57.27 credit, not to exceed one year, for the period of leave, upon making the prescribed payment  
 57.28 to the fund under section 354.72. ~~This payment must include the required employee and~~  
 57.29 ~~employer contributions at the rates specified in section 354.42, subdivisions 2, 3, and 5,~~  
 57.30 ~~as applied to the member's average full-time monthly salary rate on the date the leave of~~  
 57.31 ~~absence commenced plus compound annual interest at the rate of 8.5 percent from the end~~  
 57.32 ~~of the fiscal year during which the leave terminates to the end of the month during which~~  
 57.33 ~~payment is made. The member must pay the total amount required unless the employing~~  
 57.34 ~~unit, at its option, pays the employer contributions. The total amount required must be~~

58.1 ~~paid before the effective date of retirement or by the end of the fiscal year following the~~  
58.2 ~~fiscal year in which the leave of absence terminated, whichever is earlier.~~ A member  
58.3 may not receive more than one year of allowable service credit during any fiscal year by  
58.4 making payment under this section. A member may not receive disability benefits under  
58.5 section 354.48 and receive allowable service credit under this section for the same period  
58.6 of time. Notwithstanding the provisions of any agreement to the contrary, employee  
58.7 and employer contributions may not be made to receive allowable service credit under  
58.8 this section if the member does not retain the right to full reinstatement both during and  
58.9 at the end of the medical leave.

58.10 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
58.11 authorized leaves of absence that commence on or after the effective date.

58.12 Sec. 35. Minnesota Statutes 2006, section 354.096, subdivision 2, is amended to read:

58.13 Subd. 2. **Payment.** (a) Notwithstanding any laws to the contrary, a member who  
58.14 is granted a family leave under United States Code, title 42, section 12631, may receive  
58.15 allowable service credit for the leave by making payment of the employee, employer, and  
58.16 additional employer contributions at the rates under section 354.42, during the leave  
58.17 period as applied to the member's average full-time monthly salary rate on the date the  
58.18 leave commenced.

58.19 (b) ~~The member may make~~ If payment, without interest, to the association by the  
58.20 ~~end of the fiscal year following the fiscal year in which the leave terminated or before the~~  
58.21 ~~effective date of the member's retirement, whichever is earlier~~ is made after the leave  
58.22 terminates, section 354.72 applies.

58.23 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
58.24 authorized leaves of absence that commence on or after the effective date.

58.25 Sec. 36. **[354.105] PAYMENTS USING PRETAX TRANSFERS.**

58.26 If a current or past member is making a payment to the Teachers Retirement  
58.27 Association to receive service credit under a provision of this chapter, chapter 356,  
58.28 or applicable special law, and this payment is to be made by a transfer of pretax assets  
58.29 authorized under section 356.441, payment is authorized after the due date, but not to  
58.30 exceed 90 days, provided that the authorization for the asset transfer has been received by  
58.31 the applicable third-party administrator by the due date, and the payment must include  
58.32 interest at a rate of .708 percent per month from the due date through the end of the month  
58.33 in which the Teachers Retirement Association receives the payment.

59.1 **EFFECTIVE DATE.** This section is effective July 1, 2007.

59.2 Sec. 37. Minnesota Statutes 2006, section 354.35, is amended to read:

59.3 **354.35 OPTIONAL ACCELERATED RETIREMENT ANNUITY BEFORE**  
59.4 **NORMAL RETIREMENT AGE.**

59.5 Subdivision 1. Normal retirement age definition. For purposes of this section,  
59.6 "normal retirement age" means normal retirement age as defined in United States Code,  
59.7 title 42, section 416(1), as amended.

59.8 Subd. 2. Election of accelerated annuity. (a) Any coordinated member who retires  
59.9 before normal retirement age 65 may elect to receive an optional accelerated retirement  
59.10 annuity from the association which provides for different annuity amounts over different  
59.11 periods of retirement. The optional accelerated retirement annuity must take the form of  
59.12 an annuity payable for the period before the member attains age 65, or normal retirement  
59.13 age, in a greater amount than the amount of the annuity calculated under section 354.44 on  
59.14 the basis of the age of the member at retirement, but the optional accelerated retirement  
59.15 annuity must be the actuarial equivalent of the member's annuity computed on the basis of  
59.16 the member's age at retirement. The greater amount must be paid until the retiree reaches  
59.17 age 65, or normal retirement age, and at that time the payment from the association must  
59.18 be reduced. For each year the retiree is under age 65, or normal retirement age, up to five  
59.19 percent of the total life annuity required reserves may be used to accelerate the optional  
59.20 retirement annuity under this section. ~~At retirement,~~

59.21 (b) Members who retire before age 62 may elect to have the ~~age specified in annuity~~  
59.22 under this section be subdivision accelerated to age 62 instead of 65 rather than normal  
59.23 retirement age or age 65.

59.24 (c) The method of computing the optional accelerated retirement annuity provided in  
59.25 this ~~section~~ subdivision is established by the board of trustees. In establishing the method  
59.26 of computing the optional accelerated retirement annuity or any modification of that  
59.27 procedure, the board of trustees must obtain the written approval of the actuary retained  
59.28 under section 356.214. The written approval must be a part of the permanent records  
59.29 of the board of trustees. The election of an optional accelerated retirement annuity is  
59.30 exercised by making an application on a form provided by the executive director.

59.31 **EFFECTIVE DATE.** This section is effective July 1, 2007.

59.32 Sec. 38. Minnesota Statutes 2006, section 354.45, subdivision 1a, is amended to read:

60.1 Subd. 1a. **Bounce-back annuity.** (a) If a former member or disabilitant selects a  
60.2 joint and survivor annuity option under subdivision 1 ~~after June 30, 1989~~, the former  
60.3 member or disabilitant must receive a normal single life annuity if the designated optional  
60.4 annuity beneficiary dies before the former member or disabilitant. Under this option, no  
60.5 reduction may be made in the person's annuity to provide for restoration of the normal  
60.6 single life annuity in the event of the death of the designated optional annuity beneficiary.

60.7 (b) ~~The annuity adjustment specified in paragraph (a) also applies to joint and~~  
60.8 ~~survivor annuity options under subdivision 1 elected before July 1, 1989. The annuity~~  
60.9 ~~adjustment under this paragraph occurs on July 1, 1989, or on the first day of the first~~  
60.10 ~~month following the death of the designated optional annuity beneficiary, whichever is~~  
60.11 ~~later. This paragraph may not be interpreted as authorizing retroactive payments. The~~  
60.12 restoration of the normal single life annuity under this subdivision will take effect on July  
60.13 1, 1989, or the first of the month following the date of death of the designated optional  
60.14 annuity beneficiary, or on the first of the month following one year before the date on  
60.15 which a certified copy of the death record of the designated optional annuity beneficiary is  
60.16 received in the office of the Teachers Retirement Association, whichever date is later.

60.17 (c) Except as stated in paragraph (b), this subdivision may not be interpreted as  
60.18 authorizing retroactive benefit payments.

60.19 **EFFECTIVE DATE.** This section is effective July 1, 2007.

60.20 Sec. 39. **[354.471] ACCOUNT TERMINATION; RESTORATION.**

60.21 Subdivision 1. **Account termination.** If an active or deferred member dies and  
60.22 there is no surviving spouse or other beneficiaries, or the spouse or beneficiaries cannot be  
60.23 located within five years of the date of death of the member, the accumulated employee  
60.24 and employer contributions and any other payments made to the Teachers Retirement  
60.25 Association fund by the individual or on behalf of the individual, and all investment  
60.26 earnings on these amounts, must be credited to and become part of the retirement fund.

60.27 Subd. 2. **Restoration.** Following a forfeiture under subdivision 1, if a surviving  
60.28 spouse or other beneficiary of the deceased contacts the Teachers Retirement Association  
60.29 and, based on documentation determined by the executive director to be valid and  
60.30 adequate, establishes a right to a survivor annuity, death refund, or other benefit provided  
60.31 by this chapter, the account forfeited under subdivision 1 must be fully or partially  
60.32 restored, as necessary.

60.33 **EFFECTIVE DATE.** This section is effective July 1, 2007.

61.1 Sec. 40. Minnesota Statutes 2006, section 354.48, subdivision 3, is amended to read:

61.2 Subd. 3. **Computation of benefits.** ~~(1)~~ (a) The amount of the disability benefit  
61.3 granted to members covered under section 354.44, subdivision 2, ~~clauses (1) and (2)~~  
61.4 paragraphs (b) and (c), is an amount equal to double the annuity which could be purchased  
61.5 by the member's accumulated deductions plus interest on the amount computed as though  
61.6 the teacher were at normal retirement age at the time the benefit begins to accrue and in  
61.7 accordance with the law in effect ~~when the disability application is received~~ on the last day  
61.8 for which salary is received. Any member who applies for a disability benefit after June  
61.9 30, 1974, and who failed to make an election ~~pursuant to~~ under Minnesota Statutes 1971,  
61.10 section 354.145, shall have the disability benefit computed under this ~~clause~~ paragraph, as  
61.11 further specified in paragraphs (b) and (c), or ~~clause (2)~~ paragraph (d), whichever is larger.

61.12 (b) The benefit granted shall be determined by the following:

61.13 ~~(a)~~ (1) the amount of the accumulated deductions;

61.14 ~~(b)~~ (2) interest actually earned on these accumulated deductions to the date the  
61.15 benefit begins to accrue;

61.16 ~~(c)~~ (3) interest for the years from the date the benefit begins to accrue to the date the  
61.17 member attains normal retirement age at the rate of three percent;

61.18 ~~(d)~~ (4) annuity purchase rates based on an appropriate annuity table of mortality  
61.19 established by the board as provided in section 354.07, subdivision 1, and using  
61.20 the applicable postretirement interest rate assumption specified in section 356.215,  
61.21 subdivision 8.

61.22 (c) In addition, a supplementary monthly benefit of \$25 to age 65 or the five-year  
61.23 anniversary of the effective date of the disability benefit, whichever is later, must be  
61.24 paid to basic members.

61.25 ~~(2)~~ (d) The disability benefit granted to members covered under section 354.44,  
61.26 subdivision 6, shall be computed in the same manner as the annuity provided in section  
61.27 354.44, subdivision 6. The disability benefit shall be the formula annuity without the  
61.28 reduction for each month the member is under normal retirement age when the benefit  
61.29 begins to accrue as defined by the law in effect on the last day for which salary is paid.

61.30 ~~(3)~~ (e) For the purposes of computing a retirement annuity when the member  
61.31 becomes eligible, the amounts paid for disability benefits shall not be deducted from the  
61.32 individual member's accumulated deductions. If the disability benefits provided in this  
61.33 subdivision exceed the monthly average salary of the disabled member, the disability  
61.34 benefits shall be reduced to an amount equal to the disabled member's average salary.

61.35 **EFFECTIVE DATE.** This section is effective July 1, 2007.

62.1 Sec. 41. **[354.72] AUTHORIZED LEAVE OF ABSENCE AND STRIKE PERIOD**  
62.2 **SERVICE CREDIT PURCHASE PROCEDURE.**

62.3 Subdivision 1. **Application.** This section applies to any strike period under section  
62.4 354.05, subdivision 13, clause (9), and to any period of authorized leave of absence  
62.5 without pay under sections 354.093, 354.094, 354.095, and 354.096 for which the teacher  
62.6 obtains credit for allowable service by making payment as specified in this section to the  
62.7 Teachers Retirement Association fund. Each year of an extended leave of absence under  
62.8 section 354.094 is considered to be a separate leave for purposes of this section.

62.9 Subd. 2. **Purchase procedure.** (a) A teacher may purchase credit for allowable and  
62.10 formula service in the plan for a period specified in subdivision 1 if the teacher makes  
62.11 a payment as specified in paragraph (b) or (c), whichever applies. The employing unit,  
62.12 at its option, may pay the employer portion of the amount specified in paragraph (b) on  
62.13 behalf of its employees.

62.14 (b) If payment is received by the executive director within one year from the end  
62.15 of the strike period or authorized leave under section 354.093, 354.095, or 354.096, or  
62.16 after June 30 and before the following June 30 for an extended leave of absence under  
62.17 section 354.094, the payment must equal the total employee and employer contributions,  
62.18 including amortization contributions if applicable, given the contribution rates in section  
62.19 354.42, multiplied by the member's average monthly salary rate on the commencement  
62.20 of the leave or period of strike, multiplied by the months and portions of a month of the  
62.21 leave of absence or period of strike for which the teacher seeks allowable service credit.  
62.22 Payments made under this paragraph must include compound interest at a monthly rate of  
62.23 0.71 percent from the last day of the leave period or strike period, or from June 30 for  
62.24 an extended leave of absence under section 354.094, until the last day of the month in  
62.25 which payment is received.

62.26 (c) If payment is received by the executive director after the applicable last permitted  
62.27 date under paragraph (b), the payment amount is the amount determined under section  
62.28 356.551.

62.29 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to  
62.30 authorized leaves of absence that commence on or after the effective date.

62.31 Sec. 42. Minnesota Statutes 2006, section 356.195, subdivision 1, is amended to read:

62.32 Subdivision 1. **Covered plans.** This section applies to all defined benefit plans  
62.33 specified in section 356.30, subdivision 3, except clause (10).

62.34 **EFFECTIVE DATE.** This section is effective the day after final enactment.

63.1 Sec. 43. Minnesota Statutes 2006, section 356.405, is amended to read:

63.2 **356.405 COMBINED PAYMENT OF RETIREMENT ANNUITIES.**

63.3 (a) The Public Employees Retirement Association and the Minnesota State  
63.4 Retirement System are permitted to combine payments to retirees if one of the payments  
63.5 is less than \$250 per month and if the individual elects the same joint and survivor  
63.6 annuity form from both systems, or if the individual elects straight life annuities from both  
63.7 systems. The total payment must be equal to the amount that is payable if payments were  
63.8 kept separate. ~~The retiree must agree, in writing, to have the payment combined.~~

63.9 (b) Each plan must calculate the benefit amounts under the laws governing the plan  
63.10 and the required reserves ~~and future mortality losses or gains~~ must be paid ~~or accrued~~ to  
63.11 the plan making the combined payment from ~~which~~ the plan where the service was earned.  
63.12 ~~Each plan must account for its portion of the payment separately, and there may be no~~  
63.13 ~~additional actuarial liabilities realized by either plan.~~

63.14 (c) The plan making the payment would be responsible for issuing one payment and  
63.15 making address changes, tax withholding changes, and other administrative functions  
63.16 needed to process the payment.

63.17 **EFFECTIVE DATE.** This section is effective July 1, 2007.

63.18 Sec. 44. Minnesota Statutes 2006, section 356.46, subdivision 3, is amended to read:

63.19 Subd. 3. **Requirement of notice to member's spouse.** (a) Except as specified in  
63.20 paragraph (c), if a public pension plan provides optional retirement annuity forms which  
63.21 include a joint and survivor optional retirement annuity form potentially applicable to the  
63.22 surviving spouse of a member, the executive director of the public pension plan shall send  
63.23 a copy of the written statement required by subdivision 2 to the spouse of the member  
63.24 before the member's election of ~~an optional~~ a retirement annuity.

63.25 (b) Following the election of a retirement annuity by the member, a copy of the  
63.26 completed retirement annuity application and retirement annuity beneficiary form, if  
63.27 applicable, must be sent by the executive director of the public pension plan to the  
63.28 spouse of the retiring member. A signed acknowledgment must be required from the  
63.29 spouse confirming receipt of a copy of the completed retirement annuity application and  
63.30 retirement annuity beneficiary form, unless the spouse's signature confirming the receipt is  
63.31 on the annuity application form. If the required signed acknowledgment is not received  
63.32 from the spouse within 30 days, the executive director of the public pension plan must  
63.33 send another copy of the completed retirement annuity application and retirement annuity  
63.34 beneficiary form, if applicable, to the spouse by certified mail with restricted delivery.

64.1 (c) For the Teachers Retirement Association, the statement to the spouse that is  
64.2 required under paragraph (a) must be sent before or upon the member's election of an  
64.3 annuity.

64.4 **EFFECTIVE DATE.** This section is effective July 1, 2007.

64.5 Sec. 45. Minnesota Statutes 2006, section 356.87, is amended to read:

64.6 **356.87 HEALTH INSURANCE WITHHOLDING.**

64.7 **Subdivision 1. Public employees insurance program withholding.** (a) Upon  
64.8 authorization of a person entitled to receive a retirement annuity, disability benefit or  
64.9 survivor benefit, the executive director of a public pension fund enumerated in section  
64.10 356.20, subdivision 2, shall withhold health insurance premium amounts from the  
64.11 retirement annuity, disability benefit or survivor benefit, and shall pay the premium  
64.12 amounts to the public employees insurance program.

64.13 (b) The public employees insurance program shall reimburse a public pension fund  
64.14 for the administrative expense of withholding the premium amounts and shall assume  
64.15 liability for the failure of a public pension fund to properly withhold the premium amounts.

64.16 **Subd. 2. Public safety retiree insurance withholding.** (a) For purposes of this  
64.17 subdivision, "governing board" means the governing board or body that has been assigned  
64.18 the chief policy making powers and management duties of the applicable pension plan.

64.19 (b) The governing board may, for a pension plan providing monthly annuity  
64.20 payments and which is enumerated in section 356.20, subdivision 2, direct the plan's chief  
64.21 administrative officer to withhold health, accident, and long-term care insurance premiums  
64.22 from the retirement annuity or disability benefit and to transmit the amount to an approved  
64.23 insurance provider specified by the eligible person. A governing board which agrees to  
64.24 participate may revise or revoke that decision at a later date, providing reasonable notice  
64.25 is provided to the applicable parties.

64.26 (c) An eligible person is a person who:

64.27 (1) is a retiree or disabilitant from a participating plan;

64.28 (2) was a public safety officer as defined in United States Code, title 42, section  
64.29 3796b;

64.30 (3) terminated service as a public safety officer upon attainment of normal retirement  
64.31 age and commences receipt of an annuity without any period of deferral, or is receiving  
64.32 a disability benefit; and

65.1 (4) satisfies any other requirements to have all or a portion of the health, accident,  
 65.2 or long-term care insurance premiums excluded from income for taxation purposes, as  
 65.3 specified in the Pension Protection Act of 2006, section 845.

65.4 (d) An approved insurance provider is:

65.5 (1) any regulated, licensed insurance company;

65.6 (2) a fraternal or any other organization sponsoring a regulated, licensed insurance  
 65.7 program; or

65.8 (3) an employer-sponsored insurance program, whether directly through the  
 65.9 employer or a third-party administrator.

65.10 (e) Using a form prescribed by the chief administrative officer of the applicable  
 65.11 plan, an eligible person may elect to have the applicable plan administrator withhold and  
 65.12 transmit the insurance amounts described in paragraph (b).

65.13 (f) A pension fund and the plan fiduciaries which authorize or administer  
 65.14 withholding of insurance premiums under this subdivision are not liable for a failure to  
 65.15 properly withhold or transmit the premium amounts.

65.16 **EFFECTIVE DATE.** This section is effective January 1, 2007.

65.17 **COMPREHENSIVE EMPLOYMENT TRAINING ACT**  
 65.18 **SERVICE CREDIT PURCHASE**

65.19 **Sec. 46. [356.95] PURCHASE OF PRIOR COMPREHENSIVE EMPLOYMENT**  
 65.20 **TRAINING ACT SERVICE.**

65.21 **Subdivision 1. Eligibility.** An eligible person is a person who:

65.22 (1) is currently an active plan member in a plan included under section 356.30,  
 65.23 subdivision 3, other than clause (3);

65.24 (2) was excluded from pension coverage under the provisions of Laws 1978, chapter  
 65.25 720; and

65.26 (3) subsequently became employed in unsubsidized public employment covered by  
 65.27 a pension plan included under section 356.30, subdivision 3, other than clause (3), with  
 65.28 the same public employer which provided the subsidized employment or other public  
 65.29 employer.

65.30 **Subd. 2. Authorization.** An eligible person under subdivision 1 is authorized to  
 65.31 purchase service credit for that period of uncovered prior subsidized public employment,  
 65.32 other than a period of prior subsidized public employment for which a repayment of a  
 65.33 refund was made, with a public pension plan specified in subdivision 1, clause (3), which,  
 65.34 except for the exclusion provided by Laws 1978, chapter 720, would have provided  
 65.35 pension coverage for the subsidized employment.

66.1 Subd. 3. **Procedures.** Section 356.551 applies to purchases under this section,  
 66.2 except that payment must be made before the expiration date of this section or termination  
 66.3 from eligible employment covered by a pension plan under subdivision 1, clause (1),  
 66.4 whichever is earlier.

66.5 Subd. 4. **Restriction.** (a) Pre-July 1, 1989, service credit purchased under this  
 66.6 section does not extend eligibility to plan benefits applicable to individuals who became  
 66.7 members prior to July 1, 1989, of a plan listed in section 356.30, subdivision 3.

66.8 (b) Service credit may not be purchased for any period for which the individual  
 66.9 has service credit in a covered pension plan, as defined in section 356A.01, subdivision  
 66.10 8, other than a volunteer firefighter plan.

66.11 Subd. 5. **Expiration.** This section expires on June 30, 2009.

66.12 **EFFECTIVE DATE.** This section is effective the day after final enactment.

### 66.13 **RECEIVABLES**

66.14 Sec. 47. **[356.98] ALLOCATION OF RECEIVABLES.**

66.15 If an employing unit is dissolved or closed and amounts are owed to more than one  
 66.16 Minnesota public pension plan, any amounts available to cover payments to the plans  
 66.17 must be applied first to the employee contributions owed to the applicable plans, and  
 66.18 next to the unpaid employer contributions, including any applicable employer additional  
 66.19 contributions, and finally to the interest due on the employee and employer amounts. If, at  
 66.20 any stage in this allocation process, the available amount is insufficient to fully cover the  
 66.21 amount required, the remaining available payment amount must be prorated among the  
 66.22 applicable plans based on each plan's share of combined covered payroll.

66.23 **EFFECTIVE DATE.** This section is effective the day after final enactment.

66.24 Sec. 48. Minnesota Statutes 2006, section 490.121, subdivision 15a, is amended to  
 66.25 read:

66.26 Subd. 15a. **Early retirement date.** "Early retirement date" means ~~the last day of~~  
 66.27 ~~the month~~ any date after a judge attains the age of 60 but before the judge reaches the  
 66.28 normal retirement date.

66.29 **EFFECTIVE DATE.** This section is effective the day after final enactment.

66.30 Sec. 49. Minnesota Statutes 2006, section 490.121, subdivision 21f, is amended to read:

66.31 Subd. 21f. **Normal retirement date.** "Normal retirement date" means ~~the last day~~  
 66.32 ~~of the month in which~~ date a judge attains the age of 65.

67.1 **EFFECTIVE DATE.** This section is effective the day after final enactment.

67.2 Sec. 50. **REVISOR INSTRUCTION.**

67.3 The revisor of statutes shall replace references to section 356.55, which was repealed  
 67.4 in 2002, with references to section 356.551, wherever they appear in Minnesota Statutes  
 67.5 or Minnesota Rules. The revisor shall also make related grammatical changes.

67.6 **EFFECTIVE DATE.** This section is effective the day after final enactment.

67.7 Sec. 51. **REPEALER.**

67.8 Minnesota Statutes 2006, sections 353.30, subdivision 1; 353.34, subdivision 7;  
 67.9 353.69; 354.49, subdivision 5; and 356.90, are repealed.

67.10 **EFFECTIVE DATE.** This section is effective the day after final enactment.

### 67.11 **ARTICLE 3**

#### 67.12 **MSRS-CORRECTIONAL PLAN MEMBERSHIP PROVISIONS**

67.13 Section 1. Minnesota Statutes 2006, section 352.91, subdivision 3d, is amended to read:

67.14 Subd. 3d. **Other correctional personnel.** (a) "Covered correctional service" means  
 67.15 service by a state employee in one of the employment positions at a correctional facility or  
 67.16 at the Minnesota Security Hospital specified in paragraph (b) if at least 75 percent of the  
 67.17 employee's working time is spent in direct contact with inmates or patients and the fact of  
 67.18 this direct contact is certified to the executive director by the appropriate commissioner.

67.19 (b) The employment positions are as follows: baker; central services administrative  
 67.20 specialist, intermediate; central services administrative specialist, principal; chaplain;  
 67.21 ~~chemical dependency counselor supervisor~~; chief cook; cook; cook coordinator;  
 67.22 corrections program therapist 1; corrections program therapist 2; corrections program  
 67.23 therapist 3; corrections program therapist 4; corrections inmate program coordinator;  
 67.24 corrections transitions program coordinator; corrections security caseworker; corrections  
 67.25 security caseworker career; corrections teaching assistant; delivery van driver; dentist;  
 67.26 electrician supervisor; ~~general maintenance worker~~; general repair worker; ~~laundry~~  
 67.27 ~~coordinator~~; library/information research services specialist; library/information research  
 67.28 services specialist senior; library technician; plant maintenance engineer lead; plumber  
 67.29 supervisor; psychologist 1; psychologist 3; recreation therapist; recreation therapist  
 67.30 coordinator; recreation program assistant; recreation therapist senior; sports medicine  
 67.31 specialist; ~~water treatment plant operator~~; work therapy assistant; work therapy program  
 67.32 coordinator; and work therapy technician.

68.1 **EFFECTIVE DATE.** This section is effective the first day of the first payroll period  
68.2 next following June 15, 2007.

68.3 Sec. 2. Minnesota Statutes 2006, section 352.91, subdivision 3e, is amended to read:

68.4 Subd. 3e. **Minnesota extended treatment options program.** (a) "Covered  
68.5 correctional service" means service by a state employee in one of the employment positions  
68.6 with the Minnesota extended treatment options program specified in paragraph (b) if at  
68.7 least 75 percent of the employee's working time is spent in direct contact with patients  
68.8 who are in the Minnesota extended treatment options program and if service in such a  
68.9 position is certified to the executive director by the commissioner of human services .

68.10 (b) The employment positions are:

68.11 (1) behavior analyst 1;

68.12 (2) behavior analyst 2;

68.13 (3) behavior analyst 3;

68.14 (4) group supervisor;

68.15 (5) group supervisor assistant;

68.16 (6) human services support specialist;

68.17 (7) ~~developmental disability~~ residential program lead;

68.18 (8) psychologist 2;

68.19 (9) recreation program assistant;

68.20 (10) recreation therapist senior;

68.21 (11) registered nurse senior;

68.22 (12) skills development specialist;

68.23 (13) social worker senior;

68.24 (14) social worker specialist; and

68.25 (15) speech pathology specialist.

68.26 **EFFECTIVE DATE.** This section is effective July 1, 2007.

68.27 Sec. 3. Minnesota Statutes 2006, section 352.91, subdivision 3f, is amended to read:

68.28 Subd. 3f. **Additional Department of Human Services personnel.** (a) "Covered  
68.29 correctional service" means service by a state employee in one of the employment  
68.30 positions specified in paragraph (b) at the Minnesota Security Hospital or in the Minnesota  
68.31 sex offender program if at least 75 percent of the employee's working time is spent in  
68.32 direct contact with patients and the determination of this direct contact is certified to the  
68.33 executive director by the commissioner of human services.

