

1 To: Senator Cohen, Chair
2 Committee on Finance
3 Senator Sams,

4 Chair of the Environment, Agriculture and Economic
5 Development Budget Division, to which was referred

6 S.F. No. 802: A bill for an act relating to natural
7 resources; modifying the State Timber Act; modifying timber sale
8 requirements on tax-forfeited land; clarifying state forest road
9 designation; modifying standard measurements for wood; amending
10 Minnesota Statutes 2004, sections 89.71, subdivision 1; 90.01,
11 by adding subdivisions; 90.041, subdivision 5; 90.042; 90.101,
12 subdivision 2; 90.121; 90.172; 90.173; 90.195; 90.211; 90.301,
13 subdivision 4; 239.33; 282.04, subdivision 1; repealing
14 Minnesota Statutes 2004, sections 90.01, subdivision 9; 90.041,
15 subdivisions 3, 4.

16 Reports the same back with the recommendation that the bill
17 be amended as follows:

18 Page 7, delete section 10

19 Page 8, line 11, strike "same" and insert "reward" and
20 strike "any"

21 Page 8, line 12, delete "such purposes" and insert "that
22 purpose"

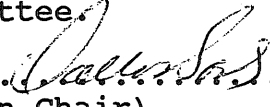
23 Page 14, line 16, delete everything after "effective" and
24 insert "July 1, 2005."

25 Renumber the sections in sequence

26 Amend the title as follows:

27 Page 1, line 9, delete "90.195;"

28 And when so amended that the bill be recommended to pass
29 and be referred to the full committee

30 
31 (Division Chair)

32
33 April 5, 2005.....
34 (Date of Division action)

1 To: Senator Cohen, Chair
2 Committee on Finance
3 Senator Sams,

4 Chair of the Environment, Agriculture and Economic
5 Development Budget Division, to which was referred

6 S.F. No. 802: A bill for an act relating to natural
7 resources; modifying the State Timber Act; modifying timber sale
8 requirements on tax-forfeited land; clarifying state forest road
9 designation; modifying standard measurements for wood; amending
10 Minnesota Statutes 2004, sections 89.71, subdivision 1; 90.01,
11 by adding subdivisions; 90.041, subdivision 5; 90.042; 90.101,
12 subdivision 2; 90.121; 90.172; 90.173; 90.195; 90.211; 90.301,
13 subdivision 4; 239.33; 282.04, subdivision 1; repealing
14 Minnesota Statutes 2004, sections 90.01, subdivision 9; 90.041,
15 subdivisions 3, 4.

16 Reports the same back with the recommendation that the bill
17 be amended as follows:

18 Page 7, delete section 10

19 Page 8, line 11, strike "same" and insert "reward" and
20 strike "any"

21 Page 8, line 12, delete "such purposes" and insert "that
22 purpose"

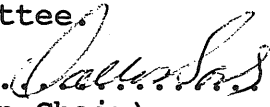
23 Page 14, line 16, delete everything after "effective" and
24 insert "July 1, 2005."

25 Renumber the sections in sequence

26 Amend the title as follows:

27 Page 1, line 9, delete "90.195;"

28 And when so amended that the bill be recommended to pass
29 and be referred to the full committee.

30 
31 (Division Chair)

32
33 April 5, 2005.....
34 (Date of Division action)

1 M moves to amend S.F. No. 1057 as follows:

2 Delete everything after the enacting clause and insert:

3 "ARTICLE 1

4 VARIOUS RETIREMENT PLAN CONTRIBUTION

5 RATE INCREASES

6 Section 1. Minnesota Statutes 2004, section 352.04,
7 subdivision 2, is amended to read:

8 Subd. 2. [EMPLOYEE CONTRIBUTIONS.] The employee
9 contribution to the fund must be equal to 4.0 percent of
10 salary. Beginning on July 1, 2007, the employee contribution
11 must be equal to 4.25 percent of salary. Beginning on July 1,
12 2008, the employee contribution must be equal to 4.50 percent of
13 salary. Beginning on July 1, 2009, the employee contribution
14 must be equal to 4.75 percent of salary. Beginning on July 1,
15 2010, the employee contribution must be equal to 5.0 percent of
16 salary. These contributions must be made by deduction from
17 salary as provided in subdivision 4.

18 Sec. 2. Minnesota Statutes 2004, section 352.04,
19 subdivision 3, is amended to read:

20 Subd. 3. [EMPLOYER CONTRIBUTIONS.] The employer
21 contribution to the fund must be equal to 4.0 percent of
22 salary. Beginning on July 1, 2007, the employer contribution
23 must be equal to 4.25 percent of salary. Beginning on July 1,
24 2008, the employer contribution must be equal to 4.50 percent of
25 salary. Beginning on July 1, 2009, the employer contribution
26 must be equal to 4.75 percent of salary. Beginning on July 1,
27 2010, the employer contribution must be equal to 5.0 percent of
28 salary.