68.34 (b) The employment positions are:

- 69.1 (1) behavior analyst 2;
- 69.2 (2) behavior analyst 3;
- 69.3 (3) certified occupational therapy assistant 1;
- 69.4 (4) certified occupational therapy assistant 2;
- 69.5 (5) chemical dependency counselor senior;
- 69.6 ~~(4)~~ (6) client advocate;
- 69.7 ~~(5)~~ (7) customer services specialist principal;
- 69.8 (8) dental assistant registered;
- 69.9 ~~(6)~~ (9) group supervisor;
- 69.10 ~~(7)~~ (10) group supervisor assistant;
- 69.11 ~~(8)~~ (11) human services support specialist;
- 69.12 (12) licensed alcohol and drug counselor;
- 69.13 (13) licensed practical nurse 1;
- 69.14 ~~(9)~~ (14) management analyst 3;
- 69.15 (15) occupational therapist;
- 69.16 ~~(10)~~ (16) occupational therapist, senior;
- 69.17 ~~(11) office and administrative specialist senior~~;
- 69.18 ~~(12)~~ (17) psychologist 1;
- 69.19 ~~(13)~~ (18) psychologist 2;
- 69.20 ~~(14)~~ (19) psychologist 3;
- 69.21 ~~(15)~~ (20) recreation program assistant;
- 69.22 ~~(16)~~ (21) recreation therapist lead;
- 69.23 (22) recreation therapist senior;
- 69.24 ~~(17)~~ (23) rehabilitation counselor senior;
- 69.25 ~~(18)~~ (24) security supervisor;
- 69.26 (25) skills development specialist;
- 69.27 ~~(19)~~ (26) social worker senior;
- 69.28 ~~(20)~~ (27) social worker specialist;
- 69.29 ~~(21)~~ (28) social worker specialist, senior;
- 69.30 ~~(22)~~ (29) special education program assistant;
- 69.31 (30) speech pathology clinician;
- 69.32 ~~(23)~~ (31) work therapy assistant; and
- 69.33 ~~(24)~~ (32) work therapy program coordinator.

69.34 **EFFECTIVE DATE.** This section is effective the first day of the first payroll period  
 69.35 next following June 15, 2007.

70.1 Sec. 4. Minnesota Statutes 2006, section 352.91, subdivision 4b, is amended to read:

70.2 Subd. 4b. **Department of Corrections; procedure for coverage change**

70.3 **considerations.** (a) The commissioner of corrections shall appoint a standing review  
70.4 committee to review and determine positions that should be included in legislative  
70.5 requests for correctional employees retirement plan coverage under subdivision 4a.

70.6 (b) Periodically, the Department of Corrections will convene meetings of the  
70.7 review committee. The review committee must review all requests and the supporting  
70.8 documentation for coverage by the correctional employees retirement plan and must  
70.9 determine which classes or positions meet the statutory requirements for coverage. The  
70.10 review committee also must determine if incumbents of and recent retirees from classes or  
70.11 positions determined for inclusion in correctional employees retirement plan coverage  
70.12 have prior Department of Corrections employment which also qualified as correctional  
70.13 service and which should be transferred from the general state employees retirement plan  
70.14 to the plan and the initial date for each potential service credit transfer.

70.15 (c) The review committee must evaluate and determine the eligibility date for initial  
70.16 plan participation and all periods of eligibility in the correctional employees retirement  
70.17 plan.

70.18 (d) The department must provide a notice of each determination and of the  
70.19 employee's right to appeal from the review committee to each employee who requested  
70.20 inclusion. Appeals must be filed with the agency human resource manager within 30 days  
70.21 of the date of the notice of determination.

70.22 ~~(d)~~ (e) The commissioner of corrections shall appoint a standing appeals committee  
70.23 to hear appeals of determinations for coverage. The appeal committee must include  
70.24 relevant department employees and employee representatives. Appeal committee  
70.25 determinations are final.

70.26 ~~(e)~~ (f) All positions approved for inclusion must be forwarded to the commissioner  
70.27 of corrections for the preparation of legislation to implement the coverage change and  
70.28 submission. The commissioner will submit a written recommendation documenting  
70.29 classes or positions that should or should not be covered by the correctional employees  
70.30 retirement plan. Documentation of each request and the final determination must be  
70.31 retained in the Department of Corrections' Office of Human Resource Management.

70.32 **EFFECTIVE DATE.** This section is effective the day after final enactment.

70.33 Sec. 5. **[352.955] TRANSFER OF PRIOR MSRS-GENERAL SERVICE**  
70.34 **CREDIT FOR CERTAIN EMPLOYEES WITH TRANSFERRED RETIREMENT**  
70.35 **COVERAGE.**

71.1            **Subdivision 1. Election to transfer prior MSRS-general service credit.** (a) An  
71.2 eligible employee described in paragraph (b) may elect to transfer service credit in the  
71.3 general state employees retirement plan of the Minnesota State Retirement System to the  
71.4 correctional state employees retirement plan for eligible prior correctional employment.

71.5            (b) An eligible employee is a person who is covered by section 6 or who became  
71.6 eligible for retirement coverage by the correctional state employees retirement plan of the  
71.7 Minnesota State Retirement System under Laws 2006, chapter 271, article 2, this article,  
71.8 or legislation implementing the recommendations under section 352.91, subdivision 4a.

71.9            (c) Eligible prior correctional employment is covered correctional service defined  
71.10 in section 6 or is employment by the Department of Corrections or by the Department  
71.11 of Human Services that preceded the effective date of the retirement coverage transfer  
71.12 under this article, Laws 2006, chapter 271, article 2, or legislation implementing the  
71.13 recommendations under section 352.91, subdivision 4, is continuous service, and is  
71.14 certified by the commissioner of corrections and the commissioner of human services,  
71.15 whichever applies, and by the commissioner of employee relations to the executive  
71.16 director of the Minnesota State Retirement System as service that would qualify for  
71.17 correctional state employees retirement plan coverage under Minnesota Statutes, section  
71.18 352.91, if the service was rendered after the date of coverage transfer.

71.19            (d) The election to transfer past service credit under this section must be made in  
71.20 writing by the applicable person on a form prescribed by the executive director of the  
71.21 Minnesota State Retirement System and must be filed with the executive director of the  
71.22 Minnesota State Retirement System on or before (1) January 1, 2008, or the one year  
71.23 anniversary of the coverage transfer, whichever is later, or (2) the date of the eligible  
71.24 employee's termination of state employment, whichever is earlier.

71.25            **Subd. 2. Payment of additional equivalent contributions; pre-July 1, 2007,**  
71.26 **coverage transfers.** (a) An eligible employee who was transferred to plan coverage  
71.27 before July 1, 2007, and who elects to transfer past service credit under this section must  
71.28 pay an additional member contribution for that prior service period. The additional  
71.29 member contribution is the difference between the member contribution rate or rates for  
71.30 the general state employees retirement plan of the Minnesota State Retirement System  
71.31 for the period of employment covered by the service credit to be transferred and the  
71.32 member contribution rate or rates for the correctional state employees retirement plan for  
71.33 the period of employment covered by the service credit to be transferred, plus annual  
71.34 compound interest at the rate of 8.5 percent.

71.35            (b) The additional equivalent member contribution under this subdivision must be  
71.36 paid in a lump sum. Payment must accompany the election to transfer the prior service

72.1 credit. No transfer election or additional equivalent member contribution payment may be  
72.2 made by a person or accepted by the executive director after January 1, 2008, or the date  
72.3 on which the eligible employee terminates state employment, whichever is earlier.

72.4 (c) If an eligible employee elects to transfer past service credit under this section  
72.5 and pays the additional equivalent member contribution amount under paragraphs (a) and  
72.6 (b), the applicable department shall pay an additional equivalent employer contribution  
72.7 amount. The additional employer contribution is the difference between the employer  
72.8 contribution rate or rates for the general state employees retirement plan for the period of  
72.9 employment covered by the service credit to be transferred and the employer contribution  
72.10 rate or rates for the correctional state employees retirement plan for the period of  
72.11 employment covered by the service credit to be transferred, plus annual compound interest  
72.12 at the rate of 8.5 percent.

72.13 (d) The additional equivalent employer contribution under this subdivision must be  
72.14 paid in a lump sum and must be paid within 30 days of the date on which the executive  
72.15 director of the Minnesota State Retirement System certifies to the applicable department  
72.16 that the employee paid the additional equivalent member contribution.

72.17 Subd. 3. **Payment of additional equivalent contributions; post-July 1, 2007,**  
72.18 **coverage transfers.** (a) An eligible employee who was transferred to plan coverage after  
72.19 June 30, 2007, and who elects to transfer past service credit under this section must pay  
72.20 an additional member contribution for that prior service period. The additional member  
72.21 contribution is (1) the difference between the member contribution rate or rates for the  
72.22 general state employees retirement plan of the Minnesota State Retirement System for  
72.23 the period of employment covered by the service credit to be transferred and the member  
72.24 contribution rate or rates for the correctional state employees retirement plan for the most  
72.25 recent 12-month period of employment covered by the service credit to be transferred, plus  
72.26 annual compound interest at the rate of 8.5 percent, and (2) 40 percent of the unfunded  
72.27 actuarial accrued liability attributable to the past service credit transfer. The unfunded  
72.28 actuarial accrued liability attributable to the past service credit transfer is the present  
72.29 value of the benefit obtained by the transfer of the service credit to the correctional state  
72.30 employees retirement plan reduced by the amount of the asset transfer under subdivision 4,  
72.31 by the amount of the member contribution equivalent payment under clause (1), and by the  
72.32 amount of the employer contribution equivalent payment under paragraph (c), clause (1).

72.33 (b) The additional equivalent member contribution under this subdivision must be  
72.34 paid in a lump sum. Payment must accompany the election to transfer the prior service  
72.35 credit. No transfer election or additional equivalent member contribution payment may be  
72.36 made by a person or accepted by the executive director after the one-year anniversary date

73.1 of the effective date of the retirement coverage transfer, or the date on which the eligible  
73.2 employee terminates state employment, whichever is earlier.

73.3 (c) If an eligible employee elects to transfer past service credit under this section  
73.4 and pays the additional equivalent member contribution amount under subdivision 2,  
73.5 the applicable department shall pay an additional equivalent employer contribution  
73.6 amount. The additional employer contribution is (1) the difference between the employer  
73.7 contribution rate or rates for the general state employees retirement plan for the period of  
73.8 employment covered by the service credit to be transferred and the employer contribution  
73.9 rate or rates for the correctional state employees retirement plan for the period of  
73.10 employment covered by the service credit to be transferred, plus annual compound  
73.11 interest at the rate of 8.5 percent, and (2) 60 percent of the unfunded actuarial accrued  
73.12 liability attributable to the past service credit transfer calculated as provided in paragraph  
73.13 (a), clause (2).

73.14 (d) The additional equivalent employer contribution under this subdivision must be  
73.15 paid in a lump sum and must be paid within 30 days of the date on which the executive  
73.16 director of the Minnesota State Retirement System certifies to the applicable department  
73.17 that the employee paid the additional equivalent member contribution.

73.18 Subd. 4. **Transfer of assets.** Assets related to the transferred service credit of an  
73.19 eligible employee must be transferred from the general state employees retirement fund to  
73.20 the correctional state employees retirement fund in an amount equal to the present value of  
73.21 benefits earned under the general state employees retirement plan by the eligible employee  
73.22 transferring past service to the correctional state employees retirement plan, as determined  
73.23 by the actuary retained under section 356.214, multiplied by the accrued liability funding  
73.24 ratio of the active members of the general state employees retirement plan as derived from  
73.25 the most recent actuarial valuation prepared under section 356.215. The transfer of assets  
73.26 must be made within 45 days after the coverage transfer election is made.

73.27 Subd. 5. **Effect of the asset transfer.** Upon the transfer of assets under subdivision  
73.28 4, the service credit in the general state employees retirement plan of the Minnesota State  
73.29 Retirement System is forfeited and may not be reinstated. The transferred service credit  
73.30 and the transferred assets must be credited to the correctional state employees retirement  
73.31 plan and fund, respectively.

73.32 Subd. 6. **Cost of actuarial calculations.** The applicable department shall pay the  
73.33 cost of the actuarial calculations required by this section as billed by the executive director  
73.34 of the Minnesota State Retirement System.

73.35 **EFFECTIVE DATE.** This section is effective the day after final enactment.

74.1 Sec. 6. **COVERAGE FOR PRIOR STATE SERVICE FOR CERTAIN PERSONS.**

74.2 (a) An employee who has retirement coverage for past correctional service  
 74.3 transferred to the correctional state employees retirement plan under paragraph (b) is  
 74.4 entitled to elect to obtain prior service credit for eligible state service performed as a  
 74.5 stores clerk after April 24, 1990, and before September 8, 1994, with the Department of  
 74.6 Corrections. All eligible prior service credit must be purchased.

74.7 (b) "Covered correction service" means service between April 25, 1990, through  
 74.8 September 7, 1994, as a stores clerk at the Minnesota Correctional Facility-St. Cloud.

74.9 (c) The commissioner of corrections shall certify the eligible state service as a  
 74.10 stores clerk rendered by the employee to the executive director of the Minnesota State  
 74.11 Retirement System.

74.12 (d) The covered correctional plan employee who has past service is entitled to  
 74.13 purchase the past service under Minnesota Statutes, section 352.955, if the department  
 74.14 certifies that the employee met the eligibility requirements for coverage.

74.15 **EFFECTIVE DATE.** This section is effective the day after final enactment.

74.16 **ARTICLE 4**74.17 **DISABILITY BENEFIT CHANGES**

74.18 Section 1. Minnesota Statutes 2006, section 353.01, subdivision 37, is amended to read:

74.19 Subd. 37. **Normal retirement age.** (a) "Normal retirement age" means age 65  
 74.20 for a person who first became a public employee or a member of a pension fund listed  
 74.21 in section 356.30, subdivision 3, clause (7), before July 1, 1989. For a person who first  
 74.22 becomes a public employee after June 30, 1989, "normal retirement age" means the higher  
 74.23 of age 65 or "retirement age," as defined in United States Code, title 42, section 416(1), as  
 74.24 amended, but not to exceed age 66.

74.25 (b) "Normal retirement age" means age 55 for a person who is a member of a  
 74.26 pension fund listed in section 356.30, subdivision 3, clauses (8) and (9).

74.27 **EFFECTIVE DATE.** This section is effective July 1, 2007.

74.28 Sec. 2. Minnesota Statutes 2006, section 353.01, is amended by adding a subdivision  
 74.29 to read:

74.30 Subd. 41. **Duty disability.** "Duty disability," physical or psychological, means a  
 74.31 condition that is expected to prevent a member, for a period of not less than 12 months,  
 74.32 from performing the normal duties of the position held by a person who is a member  
 74.33 of the public employees police and fire plan, and that is the direct result of an injury

75.1 incurred during, or a disease arising out of, the performance of normal duties or the actual  
75.2 performance of less frequent duties, either of which are specific to protecting the property  
75.3 and personal safety of others and that present inherent dangers that are specific to the  
75.4 positions covered by the public employees police and fire plan.

75.5 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
75.6 benefit applicants whose last day of public employment was after June 30, 2007.

75.7 Sec. 3. Minnesota Statutes 2006, section 353.01, is amended by adding a subdivision  
75.8 to read:

75.9 Subd. 42. **Less frequent duties.** "Less frequent duties" means tasks which are  
75.10 designated in the applicant's job description as either required from time to time or as  
75.11 assigned, but which are not carried out as part of the normal routine of the applicant's job.

75.12 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
75.13 benefit applicants whose last day of public employment was after June 30, 2007.

75.14 Sec. 4. Minnesota Statutes 2006, section 353.01, is amended by adding a subdivision  
75.15 to read:

75.16 Subd. 43. **Line of duty death.** "Line of duty death" means a death that occurs while  
75.17 performing or as a direct result of performing normal or less frequent duties which are  
75.18 specific to protecting the property and personal safety of others and that present inherent  
75.19 dangers that are specific to the positions covered by the public employees police and  
75.20 fire plan.

75.21 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
75.22 benefit applicants whose last day of public employment was after June 30, 2007.

75.23 Sec. 5. Minnesota Statutes 2006, section 353.01, is amended by adding a subdivision  
75.24 to read:

75.25 Subd. 44. **Normal duties.** "Normal duties" means specific tasks which are  
75.26 designated in the applicant's job description and which the applicant performs on a  
75.27 day-to-day basis, but do not include less frequent duties which may be requested to be  
75.28 done by the employer from time to time.

75.29 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
75.30 benefit applicants whose last day of public employment was after June 30, 2007.

76.1 Sec. 6. Minnesota Statutes 2006, section 353.01, is amended by adding a subdivision  
76.2 to read:

76.3 Subd. 45. **Not line of duty death.** For purposes of survivor benefits under the  
76.4 public employees police and fire plan, a "not line of duty death" is any death not specified  
76.5 under subdivision 43.

76.6 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
76.7 benefit applicants whose last day of public employment was after June 30, 2007.

76.8 Sec. 7. Minnesota Statutes 2006, section 353.01, is amended by adding a subdivision  
76.9 to read:

76.10 Subd. 46. **Regular disability.** "Regular disability," physical or psychological,  
76.11 means a condition that is expected to prevent a member, for a period of not less than 12  
76.12 months, from performing the normal duties of the position held by a person who is a  
76.13 member of the public employees police and fire plan, and which results from a disease or  
76.14 an injury that arises from any activities while not at work, or while at work and performing  
76.15 those normal or less frequent duties that do not present inherent dangers that are specific  
76.16 to the occupations covered by the public employees police and fire plan.

76.17 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
76.18 benefit applicants whose last day of public employment was after June 30, 2007.

76.19 Sec. 8. **[353.031] DISABILITY DETERMINATION PROCEDURES.**

76.20 Subdivision 1. **Application.** This section applies to all disability determinations for  
76.21 the public employees general fund, the public employees police and fire fund, and the local  
76.22 government correctional service retirement plan and any other disability determination  
76.23 subject to approval by the board, except as otherwise specified in section 353.33, 353.656,  
76.24 or 353E.05. These requirements and the requirements of section 353.03, subdivision 3,  
76.25 are in addition to the specific requirements of each plan and govern in the event there is  
76.26 any conflict between these sections and the procedures specific to any of those plans  
76.27 under section 353.33, 353.656, or 353E.06.

76.28 Subd. 2. **Plan document policy statement.** Disability determinations for the public  
76.29 employees general fund must be made subject to section 353.01, subdivision 19; and for  
76.30 the police and fire plan and the local government correctional service retirement plan must  
76.31 be made consistent with the legislative policy and intent set forth in section 353.63.

76.32 Subd. 3. **Procedure to determine eligibility; generally.** (a) Every claim for a  
76.33 disability benefit must be initiated in writing on an application form and in the manner

77.1 prescribed by the executive director and filed with the executive director. An application  
77.2 for disability benefits must be made within 18 months next following termination of public  
77.3 service as defined under section 353.01, subdivision 11a.

77.4 (b) All medical reports must support a finding that disability arose before the  
77.5 employee was placed on any paid or unpaid leave of absence or terminated public service,  
77.6 as defined under section 353.01, subdivision 11a.

77.7 (c) An applicant for disability shall provide a detailed report signed by a licensed  
77.8 medical doctor and at least one additional report signed by a medical doctor, psychologist,  
77.9 or chiropractor. The applicant shall authorize the release of all medical and health care  
77.10 evidence, including all medical records and relevant information from any source, to  
77.11 support the application for initial, or the continuing payment of, disability benefits.

77.12 (d) All reports must contain an opinion regarding the claimant's prognosis, the  
77.13 duration of the disability, and the expectations for improvement. Any report that does not  
77.14 contain and support a finding that the disability will last for at least one year may not be  
77.15 relied upon to support eligibility for benefits.

77.16 (e) Where the medical evidence supports the expectation that at some point in time  
77.17 the claimant will no longer be disabled, any decision granting disability may provide  
77.18 for a termination date upon which disability can be expected to no longer exist. In the  
77.19 event a termination date is made part of the decision granting benefits, prior to the  
77.20 actual termination of benefits, the claimant shall have the opportunity to show that the  
77.21 disabling condition for which benefits were initially granted continues. In the event the  
77.22 benefits terminate in accordance with the original decision, the claimant may petition for a  
77.23 review by the board of trustees under section 353.03, subdivision 3, or may reapply for  
77.24 disability in accordance with these procedures and section 353.33, 353.656, or 353E.06,  
77.25 as applicable.

77.26 (f) Any claim to disability must be supported by a report from the employer  
77.27 indicating that there is no available work that the employee can perform in the employee's  
77.28 disabled condition and that all reasonable accommodations have been considered. Upon  
77.29 request of the executive director, an employer shall provide evidence of the steps the  
77.30 employer has taken to attempt to provide reasonable accommodations and continued  
77.31 employment to the claimant. The employer shall also provide a certification of the  
77.32 member's past public service; the dates of any paid sick leave, vacation, or any other  
77.33 employer-paid salary continuation plan beyond the last working day; and whether or not  
77.34 any sick or annual leave has been allowed.

77.35 (g) An employee who is placed on leave of absence without compensation because  
77.36 of a disability is not barred from receiving a disability benefit.

78.1 (h) An applicant for disability benefits may file a retirement annuity application  
78.2 under section 353.29, subdivision 4, simultaneously with an application for disability  
78.3 benefits. If the application for disability benefits is approved, the retirement annuity  
78.4 application is cancelled. If disability benefits are denied, the retirement annuity application  
78.5 must be processed upon the request of the applicant. No member of the public employees  
78.6 general plan, the public employees police and fire plan, or the local government  
78.7 correctional service retirement plan may receive a disability benefit and a retirement  
78.8 annuity simultaneously from the same plan.

78.9 **Subd. 4. Additional requirements to determine eligibility for police and fire or**  
78.10 **local government correctional service plan disability benefits.** (a) If an application for  
78.11 disability benefits is filed within two years of the date of the injury or the onset of the illness  
78.12 that gave rise to the disability application, the application must be supported by evidence  
78.13 that the applicant is unable to perform the duties of the position held by the applicant on  
78.14 the date of the injury or the onset of the illness causing the disability. The employer must  
78.15 provide evidence indicating whether the applicant is able or unable to perform the duties  
78.16 of the position held on the date of the injury or onset of the illness causing the disability  
78.17 and the specifications of any duties that the individual can or cannot perform.

78.18 (b) If an application for disability benefits is filed more than two years after the date  
78.19 of injury or the onset of an illness causing the disability, the application must be supported  
78.20 by evidence that the applicant is unable to perform the most recent duties that are expected  
78.21 to be performed by the applicant during the 90 days before the filing of the application.  
78.22 The employer must provide evidence of the duties that are expected to be performed by  
78.23 the applicant during the 90 days before the filing of the application, whether the applicant  
78.24 can or cannot perform those duties overall, and the specifications of any duties that the  
78.25 applicant can or cannot perform.

78.26 (c) Any report supporting a claim to disability benefits under section 353.656 or  
78.27 353E.06 must specifically relate the disability to its cause; and for any claim to duty  
78.28 disability from an injury or illness arising out of an act of duty, the report must relate  
78.29 the cause of disability to specific tasks or functions required to be performed by the  
78.30 employee in fulfilling the employee's duty-related acts which must be specific to the  
78.31 inherent dangers of the positions eligible for membership in the police and fire fund and  
78.32 the local government correctional service retirement plan. Any report that does not relate  
78.33 the cause of disability to specific acts or functions performed by the employee may not be  
78.34 relied upon as evidence to support eligibility for benefits and may be disregarded in the  
78.35 executive director's decision-making process.

79.1 (d) Any application for duty disability must be supported by a first report of injury as  
79.2 defined in section 176.231.

79.3 (e) If a member who has applied for and been approved for disability benefits before  
79.4 the termination of service does not terminate service or is not placed on an authorized  
79.5 leave of absence as certified by the governmental subdivision within 45 days following  
79.6 the date on which the application is approved, the application shall be canceled. If an  
79.7 approved application for disability benefits has been canceled, a subsequent application  
79.8 for disability benefits may not be filed on the basis of the same medical condition for a  
79.9 minimum of one year from the date on which the previous application was canceled.

79.10 Subd. 5. **Medical adviser.** The executive director may contract with licensed  
79.11 physicians or physicians on the staff of the state commissioner of health, as designated  
79.12 by the commissioner, to be the medical adviser of the association. The medical adviser  
79.13 shall review all medical reports submitted to the association, including the findings of  
79.14 an independent medical examination requested under this section, and shall advise the  
79.15 executive director.

79.16 Subd. 6. **Independent medical examination.** Any individual applying for  
79.17 or receiving disability benefits must submit to an independent medical examination  
79.18 if requested by the executive director. The medical examination must be paid for by  
79.19 the association.

79.20 Subd. 7. **Refusal of examination or medical evidence.** If a person applying  
79.21 for or receiving a disability benefit refuses to submit to a medical examination under  
79.22 subdivision 6, or fails to provide or to authorize the release of medical evidence under  
79.23 subdivision 3, the association shall cease the application process or shall discontinue the  
79.24 payment of a disability benefit, whichever is applicable. Upon the receipt of the requested  
79.25 medical evidence, the association shall resume the application process or the payment of a  
79.26 disability benefit upon approval for the continuation, whichever is applicable.

79.27 Subd. 8. **Proof of continuing disability.** (a) A disability benefit payment must not  
79.28 be made except upon adequate proof furnished to the executive director of the association  
79.29 that the person remains disabled.

79.30 (b) During the time when disability benefits are being paid, the executive director  
79.31 of the association has the right, at reasonable times, to require the disabled member to  
79.32 submit proof of the continuance of the disability claimed.

79.33 (c) Adequate proof of a disability must include a written expert report by a licensed  
79.34 physician, a licensed chiropractor, or, with respect to a mental impairment, a licensed  
79.35 psychologist.

80.1            **Subd. 9. Application approval or denial; decision of executive director.** Any  
 80.2 decision of the executive director is final, except that a member whose application for  
 80.3 disability benefits or whose continuation of disability benefits is denied may appeal the  
 80.4 executive director's decision to the board of trustees within 60 days of receipt of a certified  
 80.5 letter notifying the member of the decision to deny the application or continuation of  
 80.6 benefits. In developing the record for review by the board when a decision is appealed,  
 80.7 the executive director may direct that the applicant participate in a fact-finding session  
 80.8 conducted by an administrative law judge assigned by the Office of Administrative  
 80.9 Hearings, and, as applicable, a vocational assessment conducted by the qualified  
 80.10 rehabilitation counselor on contract with the Public Employees Retirement Association.

80.11           **Subd. 10. Restoring forfeited service.** To restore forfeited service, a repayment of  
 80.12 a refund must be made within six months after the effective date of disability benefits or  
 80.13 within six months after the date of the filing of the disability application, whichever is  
 80.14 later. No purchase of prior service or payment made in lieu of salary deductions otherwise  
 80.15 authorized under section 353.01 may be made after the occurrence of the disability for  
 80.16 which an application is filed under this section.

80.17           **EFFECTIVE DATE.** This section is effective July 1, 2007.

80.18           Sec. 9. Minnesota Statutes 2006, section 353.33, subdivision 1, is amended to read:

80.19           Subdivision 1. **Age, service, and salary requirements.** A coordinated member  
 80.20 who has at least three years of allowable service and becomes totally and permanently  
 80.21 disabled before normal retirement age, and a basic member who has at least three years of  
 80.22 allowable service and who becomes totally and permanently disabled, upon application as  
 80.23 defined under section 353.031, is entitled to a disability benefit in an amount determined  
 80.24 under subdivision 3. If the disabled person's public service has terminated at any time,  
 80.25 at least two of the required three years of allowable service must have been rendered  
 80.26 after last becoming an active member. ~~A repayment of a refund must be made within six~~  
 80.27 ~~months after the effective date of disability benefits under subdivision 2 or within six~~  
 80.28 ~~months after the date of the filing of the disability application, whichever is later. No~~  
 80.29 ~~purchase of prior service and no payment made in lieu of salary deductions otherwise~~  
 80.30 ~~authorized under section 353.01, subdivision 16, may be made after the occurrence of the~~  
 80.31 ~~disability for which an application under this section is filed.~~

80.32           **EFFECTIVE DATE.** This section is effective July 1, 2007.

80.33           Sec. 10. Minnesota Statutes 2006, section 353.33, subdivision 2, is amended to read:

81.1 Subd. 2. ~~**Applications; Accrual of benefits.** Every claim or demand for a total~~  
81.2 ~~and permanent disability benefit must be initiated by written application in the manner~~  
81.3 ~~and form prescribed by the executive director showing compliance with the statutory~~  
81.4 ~~conditions qualifying the applicant for a total and permanent disability benefit and filed~~  
81.5 ~~with the executive director. A member or former member who became totally and~~  
81.6 ~~permanently disabled during a period of membership shall file application for total and~~  
81.7 ~~permanent disability benefits within three years next following termination of public~~  
81.8 ~~service. (a) Except for a total and permanent disability under section 353.656, subdivision~~  
81.9 ~~1a, this benefit begins to accrue the day following the commencement of disability;~~  
81.10 ~~when the applicant is no longer receiving any form of compensation, whether salary or~~  
81.11 ~~paid leave; 90 days preceding the filing of the application, or, if annual or sick leave or~~  
81.12 ~~any other employer-paid salary continuation plan is paid for more than the 90-day period,~~  
81.13 ~~from the date salary ceased, whichever is later. Except for a total and permanent disability~~  
81.14 ~~under section 353.656, subdivision 1a, no member is entitled to receive a disability benefit~~  
81.15 ~~payment when there remains to the member's credit any unused annual leave or, sick leave,~~  
81.16 ~~or any other employer-paid salary continuation plan, or under any other circumstances~~  
81.17 ~~when, during the period of disability, there has been no impairment of the person's salary.~~

81.18 (b) Payment must not accrue beyond the end of the month in which entitlement has  
81.19 terminated. If the disabilitant dies prior to negotiating the check for the month in which  
81.20 death occurs, payment is made to the surviving spouse, or if none, to the designated  
81.21 beneficiary, or if none, to the estate. ~~An applicant for total and permanent disability~~  
81.22 ~~benefits may file a retirement annuity application under section 353.29, subdivision 4,~~  
81.23 ~~simultaneously with an application for total and permanent disability benefits. The~~  
81.24 ~~retirement annuity application is void upon the determination of the entitlement for~~  
81.25 ~~disability benefits by the executive director. If disability benefits are denied, the retirement~~  
81.26 ~~annuity application must be initiated and processed.~~

81.27 **EFFECTIVE DATE.** This section is effective July 1, 2007.

81.28 Sec. 11. Minnesota Statutes 2006, section 353.33, subdivision 4, is amended to read:

81.29 Subd. 4. **Procedure to determine eligibility.** (a) ~~The applicant shall provide~~  
81.30 ~~an expert report signed by a licensed physician, psychologist, or chiropractor and the~~  
81.31 ~~applicant must authorize the release of medical and health care evidence, including all~~  
81.32 ~~medical records and relevant information from any source, to support the application~~  
81.33 ~~for total and permanent disability benefits. Eligibility for disability benefits must be~~  
81.34 ~~determined following the procedures defined in section 353.031.~~

82.1 ~~(b) The medical adviser shall verify the medical evidence and, if necessary for~~  
82.2 ~~disability determination, suggest the referral of the applicant to specialized medical~~  
82.3 ~~consultants.~~

82.4 ~~(c) The association shall also obtain from the employer a certification of the~~  
82.5 ~~member's past public service, the dates of any paid sick leave and vacation beyond the last~~  
82.6 ~~working day and whether or not any sick leave or annual leave has been allowed.~~

82.7 ~~(d)~~ (b) If, after following the procedures for determining eligibility for benefits  
82.8 under section 353.031, and upon consideration of the medical evidence received and  
82.9 the recommendations of the medical adviser, it is determined by the executive director  
82.10 that the applicant is totally and permanently disabled within the meaning of the law, the  
82.11 association shall grant the person a disability benefit.

82.12 ~~(e) An employee who is placed on leave of absence without compensation because~~  
82.13 ~~of a disability is not barred from receiving a disability benefit.~~

82.14 **EFFECTIVE DATE.** This section is effective July 1, 2007.

82.15 Sec. 12. Minnesota Statutes 2006, section 353.33, subdivision 6, is amended to read:

82.16 Subd. 6. **Continuing eligibility for benefits.** ~~The association shall determine~~  
82.17 ~~eligibility for continuation of disability benefits and require periodic examinations and~~  
82.18 ~~evaluations of disabled members as frequently as deemed necessary. The association shall~~  
82.19 ~~require the disabled member to provide an expert report signed by a licensed physician,~~  
82.20 ~~psychologist, or chiropractor and the disabled member shall authorize the release of~~  
82.21 ~~medical and health care evidence, including all medical and health care records and~~  
82.22 ~~information from any source, relating to an application for continuation of disability~~  
82.23 ~~benefits. Disability benefits are contingent upon a disabled person's participation in a~~  
82.24 ~~vocational rehabilitation evaluation if the executive director determines that the disabled~~  
82.25 ~~person may be able to return to a gainful occupation. If, after a review by the executive~~  
82.26 director under section 353.031, subdivision 8, a member is found to be no longer totally  
82.27 and permanently disabled, payments must cease the first of the month following the  
82.28 expiration of a 30-day period after the member receives a certified letter notifying the  
82.29 member that payments will cease.

82.30 **EFFECTIVE DATE.** This section is effective July 1, 2007.

82.31 Sec. 13. Minnesota Statutes 2006, section 353.33, subdivision 7a, is amended to read:

82.32 Subd. 7a. **Trial work period.** (a) This subdivision applies only to the Public  
82.33 Employees Retirement Association general employees retirement plan.

83.1 (b) If, following a work or non-work-related injury or illness, a disabled member  
 83.2 attempts to return to work for their previous public employer or attempts to return to a  
 83.3 similar position with another public employer, on a full-time or less than full-time basis,  
 83.4 the Public Employees Retirement Association shall continue paying the disability benefit  
 83.5 for a period not to exceed six months. The disability benefit must continue in an amount  
 83.6 that, when added to the subsequent employment earnings and workers' compensation  
 83.7 benefit, does not exceed the salary at the date of disability or the salary currently paid  
 83.8 for similar positions, whichever is higher.

83.9 ~~(b)~~ (c) No deductions for the general employees retirement fund plan may be taken  
 83.10 from the salary of a disabled person who is attempting to return to work under this  
 83.11 provision unless the member waives further disability benefits.

83.12 ~~(c)~~ (d) A member only may return to employment and continue disability benefit  
 83.13 payments once while receiving disability benefits from a the general employees retirement  
 83.14 plan administered by the Public Employees Retirement Association.

83.15 **EFFECTIVE DATE.** This section is effective July 1, 2007.

83.16 Sec. 14. Minnesota Statutes 2006, section 353.651, subdivision 4, is amended to read:

83.17 Subd. 4. **Early retirement.** (a) A person who becomes a police and fire plan  
 83.18 member after June 30, 2007, or a former member who is reinstated as a member of the  
 83.19 plan after that date, who is at least 50 years of age with at least three years of allowable  
 83.20 service, upon the termination of public service is entitled upon application to a retirement  
 83.21 annuity equal to the normal annuity calculated under subdivision 3, reduced by two-tenths  
 83.22 of one percent for each month that the member is under age 55 at the time of retirement.

83.23 (b) Upon the termination of public service, any police officer or firefighter and fire  
 83.24 plan member who has become not specified in paragraph (a), upon attaining at least 50  
 83.25 years old and who has of age with at least three years of allowable service is entitled  
 83.26 upon application to a retirement annuity equal to the normal annuity calculated under  
 83.27 subdivision 3, reduced by one-tenth of one percent for each month that the member is  
 83.28 under age 55 at the time of retirement.

83.29 **EFFECTIVE DATE.** This section is effective July 1, 2007.

83.30 Sec. 15. Minnesota Statutes 2006, section 353.656, is amended by adding a subdivision  
 83.31 to read:

83.32 Subd. 1a. **Total and permanent duty disability; computation of benefits.** (a)  
 83.33 A member of the police and fire plan whose disabling condition is determined to be a

84.1 duty disability that is also a permanent and total disability as defined in section 353.01,  
84.2 subdivision 19, is entitled to receive, for life, disability benefits in an amount equal to  
84.3 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an  
84.4 additional percent specified in section 356.315, subdivision 6, of that average salary for  
84.5 each year of service in excess of 20 years.

84.6 (b) A disability benefit payable under paragraph (a) is subject to eligibility review  
84.7 under section 353.33, subdivision 6, but the review may be waived if the executive  
84.8 director receives a written statement from the association's medical advisor that no  
84.9 improvement can be expected in the member's disabling condition that was the basis for  
84.10 payment of the benefit under paragraph (a). A member receiving a disability benefit under  
84.11 this subdivision who is found to no longer be permanently and totally disabled as defined  
84.12 under section 353.01, subdivision 19, but continues to meet the definition for receipt of a  
84.13 duty disability under section 353.01, subdivision 41, is subject to subdivision 1 under this  
84.14 section upon written notice from the association's medical advisor that the person is no  
84.15 longer considered permanently and totally disabled.

84.16 (c) If a member approved for disability benefits under this subdivision dies before  
84.17 attaining normal retirement age as defined in section 353.01, subdivision 37, paragraph  
84.18 (b), or within 60 months of the effective date of the disability, whichever is later,  
84.19 the surviving spouse is entitled to receive a survivor benefit under section 353.657,  
84.20 subdivision 2, paragraph (a), clause (1), if the death is the direct result of the disabling  
84.21 condition for which disability benefits were approved, or section 353.657, subdivision  
84.22 2, paragraph (a), clause (2), if the death is not directly related to the disabling condition  
84.23 for which benefits were approved under this subdivision.

84.24 If the election of an actuarial equivalent optional annuity is not made at the time  
84.25 the permanent and total disability benefit accrues, an election must be made within 90  
84.26 days before the member attains normal retirement age as defined under section 353.01,  
84.27 subdivision 37, paragraph (b), or having collected total and permanent disability benefits  
84.28 for 60 months, whichever is later. If a member receiving disability benefits who has  
84.29 dependent children dies, subdivision 6a, paragraph (c), applies.

84.30 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
84.31 benefit applicants whose last day of public employment was after June 30, 2007.

84.32 Sec. 16. Minnesota Statutes 2006, section 353.656, subdivision 1a, is amended to read:

84.33 Subd. ~~1a~~ **1b. Optional annuity election.** (a) A disabled member of the police and  
84.34 fire fund may elect to receive the normal disability benefit or an actuarial equivalent  
84.35 optional annuity as provided in section 353.30, subdivision 3. If the election of an

85.1 ~~actuarial equivalent optional annuity may be~~ is made ~~prior to~~ before the commencement of  
 85.2 payment of the disability benefit ~~or as specified under subdivision 6a.~~, the optional annuity  
 85.3 ~~shall~~ must begin to accrue on the same date as ~~provided for~~ the disability benefit covering  
 85.4 only the disabilitant would have accrued.

85.5 (b) If an election of an optional annuity is not made before the commencement of the  
 85.6 disability benefit, the disabilitant may elect an optional annuity:

85.7 (1) within 90 days before normal retirement age;

85.8 (2) upon the filing of an application to convert to an early retirement annuity, if  
 85.9 electing to convert to an early retirement annuity before the normal retirement age; or

85.10 (3) within 90 days before the expiration of the 60-month period for which a disability  
 85.11 benefit is paid, if the disability benefit is payable because the disabled member did not  
 85.12 have at least 20 years of allowable service at normal retirement age.

85.13 (c) If ~~the person~~ a disabled member who is not the spouse of the member is  
 85.14 has named as beneficiary of the a joint and survivor optional annuity; ~~beneficiary dies~~  
 85.15 before the disability benefit ceases and is recalculated under subdivision 5a, the person  
 85.16 is beneficiary eligible to receive the joint and survivor annuity only if the spouse, on  
 85.17 may elect to have the disability application form prescribed by annuity converted at the  
 85.18 executive director, permanently waives times designated in paragraph (b), clause (1),  
 85.19 (2), or (3), whichever allows for the surviving spouse benefits under section 353.657,  
 85.20 subdivisions 2 and 2a earliest payment of a higher joint and survivor annuity option  
 85.21 resulting from recalculation under subdivision 5a, paragraph (e).

85.22 (d) A disabled member may name a person other than the spouse as beneficiary  
 85.23 of a joint and survivor annuity only if the spouse of the disabled member refuses to  
 85.24 permanently waive the waives surviving spouse coverage, the selection of a person other  
 85.25 than the spouse of the member as a joint annuitant is invalid on the disability application  
 85.26 form prescribed by the executive director.

85.27 ~~(2)~~ (e) If the spouse of the member permanently waives survivor coverage, the  
 85.28 dependent child or children, if any, continue to be eligible for survivor dependent child  
 85.29 benefits, including the minimum benefit under section 353.657, subdivision 3-, and the  
 85.30 designated optional annuity beneficiary may draw the monthly benefit; however, the  
 85.31 amount payable to the dependent child or children and joint annuitant must not exceed  
 85.32 the 70 percent maximum family benefit under section 353.657, subdivision 3. If the  
 85.33 maximum is exceeded, the benefit of the joint annuitant must be reduced to the amount  
 85.34 necessary so that the total family benefit does not exceed the 70 percent maximum family  
 85.35 benefit amount.

86.1 ~~(3) If the spouse is named as the beneficiary of the joint and survivor optional~~  
86.2 ~~annuity, the spouse may draw the monthly benefit; however, the amount payable to~~  
86.3 ~~the dependent child or children and the joint annuitant must not exceed the 70 percent~~  
86.4 ~~maximum family benefit under section 353.657, subdivision 3. If the maximum is~~  
86.5 ~~exceeded, each dependent child will receive ten percent of the member's specified average~~  
86.6 ~~monthly salary, and the benefit to the joint annuitant must be reduced to the amount~~  
86.7 ~~necessary so that the total family benefit does not exceed the 70 percent maximum family~~  
86.8 ~~benefit amount. The joint and survivor optional annuity must be restored to the surviving~~  
86.9 ~~spouse, plus applicable postretirement adjustments under section 356.41, as the dependent~~  
86.10 ~~child or children become no longer dependent under section 353.01, subdivision 15.~~

86.11 (f) Any optional annuity under this subdivision, plus dependent child benefits, if  
86.12 applicable, are subject to the maximum and minimum family benefit amounts specified in  
86.13 section 353.657, subdivision 3a.

86.14 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
86.15 benefit applicants whose last day of public employment was after June 30, 2007.

86.16 Sec. 17. Minnesota Statutes 2006, section 353.656, subdivision 3, is amended to read:

86.17 Subd. 3. **Nonduty Regular disability benefit.** (a) Any A member of the police  
86.18 and fire plan who:

86.19 ~~(1) has not met the requirements for a retirement annuity under section 353.651,~~  
86.20 ~~subdivision 1, or~~

86.21 ~~(2) has met the requirements for a retirement annuity under section 353.651,~~  
86.22 ~~subdivision 1, but who does not have 15 years of credited service; and who becomes~~  
86.23 ~~disabled after not less than one year of allowable service because of sickness or injury~~  
86.24 ~~occurring while not on duty as a police officer, firefighter, or paramedic as defined under~~  
86.25 ~~section 353.64, subdivision 10, and by reason of that sickness or injury the member has~~  
86.26 ~~been or is expected to be unable to perform the duties as a police officer, firefighter, or~~  
86.27 ~~paramedic as defined under section 353.64, subdivision 10, for a period of at least one~~  
86.28 ~~year, is entitled to~~ qualifies for a regular disability benefit as defined in section 353.01,  
86.29 subdivision 46, is entitled to receive a disability benefit, after filing a valid application,  
86.30 in an amount equal to 45 percent of the average salary as defined in section 353.01,  
86.31 subdivision 17a.

86.32 (b) ~~The benefit must be paid in the same manner as if the benefit were paid under~~  
86.33 ~~section 353.651. If a disability under this subdivision occurs after one but in less than 15~~  
86.34 ~~years of allowable service, the disability benefit must be the same as though the member~~

87.1 ~~had at least 15 years service.~~ To be eligible for a benefit under paragraph (a), the member  
87.2 must have at least one year of allowable service credit and have:

87.3 (1) not met the requirements for a retirement annuity under section 353.651,  
87.4 subdivision 1, or

87.5 (2) met the requirements under that subdivision, but does not have at least 15 years  
87.6 of allowable service credit.

87.7 (c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a  
87.8 period of 60 months from the disability benefit accrual date and, at the end of that period  
87.9 is subject to provisions of subdivision 5a.

87.10 (d) For a member who is employed as a full-time firefighter by the Department of  
87.11 Military Affairs of the state of Minnesota, allowable service as a full-time state Military  
87.12 Affairs Department firefighter credited by the Minnesota State Retirement System may be  
87.13 used in meeting the minimum allowable service requirement of this subdivision.

87.14 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
87.15 benefit applicants whose last day of public employment was after June 30, 2007.

87.16 Sec. 18. Minnesota Statutes 2006, section 353.656, is amended by adding a subdivision  
87.17 to read:

87.18 **Subd. 3a. Total and permanent regular disability; computation of benefits.**

87.19 (a) A member of the police and fire plan whose disabling condition is determined to be  
87.20 a regular disability under section 353.01, subdivision 46, that is also a permanent and  
87.21 total disability as defined in section 353.01, subdivision 19, is entitled to a receive, for  
87.22 life, disability benefit in an amount equal to 45 percent of the average salary as defined in  
87.23 section 353.01, subdivision 17a, plus an additional percent specified in section 356.315,  
87.24 subdivision 6, of that average salary for each year of service in excess of 15 years.

87.25 (b) A disability benefit payable under paragraph (a) is subject to eligibility review  
87.26 under section 353.33, subdivision 6, but the review may be waived if the executive  
87.27 director receives a written statement from the association's medical advisor that no  
87.28 improvement can be expected in the member's disabling condition that was the basis for  
87.29 payment of the benefit under paragraph (a). A member receiving a disability benefit under  
87.30 this subdivision who is found to no longer be permanently and totally disabled as defined  
87.31 under section 353.01, subdivision 19, but continues to meet the definition for receipt of a  
87.32 regular disability under section 353.01, subdivision 46, is subject to subdivision 3 under  
87.33 this section upon written notice from the association's medical advisor that the person is  
87.34 no longer considered permanently and totally disabled.

88.1 (c) A member approved for disability benefits under this subdivision may elect  
88.2 to receive a normal disability benefit or an actuarial equivalent optional annuity. If the  
88.3 election of an actuarial equivalent optional annuity is not made at the time the total and  
88.4 permanent disability benefit accrues, an election must be made within 90 days before  
88.5 the member attains normal retirement age as defined in section 353.01, subdivision 37,  
88.6 paragraph (b), or having collected disability benefits for 60 months, whichever is later.  
88.7 No surviving spouse benefits are payable if the member dies during the period in which  
88.8 a normal total and permanent disability benefit is being paid. If a member receiving  
88.9 disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

88.10 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
88.11 benefit applicants whose last day of public employment was after June 30, 2007.

88.12 Sec. 19. Minnesota Statutes 2006, section 353.656, subdivision 4, is amended to read:

88.13 Subd. 4. **Limitation on disability benefit payments.** (a) No member is entitled to  
88.14 receive a disability benefit payment when there remains to the member's credit unused  
88.15 annual leave ~~or~~, sick leave, or any other employer-provided salary continuation plan, or  
88.16 under any other circumstances when, during the period of disability, there has been no  
88.17 impairment of the person's salary as a police officer, a firefighter, or a paramedic as defined  
88.18 in section 353.64, subdivision 10, whichever applies.

88.19 (b) If a disabled member resumes a gainful occupation with earnings that, when  
88.20 added to the normal disability benefit, and workers' compensation benefit if applicable,  
88.21 exceed the disabilitant reemployment earnings limit, the amount of the disability benefit  
88.22 must be reduced as provided in this paragraph. The disabilitant reemployment earnings  
88.23 limit is the greater of:

88.24 (1) the salary earned at the date of disability; or

88.25 (2) 125 percent of the base salary currently paid by the employing governmental  
88.26 subdivision for similar positions.

88.27 (c) The disability benefit must be reduced by one dollar for each three dollars by  
88.28 which the total amount of the current disability benefit, any workers' compensation  
88.29 benefits if applicable, and actual earnings exceed the greater disabilitant reemployment  
88.30 earnings limit. In no event may the disability benefit as adjusted under this subdivision  
88.31 exceed the disability benefit originally allowed.

88.32 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
88.33 benefit applicants whose last day of public employment was after June 30, 2007.

89.1 Sec. 20. Minnesota Statutes 2006, section 353.656, subdivision 5a, is amended to read:

89.2 Subd. 5a. **Cessation of disability benefit.** (a) The association shall cease the  
89.3 payment of ~~an in-line-of-duty or nonduty~~ any disability benefit the first of the month  
89.4 following the reinstatement of a member to full time or less than full-time service in a  
89.5 position covered by the police and fire fund.

89.6 (b) A disability benefit paid to a disabled member of the police and fire plan, that  
89.7 was granted under laws in effect after June 30, 2007, terminates:

89.8 (1) at the end of the month in which the member reaches normal retirement age;

89.9 (2) if the disability benefit is payable for a 60-month period as determined under  
89.10 subdivisions 1 and 3, as applicable, the first of the month following the expiration of  
89.11 the 60-month period; or

89.12 (3) if the disabled member so chooses, the end of the month in which the member  
89.13 has elected to convert to an early retirement annuity under section 353.651, subdivision 4.

89.14 (c) If the police and fire plan member continues to be disabled when the disability  
89.15 benefit terminates under this subdivision, the member is deemed to be retired. The  
89.16 individual is entitled to receive a normal retirement annuity or an early retirement annuity  
89.17 under section 353.651, whichever is applicable, as further specified in paragraph (d)  
89.18 or (e). If the individual did not previously elect an optional annuity under subdivision  
89.19 1a, paragraph (a), the individual may elect an optional annuity under subdivision 1a,  
89.20 paragraph (b).

89.21 (d) A member of the police and fire plan who is receiving a disability benefit under  
89.22 this section may, upon application, elect to receive an early retirement annuity under  
89.23 section 353.651, subdivision 4, at any time after attaining age 50, but must convert to a  
89.24 retirement annuity no later than the end of the month in which the disabled member attains  
89.25 normal retirement age. An early retirement annuity elected under this subdivision must be  
89.26 calculated on the disabled member's accrued years of service and average salary as defined  
89.27 in section 353.01, subdivision 17a, and when elected, the member is deemed to be retired.

89.28 (e) When an individual's benefit is recalculated as a retirement annuity under this  
89.29 section, the annuity must be based on clause (1) or (2), whichever provides the greater  
89.30 amount:

89.31 (1) the benefit amount at the time of reclassification, including all prior adjustments  
89.32 provided under section 11A.18; or

89.33 (2) a benefit amount computed on the member's actual years of accrued allowable  
89.34 service credit and the law in effect at the time the disability benefit first accrued, plus any  
89.35 increases that would have applied since that date under section 11A.18.

90.1 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
 90.2 benefit applicants whose last day of public employment was after June 30, 2007.

90.3 Sec. 21. Minnesota Statutes 2006, section 353.656, subdivision 6a, is amended to read:

90.4 Subd. 6a. **Disability survivor benefits for pre-July 1, 2007, disabilitants.** (a) If a  
 90.5 member who is receiving a disability benefit ~~under subdivision 1 or 3:~~

90.6 ~~(1) that was granted under the laws in effect before July 1, 2007, dies before~~  
 90.7 ~~attaining the normal retirement age required for receipt of a retirement annuity under~~  
 90.8 ~~section 353.651, subdivision 1 as defined under section 353.01, subdivision 37, paragraph~~  
 90.9 ~~(b), or within five years of the effective date of the disability, whichever is later, the~~  
 90.10 ~~surviving spouse shall receive a survivor benefit under section 353.657, subdivision 2,~~  
 90.11 ~~paragraph (a), clause (2); or 2a, unless the surviving spouse elected to receive a refund~~  
 90.12 ~~under section 353.32, subdivision 1. The joint and survivor optional annuity under~~  
 90.13 ~~subdivision 2a is based on the minimum disability benefit under subdivision 1 or 3, or the~~  
 90.14 ~~deceased member's allowable service, whichever is greater.~~

90.15 ~~(2) (b) If the disability benefit was granted under the laws in effect before July 1,~~  
 90.16 ~~2007, and the disabilitant is living at the age required for receipt of a retirement annuity~~  
 90.17 ~~under section 353.651, subdivision 1, or five years after the effective date of the disability,~~  
 90.18 ~~whichever is later, the disabled member may continue to receive a normal disability~~  
 90.19 ~~benefit, or the member may elect a joint and survivor optional annuity under section~~  
 90.20 ~~353.30. The optional annuity is based on the minimum disability benefit under subdivision~~  
 90.21 ~~1 or 3, or the member's allowable service, whichever is greater. The election of this joint~~  
 90.22 ~~and survivor annuity must occur within 90 days of the before attaining normal retirement~~  
 90.23 ~~age required for receipt of a retirement annuity under section 353.651, subdivision 1 as~~  
 90.24 ~~defined under section 353.01, subdivision 37, paragraph (b), or within 90 days before the~~  
 90.25 ~~five-year anniversary of the effective date of the disability benefit, whichever is later. The~~  
 90.26 ~~optional annuity takes effect the first of the month following the month in which the~~  
 90.27 ~~person attains the age required for receipt of a retirement annuity under section 353.651,~~  
 90.28 ~~subdivision 1, or reaches the five-year anniversary of the effective date of the disability~~  
 90.29 ~~benefit, whichever is later; or.~~

90.30 ~~(3) (c) If any disabled member dies while receiving a benefit and has a dependent~~  
 90.31 ~~child or children under clause (1) or (2), the association shall grant a dependent child~~  
 90.32 ~~benefit under section 353.657, subdivision 3.~~

90.33 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to survivor  
 90.34 benefit applicants where the application is based on the death of a public employee that  
 90.35 occurred after June 30, 2007.

91.1 Sec. 22. Minnesota Statutes 2006, section 353.656, subdivision 8, is amended to read:

91.2 Subd. 8. **Application procedure to determine eligibility for police and fire plan**  
91.3 **disability benefits.** ~~(a) An application for disability benefits must be made in writing on a~~  
91.4 ~~form or forms prescribed by the executive director.~~

91.5 ~~(b) If an application for disability benefits is filed within two years of the date of the~~  
91.6 ~~injury or the onset of the illness that gave rise to the disability application, the application~~  
91.7 ~~must be supported by evidence that the applicant is unable to perform the duties of the~~  
91.8 ~~position held by the applicant on the date of the injury or the onset of the illness causing~~  
91.9 ~~the disability. The employer must provide evidence indicating whether the applicant is~~  
91.10 ~~able or unable to perform the duties of the position held on the date of the injury or onset~~  
91.11 ~~of illness causing the disability and the specifications of any duties that the individual can~~  
91.12 ~~or cannot perform.~~

91.13 ~~(c) If an application for disability benefits is filed more than two years after the date~~  
91.14 ~~of the injury or the onset of an illness causing the disability, the application must be~~  
91.15 ~~supported by evidence that the applicant is unable to perform the most recent duties that~~  
91.16 ~~are expected to be performed by the applicant during the 90 days before the filing of the~~  
91.17 ~~application. The employer must provide evidence of the duties that are expected to be~~  
91.18 ~~performed by the applicant during the 90 days before the filing of the application, whether~~  
91.19 ~~the applicant can or cannot perform those duties overall, and the specifications of any~~  
91.20 ~~duties that the applicant can or cannot perform.~~

91.21 ~~(d) Unless otherwise permitted by law, no application for disability benefits can be~~  
91.22 ~~filed by a former member of the police and fire plan more than three years after the former~~  
91.23 ~~member has terminated from Public Employees Retirement Association police and fire~~  
91.24 ~~plan covered employment. If an application is filed within three years after the termination~~  
91.25 ~~of public employment, the former member must provide evidence that the disability is the~~  
91.26 ~~direct result of an injury or the contracting of an illness that occurred while the person was~~  
91.27 ~~still actively employed and participating in the police and fire plan.~~

91.28 ~~(e) Any application for duty-related disability must be supported by a first report of~~  
91.29 ~~injury as defined in section 176.231.~~

91.30 ~~(f) If a member who has applied for and been approved for disability benefits before~~  
91.31 ~~the termination of service does not terminate service or is not placed on an authorized~~  
91.32 ~~leave of absence as certified by the governmental subdivision within 45 days following~~  
91.33 ~~the date on which the application is approved, the application shall be canceled. If an~~  
91.34 ~~approved application for disability benefits has been canceled, a subsequent application~~  
91.35 ~~for disability benefits may not be filed on the basis of the same medical condition for a~~  
91.36 ~~minimum of one year from the date on which the previous application was canceled.~~

92.1 ~~(g) An applicant may file a retirement application under section 353.29, subdivision~~  
 92.2 ~~4, at the same time as the disability application is filed. If the disability application is~~  
 92.3 ~~approved, the retirement application is canceled. If the disability application is denied, the~~  
 92.4 ~~retirement application must be initiated and processed upon the request of the applicant. A~~  
 92.5 ~~police and fire fund member may not receive a disability benefit and a retirement annuity~~  
 92.6 ~~from the police and fire fund at the same time.~~

92.7 ~~(h) A repayment of a refund must be made within six months after the effective date~~  
 92.8 ~~of disability benefits or within six months after the date of the filing of the disability~~  
 92.9 ~~application, whichever is later. No purchase of prior service or payment made in lieu~~  
 92.10 ~~of salary deductions otherwise authorized under section 353.01 may be made after the~~  
 92.11 ~~occurrence of the disability for which an application is filed under this section.~~

92.12 The application procedures to determine eligibility for police and fire plan disability  
 92.13 benefits are defined under section 353.031.