29 Sec. 3. Minnesota Statutes 2004, section 352.92,
30 subdivision 1, is amended to read:

31 Subdivision 1. [EMPLOYEE CONTRIBUTIONS.] Employee
32 contributions of covered correctional employees must be in an
33 amount equal to ~~5.69~~ a percent of salary. Beginning July 1,
34 2007, through June 30, 2008, the employee contribution must be
35 equal to 6.4 percent of salary. Beginning July 1, 2008, through
36 June 30, 2009, the employee contribution must be equal to 7.0

1 percent of salary. Beginning July 1, 2009, through June 30,
2 2010, the employee contribution must be equal to 7.7 percent of
3 salary. Beginning July 1, 2010, the ongoing employee
4 contribution must be equal to 8.6 percent of salary.

5 Sec. 4. Minnesota Statutes 2004, section 352.92,
6 subdivision 2, is amended to read:

7 Subd. 2. [EMPLOYER CONTRIBUTIONS.] The employer shall
8 contribute for covered correctional employees an amount equal to
9 ~~7.98~~ a percent of salary. Beginning July 1, 2007, through June
10 30, 2008, the employer contribution must be equal to 9.1 percent
11 of salary. Beginning July 1, 2008, through June 30, 2009, the
12 employer contribution must be equal to 10.1 percent of salary.
13 Beginning July 1, 2009, through June 30, 2010, the employer
14 contribution must be equal to 11.1 percent of salary. Beginning
15 July 1, 2010, the ongoing employer contribution must be equal to
16 12.1 percent of salary.

17 Sec. 5. Minnesota Statutes 2004, section 352B.02,
18 subdivision 1a, is amended to read:

19 Subd. 1a. [MEMBER CONTRIBUTIONS.] Each member shall pay a
20 sum equal to ~~8.40~~ a percent of the member's salary, which shall
21 constitute the member contribution to the fund. Beginning July
22 1, 2007, through June 30, 2008, each member contribution shall
23 be equal to 9.1 percent of salary. Beginning July 1, 2008, the
24 ongoing member contribution amount shall be equal to 9.8 percent
25 of salary.

26 Sec. 6. Minnesota Statutes 2004, section 352B.02,
27 subdivision 1c, is amended to read:

28 Subd. 1c. [EMPLOYER CONTRIBUTIONS.] In addition to member
29 contributions, department heads shall pay a sum equal to ~~12.60~~ a
30 percent of the salary upon which deductions were made, which
31 shall constitute the employer contribution to the fund.
32 Beginning July 1, 2007, through June 30, 2008, the employer
33 contribution shall be equal to 13.6 percent of salary.
34 Beginning July 1, 2008, the ongoing employer contribution amount
35 shall be equal to 14.6 percent of salary. Department
36 contributions must be paid out of money appropriated to

1 departments for this purpose.

2 Sec. 7. Minnesota Statutes 2004, section 352D.04,
3 subdivision 2, is amended to read:

4 Subd. 2. [CONTRIBUTION RATES.] (a) The money used to
5 purchase shares under this section is the employee and employer
6 contributions provided in this subdivision.

7 (b) The employee contribution is an amount equal to ~~the~~
8 ~~employee-contribution-specified-in-section-352-047-subdivision-2~~
9 four percent of salary.

10 (c) The employer contribution is an amount equal to six
11 percent of salary.

12 (d) These contributions must be made in the manner provided
13 in section 352.04, subdivisions 4, 5, and 6.

14 (e) For members of the legislature, the contributions under
15 this subdivision also must be made on per diem payments received
16 during a regular or special legislative session, but may not be
17 made on per diem payments received outside of a regular or
18 special legislative session, on the additional compensation
19 attributable to a leadership position under section 3.099,
20 subdivision 3, living expense payments under section 3.101, or
21 special session living expense payments under section 3.103.

22 (f) For a judge who is a member of the unclassified plan
23 under section 352D.02, subdivision 1, paragraph (c), clause
24 (16), the employee contribution rate is eight percent of salary,
25 and there is no employer contribution.

26 Sec. 8. Minnesota Statutes 2004, section 353.27,
27 subdivision 2, is amended to read:

28 Subd. 2. [EMPLOYEE CONTRIBUTION.] (a) The employee
29 contribution is the following applicable percentage of the total
30 salary amount for a "basic member" and for a "coordinated
31 member":

	Basic	Coordinated
	Program	Program
34 Before-January-17-2002	8.75	4.75
35 Effective-January-17-2002		
36 <u>Effective before January 1, 2006</u>	9.10	5.10

1	<u>Effective January 1, 2006</u>	<u>9.10</u>	<u>5.50</u>
2	<u>Effective January 1, 2007</u>	<u>9.10</u>	<u>5.75</u>
3	<u>Effective January 1, 2008</u>	<u>9.10</u>	<u>6.00 plus any</u>
4			<u>contribution</u>
5			<u>rate adjustment</u>
6			<u>under</u>
7			<u>subdivision 3b</u>

8 (b) These contributions must be made by deduction from
9 salary as defined in section 353.01, subdivision 10, in the
10 manner provided in subdivision 4. ~~Where~~ If any portion of a
11 member's salary is paid from other than public funds, ~~such~~ the
12 member's employee contribution must be based on the total salary
13 received by the member from all sources.