92.14 **EFFECTIVE DATE.** This section is effective July 1, 2007.

92.15 Sec. 23. Minnesota Statutes 2006, section 353.656, subdivision 10, is amended to read:

92.16 Subd. 10. **Accrual of benefits.** (a) A disability benefit begins to accrue ~~the day~~  
 92.17 ~~following the commencement of disability, when the applicant is no longer receiving any~~  
 92.18 ~~form of compensation, whether salary or paid leave~~ 90 days preceding the filing of an  
 92.19 application; or, if annual or sick leave, or any other employer-paid salary continuation  
 92.20 plan is paid for more than the 90-day period, from the date on which the payment of salary  
 92.21 ceased, whichever is later. No member is entitled to receive a disability benefit payment  
 92.22 when there remains to the member's credit any unused annual leave, sick leave, or any  
 92.23 other employer-paid salary continuation benefit, or under any other circumstances when,  
 92.24 during the period of disability, there has been no impairment of the person's salary.

92.25 (b) Payment of the disability benefit must not continue beyond the end of the month  
 92.26 in which entitlement has terminated. If the disabilitant dies prior to negotiating the check  
 92.27 for the month in which death occurs, payment must be made to the surviving spouse or, if  
 92.28 none, to the designated beneficiary or, if none, to the estate.

92.29 **EFFECTIVE DATE.** This section is effective July 1, 2007.

92.30 Sec. 24. Minnesota Statutes 2006, section 353.656, is amended by adding a subdivision  
 92.31 to read:

93.1 Subd. 13. **Chemical dependency limitations to disability benefit eligibility.** (a)  
 93.2 No benefits are payable for any disability resulting in whole or in part from the member's  
 93.3 current use of illegal drugs. This exclusion does not apply to a member who:

93.4 (1) has successfully completed a supervised drug rehabilitation program or has  
 93.5 otherwise been rehabilitated successfully and is no longer engaging in such use; or

93.6 (2) is participating in a supervised rehabilitation program and is no longer engaging  
 93.7 in such use.

93.8 (b) "Illegal use of drugs" means the use of drugs, the possession or distribution of  
 93.9 which is unlawful under United States Code, title 21, section 801. "Illegal use of drugs"  
 93.10 does not include the use of a drug taken under the supervision of a licensed health care  
 93.11 professional, or other uses authorized by United States Code, title 21, or other provisions  
 93.12 of law.

93.13 **EFFECTIVE DATE.** This section is effective July 1, 2007.

93.14 Sec. 25. Minnesota Statutes 2006, section 353.657, subdivision 1, is amended to read:

93.15 Subdivision 1. **Generally.** (a) In the event that a member of the police and fire fund  
 93.16 dies from any cause before retirement or ~~after~~ before becoming disabled and receiving  
 93.17 disability benefits, the association shall grant survivor benefits to a surviving spouse, as  
 93.18 defined in section 353.01, subdivision 20, ~~and who was married to the member for a~~  
 93.19 ~~period of at least one year, except that if death occurs in the line of duty no time limit is~~  
 93.20 ~~required~~ and to a dependent child or children, as defined in section 353.01, subdivision 15,  
 93.21 except that if the death is not a line of duty death, the member must have accrued at least  
 93.22 three years of credited service.

93.23 For purposes of this section, line of duty also includes active military service, as  
 93.24 defined in section 190.05, subdivision 5. The association shall also grant survivor benefits  
 93.25 to a dependent child or children, as defined in section 353.01, subdivision 15.

93.26 (b) Notwithstanding the definition of surviving spouse, a former spouse of the  
 93.27 member, if any, is entitled to a portion of the monthly surviving spouse benefit if  
 93.28 stipulated under the terms of a marriage dissolution decree filed with the association. If  
 93.29 there is no surviving spouse or child or children, a former spouse may be entitled to  
 93.30 a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a  
 93.31 marriage dissolution decree but not a monthly surviving spouse benefit despite the terms  
 93.32 of a marriage dissolution decree filed with the association.

93.33 (c) The spouse and child or children are entitled to monthly benefits as provided in  
 93.34 ~~the following~~ subdivisions 2 to 4.

94.1 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to survivor  
94.2 benefit applicants where the application is based on the death of a public employee that  
94.3 occurred after June 30, 2007.

94.4 Sec. 26. Minnesota Statutes 2006, section 353.657, subdivision 2, is amended to read:

94.5 Subd. 2. **Benefit amount.** (a) The spouse, ~~for life,~~ of a deceased member ~~shall~~  
94.6 is entitled to receive receive a monthly benefit for life equal to ~~50 percent~~ the following  
94.7 percentage of the member's average full-time monthly salary rate as a member of the  
94.8 police ~~officer or firefighter~~ and fire plan in effect over the last six months of allowable  
94.9 service preceding the month in which death occurred.:

94.10 (1) if the death was a line of duty death, 60 percent of the stated average salary  
94.11 is payable; and

94.12 (2) if the death was not a line of duty death or if death occurred while receiving  
94.13 disability benefits that accrued before July 1, 2007, 50 percent of the stated average salary  
94.14 is payable.

94.15 (b) If the member was a part-time employee in the position for which the employee  
94.16 qualified for participation in the police ~~officer or firefighter~~ and fire plan, the monthly  
94.17 survivor benefit is based on the salary rate in effect for that member's part-time service  
94.18 during the last six months of allowable service. If the member's status changed from full  
94.19 time to part time for health reasons during the last year of employment, the monthly  
94.20 survivor benefit is based on the full-time salary rate of a the position held as a member of  
94.21 the police ~~officer or firefighter~~ and fire plan in effect over the last six months of allowable  
94.22 service preceding the month in which the death occurred.

94.23 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to survivor  
94.24 benefit applicants where the application is based on the death of a public employee that  
94.25 occurred after June 30, 2007.

94.26 Sec. 27. Minnesota Statutes 2006, section 353.657, subdivision 2a, is amended to read:

94.27 Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former  
94.28 member who has attained the age of at least 50 years and has credit for not less than  
94.29 three years allowable service or who has credit for at least 30 years of allowable service,  
94.30 regardless of age attained, dies before the annuity or disability benefit becomes payable,  
94.31 notwithstanding any designation of beneficiary to the contrary, the surviving spouse may  
94.32 elect to receive a death while eligible survivor benefit.

94.33 (b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision  
94.34 20, a former spouse of the member, if any, is entitled to a portion of the death while

95.1 eligible survivor benefit if stipulated under the terms of a marriage dissolution decree  
95.2 filed with the association. If there is no surviving spouse or child or children, a former  
95.3 spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision  
95.4 1, if provided for in a marriage dissolution decree but not a death while eligible survivor  
95.5 benefit despite the terms of a marriage dissolution decree filed with the association.

95.6 (c) The benefit may be elected instead of a refund with interest under section 353.32,  
95.7 subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and  
95.8 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity  
95.9 which the member could have qualified for on the date of death, computed as provided in  
95.10 sections 353.651, subdivisions 2 and 3, and 353.30, subdivision 3. ~~If there is a dependent~~  
95.11 ~~child or children, and the 100 percent joint and survivor optional annuity for the surviving~~  
95.12 ~~spouse, when added to the benefit of the dependent child or children under subdivision 3,~~  
95.13 ~~exceeds an amount equal to 70 percent of the member's specified average monthly salary,~~  
95.14 ~~the 100 percent joint and survivor annuity must be reduced by the amount necessary so~~  
95.15 ~~that the total family benefit does not exceed the 70 percent maximum family benefit~~  
95.16 ~~amount under subdivision 3. The 100 percent joint and survivor optional annuity must be~~  
95.17 ~~restored to the surviving spouse, plus applicable postretirement fund adjustments under~~  
95.18 ~~section 356.41, as the dependent child or children become no longer dependent under~~  
95.19 ~~section 353.01, subdivision 15.~~

95.20 (d) The surviving spouse may apply for the annuity at any time after the date  
95.21 on which the deceased employee would have attained the required age for retirement  
95.22 based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71,  
95.23 subdivision 2, apply to a deferred annuity payable under this subdivision.

95.24 (e) No payment ~~shall accrue~~ accrues beyond the end of the month in which  
95.25 entitlement to such annuity has terminated. An amount equal to the excess, if any, of the  
95.26 accumulated contributions which were credited to the account of the deceased employee  
95.27 over and above the total of the annuities paid and payable to the surviving spouse must  
95.28 be paid to the deceased member's last designated beneficiary or, if none, to the legal  
95.29 representative of the estate of such deceased member.

95.30 (f) Any member may request in writing that this subdivision not apply and that  
95.31 payment be made only to the designated beneficiary, as otherwise provided by this chapter.

95.32 (g) For a member who is employed as a full-time firefighter by the Department of  
95.33 Military Affairs of the state of Minnesota, allowable service as a full-time state Military  
95.34 Affairs Department firefighter credited by the Minnesota State Retirement System may be  
95.35 used in meeting the minimum allowable service requirement of this subdivision.

95.36 **EFFECTIVE DATE.** This section is effective July 1, 2007.

96.1 Sec. 28. Minnesota Statutes 2006, section 353.657, subdivision 3, is amended to read:

96.2 Subd. 3. **Dependent children.** A dependent child, as defined in section 353.01,  
 96.3 subdivision 15, ~~shall~~ is entitled to receive receive a monthly benefit equal to ten percent of  
 96.4 the member's average full-time monthly salary rate as a member of the police officer or  
 96.5 firefighter and fire plan in effect over the last six months of allowable service preceding  
 96.6 the month in which death occurred. Payments for the benefit of a dependent child must be  
 96.7 made to the surviving parent, or to the legal guardian of the child or to any adult person  
 96.8 with whom the child may at the time be living, provided only that the parent or other  
 96.9 person to whom any amount is to be paid advises the board in writing that the amount will  
 96.10 be held or used in trust for the benefit of the child.

96.11 Subd. 3a. **Maximum and minimum family benefits.** (a) The maximum monthly  
 96.12 benefit for one per family must not exceed an amount equal to the following percentages  
 96.13 of the member's average monthly salary as specified in subdivision 3:

96.14 (1) 80 percent, if the member's death was a line of duty death; or

96.15 (2) 70 percent of the member's specified average monthly salary, and, if the member's  
 96.16 death is not a line of duty death or occurred while the member was receiving a disability  
 96.17 benefit that accrued before July 1, 2007.

96.18 (b) The minimum monthly benefit per family, including the joint and survivor  
 96.19 optional annuity under subdivision 2a, and section 353.656, subdivision 1a, must not be  
 96.20 less than the following percentage of the member's average monthly salary as specified in  
 96.21 subdivision 3:

96.22 (1) 60 percent, if the death is a line of duty death; or

96.23 (2) 50 percent of the member's specified average monthly salary, if the death is  
 96.24 not a line of duty death or occurred while the member was receiving a disability benefit  
 96.25 that accrued before July 1, 2007.

96.26 (c) If the maximum under paragraph (a) is exceeded, the monthly benefit of the joint  
 96.27 annuitant must be reduced to the amount necessary so that the total family benefit does not  
 96.28 exceed the applicable maximum. The joint and survivor optional annuity must be restored,  
 96.29 plus applicable postretirement adjustments under section 356.41, as the dependent child or  
 96.30 children become no longer dependent under section 353.01, subdivision 15.

96.31 **EFFECTIVE DATE.** This section is effective July 1, 2007.

96.32 Sec. 29. Minnesota Statutes 2006, section 353B.08, subdivision 11, is amended to read:

96.33 Subd. 11. **Subsequent medical reexaminations.** Periodically, upon the  
 96.34 recommendation of the medical adviser appointed as provided in section ~~353.33,~~  
 96.35 ~~subdivision 6a~~ 353.031, based on the medical nature of the initial qualifying disability and

97.1 its potential for improvement or recovery, the executive director of the Public Employees  
97.2 Retirement Association shall have a former member of a consolidating relief association  
97.3 who is receiving a disability benefit reexamined and reevaluated for continued entitlement  
97.4 to a disability benefit. If, upon the recommendation of the medical adviser, the executive  
97.5 director determines that the person is no longer entitled to receive a disability benefit, the  
97.6 disability benefit shall be discontinued effective as of the first day of the second month  
97.7 following that determination and the person shall be considered for reemployment as  
97.8 a police officer or a firefighter, whichever applies, by the municipality in which the  
97.9 consolidating relief association was located.

97.10 **EFFECTIVE DATE.** This section is effective July 1, 2007.

97.11 Sec. 30. **[353E.001] DEFINITIONS.**

97.12 **Subdivision 1. Duty disability.** "Duty disability," physical or psychological, means  
97.13 a condition that is expected to prevent a member, for a period of not less than 12 months,  
97.14 from performing the normal duties of a local government correctional service employee as  
97.15 defined under section 353E.02 and that is the direct result of an injury incurred during, or  
97.16 a disease arising out of, the performance of normal duties or the actual performance of less  
97.17 frequent duties, either of which are specific to protecting the property and personal safety  
97.18 of others and that present inherent dangers that are specific to the positions covered by  
97.19 the local government correctional service retirement plan.

97.20 **Subd. 2. Less frequent duties.** "Less frequent duties" means tasks designated in the  
97.21 applicant's job description as either required from time to time or as assigned, but which  
97.22 are not carried out as part of the normal routine of the applicant's job.

97.23 **Subd. 3. Normal duties.** "Normal duties" means specific tasks designated in the  
97.24 applicant's job description and which the applicant performs on a day-to-day basis, but  
97.25 do not include less frequent duties which may be requested to be done by the employer  
97.26 from time to time.

97.27 **Subd. 4. Regular disability.** "Regular disability," physical or psychological, means  
97.28 a condition that is expected to prevent a member, for a period of not less than 12 months,  
97.29 from performing the normal duties of a local government correctional service employee as  
97.30 defined under section 353E.02 and that results from a disease or an injury that arises from  
97.31 any activities while not at work or while at work from performing those normal or less  
97.32 frequent duties that do not present inherent dangers that are specific to the occupations  
97.33 covered by the local government correctional service retirement plan.

98.1 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
98.2 benefit applicants whose last day of public employment was after June 30, 2007.

98.3 Sec. 31. Minnesota Statutes 2006, section 353E.06, subdivision 1, is amended to read:

98.4 Subdivision 1. **Duty disability qualification requirements.** A local government  
98.5 correctional employee who ~~becomes disabled and physically or mentally unfit to perform~~  
98.6 ~~the duties of the position as a direct result of an injury, sickness, or other disability that~~  
98.7 ~~is medically determinable, that was incurred in or arose out of any act of duty, and that~~  
98.8 ~~renders the employee physically or mentally unable to perform the employee's duties~~ is  
98.9 determined to qualify for a duty disability as defined in section 353E.001, subdivision 1, is  
98.10 entitled to a disability benefit. The disability benefit must be based on covered service  
98.11 under this chapter only and is an amount equal to 47.5 percent of the average salary  
98.12 defined in section 353E.04, subdivision 2, plus an additional percent equal to that specified  
98.13 in section 356.315, subdivision 5a, for each year of covered service under this chapter in  
98.14 excess of 25 years.

98.15 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
98.16 benefit applicants whose last day of public employment was after June 30, 2007.

98.17 Sec. 32. Minnesota Statutes 2006, section 353E.06, subdivision 2, is amended to read:

98.18 Subd. 2. **Nonduty Regular disability qualification requirements.** A local  
98.19 government correctional employee who has at least one year of covered service under this  
98.20 chapter and ~~becomes disabled and physically or mentally unfit to perform the duties of the~~  
98.21 ~~position because of sickness or injury that is medically determinable and that occurs while~~  
98.22 ~~not engaged in covered employment,~~ who is determined to qualify for a regular disability  
98.23 benefit as defined in section 353E.001, subdivision 4, is entitled to a disability benefit  
98.24 based on covered service under this chapter. The disability benefit must be computed in  
98.25 the same manner as an annuity under section 353E.04, subdivision 3, and as though the  
98.26 employee had at least ten years of covered correctional service.

98.27 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to disability  
98.28 benefit applicants whose last day of public employment was after June 30, 2007.

98.29 Sec. 33. Minnesota Statutes 2006, section 353E.06, subdivision 4, is amended to read:

98.30 Subd. 4. **Disability benefit application; accrual of benefits.** ~~A claim or demand~~  
98.31 ~~for a disability benefit must be initiated by written application in the manner and form~~  
98.32 ~~prescribed by the executive director, filed in the office of the association, showing~~

99.1 ~~compliance with the statutory conditions qualifying the applicant for a disability benefit.~~  
 99.2 ~~A member or former member who became disabled during a period of membership may~~  
 99.3 ~~file an application for disability benefits within three years following termination of local~~  
 99.4 ~~government correctional service, but not after that time has elapsed. (a) Procedures for~~  
 99.5 ~~the application process and determining eligibility for disability benefits are defined in~~  
 99.6 ~~section 353.031.~~

99.7 ~~(b) The disability benefit begins to accrue the day following the commencement of~~  
 99.8 ~~disability, when the applicant is no longer receiving any form of compensation, whether~~  
 99.9 ~~salary or paid leave; 90 days preceding the filing of the application, or, if annual or sick~~  
 99.10 ~~leave, or any other employer-paid salary continuation plan is paid for more than the~~  
 99.11 ~~90-day period, from the date salary ceased, whichever is latest. No member is entitled~~  
 99.12 ~~to receive a disability benefit payment when there remains to the member's credit any~~  
 99.13 ~~unused annual leave, sick leave, or any other employer-paid salary continuation benefits or~~  
 99.14 ~~under any other circumstances when, during the period of disability, there has been no~~  
 99.15 ~~impairment of the person's salary.~~

99.16 ~~(c) No payment may accrue beyond the end of the month in which entitlement has~~  
 99.17 ~~terminated. If the disabilitant dies before negotiating the check for the month in which~~  
 99.18 ~~death occurs, payment must be made to the optional annuitant or beneficiary.~~

99.19 **EFFECTIVE DATE.** This section is effective July 1, 2007.

99.20 Sec. 34. Minnesota Statutes 2006, section 353E.06, subdivision 8, is amended to read:

99.21 Subd. 8. **Continuing benefit eligibility.** Continuing eligibility for a disability  
 99.22 benefit is subject to section ~~353.33, subdivision 6~~ 353.031, subdivision 8.

99.23 **EFFECTIVE DATE.** This section is effective July 1, 2007.

99.24 Sec. 35. **REPEALER.**

99.25 Minnesota Statutes 2006, sections 353.33, subdivisions 6a, 6b, and 8; and 353.656,  
 99.26 subdivisions 5, 9, 11, and 12, are repealed.

99.27 **EFFECTIVE DATE.** This section is effective July 1, 2007.

## 99.28 **ARTICLE 5**

### 99.29 **HEALTH CARE FACILITY PRIVATIZATIONS**

99.30 Section 1. Minnesota Statutes 2006, section 353F.02, subdivision 4, is amended to read:

99.31 Subd. 4. **Medical facility.** "Medical facility" means:

- 100.1 (1) Bridges Medical Services;
- 100.2 (2) the City of Cannon Falls Hospital;
- 100.3 (3) Clearwater County Memorial Hospital doing business as Clearwater Health
- 100.4 Services in Bagley;
- 100.5 (4) the Dassel Lakeside Community Home;
- 100.6 (5) the Fair Oaks Lodge, Wadena;
- 100.7 (6) the Glencoe Area Health Center;
- 100.8 (7) the Hutchinson Area Health Care;
- 100.9 (8) the Kanabec Hospital;
- 100.10 (9) the Lakefield Nursing Home;
- 100.11 (10) the Lakeview Nursing Home in Gaylord;
- 100.12 (11) the Luverne Public Hospital;
- 100.13 ~~(10)~~ (12) the Northfield Hospital;
- 100.14 (13) the Oakland Park Nursing Home;
- 100.15 ~~(11)~~ (14) the RenVilla Nursing Home;
- 100.16 ~~(12)~~ (15) the Renville County Hospital in Olivia;
- 100.17 ~~(13)~~ (16) the St. Peter Community Healthcare Center; and
- 100.18 ~~(14)~~ (17) the Waconia-Ridgeview Medical Center.

100.19 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective upon the

100.20 latter of:

100.21 (a) for the Lakefield Nursing Home,

100.22 (1) the day after the governing body of the city of Lakefield and its chief clerical

100.23 officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

100.24 (2) the first day of the month next following certification to the Lakefield City

100.25 Council by the executive director of the Public Employees Retirement Association that

100.26 the actuarial accrued liability of the special benefit coverage proposed for extension to

100.27 the privatized Lakefield Nursing Home employees under section 1 does not exceed the

100.28 actuarial gain otherwise to be accrued by the Public Employees Retirement Association, as

100.29 calculated by the consulting actuary retained under Minnesota Statutes, section 356.214.

100.30 The cost of the actuarial calculations must be borne by the current employer or by the entity

100.31 which is the employer following the privatization, and the date of the actuarial calculations

100.32 must be within one year of the date the Lakefield Nursing Home is sold or leased;

100.33 (b) for the Lakeview Nursing Home in Gaylord,

100.34 (1) the day after the governing body of the city of Gaylord and its chief clerical

100.35 officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

101.1 (2) the first day of the month next following certification to the Gaylord City Council  
 101.2 by the executive director of the Public Employees Retirement Association that the actuarial  
 101.3 accrued liability of the special benefit coverage proposed for extension to the privatized  
 101.4 Lakeview Nursing Home employees under section 1 does not exceed the actuarial gain  
 101.5 otherwise to be accrued by the Public Employees Retirement Association, as calculated by  
 101.6 the consulting actuary retained under Minnesota Statutes, section 356.214. The cost of the  
 101.7 actuarial calculations must be borne by the current employer or by the entity which is the  
 101.8 employer following the privatization, and the date of the actuarial calculations must be  
 101.9 within one year of the date the Lakeview Nursing Home is sold or leased; and

101.10 (c) for the Oakland Park Nursing Home,

101.11 (1) the day after the governing body of Pennington County and its chief clerical  
 101.12 officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

101.13 (2) the first day of the month next following certification to Pennington County by  
 101.14 the executive director of the Public Employees Retirement Association that the actuarial  
 101.15 accrued liability of the special benefit coverage proposed for extension to the privatized  
 101.16 Oakland Park Nursing Home employees under this section does not exceed the actuarial  
 101.17 gain otherwise to be accrued by the Public Employees Retirement Association, as  
 101.18 calculated by the consulting actuary retained under Minnesota Statutes, section 356.214.  
 101.19 The cost of the actuarial calculations must be borne by the current employer or by the entity  
 101.20 which is the employer following the privatization, and the date of the actuarial calculations  
 101.21 must be within one year of the date the Oakland Park Nursing Home is sold or leased.

101.22 Sec. 2. Minnesota Statutes 2006, section 353F.04, subdivision 1, is amended to read:

101.23 Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of  
 101.24 a terminated medical facility or other public employing unit employee is subject to  
 101.25 augmentation under section 353.71, subdivision 2, of the edition of Minnesota Statutes  
 101.26 published in the year in which the privatization occurred, except that the rate of  
 101.27 augmentation is as specified in paragraph (b) or (c), whichever is applicable.

101.28 (b) This paragraph applies if the legislation adding the medical facility or other  
 101.29 employing unit to section 353F.02, subdivision 4 or 5, as applicable, was enacted before  
 101.30 July 26, 2005, and became effective before January 1, 2008, for the Hutchinson Area  
 101.31 Health Care or before January 1, 2007, for all other medical facilities and all other  
 101.32 employing units. For a terminated medical facility or other public employing unit  
 101.33 employee, the augmentation rate is 5.5 percent compounded annually until January 1  
 101.34 following the year in which the person attains age 55. From that date to the effective date  
 101.35 of retirement, the augmentation rate is 7.5 percent compounded annually.

102.1 (c) If paragraph (b) is not applicable, the augmentation rate is four percent  
102.2 compounded annually until January 1, following the year in which the person attains age  
102.3 55. From that date to the effective date of retirement, the augmentation rate is six percent  
102.4 compounded annually.

102.5 **EFFECTIVE DATE.** This section is effective the day after final enactment.

## 102.6 ARTICLE 6

### 102.7 STATEWIDE RETIREMENT PLAN APPEALS PROCESS

102.8 Section 1. Minnesota Statutes 2006, section 353.03, subdivision 3, is amended to read:

102.9 Subd. 3. **Duties and powers of the board.** (a) The board shall elect a president and  
102.10 vice-president. The board shall approve the staffing complement necessary to administer  
102.11 the fund. The cost of administering this chapter must be paid by the fund.

102.12 (b) The board shall adopt bylaws for its own government and for the management of  
102.13 the fund consistent with the laws of the state and may modify them at pleasure. It shall  
102.14 adopt, alter, and enforce reasonable rules consistent with the laws of the state for the  
102.15 administration and management of the fund, for the payment and collection of payments  
102.16 from members, and for the payment of withdrawals and benefits. It shall pass upon and  
102.17 allow or disallow all applications for membership in the fund and shall allow or disallow  
102.18 claims for withdrawals, pensions, or benefits payable from the fund. It shall adopt an  
102.19 appropriate mortality table based on experience of the fund as recommended by the  
102.20 association actuary, with interest set at the rate specified in section 356.215, subdivision  
102.21 8. It shall provide for the payment out of the fund of all necessary expenses for the  
102.22 administration of the fund and of all claims for withdrawals, pensions, or benefits allowed.  
102.23 The board shall approve or disapprove all recommendations and actions of the executive  
102.24 director made subject to its approval or disapproval by subdivision 3a.

102.25 (c) In passing upon all applications and claims, the board may summon, swear, hear,  
102.26 and examine witnesses and, in the case of claims for disability benefits, may require the  
102.27 claimant to submit to a medical examination by a physician of the board's choice, at the  
102.28 expense of the fund, as a condition precedent to the passing on the claim, and, in the case  
102.29 of all applications and claims, may conduct investigations necessary to determine their  
102.30 validity and merit. ~~The board shall establish procedures to assure that a benefit applicant  
102.31 and recipient may have a review of a benefit eligibility or benefit amount determination  
102.32 affecting the applicant or recipient. The review procedure may afford the benefit applicant  
102.33 or benefit recipient an opportunity to present views at any review proceeding conducted,  
102.34 but is not a contested case under chapter 14.~~

103.1 (d) The board may continue to authorize the sale of life insurance to members under  
 103.2 the insurance program in effect on January 1, 1985, but must not change that program  
 103.3 without the approval of the commissioner of finance. The association shall not receive  
 103.4 any financial benefit from the life insurance program beyond the amount necessary to  
 103.5 reimburse the association for costs incurred in administering the program. The association  
 103.6 shall not engage directly or indirectly in any other activity involving the sale or promotion  
 103.7 of goods or services, or both, whether to members or nonmembers.