14 Sec. 9. Minnesota Statutes 2004, section 353.27,
15 subdivision 3, is amended to read:

16 Subd. 3. [EMPLOYER CONTRIBUTION.] (a) The employer
17 contribution is the following applicable percentage of the total
18 salary amount for "basic members" and for "coordinated members":

	Basic	Coordinated
	Program	Program
21 Before-January-17-2002	8.75	4.75
22 Effective-January-17-2002		
23 <u>Effective before January 1, 2006</u>	<u>9.10</u>	<u>5.10</u>
24 <u>Effective January 1, 2006</u>	<u>9.10</u>	<u>5.50</u>
25 <u>Effective January 1, 2007</u>	<u>9.10</u>	<u>5.75</u>
26 <u>Effective January 1, 2008</u>	<u>9.10</u>	<u>6.00 plus any</u>
27		<u>contribution</u>
28		<u>rate adjustment</u>
29		<u>under</u>
30		<u>subdivision 3b</u>

31 (b) This contribution must be made from funds available to
32 the employing subdivision by the means and in the manner
33 provided in section 353.28.

34 Sec. 10. Minnesota Statutes 2004, section 353.27,
35 subdivision 3a, is amended to read:

36 Subd. 3a. [ADDITIONAL EMPLOYER CONTRIBUTION.] (a) An

1 additional employer contribution must be made equal to ~~(1)-2.68~~
 2 ~~percent-of~~ the following applicable percentage of the total
 3 ~~salary of-each~~ amount for "basic member members"; and ~~(2)~~
 4 ~~.43-percent-of-the-total-salary-of-each~~ for "coordinated member-
 5 members":

	<u>Basic</u>	<u>Coordinated</u>
	<u>Program</u>	<u>Program</u>
8 <u>Effective before January 1, 2006</u>	<u>2.68</u>	<u>.43</u>
9 <u>Effective January 1, 2006</u>	<u>2.68</u>	<u>.50</u>
10 <u>Effective January 1, 2009</u>	<u>2.68</u>	<u>.75</u>
11 <u>Effective January 1, 2010</u>	<u>2.68</u>	<u>1.00</u>

12 These contributions must be made from funds available to
 13 the employing subdivision by the means and in the manner
 14 provided in section 353.28.

15 (b) The coordinated program contribution rates set forth in
 16 paragraph (a) effective for January 1, 2009, or January 1, 2010,
 17 must not be implemented if, following receipt of the July 1,
 18 2008, or July 1, 2009, annual actuarial valuation reports under
 19 section 356.215, respectively, the actuarially required
 20 contributions are equal to or less than the total rates under
 21 this section in effect as of January 1, 2008.

22 (c) This subdivision is repealed once the actuarial value
 23 of the assets of the plan equal or exceed the actuarial accrued
 24 liability of the plan as determined by the actuary retained by
 25 the Legislative Commission on Pensions and Retirement under
 26 section 356.215. The repeal is effective on the first day of
 27 the first full pay period occurring after March 31 of the
 28 calendar year following the issuance of the actuarial valuation
 29 upon which the repeal is based.

30 Sec. 11. Minnesota Statutes 2004, section 353.27, is
 31 amended by adding a subdivision to read:

32 Subd. 3b. [CHANGE IN EMPLOYEE AND EMPLOYER CONTRIBUTIONS
 33 IN CERTAIN INSTANCES.] (a) For purposes of this section, a
 34 contribution sufficiency exists if the total of the employee
 35 contribution under subdivision 2, the employer contribution
 36 under subdivision 3, the additional employer contribution under

1 subdivision 3a, and any additional contribution previously
2 imposed under this subdivision exceeds the total of the normal
3 cost, the administrative expenses, and the amortization
4 contribution of the retirement plan as reported in the most
5 recent actuarial valuation of the retirement plan prepared by
6 the actuary retained under section 356.214 and prepared under
7 section 356.215 and the standards for actuarial work of the
8 Legislative Commission on Pensions and Retirement. For purposes
9 of this section, a contribution deficiency exists if the total
10 of the employee contributions under subdivision 2, the employer
11 contributions under subdivision 3, the additional employer
12 contribution under subdivision 3a, and any additional
13 contribution previously imposed under this subdivision is less
14 than the total of the normal cost, the administrative expenses,
15 and the amortization contribution of the retirement plan as
16 reported in the most recent actuarial valuation of the
17 retirement plan prepared by the actuary retained under section
18 356.214 and prepared under section 356.215 and the standards for
19 actuarial work of the Legislative Commission on Pensions and
20 Retirement.

21 (b) Employee and employer contributions under subdivisions
22 2 and 3 must be adjusted:

23 (1) if, after July 1, 2010, the regular actuarial
24 valuations of the general employees retirement plan of the
25 Public Employees Retirement Association under section 356.215
26 indicate that there is a contribution sufficiency under
27 paragraph (a) equal to or greater than 0.5 percent of covered
28 payroll for two consecutive years, the coordinated program
29 employee and employer contribution rates must be decreased as
30 determined under paragraph (c) to a level such that the
31 sufficiency equals no more than 0.25 percent of covered payroll
32 based on the most recent actuarial valuation; or

33 (2) if, after July 1, 2010, the regular actuarial
34 valuations of the general employees retirement plan of the
35 Public Employees Retirement Association under section 356.215
36 indicate that there is a deficiency equal to or greater than 0.5

1 percent of covered payroll for two consecutive years, the
2 coordinated program employee and employer contribution rates
3 must be increased as determined under paragraph (c) to a level
4 such that no deficiency exists based on the most recent
5 actuarial valuation.

6 (c) The contribution rate increase or decrease must be
7 determined by the executive director of the Public Employees
8 Retirement Association, must be reported to the chair and the
9 executive director of the Legislative Commission on Pensions and
10 Retirement on or before the next February 1, and, if the
11 Legislative Commission on Pensions and Retirement does not
12 recommend against the rate change or does not recommend a
13 modification in the rate change, is effective on the next July 1
14 following the determination by the executive director that a
15 contribution deficiency or sufficiency has existed for two
16 consecutive fiscal years based on the most recent actuarial
17 valuations under section 356.215. If the actuarially required
18 contribution exceeds or is less than the total support provided
19 by the combined employee and employer contribution rates by more
20 than 0.5 percent of covered payroll, the coordinated program
21 employee and employer contribution rates must be adjusted
22 incrementally over one or more years to a level such that there
23 remains a contribution sufficiency of no more than 0.25 percent
24 of covered payroll.

25 (d) No incremental adjustment may exceed 0.25 percent for
26 either the coordinated program employee and employer
27 contribution rates per year in which any adjustment is
28 implemented. A contribution rate adjustment under this
29 subdivision must not be made until at least two years have
30 passed since fully implementing a previous adjustment under this
31 subdivision.

32 Sec. 12. Minnesota Statutes 2004, section 353.65,
33 subdivision 2, is amended to read:

34 Subd. 2. [EMPLOYEE CONTRIBUTION RATE.] (a) The employee
35 contribution is an amount equal to ~~6.2~~ the percent of the total
36 salary of the member specified in paragraph (b). This

1 contribution must be made by deduction from salary in the manner
2 provided in subdivision 4. Where any portion of a member's
3 salary is paid from other than public funds, the member's
4 employee contribution is based on the total salary received from
5 all sources.

6 (b) For calendar year 2006, the employee contribution rate
7 is 7.0 percent. For calendar year 2007, the employee
8 contribution rate is 7.8 percent. For calendar year 2008, the
9 employee contribution rate is 8.6 percent. For calendar year
10 2009 and thereafter, the employee contribution rate is 9.4
11 percent.

12 Sec. 13. Minnesota Statutes 2004, section 353.65,
13 subdivision 3, is amended to read:

14 Subd. 3. [EMPLOYER CONTRIBUTION RATE.] (a) The employer
15 contribution shall be an amount equal to ~~9.3~~ the percent of the
16 total salary of every member as specified in paragraph (b).
17 This contribution shall be made from funds available to the
18 employing subdivision by the means and in the manner provided in
19 section 353.28.

20 (b) For calendar year 2006, the employer contribution rate
21 is 10.5 percent. For calendar year 2007, the employer
22 contribution rate is 11.7 percent. For calendar year 2008, the
23 employer contribution rate is 12.9 percent. For calendar year
24 2009 and thereafter, the employer contribution rate is 14.1
25 percent.

26 Sec. 14. [EFFECTIVE DATE.]

27 (a) Sections 1, 2, and 7 are effective on July 1, 2007.

28 (b) Sections 3 to 6 are effective on July 1, 2005.

29 (c) Sections 8 to 13 are effective on January 1, 2006.

30 ARTICLE 2

31 TEACHER RETIREMENT FUND AND

32 BENEFIT RESTRUCTURING

33 Section 1. [126C.458] [LEVY FOR EARLY RETIREMENT COSTS.]

34 Each year, a school district may levy for the additional
35 employer contributions required under section 354.42,
36 subdivision 3.

1 Sec. 2. [128D.18] [FUNDING OF UNFUNDED PENSION
2 LIABILITIES.]

3 Subdivision 1. [FINANCING AUTHORITY.] Notwithstanding any
4 other law to the contrary, Special School District No. 1,
5 Minneapolis, may finance all or a portion of the current and
6 future unfunded actuarial accrued liability of the former
7 Minneapolis Teachers Retirement Fund Association through the
8 issuance of pension obligation bonds under this section.

9 Subd. 2. [USE OF PROCEEDS.] The proceeds of the bonds
10 issued, less costs, must be paid to the State Board of
11 Investment to be deposited as a payment toward the funding of
12 the unfunded actuarial accrued liability of the former
13 Minneapolis Teachers Retirement Fund Association owed by Special
14 School District No. 1, Minneapolis, and must be credited as an
15 asset of the Teachers Retirement Association.