103.8 (e) The board shall establish procedures governing reimbursement of expenses to  
 103.9 board members. These procedures shall define the types of activities and expenses that  
 103.10 qualify for reimbursement, shall provide that all out-of-state travel must be authorized  
 103.11 by the board, and shall provide for independent verification of claims for expense  
 103.12 reimbursement. The procedures must comply with applicable rules and policies of the  
 103.13 Department of Finance, the Department of Administration, and the Department of  
 103.14 Employee Relations.

103.15 (f) The board may purchase fiduciary liability insurance and official bonds for the  
 103.16 officers and members of the board of trustees and employees of the association and may  
 103.17 purchase property insurance or may establish a self-insurance risk reserve including, but  
 103.18 not limited to, data processing insurance and "extra-expense" coverage.

103.19 **EFFECTIVE DATE.** This section is effective the day after final enactment.

103.20 Sec. 2. **[356.95] PENSION PLAN APPEAL PROCEDURES.**

103.21 **Subdivision 1. Definitions.** (a) Unless the language or context clearly indicates that  
 103.22 a different meaning is intended, for the purpose of this section, the terms in paragraphs  
 103.23 (b) to (e) have the meanings given them.

103.24 (b) "Chief administrative officer" means the executive director of a covered pension  
 103.25 plan or the executive director's designee or representative.

103.26 (c) "Covered pension plan" means a plan enumerated in section 356.20, subdivision  
 103.27 2, clauses (1) to (4), (10), and (12) to (14), but does not mean the deferred compensation  
 103.28 plan administered under sections 352.96 and 352.97 or to the postretirement health care  
 103.29 savings plan administered under section 352.98.

103.30 (d) "Governing board" means the Board of Trustees of the Public Employees  
 103.31 Retirement Association, the Board of Trustees of the Teachers Retirement Association, or  
 103.32 the Board of Directors of the Minnesota State Retirement System.

103.33 (e) "Person" includes an active, retired, deferred, or nonvested inactive participant in  
 103.34 a covered pension plan or a beneficiary of a participant, or an individual who has applied

104.1 to be a participant or who is or may be a survivor of a participant, or a state agency or  
104.2 other governmental unit that employs active participants in a covered pension plan.

104.3 Subd. 2. **Right to review.** A determination made by the administration of a covered  
104.4 pension plan regarding a person's eligibility, benefits, or other rights under the plan with  
104.5 which the person does not agree is subject to review under this section.

104.6 Subd. 3. **Notice of determination.** If the applicable chief administrative officer  
104.7 denies an application or a written request, modifies a benefit, or terminates a benefit of  
104.8 a person claiming a right or potential rights under a covered pension plan, the chief  
104.9 administrative officer shall notify that person through a written notice containing:

104.10 (1) a statement of the reasons for the determination;

104.11 (2) a notice that the person may petition the governing board of the covered pension  
104.12 plan for a review of the determination and that a person's petition for review must be filed  
104.13 in the administrative office of the covered pension plan within 60 days of the receipt  
104.14 of the written notice of the determination;

104.15 (3) a statement indicating that a failure to petition for review within 60 days  
104.16 precludes the person from contesting in any other administrative review or court procedure  
104.17 the issues determined by the chief administrative officer;

104.18 (4) a statement indicating that all relevant materials, documents, affidavits, and other  
104.19 records that the person wishes to be reviewed in support of the petition must be filed with  
104.20 and received in the administrative office of the covered pension plan at least 30 days  
104.21 before the date of the hearing under subdivision 10; and

104.22 (5) a copy of this section.

104.23 Subd. 4. **Termination of benefits.** (a) If a covered pension plan decides to  
104.24 terminate a benefit that is being paid to a person, before terminating the benefit, the chief  
104.25 administrative officer must, in addition to the other procedures prescribed in this section,  
104.26 provide the individual with written notice of the pending benefit termination by certified  
104.27 mail. The notice must explain the reason for the pending benefit termination. The person  
104.28 must be given an opportunity to explain, in writing, in person, by telephone, or by e-mail,  
104.29 the reasons that the benefit should not be terminated.

104.30 (b) If the chief administrative officer is unable to contact the person and determines  
104.31 that a failure to terminate the benefit will result in unauthorized payment by a covered  
104.32 pension plan, the chief administrative officer may terminate the benefit immediately upon  
104.33 mailing a written notice containing the information required by subdivision 3 to the  
104.34 address to which the most recent benefit payment was sent and, if that address is that of a  
104.35 financial institution, to the last known address of the person.

105.1 Subd. 5. **Petition for review.** (a) A person who claims a right under subdivision 2  
105.2 may petition for a review of that decision by the governing board of the covered pension  
105.3 plan.

105.4 (b) A petition under this section must be sent to the chief administrative officer by  
105.5 mail and must be postmarked no later than 60 days after the person received the notice  
105.6 required by subdivision 3. The petition must include the person's statement of the reason  
105.7 or reasons that the person believes the decision of the chief administrative officer should  
105.8 be reversed or modified. The petition may include all documentation and written materials  
105.9 that the petitioner deems to be relevant.

105.10 Subd. 6. **Failure to petition.** If a timely petition for review under subdivision 5 is  
105.11 not filed with the chief administrative officer, the covered pension plan's determination is  
105.12 final and is not subject to further administrative or judicial review.

105.13 Subd. 7. **Notice of hearing.** (a) After receiving a petition, and not less than 30  
105.14 calendar days from the date of the next regular board meeting, the chief administrative  
105.15 officer must schedule a timely review of the petition before the governing board of the  
105.16 covered pension plan. The review must be scheduled to take into consideration any  
105.17 necessary accommodations to allow the petitioner to participate in the governing board's  
105.18 review.

105.19 (b) Not less than 15 calendar days before the scheduled hearing date, the chief  
105.20 administrative officer must provide by mail to the petitioner an acknowledgment of the  
105.21 receipt of the person's petition and a follow-up notice of the time and place of the meeting  
105.22 at which the governing board is scheduled to consider the petition and must provide a copy  
105.23 of all relevant documents, evidence, summaries, and recommendations assembled by or  
105.24 on behalf of the plan administration to be considered by the governing board.

105.25 (c) Except as provided in subdivision 8, paragraph (c), all documents and materials  
105.26 that the petitioner wishes to be part of the record for review must be filed with the chief  
105.27 administrative officer and must be received in the offices of the covered pension plan at  
105.28 least 30 days before the date of the meeting at which the petition is scheduled to be heard.

105.29 (d) A petitioner, within ten calendar days of the scheduled date of the applicable  
105.30 board meeting, may request a continuance on a scheduled petition. The chief  
105.31 administrative officer must reschedule the review within 60 days of the date of the  
105.32 continuance request. Only one continuance may be granted to any petitioner.

105.33 Subd. 8. **Record for review.** (a) All evidence, including all records, documents, and  
105.34 affidavits in the possession of the covered pension plan of which the covered pension plan  
105.35 desires to avail itself and be considered by the governing board, and all evidence which the

106.1 petitioner wishes to present to the governing board, including any evidence which would  
106.2 otherwise be classified by law as "private," must be made part of the hearing record.

106.3 (b) Not later than seven days before the scheduled hearing date, the chief  
106.4 administrative officer must provide a copy of the record to each member of the governing  
106.5 board.

106.6 (c) At least five days before the hearing, the petitioner may submit to the chief  
106.7 administrative officer, for submission to the governing board, any additional document,  
106.8 affidavit, or other relevant information that was not initially submitted with the petition.

106.9 Subd. 9. **Amended determination.** At any time before the hearing before the  
106.10 governing board, for good cause shown and made part of the records of the plan, the chief  
106.11 administrative officer may reverse, alter, amend, or modify the prior decision which is  
106.12 subject to review under this section by issuing an amended decision. Upon doing so, the  
106.13 chief administrative officer may cancel the governing board's scheduled review of the  
106.14 person's petition and shall so notify the petitioner.

106.15 Subd. 10. **Hearing.** (a) The governing board shall hold a timely hearing on a petition  
106.16 for review as part of a regularly scheduled board meeting, or as part of a special meeting  
106.17 if so scheduled. All governing board members who participate in the decision-making  
106.18 process must be familiar with the record. The governing board shall make its decision  
106.19 on a petition solely on the record as submitted and on the proceedings of the hearing. At  
106.20 the hearing, the petitioner, the petitioner's attorney, and the chief administrative officer  
106.21 may state and discuss with the governing board their positions with respect to the petition.  
106.22 The governing board may allow further documentation to be placed in the record at the  
106.23 board meeting only with the agreement of both the chief administrative officer and the  
106.24 petitioner. The chief administrative officer may not otherwise participate in the board's  
106.25 decision-making process.

106.26 (b) When a petition presents a contested issue of law, an assistant attorney general  
106.27 may participate and may argue on behalf of the legal position taken by the chief  
106.28 administrative officer if that assistant attorney general does not also serve as the governing  
106.29 board's legal advisor during the board's decision-making process.

106.30 (c) A motion by a board member, supported by a summary of the relevant facts,  
106.31 conclusions and reasons, as properly amended and approved by a majority of the  
106.32 governing board, constitutes the board's final decision. A verbatim statement of the  
106.33 board's final decision must be served upon the petitioner. If the decision is contrary to the  
106.34 petitioner's desired outcome, the notice shall inform the petitioner of the appeal rights set  
106.35 forth in subdivision 13.

107.1 (d) If a petitioner who received timely notice of a scheduled hearing fails to appear,  
107.2 the governing board may nevertheless hear the petition and issue a decision.

107.3 Subd. 11. **Disability medical issues.** (a) If a person petitions the governing board  
107.4 to reverse or modify a determination which found that there exists no medical data  
107.5 supporting an application for disability benefits, the board may reverse that determination  
107.6 only if there is in fact medical evidence supporting the application. The board has the  
107.7 discretion to resubmit a disability benefit application at any time to a medical advisor for  
107.8 reconsideration, and the resubmission may include an instruction that further medical  
107.9 examinations be obtained.

107.10 (b) The governing board may make a determination contrary to the recommendation  
107.11 of the medical advisor only if there is expert medical evidence in the record to support  
107.12 its contrary decision. If there is no medical evidence contrary to the opinion of the  
107.13 medical advisor in the record and the medical advisor attests that the decision was made in  
107.14 accordance with the applicable disability standard, the board must follow the decision of  
107.15 the medical advisor regarding the cause of the disability.

107.16 (c) The obligation of the governing board to follow the decision of the medical  
107.17 advisor under paragraph (b) does not apply to instances when the governing board makes  
107.18 a determination different from the recommendation of the medical advisor on issues  
107.19 that do not involve medical issues.

107.20 Subd. 12. **Referral for administrative hearing.** (a) Notwithstanding any provision  
107.21 of sections 14.03, 14.06, and 14.57 to 14.69 to the contrary, a challenge to a determination  
107.22 of the chief administrative officer of a covered pension plan must be conducted exclusively  
107.23 under the procedures set forth in this section and is not a contested case under chapter 14.

107.24 (b) Notwithstanding the provisions of paragraph (a), a governing board, in its sole  
107.25 discretion, may refer a petition brought under this section to the Office of Administrative  
107.26 Hearings for a contested case hearing under sections 14.57 to 14.69.

107.27 Subd. 13. **Appeal of the governing board's decision; judicial review.** Within  
107.28 60 days of the date of the mailing of the notice of the governing board's decision,  
107.29 the petitioner may appeal the decision by filing a writ of certiorari with the Court of  
107.30 Appeals under section 606.01 and Rule 115 of the Minnesota Rules of Civil Appellate  
107.31 Procedure. Failure by a person to appeal to the Court of Appeals within the 60-day  
107.32 period precludes the person from later raising, in any subsequent administrative hearing  
107.33 or court proceeding, those substantive and procedural issues that reasonably should have  
107.34 been raised upon a timely appeal.

107.35 Subd. 14. **Petitions without notice.** Notwithstanding the petition notice and  
107.36 requirements under this section, a person who believes that the person's rights have been

108.1 affected by a decision made by the administration of a covered pension plan may request  
 108.2 a review under this section by the appropriate governing board. The petition under this  
 108.3 subdivision must be made within 45 days of the time that the person knew or should have  
 108.4 known of the disputed decision.

108.5 Subd. 15. **Governing board review panel.** Any covered pension plan subject  
 108.6 to this section, by motion duly made and adopted, may appoint a panel of governing  
 108.7 board members to hear and determine any or all petitions brought under this section.  
 108.8 The governing board review panel must contain a minimum number of board members  
 108.9 that would otherwise constitute a quorum of board members under the governing body's  
 108.10 rules and procedures.

108.11 **EFFECTIVE DATE.** This section is effective the day after final enactment.

108.12 **Sec. 3. REPEALER.**

108.13 Minnesota Statutes 2006, sections 352.031; and 354.071, are repealed.

108.14 **EFFECTIVE DATE.** This section is effective the day after final enactment.

## 108.15 **ARTICLE 7**

### 108.16 **FIRST CLASS CITY TEACHER**

#### 108.17 **RETIREMENT FUND ASSOCIATION CHANGES**

108.18 Section 1. Minnesota Statutes 2006, section 354A.29, subdivision 3, is amended to  
 108.19 read:

108.20 Subd. 3. **Postretirement adjustment eligibility.** (a) The postretirement adjustment  
 108.21 described in the articles and bylaws of the St. Paul Teachers Retirement Fund Association  
 108.22 must be determined by the executive director and approved by the board annually after  
 108.23 ~~June 30~~ using the procedures under this section.

108.24 (b) On January 1, each eligible person who has ~~been receiving~~ accrued or received an  
 108.25 annuity or benefit under the articles of incorporation, the bylaws, or this chapter for at least  
 108.26 ~~12~~ three full calendar months as of the end of the ~~fiscal~~ calendar year is eligible to receive  
 108.27 a postretirement adjustment of ~~2.0 percent~~ that is payable ~~each~~ the following January 1.

108.28 Sec. 2. Minnesota Statutes 2006, section 354A.29, subdivision 4, is amended to read:

108.29 Subd. 4. ~~**Additional investment percentage**~~ **Cost-of-living adjustment.** (a)  
 108.30 ~~An excess investment earnings~~ A percentage adjustment must be computed and paid  
 108.31 under this subdivision to ~~those annuitants and eligible benefit recipients who have been~~  
 108.32 ~~receiving an annuity or benefit for at least 12 months as determined each June 30 by the~~

109.1 ~~board of trustees~~ eligible persons as defined under subdivision 3. This adjustment is  
109.2 determined by reference to the Consumer Price Index for urban wage earners and clerical  
109.3 workers all items index as reported by the Bureau of Labor Statistics within the United  
109.4 States Department of Labor each year as part of the determination of annual cost-of-living  
109.5 adjustments to recipients of federal old-age, survivors, and disability insurance. For  
109.6 calculations of the cost-of-living adjustment under paragraph (b), the term "average third  
109.7 quarter Consumer Price Index value" means the sum of the monthly index values as  
109.8 initially reported by the Bureau of Labor Statistics for the months of July, August, and  
109.9 September, divided by 3.

109.10 ~~(b) The board shall also determine the five-year annualized rate of return attributable~~  
109.11 ~~to the assets of the St. Paul Teachers Retirement Fund Association under the formula~~  
109.12 ~~specified in section 11A.04, clause (11), and the amount of the excess five-year annualized~~  
109.13 ~~rate of return over the preretirement interest assumption specified in section 356.215.~~

109.14 ~~(c) The excess investment percentage adjustment must be determined by multiplying~~  
109.15 ~~the quantity one minus the rate of contribution deficiency, as specified in the most recent~~  
109.16 ~~actuarial report of the actuary retained under sections 356.214 and 356.215, by the rate of~~  
109.17 ~~return excess as determined in paragraph (b).~~

109.18 ~~(d) The excess investment percentage adjustment is payable to all annuitants and~~  
109.19 ~~benefit recipients on the following January 1:~~

109.20 ~~(b) Before January 1 of each year, the executive director must calculate the amount~~  
109.21 ~~of the cost-of-living adjustment by dividing the most recent average third quarter index~~  
109.22 ~~value by the same average third quarter index value from the previous year, subtract one~~  
109.23 ~~from the resulting quotient, and express the result as a percentage amount, which must be~~  
109.24 ~~rounded to the nearest one-tenth of one percent. The final amount may not be negative~~  
109.25 ~~and may not exceed 5.0 percent.~~

109.26 ~~(c) The amount calculated under paragraph (b) is the full cost-of-living adjustment~~  
109.27 ~~to be applied as a permanent increase to the regular payment of each eligible member~~  
109.28 ~~under subdivision 3 on January 1 of the next calendar year. For any eligible member~~  
109.29 ~~whose effective date of benefit commencement occurred during the calendar year before~~  
109.30 ~~the cost-of-living adjustment is applied, the full increase amount must be prorated on the~~  
109.31 ~~basis of whole calendar quarters in benefit payment status in the calendar year prior to~~  
109.32 ~~the January 1 on which the cost-of-living adjustment is applied, calculated to the third~~  
109.33 ~~decimal place.~~

109.34 Sec. 3. Minnesota Statutes 2006, section 356.215, subdivision 11, is amended to read:

110.1 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the  
110.2 level normal cost, the actuarial valuation must contain an exhibit indicating the additional  
110.3 annual contribution sufficient to amortize the unfunded actuarial accrued liability. For  
110.4 funds governed by chapters 3A, 352, 352B, 352C, 353, 354, 354A, and 490, the additional  
110.5 contribution must be calculated on a level percentage of covered payroll basis by the  
110.6 established date for full funding in effect when the valuation is prepared. For funds  
110.7 governed by chapter 3A, sections 352.90 through 352.951, chapters 352B, 352C, sections  
110.8 353.63 through 353.68, and chapters 353C, 354A, and 490, the level percent additional  
110.9 contribution must be calculated assuming annual payroll growth of 6.5 percent. For funds  
110.10 governed by sections 352.01 through 352.86 and chapter 354, the level percent additional  
110.11 contribution must be calculated assuming an annual payroll growth of five percent. For the  
110.12 fund governed by sections 353.01 through 353.46, the level percent additional contribution  
110.13 must be calculated assuming an annual payroll growth of six percent. For all other funds,  
110.14 the additional annual contribution must be calculated on a level annual dollar amount basis.

110.15 (b) For any fund other than the Minneapolis Employees Retirement Fund ~~and~~<sub>2</sub>  
110.16 the Public Employees Retirement Association general plan, and the St. Paul Teachers  
110.17 Retirement Fund Association, if there has not been a change in the actuarial assumptions  
110.18 used for calculating the actuarial accrued liability of the fund, a change in the benefit  
110.19 plan governing annuities and benefits payable from the fund, a change in the actuarial  
110.20 cost method used in calculating the actuarial accrued liability of all or a portion of the  
110.21 fund, or a combination of the three, which change or changes by itself or by themselves  
110.22 without inclusion of any other items of increase or decrease produce a net increase in the  
110.23 unfunded actuarial accrued liability of the fund, the established date for full funding is the  
110.24 first actuarial valuation date occurring after June 1, 2020.

110.25 (c) For any fund or plan other than the Minneapolis Employees Retirement Fund and  
110.26 the Public Employees Retirement Association general plan, if there has been a change in  
110.27 any or all of the actuarial assumptions used for calculating the actuarial accrued liability  
110.28 of the fund, a change in the benefit plan governing annuities and benefits payable from  
110.29 the fund, a change in the actuarial cost method used in calculating the actuarial accrued  
110.30 liability of all or a portion of the fund, or a combination of the three, and the change or  
110.31 changes, by itself or by themselves and without inclusion of any other items of increase or  
110.32 decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the  
110.33 established date for full funding must be determined using the following procedure:

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

111.1 (ii) the level annual dollar contribution or level percentage, whichever is applicable,  
111.2 needed to amortize the unfunded actuarial accrued liability amount determined under item  
111.3 (i) by the established date for full funding in effect before the change must be calculated  
111.4 using the interest assumption specified in subdivision 8 in effect before the change;

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

111.10 (iv) the level annual dollar contribution or level percentage, whichever is applicable,  
111.11 needed to amortize the difference between the unfunded actuarial accrued liability amount  
111.12 calculated under item (i) and the unfunded actuarial accrued liability amount calculated  
111.13 under item (iii) over a period of 30 years from the end of the plan year in which the  
111.14 applicable change is effective must be calculated using the applicable interest assumption  
111.15 specified in subdivision 8 in effect after any applicable change;

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

111.19 (vi) the period in which the unfunded actuarial accrued liability amount determined  
111.20 in item (iii) is amortized by the total level annual dollar or level percentage amortization  
111.21 contribution computed under item (v) must be calculated using the interest assumption  
111.22 specified in subdivision 8 in effect after any applicable change, rounded to the nearest  
111.23 integral number of years, but not to exceed 30 years from the end of the plan year in  
111.24 which the determination of the established date for full funding using the procedure set  
111.25 forth in this clause is made and not to be less than the period of years beginning in the  
111.26 plan year in which the determination of the established date for full funding using the  
111.27 procedure set forth in this clause is made and ending by the date for full funding in effect  
111.28 before the change; and

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

111.32 (d) For the Minneapolis Employees Retirement Fund, the established date for full  
111.33 funding is June 30, 2020.

111.34 (e) For the general employees retirement plan of the Public Employees Retirement  
111.35 Association, the established date for full funding is June 30, 2031.

112.1 (f) For the Teachers Retirement Association, the established date for full funding is  
112.2 June 30, 2037.

112.3 (g) For the St. Paul Teachers Retirement Fund Association, the established date for  
112.4 full funding is June 30, 2038. In addition to other requirements of this chapter, the annual  
112.5 actuarial valuation shall contain an exhibit indicating the funded ratio and the deficiency  
112.6 or sufficiency in annual contributions when comparing liabilities to the market value of  
112.7 the assets of the fund as of the close of the most recent fiscal year.

112.8 (h) For the retirement plans for which the annual actuarial valuation indicates an  
112.9 excess of valuation assets over the actuarial accrued liability, the valuation assets in  
112.10 excess of the actuarial accrued liability must be recognized as a reduction in the current  
112.11 contribution requirements by an amount equal to the amortization of the excess expressed  
112.12 as a level percentage of pay over a 30-year period beginning anew with each annual  
112.13 actuarial valuation of the plan.

112.14 Sec. 4. **REPEALER.**

112.15 Minnesota Statutes 2006, sections 354A.12, subdivision 3d; and 354A.29,  
112.16 subdivision 6, are repealed.

## 112.17 ARTICLE 8

### 112.18 MINNEAPOLIS EMPLOYEES RETIREMENT FUND

#### 112.19 LIQUIDITY CHANGES

112.20 Section 1. Minnesota Statutes 2006, section 422A.01, subdivision 13a, is amended to  
112.21 read:

112.22 Subd. 13a. **Covered salary.** (a) "Salary" is subject to the limitations of section  
112.23 356.611.

112.24 (b) "Salary" also includes the contributions to a supplemental retirement plan under  
112.25 section 356.24, subdivision 1, clause (8), (9), or (10), for an employee who is covered by a  
112.26 supplemental retirement plan which requires that all plan contributions be made by the  
112.27 person's employer from mandatory withholdings from the employee's wages.

112.28 Sec. 2. Minnesota Statutes 2006, section 422A.05, subdivision 2c, is amended to read:

112.29 Subd. 2c. **Minneapolis Employees Retirement Fund investment authority.**

112.30 (a) For investments made on or after July 1, 1991, the board shall invest funds only in  
112.31 investments authorized by section 356A.06, subdivision 7.

112.32 (b) However, in addition to real estate investments authorized under paragraph (a),  
112.33 the board may also make loans to purchasers of Minnesota situs nonfarm residential real

113.1 estate that is owned by the Minneapolis Employees Retirement Fund. The loans must  
113.2 be secured by mortgages or deeds of trust.

113.3 (c) For investments made before July 1, 1991, the board may, but is not required to,  
113.4 comply with paragraph (a). However, with respect to these investments, the board shall  
113.5 act in accordance with subdivision 2a and chapter 356A.

113.6 (d) The board may certify assets for investment by the State Board of Investment  
113.7 under section 11A.17. Alternatively or in addition, the board may certify assets for  
113.8 investment by the State Board of Investment in fixed income pools or in a separately  
113.9 managed account at the discretion of the State Board of Investment as provided in section  
113.10 11A.14.

113.11 Sec. 3. Minnesota Statutes 2006, section 422A.06, subdivision 3, is amended to read:

113.12 Subd. 3. **Deposit accumulation fund.** (a) The deposit accumulation fund consists  
113.13 of the assets held in the fund, including amounts contributed by or for employees, amounts  
113.14 contributed by the city, amounts contributed by municipal activities supported in whole or  
113.15 in part by revenues other than taxes and amounts contributed by any public corporation,  
113.16 amounts paid by the state, and by income from investments.

113.17 (b) There must be paid from the fund the amounts required to be transferred to the  
113.18 retirement benefit fund, or the disability benefit fund, refunds of contributions, including  
113.19 the death-while-active refund specified in section 422A.22, subdivision 4, postretirement  
113.20 increases in retirement allowances granted under Laws 1965, chapter 688, or Laws 1969,  
113.21 chapter 859, and expenses of the administration of the retirement fund which were not  
113.22 charged by the retirement board against the income of the retirement benefit fund from  
113.23 investments as the cost of handling the investments of the retirement benefit fund.

113.24 (c) To the extent that the deposit accumulation fund has insufficient assets to transfer  
113.25 the total value of the required reserves for retirement annuities to either the disability  
113.26 benefit fund under subdivisions 5 and 7 or the retirement benefit fund under subdivisions 5  
113.27 and 8 as required, the deposit accumulation fund has a transfer amount payable on which  
113.28 an interest charge accrues. The executive director must determine the interest charge for  
113.29 the period that the transfer amount payable remains unpaid at an annual rate equal to five  
113.30 percent plus the percentage increase in the amount of the annual Consumer Price Index for  
113.31 urban wage earners and clerical workers as calculated by the Bureau of Labor Statistics of  
113.32 the United States Department of Labor from the previous June 30. The interest charge  
113.33 must be reflected in the books of the Minneapolis Employees Retirement Fund and  
113.34 assessed against the deposit accumulation fund based on the average quarterly transfer  
113.35 amount payable balance outstanding. Any revenue received by the deposit accumulation

114.1 fund subsequent to unpaid transfers must be transferred from the deposit accumulation  
 114.2 fund to the disability benefit fund or to the retirement fund, whichever applies, and must  
 114.3 first be applied to any remaining interest charge and then must be applied to the principal  
 114.4 amount of transfer amount payable outstanding.

114.5 Sec. 4. Minnesota Statutes 2006, section 422A.06, subdivision 5, is amended to read:

114.6 Subd. 5. **Transfer of reserves to retirement benefit fund; adjustments of**  
 114.7 **annuities and benefits.** (a) Assets equal to the required reserves for retirement annuities  
 114.8 as determined in accordance with the appropriate mortality table adopted by the board  
 114.9 of trustees based on the experience of the fund as recommended by the actuary retained  
 114.10 under section 356.214 and using the postretirement interest assumption specified in  
 114.11 section 356.215, subdivision 8, ~~shall~~ must be transferred to the disability benefit fund as  
 114.12 provided in subdivision 7, or the retirement benefit fund, except for any amounts payable  
 114.13 from the survivor benefit fund, as of date of retirement.

114.14 (b) To the extent that the deposit accumulation fund has insufficient assets to cover a  
 114.15 full required transfer amount, the applicable fund must be credited with an interest-bearing  
 114.16 transfer amount payable.

114.17 (c) Annuity payments ~~shall~~ must be adjusted in accordance with this chapter, except  
 114.18 that no minimum retirement payments described in this chapter ~~shall~~ must include  
 114.19 any amounts payable from the survivors' benefit fund or disability benefit fund and  
 114.20 supplemented benefits specifically financed by statute.

114.21 (e) (d) Increases in annuity payments ~~pursuant to~~ under this section shall be made  
 114.22 automatically unless written notice on a form prescribed by the board is filed with the  
 114.23 retirement board requesting that the increase not be made.