16 Subd. 3. [APPROPRIATIONS.] Notwithstanding any law to the
17 contrary, special direct state aid, matching aid, and other
18 contributions levied for the Teachers Retirement Association
19 under section 354A.12, subdivisions 3a and 3b, and amortization
20 or supplementary amortization state aid reallocated to the
21 Teachers Retirement Association under section 423A.02 are
22 pledged and appropriated to the payment of the bonds and must be
23 transferred to Special School District No. 1, Minneapolis, and
24 additional employer contributions levied by Special School
25 District No. 1, Minneapolis, under section 354A.12, subdivision
26 3b, shall be retained by the district to the extent required to
27 pay debt service on the bonds for the succeeding 12-month period
28 or a longer period established pursuant to the resolution of the
29 district authorizing the bonds.

30 Subd. 4. [NO ELECTION.] No election of the voters of the
31 district shall be required to issue bonds authorized by this
32 section.

33 Subd. 5. [TERMS AND SALE OF BONDS.] The bonds issued
34 pursuant to this section shall bear interest at the rate or
35 rates and mature on the date or dates not more than 30 years
36 from the date of issue as the district shall determine by

1 resolution. Interest may be at a fixed or variable rate. The
2 bonds may be sold and issued on terms and in a manner that
3 Special School District No. 1, Minneapolis, determines is in its
4 best interests and in the best interests of the state.

5 Subd. 6. [THIS SECTION PREVAILS.] Notwithstanding any
6 other law to the contrary, this section shall apply to the
7 issuance and sale of the bonds and to the purposes for which the
8 bonds may be issued.

9 Subd. 7. [STATE PLEDGE AGAINST IMPAIRMENT OF
10 CONTRACTS.] The state pledges and agrees with the holders of
11 bonds issued under this section that the state will not limit or
12 alter the rights vested in Special School District No. 1,
13 Minneapolis, to fulfill the terms of any agreements made with
14 the bondholders or in any way impair the rights and remedies of
15 the holders until the bonds, together with interest on them,
16 with interest on any unpaid installments of interest, and all
17 costs and expenses in connection with any action or proceeding
18 by or on behalf of the bondholders, are fully met and
19 discharged. The district may include this pledge and agreement
20 of the state in any agreement with the holders of bonds issued
21 under this section.

22 Subd. 8. [NOT NET DEBT.] Bonds ended under this section
23 not in default shall not be deemed net debt under any law
24 limiting indebtedness.

25 Subd. 9. [AID REDUCTION FOR REPAYMENT.] If the amount
26 transferred by Special School District No. 1, Minneapolis, to
27 the paying agent for the bonds is insufficient to pay required
28 debt service, the paying agent shall notify the commissioner of
29 finance. The commissioner shall reduce any and all unrestricted
30 state aids generally available to the school district by the
31 amount of the deficiency and pay the amounts to the paying agent
32 for the bonds for the payment of debt service. If the state
33 aids are reduced pursuant to this subdivision, the district may
34 levy a tax in the amount of the reduction in state aid.
35 Notwithstanding any other law to the contrary, no election of
36 the voters of the district is required for the levy and the levy

1 is not subject to other levy limitations.

2 Sec. 3. [128D.181] [AID REDEDICATION.]

3 Notwithstanding any law to the contrary and subject to
4 section 2, special direct state aid previously paid to the
5 Minneapolis Teachers Retirement Fund Association under section
6 354A.12, subdivision 3a, must be paid to the Teachers Retirement
7 Association.

8 Sec. 4. Minnesota Statutes 2004, section 354.05,
9 subdivision 2, is amended to read:

10 Subd. 2. [TEACHER.] (a) "Teacher" means:

- 11 (1) a person who renders service as a teacher, supervisor,
12 principal, superintendent, librarian, nurse, counselor, social
13 worker, therapist, or psychologist in a public school of the
14 state located outside of the corporate limits of ~~a city of the~~
15 ~~first-class~~ the city of Duluth or the city of St. Paul, or in
16 any charter school, irrespective of the location of the school,
17 or in any charitable, penal, or correctional institutions of a
18 governmental subdivision, or who is engaged in educational
19 administration in connection with the state public school
20 system, but excluding the University of Minnesota, whether the
21 position be a public office or an employment, and not including
22 the members or officers of any general governing or managing
23 board or body;
- 24 (2) an employee of the Teachers Retirement Association;
- 25 (3) a person who renders teaching service on a part-time
26 basis and who also renders other services for a single employing
27 unit. A person whose teaching service comprises at least 50
28 percent of the combined employment salary is a member of the
29 association for all services with the single employing unit. If
30 the person's teaching service comprises less than 50 percent of
31 the combined employment salary, the executive director must
32 determine whether all or none of the combined service is covered
33 by the association; or
- 34 (4) a person who is not covered by the plans established
35 under chapter 352D, 354A, or 354B and who is employed by the
36 Board of Trustees of the Minnesota State Colleges and

1 Universities system in an unclassified position as:

2 (i) a president, vice-president, or dean;

3 (ii) a manager or a professional in an academic or an
4 academic support program other than specified in item (i);

5 (iii) an administrative or a service support faculty
6 position; or

7 (iv) a teacher or a research assistant.

8 (b) "Teacher" does not mean:

9 (1) a person who works for a school or institution as an
10 independent contractor as defined by the Internal Revenue
11 Service;

12 (2) a person who renders part-time teaching service or who
13 is a customized trainer as defined by the Minnesota State
14 Colleges and Universities system if (i) the service is
15 incidental to the regular nonteaching occupation of the person;
16 and (ii) the employer stipulates annually in advance that the
17 part-time teaching service or customized training service will
18 not exceed 300 hours in a fiscal year and retains the
19 stipulation in its records; and (iii) the part-time teaching
20 service or customized training service actually does not exceed
21 300 hours in a fiscal year; or

22 (3) a person exempt from licensure under section 122A.30.
23 Sec. 5. Minnesota Statutes 2004, section 354.05,
24 subdivision 13, is amended to read:

25 Subd. 13. [ALLOWABLE SERVICE.] "Allowable service" means:

26 (1) Any service rendered by a teacher for which on or
27 before July 1, 1957, the teacher's account in the retirement
28 fund was credited by reason of employee contributions in the
29 form of salary deductions, payments in lieu of salary
30 deductions, or in any other manner authorized by Minnesota
31 Statutes 1953, sections 135.01 to 135.13, as amended by Laws
32 1955, chapters 361, 549, 550, 611, or

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

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

5 (4) Any service rendered by a person after July 1, 1957,
6 for any calendar month where payments in lieu of salary
7 deductions are made, deposited and credited into the fund as
8 provided in Minnesota Statutes 1980, section 354.09, subdivision
9 4, and section 354.53, or

10 (5) Any service rendered by a teacher for which the teacher
11 elected to obtain credit for service by making payments to the
12 fund pursuant to Minnesota Statutes 1980, section 354.09,
13 subdivisions 1 and 4, sections 354.50, 354.51, Minnesota
14 Statutes 1957, section 135.41, subdivision 4, Minnesota Statutes
15 1971, section 354.09, subdivision 2, or Minnesota Statutes, 1973
16 Supplement, section 354.09, subdivision 3, or

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

22 (7) Any service rendered where contributions were made and
23 no allowable service credit was established because of the
24 limitations contained in Minnesota Statutes 1957, section
25 135.09, subdivision 2, as determined by the ratio between the
26 amounts of money credited to the teacher's account in a fiscal
27 year and the maximum retirement contribution allowable for that
28 year, or

29 (8) MS 2002 (Expired)

30 (9) A period of time during which a teacher who is a state
31 employee was on strike without pay, not to exceed a period of
32 one year, if the teacher makes a payment in lieu of salary
33 deductions or makes a prior service credit purchase payment,
34 whichever applies. If the payment is made within 12 months, the
35 payment by the teacher must be an amount equal to the employee
36 and employer contribution rates set forth in section 354.42,

1 subdivisions 2 and 3, applied to the teacher's rate of salary in
2 effect on the conclusion of the strike for the period of the
3 strike without pay, plus compound interest at a monthly rate of
4 0.71 percent from the last day of the strike until the date of
5 payment. If the payment by the employee is not made within 12
6 months, the payment must be in an amount equal to the payment
7 amount determined under section 356.55 or 356.551, whichever
8 applies, or

9 (10) A period of service before July 1, 2005, that was
10 credited by the Minneapolis Teachers Retirement Fund Association
11 and that was rendered by a teacher as an employee of Special
12 School District No. 1, Minneapolis, or by an employee of the
13 Minneapolis Teachers Retirement Fund Association who was a
14 member of the Minneapolis Teachers Retirement Fund Association
15 by virtue of that employment, who has not begun receiving an
16 annuity or other retirement benefit from the former Minneapolis
17 Teachers Retirement Fund Association calculated in whole or in
18 part on that service before July 1, 2005, and who has not taken
19 a refund of member contributions related to that service unless
20 the refund is repaid under section 354.50, subdivision 4.

21 Sec. 6. Minnesota Statutes 2004, section 354.42,
22 subdivision 2, is amended to read:

23 Subd. 2. [EMPLOYEE.] (a) The employee contribution to the
24 fund is an amount equal to the following percentage of the
25 salary of a member:

26 (1) after July 1, 2005, for a teacher employed by Special
27 School District No. 1, Minneapolis, 5.5 percent if the teacher
28 is a coordinated member and 9.0 percent if the teacher is a
29 basic member;

30 (2) for every other teacher, 5.5 percent if the
31 salary-of-every teacher is a coordinated member and 9.0 percent
32 if the salary-of-every teacher is a basic member.

33 (b) This contribution must be made by deduction from
34 salary. Where any portion of a member's salary is paid from
35 other than public funds, the member's employee contribution must
36 be based on the entire salary received.

1 Sec. 7. Minnesota Statutes 2004, section 354.42,
2 subdivision 3, is amended to read:

3 Subd. 3. [EMPLOYER.] (a) The employer contribution to the
4 fund by Special School District No. 1, Minneapolis, is an amount
5 equal to 8.64 percent of the salary of each of its teachers who
6 is a coordinated member and 12.64 percent of the salary of each
7 of its teachers who is a basic member.