114.24 (d) (e) Any additional annuity which began to accrue on July 1, 1973, or which  
 114.25 began to accrue on January 1, 1974, ~~pursuant to~~ under Laws 1973, chapter 770, section  
 114.26 1, ~~shall~~ must be considered as part of the base amount to be used in determining any  
 114.27 postretirement adjustments payable ~~pursuant to~~ under the provisions of subdivision 8.

114.28 Sec. 5. Minnesota Statutes 2006, section 422A.06, subdivision 7, is amended to read:

114.29 Subd. 7. **Disability benefit fund.** (a) A disability benefit fund is established,  
 114.30 containing the required reserves for disability allowances under this chapter. A  
 114.31 proportionate share of income from investments must be allocated to this fund and any  
 114.32 interest charge under subdivision 3, paragraph (c), must be credited to the fund. ~~There~~  
 114.33 ~~must be paid from this fund~~ The disability allowances payable under this chapter must be  
 114.34 paid from this fund.

115.1 (b) In the event of the termination of any disability allowance for any reason other  
115.2 than the death of the recipient, the balance of the required reserves for the disability  
115.3 allowance as of the date of the termination must be transferred from the disability benefit  
115.4 fund to the deposit accumulation fund.

115.5 (c) At the end of each fiscal year, as part of the annual actuarial valuation, a  
115.6 determination must be made of the required reserves for all disability allowances being  
115.7 paid from the disability benefit fund. Any excess of assets over actuarial required reserves  
115.8 in the disability benefit fund must be transferred to the deposit accumulation fund. Unless  
115.9 subdivision 3, paragraph (c), applies, any excess of actuarial reserves over assets in the  
115.10 disability benefit fund must be funded by a transfer of the appropriate amount of assets  
115.11 from the deposit accumulation fund.

115.12 Sec. 6. Minnesota Statutes 2006, section 422A.06, subdivision 8, is amended to read:

115.13 Subd. 8. **Retirement benefit fund.** (a) The retirement benefit fund ~~shall consist~~  
115.14 consists of amounts held for payment of retirement allowances for members retired  
115.15 ~~pursuant to~~ under this chapter, including any transfer amount payable under subdivision 3,  
115.16 paragraph (c).

115.17 (b) Unless subdivision 3, paragraph (c), applies, assets equal to the required reserves  
115.18 for retirement allowances ~~pursuant to~~ under this chapter determined in accordance with  
115.19 the appropriate mortality table adopted by the board of trustees based on the experience of  
115.20 the fund as recommended by the actuary retained under section 356.214 ~~shall~~ must be  
115.21 transferred from the deposit accumulation fund to the retirement benefit fund as of the last  
115.22 business day of the month in which the retirement allowance begins. The income from  
115.23 investments of these assets ~~shall~~ must be allocated to this fund and any interest charge  
115.24 under subdivision 3, paragraph (c), must be credited to the fund. There ~~shall~~ must be paid  
115.25 from this fund the retirement annuities authorized by law. A required reserve calculation  
115.26 for the retirement benefit fund must be made by the actuary retained under section 356.214  
115.27 and must be certified to the retirement board by the actuary retained under section 356.214.

115.28 (c) The retirement benefit fund ~~shall~~ must be governed by the applicable laws  
115.29 governing the accounting and audit procedures, investment, actuarial requirements,  
115.30 calculation and payment of postretirement benefit adjustments, discharge of any deficiency  
115.31 in the assets of the fund when compared to the actuarially determined required reserves,  
115.32 and other applicable operations and procedures regarding the Minnesota postretirement  
115.33 investment fund in effect on June 30, 1997, established under Minnesota Statutes 1996,  
115.34 section 11A.18, and any legal or administrative interpretations of those laws of the State  
115.35 Board of Investment, the legal advisor to the Board of Investment and the executive

116.1 director of the State Board of Investment in effect on June 30, 1997. If a deferred yield  
116.2 adjustment account is established for the Minnesota postretirement investment fund  
116.3 before June 30, 1997, under Minnesota Statutes 1996, section 11A.18, subdivision 5, the  
116.4 retirement board shall also establish and maintain a deferred yield adjustment account  
116.5 within this fund.

116.6 (d) Annually, following the calculation of any postretirement adjustment payable  
116.7 from the retirement benefit fund, the board of trustees shall submit a report to the  
116.8 executive director of the Legislative Commission on Pensions and Retirement and to the  
116.9 commissioner of finance indicating the amount of any postretirement adjustment and  
116.10 the underlying calculations on which that postretirement adjustment amount is based,  
116.11 including the amount of dividends, the amount of interest, and the amount of net realized  
116.12 capital gains or losses utilized in the calculations.

116.13 (e) With respect to a former contributing member who began receiving a retirement  
116.14 annuity or disability benefit under section 422A.151, paragraph (a), clause (2), after June  
116.15 30, 1997, or with respect to a survivor of a former contributing member who began  
116.16 receiving a survivor benefit under section 422A.151, paragraph (a), clause (2), after June  
116.17 30, 1997, the reserves attributable to the one percent lower amount of the cost-of-living  
116.18 adjustment payable to those annuity or benefit recipients annually must be transferred back  
116.19 to the deposit accumulation fund to the credit of the Metropolitan Airports Commission.  
116.20 The calculation of this annual reduced cost-of-living adjustment reserve transfer must be  
116.21 reviewed by the actuary retained under section 356.214.

116.22 Sec. 7. Minnesota Statutes 2006, section 422A.101, subdivision 3, is amended to read:

116.23 Subd. 3. **State contributions.** (a) Subject to the limitation set forth in paragraph (c),  
116.24 the state shall pay to the Minneapolis Employees Retirement Fund annually an amount  
116.25 equal to the amount calculated under paragraph (b).

116.26 (b) The payment amount is an amount equal to the financial requirements of the  
116.27 Minneapolis Employees Retirement Fund reported in the actuarial valuation of the fund  
116.28 prepared by the actuary retained under section 356.214 ~~pursuant to~~ consistent with section  
116.29 356.215 for the most recent year but based on a target date for full amortization of the  
116.30 unfunded actuarial accrued liabilities by June 30, 2020, less the amount of employee  
116.31 contributions required ~~pursuant to~~ under section 422A.10, and the amount of employer  
116.32 contributions required ~~pursuant to~~ under subdivisions 1a, 2, and 2a. Payments shall be  
116.33 made September 15 annually.

116.34 (c) The annual state contribution under this subdivision may not exceed \$9,000,000,  
116.35 plus the cost of the annual supplemental benefit determined under section 356.43.

117.1 (d) If the amount determined under paragraph (b) exceeds ~~\$11,910,000~~ \$9,000,000,  
117.2 the excess must be allocated to and paid to the fund by the employers identified in  
117.3 subdivisions 1a and 2, other than units of metropolitan government. Each employer's  
117.4 share of the excess is proportionate to the employer's share of the fund's unfunded  
117.5 actuarial accrued liability as disclosed in the annual actuarial valuation prepared by the  
117.6 actuary retained under section 356.214 compared to the total unfunded actuarial accrued  
117.7 liability attributed to all employers identified in subdivisions 1a and 2, other than units of  
117.8 metropolitan government. Payments must be made in equal installments as set forth in  
117.9 paragraph (b).

117.10 Sec. 8. **REPEALER.**

117.11 Minnesota Statutes 2006, section 422A.101, subdivision 4, is repealed.

117.12 Sec. 9. **EFFECTIVE DATE; LOCAL APPROVAL.**

117.13 Sections 1 to 8 are effective the day after the city council of the city of Minneapolis  
117.14 and its chief clerical officer timely complete their compliance with Minnesota Statutes,  
117.15 section 645.021, subdivisions 2 and 3.

117.16 **ARTICLE 9**

117.17 **MINNEAPOLIS POLICE AND FIREFIGHTERS**

117.18 **RELIEF ASSOCIATIONS CHANGES**

117.19 Section 1. Minnesota Statutes 2006, section 423B.10, subdivision 1, is amended to read:

117.20 Subdivision 1. **Entitlement; benefit amount.** (a) The surviving spouse of a  
117.21 deceased service pensioner, disability pensioner, deferred pensioner, superannuation  
117.22 pensioner, or active member, who was the legally married spouse of the decedent, residing  
117.23 with the decedent, and who was married while or before the time the decedent was on  
117.24 the payroll of the police department, and who, if the deceased member was a service or  
117.25 deferred pensioner, was legally married to the member for a period of at least one year  
117.26 before retirement from the police department, is entitled to a surviving spouse benefit. The  
117.27 surviving spouse benefit is equal to ~~22.5 units per month until December 31, 2005, and 23~~  
117.28 ~~units per month beginning on January 1, 2006, if the person is the surviving spouse of a~~  
117.29 ~~deceased active member or disabilitant. The surviving spouse benefit is equal to six eight~~  
117.30 ~~units per month, plus an additional one unit for each year of service to the credit of the~~  
117.31 ~~decedent in excess of five years, to a maximum of ~~22.5 units per month until December 31,~~~~  
117.32 ~~2005, and 23 units per month beginning on January 1, 2006, if the person is the surviving~~

118.1 spouse of a deceased service pensioner, deferred pensioner, or superannuation pensioner.

118.2 The surviving spouse benefit is payable for the life of the surviving spouse.

118.3 (b) A surviving child of a deceased service pensioner, disability pensioner, deferred  
118.4 pensioner, superannuation pensioner, or active member, who was living while the decedent  
118.5 was an active member of the police department or was born within nine months after the  
118.6 decedent terminated active service in the police department, is entitled to a surviving child  
118.7 benefit. The surviving child benefit is equal to eight units per month if the person is the  
118.8 surviving child of a deceased active member or disabilitant. The surviving child benefit  
118.9 is equal to two units per month, plus an additional four-tenths of one unit per month for  
118.10 each year of service to the credit of the decedent in excess of five years, to a maximum of  
118.11 eight units, if the person is the surviving child of a deceased service pensioner, deferred  
118.12 pensioner, or superannuation pensioner. The surviving child benefit is payable until the  
118.13 person attains age 18, or, if in full-time attendance during the normal school year, in a  
118.14 school approved by the board of directors, until the person receives a bachelor's degree or  
118.15 attains the age of 22 years, whichever occurs first. In the event of the death of both parents  
118.16 leaving a surviving child or children entitled to a surviving child benefit as determined in  
118.17 this paragraph, the surviving child is, or the surviving children are, entitled to a surviving  
118.18 child benefit in such sums as determined by the board of directors to be necessary for  
118.19 the care and education of such surviving child or children, but not to exceed the family  
118.20 maximum benefit per month, to the children of any one family.

118.21 (c) The surviving spouse and surviving child benefits are subject to a family  
118.22 maximum benefit. The family maximum benefit is 41 units per month.

118.23 (d) A surviving spouse who is otherwise not qualified may receive a benefit if the  
118.24 surviving spouse was married to the decedent for a period of five years and was residing  
118.25 with the decedent at the time of death. The surviving spouse benefit is the same as that  
118.26 provided in paragraph (a), except that if the surviving spouse is younger than the decedent,  
118.27 the surviving spouse benefit must be actuarially equivalent to a surviving spouse benefit  
118.28 that would have been paid to the member's spouse had the member been married to a  
118.29 person of the same age or a greater age than the member's age before retirement.

118.30 (e) For any surviving spouse who began receiving survivor benefits before January 1,  
118.31 2005, the half-unit increase under paragraph (a) is effective retroactive to January 1, 2005.

118.32 **EFFECTIVE DATE.** This section is effective retroactively from the effective date  
118.33 of Laws 1997, chapter 233, article 4, section 7, and Laws 2005, First Special Session  
118.34 chapter 8, article 11, section 12. Benefit amounts paid to surviving spouse members  
118.35 previously paid that are consistent with this section are hereby ratified and confirmed.

119.1 Sec. 2. Minnesota Statutes 2006, section 423C.06, subdivision 2, is amended to read:

119.2 Subd. 2. **Actuarial assets of special fund less than 102 percent.** (a) When  
119.3 the actuarial assets of the special fund in any year are less than 102 percent of its  
119.4 accrued liabilities according to the most recent annual actuarial valuation of the special  
119.5 fund prepared in accordance with sections 356.215 and 356.216, investment-related  
119.6 postretirement adjustments shall be determined and paid pursuant to this subdivision.  
119.7 Payment of the annual postretirement adjustment may be made only if there is excess  
119.8 investment income.

119.9 (b) The board shall determine by May 1 of each year whether or not the special  
119.10 fund has excess investment income. The amount of excess investment income, if any,  
119.11 must be stated as a dollar amount and reported by the executive secretary to the mayor  
119.12 and governing body of the city, the state auditor, the commissioner of finance, and the  
119.13 executive director of the Legislative Commission on Pensions and Retirement. The dollar  
119.14 amount of excess investment income up to one percent of the assets of the special fund  
119.15 must be applied for the purpose specified in paragraph (c). Excess investment income  
119.16 must not be considered as income to or assets of the special fund for actuarial valuations  
119.17 of the special fund for that year under this section and sections 69.77, 356.215, and  
119.18 356.216, except to offset the annual postretirement adjustment. Additional investment  
119.19 income is any realized or unrealized investment income other than the excess investment  
119.20 income and must be included in the actuarial valuations performed under this section  
119.21 and sections 69.77, 356.215, and 356.216.

119.22 (c) The amount determined under paragraph (b) must be applied as follows:  
119.23 the association shall apply ~~the first one-half of~~ one percent of assets that constitute  
119.24 excess investment income to the payment of an annual postretirement adjustment to  
119.25 eligible members ~~and the second one-half of one percent of assets which constitute~~  
119.26 ~~excess investment income shall be applied to reduce the state amortization state aid or~~  
119.27 ~~supplementary amortization state aid payments otherwise due the association under~~  
119.28 ~~section 423A.02 for the current calendar year.~~ The amounts of all payments to eligible  
119.29 members shall not exceed ~~one-half of~~ one percent of the assets of the fund. The amount  
119.30 of each eligible member's postretirement adjustment shall be calculated by dividing the  
119.31 total number of units to which eligible members are entitled into the excess investment  
119.32 income available for distribution to eligible members, and then multiplying that result by  
119.33 the number of units to which each eligible member is entitled. If this amount exceeds the  
119.34 total monthly benefit that the eligible member was entitled to in the prior year under the  
119.35 terms of this chapter, the association shall pay the eligible member the lesser amount.  
119.36 Payment of the annual postretirement adjustment must be in a lump-sum amount on June

120.1 1 following the determination date in any year. In the event an eligible member dies prior  
120.2 to the payment of the annual postretirement adjustment, the executive secretary shall pay  
120.3 the eligible member's estate the amount to which the member was entitled.

120.4 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after  
120.5 the city council of the city of Minneapolis and its chief clerical officer timely complete  
120.6 their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

## 120.7 **ARTICLE 10**

### 120.8 **VOLUNTEER FIREFIGHTER BENEFIT CHANGES**

120.9 Section 1. Minnesota Statutes 2006, section 424A.10, subdivision 1, is amended to  
120.10 read:

120.11 Subdivision 1. **Definitions.** For purposes of this section:

120.12 (1) "qualified recipient" means an individual who receives a lump sum distribution  
120.13 of pension or retirement benefits from a firefighters' relief association for service that the  
120.14 individual has performed as a volunteer firefighter;

120.15 (2) "survivor of a deceased active or deferred volunteer firefighter" means the legally  
120.16 married spouse of a deceased volunteer firefighter, or, if none, the surviving minor child or  
120.17 minor children of a deceased volunteer firefighter;

120.18 (3) "active volunteer firefighter" means a person who regularly renders fire  
120.19 suppression service for a municipal fire department or an independent nonprofit firefighting  
120.20 corporation, who has met the statutory and other requirements for relief association  
120.21 membership, and who has been a fully qualified member of the relief association for  
120.22 at least one month; and

120.23 (4) "deferred volunteer firefighter" means a former active volunteer firefighter who  
120.24 terminated active firefighting service, has sufficient service credit from the applicable  
120.25 relief association to be entitled to a service pension, but has not applied for or has not  
120.26 received the service pension.

120.27 **EFFECTIVE DATE.** This section is effective for supplemental benefits paid after  
120.28 July 1, 2007.

120.29 Sec. 2. Minnesota Statutes 2006, section 424A.10, subdivision 2, is amended to read:

120.30 Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a firefighters'  
120.31 relief association of a lump sum distribution to a qualified recipient, the association must  
120.32 pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the  
120.33 contrary, the relief association ~~may~~ must pay the supplemental benefit out of its special

121.1 fund. The amount of this benefit equals ten percent of the regular lump sum distribution  
121.2 that is paid on the basis of the recipient's service as a volunteer firefighter. In no case may  
121.3 the amount of the supplemental benefit exceed \$1,000. A supplemental benefit under  
121.4 this paragraph may not be paid to a survivor of a deceased active or deferred volunteer  
121.5 firefighter in that capacity.

121.6 (b) Upon the payment by a relief association of a lump sum survivor benefit or  
121.7 funeral benefit to a survivor of a deceased active volunteer firefighter or of a deceased  
121.8 deferred volunteer firefighter, the association may pay a supplemental survivor benefit  
121.9 to the survivor of the deceased active or deferred volunteer firefighter from the special  
121.10 fund of the relief association if its articles of incorporation or bylaws so provide. The  
121.11 amount of the supplemental survivor benefit is 20 percent of the survivor benefit or funeral  
121.12 benefit, but not to exceed \$2,000.

121.13 (c) An individual may receive a supplemental benefit under paragraph (a) or under  
121.14 paragraph (b), but not under both paragraphs with respect to one lump sum volunteer  
121.15 firefighter benefit.

121.16 **EFFECTIVE DATE.** This section is effective for supplemental benefits paid after  
121.17 July 1, 2007.

121.18 Sec. 3. Minnesota Statutes 2006, section 424A.10, subdivision 3, is amended to read:

121.19 Subd. 3. **State reimbursement.** (a) By February 15 of each year, the treasurer of  
121.20 the relief association shall apply to the commissioner of revenue for state reimbursement  
121.21 of the amount of supplemental benefits paid under subdivision 2 during the preceding  
121.22 calendar year. By March 15, the commissioner shall reimburse the relief association for  
121.23 the amount of the supplemental benefits paid to qualified recipients and to survivors of  
121.24 deceased active or deferred volunteer firefighters.

121.25 (b) The commissioner of revenue shall prescribe the form of and supporting  
121.26 information that must be supplied as part of the application for state reimbursement.

121.27 (c) The reimbursement payment must be deposited in the special fund of the relief  
121.28 association.

121.29 (d) A sum sufficient to make the payments is appropriated from the general fund  
121.30 to the commissioner of revenue.

121.31 **EFFECTIVE DATE.** This section is effective retroactively to July 1, 2006.

## ARTICLE 11

## VARIOUS BENEFIT AND OTHER CHANGES

122.1

122.2

122.3 Section 1. Minnesota Statutes 2006, section 3.85, subdivision 3, is amended to read:

122.4 Subd. 3. **Membership.** The commission consists of ~~five~~ seven members of the  
122.5 senate appointed by the Subcommittee on Committees of the Committee on Rules and  
122.6 Administration and ~~five~~ seven members of the house of representatives appointed by the  
122.7 speaker. Members shall be appointed at the commencement of each regular session of the  
122.8 legislature for a two-year term beginning January 16 of the first year of the regular session.  
122.9 Members continue to serve until their successors are appointed. Vacancies that occur while  
122.10 the legislature is in session shall be filled like regular appointments. If the legislature is not  
122.11 in session, senate vacancies shall be filled by the last Subcommittee on Committees of the  
122.12 senate Committee on Rules and Administration or other appointing authority designated  
122.13 by the senate rules, and house vacancies shall be filled by the last speaker of the house, or  
122.14 if the speaker is not available, by the last chair of the house Rules Committee.

122.15 Sec. 2. Minnesota Statutes 2006, section 3.85, subdivision 10, is amended to read:

122.16 Subd. 10. **Standards for pension valuations and cost estimates.** The commission  
122.17 shall adopt standards prescribing specific detailed methods to calculate, evaluate, and  
122.18 display current and proposed law liabilities, costs, and actuarial equivalents of all public  
122.19 employee pension plans in Minnesota. These standards shall be consistent with chapter  
122.20 356 and be updated annually. The standards must not contain a valuation requirement that  
122.21 is inconsistent with generally accepted accounting principles applicable to government  
122.22 pension plans.

122.23 Sec. 3. Minnesota Statutes 2006, section 3A.02, subdivision 5, is amended to read:

122.24 Subd. 5. **Optional annuities.** (a) The board of directors shall establish an optional  
122.25 retirement annuity in the form of a joint and survivor annuity and an optional retirement  
122.26 annuity in the form of a period certain and life thereafter. Except as provided in paragraph  
122.27 (b), these optional annuity forms must be actuarially equivalent to the normal allowance  
122.28 computed under this section, plus the actuarial value of any surviving spouse benefit  
122.29 otherwise potentially payable at the time of retirement under section 3A.04, subdivision 1.  
122.30 An individual selecting an optional annuity under this subdivision and the person's spouse  
122.31 waive any rights to surviving spouse benefits under section 3A.04, subdivision 1.

122.32 (b) If a retired legislator selects the joint and survivor annuity option, the retired  
122.33 legislator must receive a normal single-life allowance if the designated optional annuity

123.1 beneficiary dies before the retired legislator and no reduction may be made in the annuity  
123.2 to provide for restoration of the normal single-life allowance in the event of the death of  
123.3 the designated optional annuity beneficiary.

123.4 (c) The surviving spouse of a legislator who has attained at least age 55 and who dies  
123.5 while a member of the legislature may elect an optional joint and survivor annuity under  
123.6 paragraph (a), in lieu of surviving spouse benefits under section 3A.04, subdivision 1.

123.7 (d) The surviving spouse of a deceased former legislator may elect an optional joint  
123.8 and survivor annuity under paragraph (a) in lieu of surviving spouse benefits under section  
123.9 3A.04, subdivision 1, on or after the date the former legislator would have reached age 55.

123.10 **EFFECTIVE DATE.** This section is effective the day after final enactment and also  
123.11 applies to the surviving spouse of a former legislator who died on March 5, 2007.

123.12 Sec. 4. **[3A.021] OPTIONAL DIVISION OF RETIREMENT ALLOWANCE.**

123.13 Subdivision 1. **Election of division.** Notwithstanding section 518.58, subdivision 4,  
123.14 paragraph (a), clause (5), a former legislator or the former spouse of a former legislator, if  
123.15 a portion of the former legislator's retirement allowance is awarded to the former spouse  
123.16 under a marriage dissolution property division decree by a court of competent jurisdiction,  
123.17 may elect to have payment of the portion of the legislator's retirement allowance  
123.18 designated in the decree as payable to the former spouse beginning as of the first day of  
123.19 the month next following the date on which the former legislator attains the age of 62,  
123.20 even if the former legislator has not applied for the receipt of retirement allowance as of  
123.21 that date. In all other respects, the optional retirement allowance division is governed  
123.22 by section 518.58, subdivision 4.

123.23 Subd. 2. **Calculation of subsequent portion of the retirement allowance.**

123.24 Upon the eventual application for a retirement allowance under this chapter by a former  
123.25 legislator who elected or was affected by the election of a benefit under subdivision 1,  
123.26 the subsequent retirement allowance must be adjusted to be the actuarial equivalent of  
123.27 the balance of the present value of the retirement allowance of the former legislator upon  
123.28 the effective date of the application remaining after a reduction equal to the present value  
123.29 of the partial benefit previously paid and subsequently payable to the former spouse,  
123.30 as calculated by the actuary retained under section 356.214 or as calculated under a  
123.31 procedure specified by the actuary. The retirement allowance present value calculations  
123.32 must include the effect of section 356.30.

123.33 Subd. 3. **No optional annuity form.** Section 3A.02, subdivision 5, does not apply  
123.34 to a partial retirement allowance payable under subdivision 1.

124.1 **EFFECTIVE DATE.** This section is effective the day after final enactment and  
124.2 applies to any retirement allowance affected by a marriage dissolution decree rendered  
124.3 after September 2003.

124.4 Sec. 5. Minnesota Statutes 2006, section 43A.346, subdivision 1, is amended to read:

124.5 Subdivision 1. **Definition.** For purposes of this section, "state employee" means  
124.6 a person currently occupying a civil service position in the executive branch of state  
124.7 government, the Minnesota State Retirement System, the Public Employees Retirement  
124.8 Association, or the Office of the Legislative Auditor, or a person employed by the  
124.9 Metropolitan Council.

124.10 **EFFECTIVE DATE.** This section is effective the day after final enactment.

124.11 Sec. 6. Minnesota Statutes 2006, section 43A.346, subdivision 2, is amended to read:

124.12 Subd. 2. **Eligibility.** (a) This section applies to a state or Metropolitan Council  
124.13 employee who:

124.14 (1) for at least the five years immediately preceding separation under clause (2), has  
124.15 been regularly scheduled to work 1,044 or more hours per year in a position covered by  
124.16 a pension plan administered by the Minnesota State Retirement System or the Public  
124.17 Employees Retirement Association;

124.18 (2) terminates state or Metropolitan Council employment;

124.19 (3) at the time of termination under clause (2), meets the age and service  
124.20 requirements necessary to receive an unreduced retirement annuity from the plan and  
124.21 satisfies requirements for the commencement of the retirement annuity or, for an  
124.22 employee under the unclassified employees retirement plan, meets the age and service  
124.23 requirements necessary to receive an unreduced retirement annuity from the plan and  
124.24 satisfies requirements for the commencement of the retirement annuity or elects a  
124.25 lump-sum payment; and

124.26 (4) agrees to accept a postretirement option position with the same or a different  
124.27 appointing authority, working a reduced schedule that is both (i) a reduction of at least 25  
124.28 percent from the employee's number of regularly scheduled work hours; and (ii) 1,044  
124.29 hours or less in state or Metropolitan Council service.

124.30 (b) For purposes of this section, an unreduced retirement annuity includes a  
124.31 retirement annuity computed under a provision of law which permits retirement, without  
124.32 application of an earlier retirement reduction factor, whenever age plus years of allowable  
124.33 service total at least 90.

125.1 **EFFECTIVE DATE.** This section is effective the day after final enactment.

125.2 Sec. 7. Minnesota Statutes 2006, section 352.01, subdivision 2a, is amended to read:

125.3 Subd. 2a. **Included employees.** (a) "State employee" includes:

125.4 (1) employees of the Minnesota Historical Society;

125.5 (2) employees of the State Horticultural Society;

125.6 (3) employees of the Disabled American Veterans, Department of Minnesota,

125.7 Veterans of Foreign Wars, Department of Minnesota, if employed before July 1, 1963;

125.8 (4) employees of the Minnesota Crop Improvement Association;

125.9 (5) employees of the adjutant general who are paid from federal funds and who are

125.10 not covered by any federal civilian employees retirement system;

125.11 (6) employees of the Minnesota State Colleges and Universities employed under the

125.12 university or college activities program;

125.13 (7) currently contributing employees covered by the system who are temporarily

125.14 employed by the legislature during a legislative session or any currently contributing

125.15 employee employed for any special service as defined in subdivision 2b, clause (8);

125.16 (8) employees of the Armory Building Commission;

125.17 (9) employees of the legislature appointed without a limit on the duration of their

125.18 employment and persons employed or designated by the legislature or by a legislative

125.19 committee or commission or other competent authority to conduct a special inquiry,

125.20 investigation, examination, or installation;

125.21 (10) trainees who are employed on a full-time established training program

125.22 performing the duties of the classified position for which they will be eligible to receive

125.23 immediate appointment at the completion of the training period;

125.24 (11) employees of the Minnesota Safety Council;

125.25 (12) any employees on authorized leave of absence from the Transit Operating

125.26 Division of the former Metropolitan Transit Commission who are employed by the

125.27 labor organization which is the exclusive bargaining agent representing employees of

125.28 the Transit Operating Division;

125.29 (13) employees of the Metropolitan Council, Metropolitan Parks and Open Space

125.30 Commission, Metropolitan Sports Facilities Commission, Metropolitan Mosquito Control

125.31 Commission, or Metropolitan Radio Board unless excluded or covered by another public

125.32 pension fund or plan under section 473.415, subdivision 3;

125.33 (14) judges of the Tax Court;

125.34 (15) personnel employed on June 30, 1992, by the University of Minnesota in the

125.35 management, operation, or maintenance of its heating plant facilities, whose employment

126.1 transfers to an employer assuming operation of the heating plant facilities, so long as the  
126.2 person is employed at the University of Minnesota heating plant by that employer or by its  
126.3 successor organization;

126.4 (16) seasonal help in the classified service employed by the Department of Revenue;  
126.5 **and**

126.6 (17) persons employed by the Department of Commerce as a peace officer in  
126.7 the Insurance Fraud Prevention Division under section 45.0135 who have attained the  
126.8 mandatory retirement age specified in section 43A.34, subdivision 4; and

126.9 (18) employees of the Middle Management Association whose employment began  
126.10 after July 1, 2007, and to whom section 352.029 does not apply.