8 (b) The employer contribution to the fund for every other
9 employer is an amount equal to 5-0 5.5 percent of the salary of
10 each coordinated member and 9.0 percent of the salary of each
11 basic member.

12 (c) As payment toward the cost of the unfunded actuarial
13 accrued liability transferred to the Teachers Retirement
14 Association from the former Minneapolis Teachers Retirement Fund
15 Association, a supplemental contribution of 0.26 percent of the
16 covered payroll of the fund must be made each fiscal year
17 through June 30, 2035. One-third of the dollar amount of this
18 supplemental contribution must be paid each by Special School
19 District No. 1, Minneapolis, the city of Minneapolis, and the
20 state of Minnesota. On or before October 1, annually, the
21 executive director of the Teachers Retirement Association shall
22 calculate the expected total dollar amount of the supplemental
23 contribution for the calendar year and shall certify the portion
24 payable by each governmental entity. The amount is payable in
25 full on or before the following June 1.

26 Sec. 8. Minnesota Statutes 2004, section 354.44,
27 subdivision 6, is amended to read:

28 Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT
29 ANNUITY.] (a) The formula retirement annuity must be computed in
30 accordance with the applicable provisions of the formulas stated
31 in paragraph (b) or (d) on the basis of each member's average
32 salary for the period of the member's formula service credit.

33 For all years of formula service credit, "average salary,"
34 for the purpose of determining the member's retirement annuity,
35 means the average salary upon which contributions were made and
36 upon which payments were made to increase the salary limitation

1 provided in Minnesota Statutes 1971, section 354.511, for the
 2 highest five successive years of formula service credit
 3 provided, however, that such "average salary" shall not include
 4 any more than the equivalent of 60 monthly salary payments.
 5 Average salary must be based upon all years of formula service
 6 credit if this service credit is less than five years.

7 (b) This paragraph, in conjunction with paragraph (c),
 8 applies to a person who first became a member of the association
 9 or a member of a pension fund listed in section 356.30,
 10 subdivision 3, before July 1, 1989, unless paragraph (d), in
 11 conjunction with paragraph (e), produces a higher annuity
 12 amount, in which case paragraph (d) applies. The average salary
 13 as defined in paragraph (a), multiplied by the following
 14 percentages per year of formula service credit shall determine
 15 the amount of the annuity to which the member qualifying
 16 therefor is entitled for service rendered prior to July 1, 2005:

17		Coordinated Member	Basic Member
18	Each year of service	the percent	the percent
19	during first ten	specified in	specified in
20		section 356.315,	section 356.315,
21		subdivision 1,	subdivision 3,
22		per year	per year
23	Each year of service	the percent	the percent
24	thereafter	specified in	specified in
25		section 356.315,	section 356.315,
26		subdivision 2,	subdivision 4,
27		per year	per year

28 For service rendered on or after July 1, 2005, the average
 29 salary as defined in paragraph (a), multiplied by the following
 30 percentages per year of service credit shall determine the
 31 amount of the annuity to which the member qualifying therefor is
 32 entitled:

33		<u>Coordinated Member</u>	<u>Basic Member</u>
34	<u>Each year of service</u>	<u>the percent</u>	<u>the percent</u>
35	<u>during first ten</u>	<u>specified in</u>	<u>specified in</u>
36		<u>section 356.315,</u>	<u>section 356.315,</u>

1	<u>subdivision 1a,</u>	<u>subdivision 3,</u>
2	<u>per year</u>	<u>per year</u>
3	<u>Coordinated Member</u>	<u>Basic Member</u>
4	<u>Each year of service</u>	<u>the percent</u>
5	<u>after ten years of</u>	<u>specified in</u>
6	<u>service</u>	<u>section 356.315,</u>
7	<u>subdivision 2a,</u>	<u>subdivision 4,</u>
8	<u>per year</u>	<u>per year</u>

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

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

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

28 (d) This paragraph applies to a member who has become at
 29 least 55 years old and first became a member of the association
 30 after June 30, 1989, and to any other member who has become at
 31 least 55 years old and whose annuity amount when calculated
 32 under this paragraph and in conjunction with paragraph (e), is
 33 higher than it is when calculated under paragraph (b), in
 34 conjunction with paragraph (c). For a basic member, the average
 35 salary, as defined in paragraph (a) multiplied by the percent
 36 specified by section 356.315, subdivision 4, for each year of

1 service for a basic member ~~and-by-the-percent-specified-in~~
2 ~~section-356.315,-subdivision-2,-for-each-year-of-service-for-a~~
3 ~~coordinated-member~~ shall determine the amount of the retirement
4 annuity to which the basic member is entitled. For a
5 coordinated member, the average salary, as defined in clause (1)
6 multiplied by the percent specified in section 356.315,
7 subdivision 2, for each year of service rendered prior to July
8 1, 2005, and by the percent specified in section 356.315,
9 subdivision 2a, for each year of service rendered on or after
10 July 1, 2005, shall determine the amount of the retirement
11 annuity to which the coordinated member is entitled.