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

126.17 **EFFECTIVE DATE.** This section is effective the day after final enactment.

126.18 Sec. 8. Minnesota Statutes 2006, section 352B.01, subdivision 2, is amended to read:

126.19 Subd. 2. **Member.** "Member" means:

126.20 (1) a State Patrol member currently employed under section 299D.03 by the state,  
126.21 who is a peace officer under section 626.84, and whose salary or compensation is paid  
126.22 out of state funds;

126.23 (2) a conservation officer employed under section 97A.201, currently employed by  
126.24 the state, whose salary or compensation is paid out of state funds;

126.25 (3) a crime bureau officer who was employed by the crime bureau and was a member  
126.26 of the Highway Patrolmen's retirement fund on July 1, 1978, whether or not that person  
126.27 has the power of arrest by warrant after that date, or who is employed as police personnel,  
126.28 with powers of arrest by warrant under section 299C.04, and who is currently employed  
126.29 by the state, and whose salary or compensation is paid out of state funds;

126.30 (4) a person who is employed by the state in the Department of Public Safety in a  
126.31 data processing management position with salary or compensation paid from state funds,  
126.32 who was a crime bureau officer covered by the State Patrol retirement plan on August  
126.33 15, 1987, and who was initially hired in the data processing management position within  
126.34 the department during September 1987, or January 1988, with membership continuing

127.1 for the duration of the person's employment in that position, whether or not the person  
127.2 has the power of arrest by warrant after August 15, 1987;

127.3 (5) a public safety employee who is a peace officer under section 626.84, subdivision  
127.4 1, paragraph (c), and who is employed by the Division of Alcohol and Gambling  
127.5 Enforcement under section 299L.01;

127.6 (6) a Fugitive Apprehension Unit officer after October 31, 2000, who is employed by  
127.7 the Office of Special Investigations of the Department of Corrections and who is a peace  
127.8 officer under section 626.84; ~~and~~

127.9 (7) an employee of the Department of Commerce defined as a peace officer in section  
127.10 626.84, subdivision 1, paragraph (c), who is employed by the Division of Insurance Fraud  
127.11 Prevention under section 45.0135 after January 1, 2005, and who has not attained the  
127.12 mandatory retirement age specified in section 43A.34, subdivision 4; and

127.13 (8) an employee of the Department of Public Safety, who is a licensed peace officer  
127.14 under section 626.84, subdivision 1, paragraph (c), and is employed as the statewide  
127.15 coordinator of the Gang and Drug Oversight Council.

127.16 **EFFECTIVE DATE.** This section is effective the day after final enactment and  
127.17 applies retroactive to April 1, 2007.

127.18 Sec. 9. Minnesota Statutes 2006, section 356.87, is amended to read:

127.19 **356.87 HEALTH INSURANCE WITHHOLDING.**

127.20 **Subdivision. 1. Public employees insurance program withholding.** (a) Upon  
127.21 authorization of a person entitled to receive a retirement annuity, disability benefit or  
127.22 survivor benefit, the executive director of a public pension fund enumerated in section  
127.23 356.20, subdivision 2, shall withhold health insurance premium amounts from the  
127.24 retirement annuity, disability benefit or survivor benefit, and shall pay the premium  
127.25 amounts to the public employees insurance program.

127.26 (b) The public employees insurance program shall reimburse a public pension fund  
127.27 for the administrative expense of withholding the premium amounts and shall assume  
127.28 liability for the failure of a public pension fund to properly withhold the premium amounts.

127.29 **Subd. 2. Public safety retiree insurance withholding.** (a) For purposes of this  
127.30 subdivision, "governing board" means the governing board or body that has been assigned  
127.31 the chief policy-making powers and management duties of the applicable pension plan.

127.32 (b) For a pension plan covered under section 356.20, subdivision 2, that provides  
127.33 monthly annuity payments, the governing board may direct the plan's chief administrative  
127.34 officer to withhold health, accident, and long-term care insurance premiums from the

128.1 retirement annuity or disability benefit and to transmit the amount to an approved  
128.2 insurance provider specified by the eligible person. A governing board which agrees  
128.3 to participate may revise or revoke that decision at a later date if the board provides  
128.4 reasonable notice to the applicable parties.

128.5 (c) An eligible person is a person who:

128.6 (1) is a retiree or disabilitant from a participating plan;

128.7 (2) was a public safety officer as defined in United States Code, title 42, section  
128.8 3796b;

128.9 (3) terminated service as a public safety officer due to disability or attainment  
128.10 of normal retirement age and commences receipt of an annuity without any period of  
128.11 deferral; and

128.12 (4) satisfies any other requirements to have all or a portion of the health, accident,  
128.13 or long-term care insurance premiums excluded from income for taxation purposes, as  
128.14 specified in section 845 of Public Law 109-28, the Pension Protection Act of 2006.

128.15 (d) An approved insurance provider is:

128.16 (1) any regulated, licensed insurance company;

128.17 (2) a fraternal or any other organization sponsoring a regulated, licensed insurance  
128.18 program; or

128.19 (3) an employer-sponsored insurance program, whether directly through the  
128.20 employer or a third-party administrator.

128.21 (e) An eligible person may elect to have the applicable plan administrator withhold  
128.22 and transmit the insurance amounts described in paragraph (b). The eligible person  
128.23 must make this election on a form prescribed by the chief administrative officer of the  
128.24 applicable plan.

128.25 (f) A pension fund and the plan fiduciaries which authorize or administer  
128.26 withholding of insurance premiums under this subdivision are not liable for failure to  
128.27 properly withhold or transmit the premium amounts.

128.28 **EFFECTIVE DATE.** This section is effective retroactive to January 1, 2007.

128.29 Sec. 10. Minnesota Statutes 2006, section 626.84, subdivision 1, is amended to read:

128.30 Subdivision 1. **Definitions.** For purposes of sections 626.84 to 626.863, the  
128.31 following terms have the meanings given them:

128.32 (a) "Board" means the Board of Peace Officer Standards and Training.

128.33 (b) "Director" means the executive director of the board.

128.34 (c) "Peace officer" means:

129.1 (1) an employee or an elected or appointed official of a political subdivision or  
129.2 law enforcement agency who is licensed by the board, charged with the prevention and  
129.3 detection of crime and the enforcement of the general criminal laws of the state and who  
129.4 has the full power of arrest, and shall also include the Minnesota State Patrol, agents of the  
129.5 Division of Alcohol and Gambling Enforcement, state conservation officers, Metropolitan  
129.6 Transit police officers, Department of Corrections' Fugitive Apprehension Unit officers,  
129.7 ~~and~~ Department of Commerce Insurance Fraud Unit officers, and the statewide coordinator  
129.8 of the Gang and Drug Oversight Council; and

129.9 (2) a peace officer who is employed by a law enforcement agency of a federally  
129.10 recognized tribe, as defined in United States Code, title 25, section 450b(e), and who  
129.11 is licensed by the board.

129.12 (d) "Part-time peace officer" means an individual licensed by the board whose  
129.13 services are utilized by law enforcement agencies no more than an average of 20 hours per  
129.14 week, not including time spent on call when no call to active duty is received, calculated  
129.15 on an annual basis, who has either full powers of arrest or authorization to carry a  
129.16 firearm while on active duty. The term shall apply even though the individual receives  
129.17 no compensation for time spent on active duty, and shall apply irrespective of the title  
129.18 conferred upon the individual by any law enforcement agency.

129.19 (e) "Reserve officer" means an individual whose services are utilized by a law  
129.20 enforcement agency to provide supplementary assistance at special events, traffic or crowd  
129.21 control, and administrative or clerical assistance. A reserve officer's duties do not include  
129.22 enforcement of the general criminal laws of the state, and the officer does not have full  
129.23 powers of arrest or authorization to carry a firearm on duty.

129.24 (f) "Law enforcement agency" means:

129.25 (1) a unit of state or local government that is authorized by law to grant full powers  
129.26 of arrest and to charge a person with the duties of preventing and detecting crime and  
129.27 enforcing the general criminal laws of the state; and

129.28 (2) subject to the limitations in section 626.93, a law enforcement agency of a  
129.29 federally recognized tribe, as defined in United States Code, title 25, section 450b(e).

129.30 (g) "Professional peace officer education" means a postsecondary degree program,  
129.31 or a nondegree program for persons who already have a college degree, that is offered by  
129.32 a college or university in Minnesota, designed for persons seeking licensure as a peace  
129.33 officer, and approved by the board.

129.34 **EFFECTIVE DATE.** This section is effective the day after final enactment and  
129.35 applies retroactive to April 1, 2007.

130.1 Sec. 11. Laws 1981, chapter 68, section 42, subdivision 1, as amended by Laws 1985,  
130.2 chapter 261, section 14, is amended to read:

130.3 Sec. 42. **THIEF RIVER FALLS POLICE; SURVIVOR BENEFITS.**

130.4 Subdivision 1. **Benefits.** Notwithstanding Minnesota Statutes, section 423.58, when  
130.5 a service pensioner, disability pensioner, deferred pensioner, or an active member of the  
130.6 Thief River Falls police relief association dies, leaving a surviving spouse, one or more  
130.7 surviving children, or both, the surviving spouse and child or children shall be entitled to a  
130.8 pension or pensions as follows:

130.9 (1) To the surviving spouse a pension in an amount not to exceed \$300 per month  
130.10 payable for life; provided, however, that if the surviving spouse shall remarry, the pension  
130.11 shall terminate as of the date of remarriage.

130.12 (2) To the child or children, until the child reaches the age of 18 years, a monthly  
130.13 benefit in an amount not to exceed \$125 per month. Payments for the benefit of any  
130.14 qualified dependent child under the age of 18 years shall be made to the surviving parent  
130.15 or if none, to the legal guardian of the child. The maximum monthly benefit for any  
130.16 one family shall not exceed \$750. If the member shall die under circumstances which  
130.17 entitle his surviving spouse and dependent children to receive benefits under the workers'  
130.18 compensation law, the amounts so received by them shall not be deducted from the  
130.19 benefits payable under this section.

130.20 (3) Pensions payable to a surviving spouse pursuant to paragraph (1) shall be  
130.21 adjusted annually on January 1, 1986, and January 1 of each year thereafter in proportion  
130.22 to salary increases paid to active patrolmen by the city during the preceding calendar year,  
130.23 to a maximum of three and one-half percent in any calendar year. In no event shall the  
130.24 pension of a surviving spouse exceed \$600 per month.

130.25 (4) Notwithstanding any provision of paragraph (3) to the contrary, a surviving  
130.26 spouse benefit under paragraph (1) must be increased on January 1, 2008, by an amount  
130.27 equal to 3.5 percent of the benefit payable during the preceding month, but not to exceed  
130.28 \$640 per month. The adjustment under this paragraph is in lieu of the adjustment under  
130.29 paragraph (3).

130.30 **EFFECTIVE DATE.** This section is effective on the day after the governing  
130.31 body of the city of Thief River Falls and its chief clerical officer timely complete their  
130.32 compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

130.33 Sec. 12. Laws 2006, chapter 271, article 3, section 43, is amended to read:

130.34 Sec. 43. **EARLY RETIREMENT INCENTIVE.**

131.1 Subdivision 1. **Eligibility.** ~~(a) An eligible appointing authority in the executive or~~  
 131.2 ~~legislative branch of state government or the Board of Public Defense or the Minnesota~~  
 131.3 ~~Historical Society or the Minnesota State Colleges and Universities or any school district~~  
 131.4 may offer the early retirement incentive in this section to an employee who:

131.5 (1) has at least 15 years of allowable service in one or more of the funds listed in  
 131.6 Minnesota Statutes, section 356.30, subdivision 3, or has at least ~~five~~ 15 years of coverage  
 131.7 by the individual retirement account plan governed by Minnesota Statutes, chapter 354B,  
 131.8 and upon retirement is immediately eligible for a retirement annuity or benefit from one or  
 131.9 more of these funds; ~~and~~

131.10 (2) terminates ~~state or teaching~~ service after the effective date of this section and  
 131.11 before ~~September 1, 2006~~ July 15, 2009; and

131.12 (3) is not in receipt of a public retirement plan retirement annuity, retirement  
 131.13 allowance, or service pension during the month preceding the termination of qualified  
 131.14 employment.

131.15 (b) An eligible appointing authority is any Minnesota governmental employing unit  
 131.16 which employs one or more employees with retirement coverage by a retirement plan  
 131.17 listed in Minnesota Statutes, section 356.30, by virtue of that employment.

131.18 (c) An elected official is not eligible to receive an incentive under this section.

131.19 Subd. 2. **Incentive.** (a) For an employee eligible under subdivision 1, if approved  
 131.20 under paragraph (b), the employer may provide an amount up to \$17,000, to an employee  
 131.21 who terminates service, to be used:

131.22 (1) ~~for an employee who terminates state service after the effective date of this~~  
 131.23 ~~section and on or before July 15, 2006, unless the appointing authority has designated the~~  
 131.24 ~~use under clause (2) or (3) for the initial retirement incentive applicable to that employing~~  
 131.25 ~~entity under this enactment after the effective date of this section, for deposit in the~~  
 131.26 ~~employee's account in the health care savings plan established by Minnesota Statutes,~~  
 131.27 ~~section 352.98; or~~

131.28 (2) ~~for an employee who terminates state service after July 15, 2006, and before~~  
 131.29 ~~September 1, 2006:~~

131.30 (†) notwithstanding Minnesota Statutes, section 352.01, subdivision 11, or 354.05,  
 131.31 subdivision 13, whichever applies, if the appointing authority has designated the use under  
 131.32 this clause for the initial retirement incentive applicable to that employing entity under  
 131.33 this enactment after the effective date of this section, for purchase of service credit for  
 131.34 unperformed service sufficient to enable the employee to retire under Minnesota Statutes,  
 131.35 section 352.116, subdivision 1, paragraph (b); 353.30; or 354.44, subdivision 6, paragraph  
 131.36 (b), or 354A.31, subdivision 6, paragraph (b), whichever applies; or

132.1 ~~(ii)~~ (3) if the appointing authority has designated the use under this clause for the  
132.2 initial retirement incentive applicable to the employing entity under this enactment after  
132.3 the effective date of this section, for purchase of a lifetime annuity or an annuity for a  
132.4 specific number of years from the ~~state unclassified~~ applicable retirement ~~program plan~~  
132.5 to provide additional benefits ~~under Minnesota Statutes, section 352D.06, subdivision~~  
132.6 ~~†,~~ as provided in paragraph (d).

132.7 (b) Approval to provide the incentive must be obtained from the commissioner  
132.8 of finance if the eligible employee is a state employee and must be obtained from the  
132.9 applicable governing board with respect to any other employing entity. An employee  
132.10 is eligible for the payment under paragraph (a), clause (2), ~~item (i);~~ if the employee  
132.11 uses money from a deferred compensation account that, combined with the payment  
132.12 under paragraph (a), clause (2), ~~item (i);~~ would be sufficient to purchase enough service  
132.13 credit to qualify for retirement under Minnesota Statutes, section 352.116, subdivision  
132.14 1, paragraph (b); 353.30, subdivision 1a; ~~or~~ 354.44, subdivision 6, paragraph (b), or  
132.15 354A.31, subdivision 6, paragraph (b), whichever applies.

132.16 (c) The cost to purchase service credit under ~~this section~~ paragraph (a), clause (2),  
132.17 must be made in accordance with Minnesota Statutes, section 356.551.

132.18 (d) The annuity purchase under paragraph (a), clause (3), must be made using  
132.19 annuity factors derived from the applicable factors used by the applicable retirement plan  
132.20 to transfer amounts to the Minnesota postretirement investment fund and to calculate  
132.21 optional annuity forms. The purchased annuity must be the actuarial equivalent of the  
132.22 incentive amount.

132.23 **Subd. 3. Designation of positions; employer discretion.** (a) Before offering an  
132.24 incentive under this section, an appointing authority must be experiencing employee  
132.25 layoffs due to budget shortfalls or a reorganization that would be offset by offering the  
132.26 incentive. The appointing authority must document that the incentive payment is equal  
132.27 to or less than the cost of the employee layoff. The appointing authority must designate  
132.28 the job classifications or positions within the job classifications that qualify for the  
132.29 incentive. The appointing authority may modify this designation at any time. Designation  
132.30 of positions eligible for the incentive under this section, participation of individual  
132.31 employees, and the amount of the payment under this section are at the sole discretion of  
132.32 the appointing authority. Unilateral implementation of this section by the employer is not  
132.33 an unfair labor practice under Minnesota Statutes, chapter 179A.

132.34 (b) An employee who is eligible for an incentive under this section, who is offered  
132.35 an incentive by the appointing authority, and who accepts the incentive offer, must do so in

133.1 writing. A copy of the acceptance document must be provided by the appointing authority  
133.2 to the applicable retirement plan within 15 days of its execution.

133.3 Subd. 4. **Reemployment prohibition.** No appointing authority referenced in  
133.4 subdivision 1 is permitted to employ or retain as a consultant an individual who received  
133.5 an early retirement incentive under this section for a period of three years after the receipt  
133.6 of the incentive. This provision does not prohibit a school district from employing as a  
133.7 substitute teacher an individual who received an early retirement incentive under this  
133.8 section.

133.9 Subd. 5. **Utilization report.** On August 1, 2008, and annually thereafter, the  
133.10 commissioner of employee relations, with respect to the executive branch of state  
133.11 government, the commissioner of education, with respect to school districts, and the  
133.12 chancellor of the Minnesota State Colleges and Universities System, with respect to the  
133.13 system, shall report to the chair of the House Finance Committee, the chair of the House  
133.14 Governmental Operations, Reform, Technology and Elections Committee, the chair of  
133.15 the Senate Finance Committee, the chair of the State and Local Government Operations  
133.16 and Oversight Committee, and the executive director of the Legislative Commission on  
133.17 Pensions and Retirement on the utilization of the early retirement incentive. The report  
133.18 must include the total number of employees who utilized the incentive, the age of each  
133.19 retiring employee, the length of service of each retiring employee, the incentive amount  
133.20 paid to each retiring employee, the amount of salary savings through the previous June 30  
133.21 obtained for each retiring employee, and the amount of any other financial or budgetary  
133.22 impact related to each retiring employee.

133.23 **EFFECTIVE DATE.** (a) This section is effective the day after final enactment.

133.24 (b) This section expires on July 15, 2009.

## 133.25 **ARTICLE 12**

### 133.26 **SMALL GROUP/SINGLE PERSON PROVISIONS**

133.27 Section 1. **PERA-GENERAL; CITY OF ST. PAUL EMPLOYEE SERVICE**  
133.28 **CREDIT PURCHASE.**

133.29 (a) An eligible person described in paragraph (b) is entitled to purchase allowable  
133.30 service credit from the general employees retirement plan of the Public Employees  
133.31 Retirement Association for the period of employment by the city of St. Paul between  
133.32 November 11, 1988, and September 30, 1989, that qualified as employment by a public  
133.33 employee under Minnesota Statutes 1988, section 353.01, subdivision 2b, that was not  
133.34 previously credited by the retirement plan.

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

134.2 (1) was born on December 29, 1958;

134.3 (2) was first employed by the city of St. Paul as a part-time or seasonal employee  
134.4 in 1985;

134.5 (3) qualified for Public Employees Retirement Association general plan coverage  
134.6 in November 1988 but was not reported by the city of St. Paul to the Public Employees  
134.7 Retirement Association for coverage until October 1989; and

134.8 (4) became a member of the general employees retirement plan of the Public  
134.9 Employees Retirement Association in October 1989.

134.10 (c) The eligible person described in paragraph (b) is authorized to apply with the  
134.11 executive director of the Public Employees Retirement Association to make the service  
134.12 credit purchase under this section. The application must be in writing and must include  
134.13 all necessary documentation of the applicability of this section and any other relevant  
134.14 information that the executive director may require.

134.15 (d) Allowable service credit under Minnesota Statutes, section 353.01, subdivision  
134.16 16, must be granted by the general employees retirement plan of the Public Employees  
134.17 Retirement Association to the account of the eligible person upon the receipt of the prior  
134.18 service credit purchase payment amount required under Minnesota Statutes, section  
134.19 356.551.

134.20 (e) Of the prior service credit purchase payment amount under Minnesota Statutes,  
134.21 section 356.551, the eligible person must pay an amount equal to the employee  
134.22 contribution rate or rates in effect during the uncredited employment period applied to the  
134.23 actual salary rates in effect during the period, plus annual compound interest at the rate  
134.24 of 8.5 percent from the date the member contribution payment should have been made  
134.25 if made in a timely fashion until the date on which the contribution is actually made. If  
134.26 the equivalent member contribution payment, plus interest, is made, the city of St. Paul  
134.27 shall pay the balance of the total prior service credit purchase payment amount under  
134.28 Minnesota Statutes, section 356.551, within 60 days of notification by the executive  
134.29 director of the Public Employees Retirement Association that the member contribution  
134.30 equivalent payment has been received by the association.

134.31 (f) Authority for an eligible person to make a prior service credit purchase under this  
134.32 section expires June 30, 2009, or upon termination of employment covered by the Public  
134.33 Employees Retirement Association, whichever is earlier.

134.34 (g) If the city of St. Paul fails to pay its portion of the prior service credit purchase  
134.35 payment amount under paragraph (e), the executive director of the Public Employees  
134.36 Retirement Association must notify the commissioners of finance and revenue of that fact

135.1 and the commissioners shall order the deduction of the required payment amount from  
135.2 the next payment of any state aid to the city of St. Paul and the commissioners shall  
135.3 transmit the applicable amount to the general employees retirement fund of the Public  
135.4 Employees Retirement Association.

135.5 **EFFECTIVE DATE.** This section is effective the day after final enactment.

135.6 **Sec. 2. PERA-POLICE AND FIRE PLAN; EXEMPTING CERTAIN ANOKA**  
135.7 **COUNTY FIELD INVESTIGATORS FROM REEMPLOYED ANNUITANT**  
135.8 **EARNINGS LIMITATIONS.**

135.9 Notwithstanding any provision of Minnesota Statutes, section 353.37, to the  
135.10 contrary, a person who is receiving a retirement annuity from the Public Employees  
135.11 Retirement Association police and fire plan and who was employed by Midwest Pathology,  
135.12 Incorporated, as of December 31, 2006, who became employed by Anoka County on  
135.13 January 1, 2007, as a field investigator, when the functions of Midwest Pathology,  
135.14 Incorporated, transferred to the county, is exempt from the limitation on reemployed  
135.15 annuitant earnings under Minnesota Statutes, section 353.37, for the duration of that  
135.16 employment as a field investigator.

135.17 **EFFECTIVE DATE.** This section is effective retroactive to January 1, 2007.

135.18 **Sec. 3. MSRS-GENERAL AND PERA-GENERAL; ANNUITY BACK**  
135.19 **PAYMENTS.**

135.20 (a) Notwithstanding any provision of Minnesota Statutes, sections 352.115,  
135.21 subdivision 8, and 353.29, subdivision 7, to the contrary, an eligible annuitant described in  
135.22 paragraph (b) is entitled to a back payment of annuities from the general state employees  
135.23 retirement plan of the Minnesota State Retirement System and from the general employees  
135.24 retirement plan of the Public Employees Retirement Association as provided in paragraph  
135.25 (c). The back payments are intended to correct the consequences of any negligence or  
135.26 error of the retirement plans in failing to promptly implement a combined service annuity.

135.27 (b) An eligible annuitant is a person who:

135.28 (1) was born on April 1, 1947;

135.29 (2) was employed by Clearwater County and was covered by the general employees  
135.30 retirement plan of the Public Employees Retirement Association in 1968, 1969, and 1970;

135.31 (3) was employed by the Rural Minnesota Concentrated Employment Program  
135.32 in 1970;

136.1 (4) was employed by the state of Minnesota by the Department of Human Services  
136.2 or its predecessor from 1970 to 2004; and

136.3 (5) retired from state employment under the rule of 90 on April 20, 2004.

136.4 (c) The back payments are the amount of the annuity of the eligible annuitant from  
136.5 the general employees retirement plan of the Public Employees Retirement Association for  
136.6 eight months, representing the period May 1, 2004, to December 31, 2004, and the amount  
136.7 of the increase in the annuity of the eligible annuitant from the general state employees  
136.8 retirement plan of the Minnesota State Retirement System pursuant to Minnesota Statutes,  
136.9 section 356.30, for 20 months, representing the period May 1, 2004, to December 31, 2005.

136.10 **EFFECTIVE DATE.** This section is effective the day after final enactment.

136.11 Sec. 4. **TEACHERS RETIREMENT ASSOCIATION; SABBATICAL LEAVE**  
136.12 **SALARY CREDIT PURCHASE.**

136.13 (a) Notwithstanding any provisions to the contrary of Minnesota Statutes, chapter  
136.14 354 or 354A, an eligible person described in paragraph (b) is entitled to purchase credit  
136.15 for the salary amount specified in paragraph (c) by making the payment required by  
136.16 paragraph (d).

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

136.18 (1) was born on August 2, 1948;

136.19 (2) has 2.95 years of service credit from the Teachers Retirement Association for  
136.20 teaching service rendered in the early 1970's;

136.21 (3) has 26 years of service credit from the former Minneapolis Teachers Retirement  
136.22 Fund Association transferred to the Teachers Retirement Association under Laws 2006,  
136.23 chapter 277, article 3, sections 5 and 9, subdivision 3;

136.24 (4) took a sabbatical leave from Special School District No. 1, Minneapolis, for the  
136.25 2004-2005 school year;

136.26 (5) obtained full salary credit from the former Minneapolis Teachers Retirement  
136.27 Fund Association for the 2004-2005 school year under the applicable law and benefit  
136.28 plan provisions; and

136.29 (6) has uncredited full-time equivalent salary from the 2005-2006 school year based  
136.30 on a reduced salary figure related to the sabbatical leave arrangement.

136.31 (c) The salary amount is an amount equal to the difference between the salary credit  
136.32 the eligible person received from the former Minneapolis Teachers Retirement Fund  
136.33 Association for the 2005-2006 school year and the full-time equivalent salary of the  
136.34 eligible person for the 2005-2006 school year.

137.1 (d) The required payment amount is an amount equal to 13.64 percent of the salary  
137.2 amount determined under paragraph (c), plus interest at an 8.5 percent compound rate  
137.3 from the date on which the contribution amounts would have been made if made in a  
137.4 timely fashion and the date on which the amount is actually paid. The amount is payable  
137.5 only in a lump sum.

137.6 (e) The eligible person shall provide any relevant documentation related to the  
137.7 eligibility to make this purchase that is required by the executive director of the Teachers  
137.8 Retirement Association.

137.9 (f) Authority for an eligible person to make the purchase under this section expires  
137.10 June 30, 2008.

137.11 **EFFECTIVE DATE.** This section is effective the day after final enactment.

137.12 Sec. 5. **COMMUNITY EDUCATION TEACHER; PRIOR SERVICE**  
137.13 **PURCHASE.**

137.14 (a) An eligible person described in paragraph (b) is entitled to purchase prior  
137.15 uncredited service rendered as a community education teacher for Independent School  
137.16 District No. 535, Rochester, from the general employees retirement plan of the Public  
137.17 Employees Retirement Association.

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

137.19 (1) was born on March 4, 1939;

137.20 (2) began teaching Independent School District No. 535, Rochester, in 1962 and  
137.21 retired June 1997;

137.22 (3) was a contributing member of the Teachers Retirement Association until  
137.23 retirement;

137.24 (4) subsequent to retirement began teaching for community education; and

137.25 (5) because of an error, no deductions were taken from the person's pay and no  
137.26 contributions were made on the person's behalf by the school district to the Public  
137.27 Employees Retirement Association for the community education service.

137.28 (c) The purchase payment amount for the uncredited community education service  
137.29 must be determined under Minnesota Statutes, section 356.551. Notwithstanding  
137.30 Minnesota Statutes, section 356.551, subdivision 2, paragraphs (d) and (e), the purchase  
137.31 payment amount must be allocated on the basis of one-third of the total by the eligible  
137.32 person and of the balance of the total by Independent School District No. 535, Rochester.  
137.33 If the eligible person pays the person's required portion, Independent School District  
137.34 No. 535, Rochester, shall make its payment within 30 days of notification by the Public  
137.35 Employees Retirement Association of its payment obligation. If Independent School

138.1 District No. 535, Rochester, does not pay the balance within 30 days of notification by the  
138.2 executive director of the Public Employees Retirement Association of the payment of the  
138.3 member contribution payment by the eligible person under paragraph (a), the executive  
138.4 director shall notify the commissioner of finance of that fact and the commissioner shall  
138.5 deduct from any state aid payable to Independent School District No. 535, Rochester, that  
138.6 amount, plus interest on that amount of 1.5 percent per month for each month or portion of  
138.7 a month that has elapsed from the effective date of this section.

138.8 (d) This authority expires on May 31, 2009, or on the first day of the month next  
138.9 following the conclusion of the eligible member's elected public service, whichever  
138.10 occurs earlier.

138.11 **EFFECTIVE DATE.** This section is effective the day after final enactment.

138.12 Sec. 6. **PERA-GENERAL; LATE DISABILITY BENEFIT APPLICATION**  
138.13 **AUTHORIZED.**

138.14 (a) Notwithstanding any provision of Minnesota Statutes, section 353.33, subdivision  
138.15 2, to the contrary, a person described in paragraph (b) is authorized to apply for a disability  
138.16 benefit from the general employees retirement plan of the Public Employees Retirement  
138.17 Association under Minnesota Statutes, section 353.33.

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

138.19 (1) was born on February 1, 1956;

138.20 (2) became a Public Employees Retirement Association general plan member on  
138.21 December 18, 1994, until January 31, 1996, while employed by the city of Benson;

138.22 (3) was employed by Independent School District No. 777, Benson, with Public  
138.23 Employees Retirement Association general plan coverage, from October 1, 1996, until  
138.24 July 31, 2003;

138.25 (4) is disabled within the meaning of Minnesota Statutes, section 353.01, subdivision  
138.26 19; and

138.27 (5) failed to apply for disability benefits under Minnesota Statutes, section 353.33,  
138.28 within the three-year time period permitted in that statute following termination of covered  
138.29 employment.

138.30 (c) The eligible person under paragraph (b) must provide, in conjunction with the  
138.31 disability application, any relevant evidence that the executive director of the Public  
138.32 Employees Retirement Association requires about the existence of a total and permanent  
138.33 disability as defined in Minnesota Statutes, section 353.01, subdivision 19, and about the  
138.34 date on which the disability occurred and its relationship to the termination of active  
138.35 service in July 2003.

139.1 (d) If the eligible person files a disability benefit application and if the eligible  
139.2 person provides sufficient evidence of disability and the occurrence of the disability under  
139.3 paragraph (c), to qualify for a disability benefit under Minnesota Statutes, section 353.33,  
139.4 the disability benefit becomes payable on the first day of the first month next following the  
139.5 approval of the application. The disability benefit must be calculated under the laws in  
139.6 effect at the time the eligible person terminated active service in July 2003. The disability  
139.7 benefit must include any applicable deferred annuities augmentation under Minnesota  
139.8 Statutes, section 353.71, subdivision 2.

139.9 (e) Nothing in this section may be deemed to exempt the eligible person from the  
139.10 partial reemployment of a disabilitant provision under Minnesota Statutes, section 353.33,  
139.11 subdivision 7, or from the trial work period provision under Minnesota Statutes, section  
139.12 353.33, subdivision 7a.

139.13 **EFFECTIVE DATE.** (a) This section is effective the day after final enactment.

139.14 (b) This section expires, if not utilized, on December 31, 2007.

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**352.031 APPEALS PROCEDURE.**

Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a different meaning is intended, for the purpose of this section, the following terms have the meanings given them.

(a) "Board" means the board of directors of the Minnesota State Retirement System.

(b) "Documentation" includes, but is not limited to:

(1) sworn and notarized affidavits made on the personal knowledge of any person;

(2) official letters or documents;

(3) documents from the file of the petitioner; and

(4) other relevant documents that are admissible as evidence in a court of law.

(c) "Executive director" means the executive director of the Minnesota State Retirement System.

(d) "Person" includes any state agency or other governmental unit that employs persons covered under statutes listed in subdivision 2.

(e) "Record" means the petition and the documentation that the petitioners submit with the petition; the executive director's answer to the petition and documentation submitted with it; and any documentation the board allows to be submitted at or after the meeting at which the petition is considered.

Subd. 2. **Notice of termination or denial.** If the executive director terminates a benefit or denies an application or a written request of any person claiming a right under chapter 352, other than sections 352.96 and 352.97; chapters 3A, 352B, 352C, and 352D; sections 490.121 to 490.133; or the applicable sections of chapters 355 and 356, the executive director shall serve upon that person written notice containing:

(1) the reasons for the termination or denial;

(2) notice that the person may petition the board for a review of the termination or denial and that the petition for review must be filed within 60 days of the receipt of the written notice;

(3) a statement that relevant documentation submitted by the petitioner to the executive director must be received in the office of the Minnesota State Retirement System at least 30 days before the meeting prescribed in subdivision 4;

(4) a statement that failure to petition the board within 60 days will preclude the person from contesting in any other court procedure or administrative hearing, the issues determined by the executive director; and

(5) a copy of this section.

Subd. 3. **Petition for review.** A person who claims a right under subdivision 2 and whose benefit has been terminated or whose application or written request has been denied may petition for a review of that decision by the board. A petition under this section must be served upon the executive director personally, or by mail postmarked no later than 60 days after the petitioner received the notice required by subdivision 2. The petition must include the sworn, notarized statement of the reasons the petitioner believes the decision of the executive director should be reversed or modified and may include relevant documentation. Relevant documentation submitted by the petitioner to the executive director must be received in the office of the Minnesota State Retirement System at least 30 days before the meeting prescribed in subdivision 4.

Subd. 4. **Answer; record for hearing.** Within a reasonable time after receiving a petition, the executive director must serve the petitioner with an answer to the petition with all relevant documentation and with notice of the time and place of the regular or special board meeting at which the board will consider the petition. The documentation need not duplicate the documentation submitted by the petitioner. Not later than ten days before the board meeting at which the petition will be heard, the executive director must, personally or by mail, deliver a copy of the relevant documentation to each board member. Each board member who participates in the decision on the petition must be familiar with all relevant documentation.

Subd. 5. **Hearing.** The board shall hold a timely hearing on a petition for review. The board shall make its decision on a petition solely on the relevant documentation as submitted and the proceedings of the hearing. At the hearing, the petitioner, the petitioner's attorney, and the executive director may state and discuss with the board their positions with respect to the petition. The board may allow further documentation to be placed in the record at or subsequent to the board meeting at which the petition is considered. If the board allows additional documentation into the record at or subsequent to the board meeting, it may make a final determination on the petition at that board meeting only upon the agreement of both the petitioner and the executive director.

Subd. 5a. **Executive director's order.** Notwithstanding subdivisions 4 and 5, if the executive director determines with respect to a petition that no relevant facts are in dispute, the

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executive director shall inform the board of that determination, and the board may issue findings of fact, a decision, reasons for the decision, and a final order and serve it upon the petitioner as provided in subdivision 8. If a petitioner receives an adverse decision, the petitioner may appeal the board's final order under subdivision 9.

Subd. 6. **Termination of benefits.** If the executive director proposes to terminate a benefit that is being paid to any person, before terminating the benefit, the executive director must, in addition to the other procedures prescribed herein, give the person written or oral notice of the proposed termination. The notice must explain the reason for the proposed termination. The person must be given an opportunity, verbally or in writing, to explain why the benefit should not be terminated: if the executive director is unable to contact the person and the executive director determines that a failure to terminate the benefit might result in unauthorized payment by the association, the executive director may terminate the benefit with only a written notice containing the information required by subdivision 2, mailed to the address to which the benefit was last sent and, if that address is a financial institution, to the last known address of the person.

Subd. 7. **Medical adviser action.** If a person petitions the board to reverse or modify a determination by the executive director finding that the petitioner, for medical reasons, does not or has ceased to qualify for a disability benefit, the board may resubmit the matter to the medical adviser for reconsideration, with or without instructions to obtain further medical examinations. The board may make a determination contrary to the recommendation of the medical adviser only if there is expert medical evidence in the record to support its contrary decision. If there is no medical opinion contrary to the opinion of the medical adviser in the record and the medical adviser asserts that the decision was made in accordance with the disability standard in section 352.01, subdivision 17; 352B.10; or 490.121, subdivision 13, the board must follow the determination of the medical adviser. The board may make a determination different from the recommendation of the medical adviser on issues that do not involve a medical opinion.

Subd. 8. **Board findings.** After the board has made a decision on a petition, the executive director must prepare findings of fact, the board's reasons for its conclusions, and the board's final order for the signature of the chair or other board member as the board, by resolution, may designate. The executive director shall serve the findings, conclusions, and order on the petitioner by certified mail.

Subd. 9. **Appeals.** Within 30 days of receipt of the findings, conclusions, and final order, the petitioner may appeal the board's decision by writ of certiorari to the Court of Appeals. Failure to appeal to that court within the 30 days precludes the petitioner from later raising, in any court procedure or administrative hearing, those substantive and procedural issues that reasonably should have been raised upon appeal.

Subd. 10. **Referral for administrative hearing.** Notwithstanding sections 14.03; 14.06; and 14.57 to 14.69, a challenge to a determination of the executive director must be conducted exclusively under the procedures in this section. The board in its sole discretion may refer a petition brought under this section to the Office of Administrative Hearings for a contested case hearing under sections 14.57 to 14.69.

Subd. 11. **Petitions without notice.** A person who is not entitled to a review under this section may nevertheless receive review of the decision of the executive director which affects the person's rights by petitioning the board under this section within 60 days of the time the person knew or should have known of the disputed decision.

### **353.30 ANNUITIES UPON RETIREMENT.**

Subdivision 1. **Pre-July 1, 1989 members: 20 years of service.** Upon separation from public service, any person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and who has become at least 58 years old but not more than normal retirement age and who received credit for not less than 20 years of allowable service is entitled upon application to a retirement annuity in an amount equal to the normal annuity provided in section 353.29, subdivisions 2 and 3, paragraph (a), reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement.

### **353.33 TOTAL AND PERMANENT DISABILITY BENEFITS.**

Subd. 6a. **Medical adviser.** The executive director may contract with licensed physicians or physicians on the staff of the state commissioner of health, as designated by the commissioner, to be the medical adviser of the association.

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Subd. 6b. **Duties of the medical adviser.** At the request of the executive director, the medical adviser shall designate licensed physicians, psychologists, or chiropractors to examine applicants for disability benefits and review the expert reports based upon these examinations to determine whether an applicant is totally and permanently disabled as defined in section 353.01, subdivision 19, disabled as defined in section 353.656, or eligible for continuation of disability benefits under subdivision 6. The medical examiner shall also review, at the request of the executive director, all medical and health care statements on behalf of an applicant for disability benefits, and shall report in writing to the executive director the conclusions and recommendations of the examiner on those matters referred for advice.

Subd. 8. **Refusal of examination or medical evidence.** If a person applying for or receiving a disability benefit refuses to submit to a medical examination under subdivision 6, or fails to provide or authorize the release of medical evidence under subdivisions 4 and 6, the association shall cease the application process or discontinue the payment of a disability benefit, whichever is applicable. Upon receipt of the requested medical evidence, the association shall resume the application process or the payment of a disability benefit upon approval for the continuation, whichever is applicable.

### 353.34 RIGHTS UPON TERMINATION OF MEMBERSHIP.

Subd. 7. **Sick leave.** A member who is on an authorized sick leave and has received a maximum of one year of allowable service in accordance with section 353.01, subdivision 16, paragraph (4), and who does not return to public service for at least 120 calendar days following the year of allowable service may elect to receive a refund of accumulated deductions as provided in subdivision 2. Application for a refund may not be made before the expiration of 120 calendar days following the end of one year of allowable service for employees on authorized sick leave.

### 353.656 DISABILITY BENEFITS.

Subd. 5. **Proof of disability.** (a) A disability benefit payment must not be made except upon adequate proof furnished to the executive director of the association of the existence of a disability.

(b) During the time when disability benefits are being paid, the executive director of the association has the right, at reasonable times, to require the disabled member to submit proof of the continuance of the disability claimed.

(c) Adequate proof of a disability must include a written expert report by a licensed physician, by a licensed chiropractor, or with respect to a mental impairment, by a licensed psychologist.

(d) A person applying for or receiving a disability benefit shall provide or authorize release of medical evidence, including all medical records and information from any source, relating to an application for disability benefits or the continuation of those benefits.

Subd. 9. **Refusal of examination or medical evidence.** If a person applying for or receiving a disability benefit refuses to submit to a medical examination under subdivision 11, or fails to provide or to authorize the release of medical evidence under subdivisions 5 and 7, the association shall cease the application process or shall discontinue the payment of a disability benefit, whichever is applicable. Upon the receipt of the requested medical evidence, the association shall resume the application process or the payment of a disability benefit upon approval for the continuation, whichever is applicable.

Subd. 11. **Independent medical examination; duties of the medical adviser.** Any individual receiving disability benefits or any applicant, if requested by the executive director, must submit to an independent medical examination. The medical examination must be paid for by the association. The medical advisor shall review all medical reports submitted to the association, including the findings of an independent medical examination requested under this section, and shall advise the executive director.

Subd. 12. **Approval of disability benefits.** Review of disability benefit applications and review of existing disability cases must be made by the executive director based upon all relevant evidence, including advice from the medical advisor and the evidence provided by the member and employer. A member whose application for disability benefits or whose continuation of disability benefits is denied may appeal the executive director's decision to the board of trustees

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within 45 days of the receipt of a certified letter notifying the member of the decision to deny the application or the benefit continuation.

### **353.69 OFFICERS OR EMPLOYEES OF NONCOVERED MUNICIPALITIES; OPTIONAL MEMBERSHIP.**

Any former member who is an elected official or an employee of a municipality not covered by the public employees retirement association, has the option to continue membership in the association for any period of service with the municipality. Except for the repayment of refunds pursuant to section 353.35, this option applies to future service only. Any person desiring to exercise this option shall file application with the association. No such person shall be entitled to allowable service credit under this chapter, if for the same period of service that person receives credit with any other public retirement or pension plan maintained by the municipality.

### **354.071 APPEALS PROCEDURE.**

Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a different meaning is intended, for the purpose of this section, the following terms have the meanings given.

(a) "Documentation" includes but is not limited to:

- (1) sworn and notarized affidavits made on the personal knowledge of any person;
- (2) official letters or documents;
- (3) documents from the file of the petitioner; and
- (4) other relevant documents that are admissible as evidence in a court of law.

(b) "Executive director" means the executive director of the Teachers Retirement Association.

(c) "Person" includes any state institution, school district, or other governmental unit that employs persons covered under statutes listed in subdivision 2.

(d) "Record" means the petition and the documentation that the petitioners submit with the petition, the executive director's answer to the petition and documentation submitted with it, and any documentation the board allows to be submitted at or after the meeting at which the petition is considered.

Subd. 2. **Notice of termination or denial.** If the executive director terminates a benefit or denies an application or a written request of any person claiming a right under this chapter or the applicable sections of chapters 136, 354B, 355, and 356, the executive director must serve upon that person a written notice. The notice must contain:

- (1) the reasons for the termination or denial;
- (2) notice that the person may petition the board for a review of the termination or denial and that the petition for review must be filed within 60 days of the receipt of the written notice;
- (3) a statement that relevant documentation submitted by the petitioner to the executive director must be received in the office of the Teachers Retirement Association at least 30 days before the meeting prescribed in subdivision 4;
- (4) a statement that failure to petition the board within 60 days will preclude the person from contesting in any other court procedure or administrative hearing, the issues determined by the executive director; and
- (5) a copy of this section.

Subd. 3. **Petition for review.** A person who claims a right under subdivision 2 and whose benefit has been terminated or whose application or written request has been denied may petition for a review of that decision by the board. A petition under this section must be served upon the executive director personally, or by mail postmarked no later than 60 days after the petitioner received the notice required by subdivision 2. The petition must include the sworn, notarized statement of the reasons the petitioner believes the decision of the executive director should be reversed or modified and may include relevant documentation. Relevant documentation submitted by the petitioner to the executive director must be received in the office of the Teachers Retirement Association at least 30 days before the meeting prescribed in subdivision 4.

Subd. 4. **Answer; record for hearing.** Within a reasonable time after receiving a petition, the executive director must serve the petitioner with an answer to the petition with all relevant documentation and with notice of the time and place of the regular or special board meeting at which the board will consider the petition. The documentation need not duplicate the documentation submitted by the petitioner. Not later than ten days before the board meeting at which the petition will be heard and at the time the petition is considered by the board, the executive director must, personally or by mail, deliver a copy of the relevant documentation to

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each board member. Each board member who participates in the decision on the petition must be familiar with all relevant documentation.

Subd. 5. **Petition for review hearing.** The board shall hold a timely hearing on a petition for review and make its decision on a petition solely on the proceedings and the relevant documentation of the hearing. At the hearing, the petitioner, the petitioner's attorney, the executive director, and an assistant executive director may state and discuss with the board their positions with respect to the petition. The board may allow further documentation to be placed in the record during or after the hearing. If the board allows additional documentation into the record during or after the hearing, it may make a final determination on the petition at that hearing only upon the agreement of both the petitioner and the executive director.

Subd. 5a. **Executive director's determination.** Notwithstanding subdivisions 4 and 5, if the executive director determines with respect to a petition that no relevant facts are in dispute, the executive director shall inform the board of that determination, and the board may issue findings of fact, a decision, reasons for the decision, and a final order and serve it upon the petitioner as provided in subdivision 8. If a petitioner receives an adverse decision, the petitioner may appeal the board's final order under subdivision 9.

Subd. 6. **Termination of benefits.** If the executive director proposes to terminate a benefit that is being paid to any person, before terminating the benefit the executive director must, in addition to the other procedures prescribed herein, give the person written or oral notice of the proposed termination. The notice must explain the reason for the proposed termination. The person must be given an opportunity, verbally or in writing, to explain why the benefit should not be terminated. If the executive director is unable to contact the person and the executive director determines that a failure to terminate the benefit might result in unauthorized payment by the association, the executive director may terminate the benefit with only a written notice containing the information required by subdivision 2, mailed to the address to which the benefit was last sent and, if that address is a financial institution, to the last known address of the person.

Subd. 7. **Medical adviser action.** If a person petitions the board to reverse or modify a determination by the executive director finding that the petitioner, for medical reasons, does not or has ceased to qualify for a disability benefit, the board may resubmit the matter to the medical adviser for reconsideration, with or without instructions to obtain further medical examinations. The board may make a determination contrary to the recommendation of the medical adviser only if there is expert medical evidence in the record to support its contrary decision. If there is no medical opinion contrary to the opinion of the medical adviser in the record and the medical adviser asserts that the decision was made in accordance with the disability standard in section 354.05, subdivision 14, the board must follow the determination of the medical adviser. The board may make a determination different from the recommendation of the medical adviser on issues that do not involve a medical opinion.

Subd. 8. **Board findings.** After the board has made a decision on a petition, the executive director must prepare findings of fact, the board's reasons for its conclusions, and the board's final order for the signature of the chair or other board member as the board, by resolution, may designate. The executive director must serve the findings, conclusions, and order on the petitioner by certified mail.

Subd. 9. **Appeals.** Within 30 days of receipt of the findings, conclusions, and final order, the petitioner may appeal the board's decision by writ of certiorari to the court of appeals. Failure to appeal to that court within the 30 days precludes the petitioner from later raising, in any court procedure or administrative hearing, those substantive and procedural issues that reasonably should have been raised upon appeal.

Subd. 10. **Referral for administrative hearing.** Notwithstanding sections 14.03, 14.06, and 14.57 to 14.69, a challenge to a determination of the executive director must be conducted exclusively under the procedures in this section. The board in its sole discretion may refer a petition brought under this section to the Office of Administrative Hearings for a contested case hearing under sections 14.57 to 14.69.

Subd. 11. **Petition without notice.** A person who is not entitled to notice of a right of review under this section may nevertheless receive review of a decision of the executive director which affects the person's rights by petitioning the board under this section within 60 days of the time the person knew or should have known of the disputed decision.

### 354.49 REFUND.

Subd. 5. **Nonrefunded money credited to fund.** If a person ceases to render teaching service in any school or institution to which the provisions of this chapter apply and does not make application for refund within five years after June 30th of the fiscal year in which the last

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deduction was taken from salary for the retirement fund and if the accumulated deductions are \$500 or less, such deductions and interest shall be credited to and become a part of the retirement fund. In the event such person returns to render teaching service in any school or institution to which the provisions of this chapter apply and the deductions previously credited to the retirement fund are \$5 or more, such deductions and interest to date of restoration shall be restored to the person's individual account. If the deductions previously credited to the retirement fund are \$5 or more and such person applies for a refund pursuant to this section or an annuity pursuant to section 354.55, subdivision 3, such deductions credited to the retirement fund shall be restored to such person's individual account.

**354A.12 CONTRIBUTIONS BY EMPLOYEE AND EMPLOYER.**

Subd. 3d. **Supplemental administrative expense assessment.** (a) The active and retired membership of the St. Paul Teachers Retirement Fund Association is responsible for defraying supplemental administrative expenses other than investment expenses of the respective teacher retirement fund association.

(b) Investment expenses of the teachers retirement fund association are those expenses incurred by or on behalf of the retirement fund in connection with the investment of the assets of the retirement fund other than investment security transaction costs. Other administrative expenses are all expenses incurred by or on behalf of the retirement fund for all other retirement fund functions other than the investment of retirement fund assets. Investment and other administrative expenses must be accounted for using generally accepted accounting principles and in a manner consistent with the comprehensive annual financial report of the teachers retirement fund association for the immediately previous fiscal year under section 356.20.

(c) Supplemental administrative expenses other than investment expenses of the St. Paul Teachers Retirement Fund Association are those expenses for the fiscal year that:

(1) exceed, for the St. Paul Teachers Retirement Fund Association, \$443,745 an additional amount derived by applying the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers All Items Index published by the Bureau of Labor Statistics of the United States Department of Labor since July 1, 2001, to the dollar amount; and

(2) exceed the amount computed by applying the most recent percentage of pay administrative expense amount, other than investment expenses, for the teachers retirement association governed by chapter 354 to the covered payroll of the respective teachers retirement fund association for the fiscal year.

(d) The board of trustees of the St. Paul Teachers Retirement Fund Association shall allocate the total dollar amount of supplemental administrative expenses other than investment expenses determined under paragraph (c), clause (2), among the various active and retired membership groups of the teachers retirement fund association and shall assess the various membership groups their respective share of the supplemental administrative expenses other than investment expenses, in amounts determined by the board of trustees. The supplemental administrative expense assessments must be paid by the membership group in a manner determined by the board of trustees of the respective teachers retirement association. Supplemental administrative expenses payable by the active members of the pension plan must be picked up by the employer in accordance with section 356.62.

(e) With respect to the St. Paul Teachers Retirement Fund Association, the supplemental administrative expense assessment must be fully disclosed to the various active and retired membership groups of the teachers retirement fund association. The chief administrative officer of the St. Paul Teachers Retirement Fund Association shall prepare a supplemental administrative expense assessment disclosure notice, which must include the following:

(1) the total amount of administrative expenses of the St. Paul Teachers Retirement Fund Association, the amount of the investment expenses of the St. Paul Teachers Retirement Fund Association; and the net remaining amount of administrative expenses of the St. Paul Teachers Retirement Fund Association;

(2) the amount of administrative expenses for the St. Paul Teachers Retirement Fund Association that would be equivalent to the teachers retirement association noninvestment administrative expense level described in paragraph (c);

(3) the total amount of supplemental administrative expenses required for assessment calculated under paragraph (c);

(4) the portion of the total amount of the supplemental administrative expense assessment allocated to each membership group and the rationale for that allocation;

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(5) the manner of collecting the supplemental administrative expense assessment from each membership group, the number of assessment payments required during the year, and the amount of each payment or the procedure used to determine each payment; and

(6) any other information that the chief administrative officer determines is necessary to fairly portray the manner in which the supplemental administrative expense assessment was determined and allocated.

(f) The disclosure notice must be provided annually in the annual report of the association.

(g) The supplemental administrative expense assessments must be deposited in the applicable teachers retirement fund upon receipt.

(h) Any omitted active membership group assessments that remain undeducted and unpaid to the teachers retirement fund association for 90 days must be paid by the respective school district. The school district may recover any omitted active membership group assessment amounts that it has previously paid. The teachers retirement fund association shall deduct any omitted retired membership group assessment amounts from the benefits next payable after the discovery of the omitted amounts.

#### **354A.29 ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION POSTRETIREMENT ADJUSTMENT.**

Subd. 6. **Lump sum postretirement adjustment transition.** This subdivision applies to all annuitants and beneficiaries of the association who received a lump sum postretirement adjustment before the calculation of the first postretirement adjustment under subdivisions 3 and 4. Before the calculation of the first postretirement adjustment under subdivisions 3 and 4, the annual retirement annuity must be increased by the amount of the lump sum postretirement adjustment described in the association bylaws and paid to the annuitant or beneficiary in 1997 before July 1, 1997, or if the annuitant or beneficiary was not eligible for a lump sum postretirement adjustment, then the annual benefit paid to that annuitant or benefit recipient must be increased by the cumulative percentage increase in the Consumer Price Index for urban wage earners and clerical workers All Items Index published by the United States Department of Labor, Bureau of Labor Statistics, from the date of the initial receipt of a retirement annuity or benefit of the person whose service is the basis of the benefit to June 30, 1997.

#### **356.90 COMBINED PAYMENT.**

(a) The Public Employees Retirement Association and the Minnesota State Retirement System are permitted to combine payments to retirees. The total payment must be equal to the amount that is payable if payments were kept separate. The retiree must agree, in writing, to have the payment combined.

(b) Each plan must calculate the benefit amounts under the laws governing the plan and the required reserves and future mortality losses or gains must be paid or accrued to the plan from which the service was earned. Each plan must account for their portion of the payment separately, and there may be no additional liabilities realized by either fund.

(c) The fund making payment would be responsible for issuing one payment, making address changes, tax withholding changes, and other administrative functions needed to process the payment.

#### **422A.101 PREPARATION OF FINANCIAL REQUIREMENTS OF FUND; EMPLOYER CONTRIBUTIONS.**

Subd. 4. **Additional employer contribution in certain instances.** (a) If a participating employing unit, other than the state, has a negative asset balance in the deposit accumulation fund, the executive director shall bill the employing unit for the amount of the deficiency. Any amount billed must include six percent interest, compounded annually, for any year or portion of a year from the billing date until the date of payment.

(b) If assets in the deposit accumulation fund are insufficient to make a transfer to the retirement benefit fund, the city of Minneapolis shall pay the amount of that insufficiency to the retirement benefit fund within three days of certification of the insufficiency by the executive director of the fund. The city of Minneapolis may bill any other participating employing unit other than the state for its proportion of the amount paid. Any amount billed by the city under this paragraph must include interest as specified in paragraph (a).