12 (e) This paragraph applies to a person who has become at
13 least 55 years old and first becomes a member of the association
14 after June 30, 1989, and to any other member who has become at
15 least 55 years old and whose annuity is higher when calculated
16 under paragraph (d) in conjunction with this paragraph than when
17 calculated under paragraph (b), in conjunction with paragraph
18 (c). An employee who retires under the formula annuity before
19 the normal retirement age shall be paid the normal annuity
20 provided in paragraph (d) reduced so that the reduced annuity is
21 the actuarial equivalent of the annuity that would be payable to
22 the employee if the employee deferred receipt of the annuity and
23 the annuity amount were augmented at an annual rate of three
24 percent compounded annually from the day the annuity begins to
25 accrue until the normal retirement age.

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

34 Sec. 9. [354.70] [CONSOLIDATION OF THE MINNEAPOLIS
35 TEACHERS RETIREMENT FUND ASSOCIATION.]

36 Subdivision 1. [MEMBERSHIP TRANSFER.] All active,

1 inactive, and retired members of the Minneapolis Teachers
2 Retirement Fund Association are transferred to the Teachers
3 Retirement Association and are no longer members of the
4 Minneapolis Teachers Retirement Fund Association as of the
5 effective date of this section.

6 Subd. 2. [TRA MEMBERSHIP.] A person first hired as a
7 teacher by Special School District No. 1, Minneapolis, after the
8 effective date of this section and who is a teacher as defined
9 in section 354.05, subdivision 2, is a member of the Teachers
10 Retirement Association for the person's teaching service.

11 Subd. 3. [SERVICE CREDIT AND LIABILITY TRANSFER.] All
12 allowable service and salary credit of the members and other
13 individuals transferred under subdivision 1 as specified in the
14 records of the Minneapolis Teachers Retirement Fund Association
15 on the transfer date is allowable service credit under section
16 354.05, subdivision 13, formula service credit under section
17 354.05, subdivision 25, and salary credit under section 354.05,
18 subdivision 35, for the Teachers Retirement Association.

19 Subd. 4. [TRANSFER OF RECORDS.] On the effective date of
20 this section, the chief administrative officer of the
21 Minneapolis Teachers Retirement Fund Association shall effect a
22 transfer of all records and documents relating to the funds and
23 the benefit plans of the association to the executive director
24 of the Teachers Retirement Association. To the extent possible,
25 original copies of all records and documents must be
26 transferred. The chief administrative officer of the
27 Minneapolis Teachers Retirement Fund Association shall certify
28 the accuracy of all records and documents for which the transfer
29 of original copies was not possible.

30 Subd. 5. [TRANSFER OF ASSETS.] (a) On the effective date
31 of this section, the chief administrative officer of the
32 Minneapolis Teachers Retirement Fund Association shall transfer
33 to the Teachers Retirement Association the entire assets of the
34 Minneapolis Teachers Retirement Fund Association. The transfer
35 of the assets of the Minneapolis Teachers Retirement Fund
36 Association must include any accounts receivable that are

1 determined by the executive director of the State Board of
2 Investment as reasonably capable of being collected. Legal
3 title to account receivables that are determined by the
4 executive director of the State Board of Investment as not
5 reasonably capable of being collected transfers to Special
6 School District No. 1, Minneapolis, as of the date of the
7 determination of the executive director of the State Board of
8 Investment. If the account receivables transferred to Special
9 School District No. 1, Minneapolis, are subsequently recovered
10 by the school district, the superintendent of Special School
11 District No. 1, Minneapolis, shall transfer the recovered amount
12 to the executive director of the Teachers Retirement
13 Association, in cash, for deposit in the teachers retirement
14 fund, less the reasonable expenses of the school district
15 related to the recovery.

16 (b) As of the effective date of this section, subject to
17 the authority of the State Board of Investment, the board of
18 directors of the Teachers Retirement Association has legal title
19 to and management responsibility for any transferred assets
20 under this subdivision as trustees for any person having a
21 beneficial interest in the Minneapolis Teachers Retirement Fund
22 Association. The Teachers Retirement Association is the
23 successor in interest for all claims for and against the former
24 coordinated program of the Minneapolis Teachers Retirement Fund
25 Association with respect to the retirement fund association,
26 except a claim against the Minneapolis Teachers Retirement Fund
27 Association or any person connected with the fund association in
28 a fiduciary capacity, based on any act or acts by that person
29 which were not done in good faith and which constituted a breach
30 of the obligation of the person as a fiduciary. As the
31 successor in interest, the Teachers Retirement Association may
32 assert any applicable defense in any judicial proceeding which
33 the board of the Minneapolis Teachers Retirement Fund
34 Association would have otherwise been entitled to assert
35 relating to the coordinated program.

36 (c) From the assets of the Minneapolis Teachers Retirement

1 Fund Association transferred to the Teachers Retirement
2 Association, an amount equal to the percentage figure that
3 represents the ratio between the market value of the Minnesota
4 postretirement investment fund as of June 30, 2005, and the
5 required reserves of the Minnesota postretirement investment
6 fund as of June 30, 2005, applied to the present value of future
7 benefits payable to annuitants of the former Minneapolis
8 Teachers Retirement Fund Association as of June 30, 2005,
9 including any postretirement adjustment from the Minnesota
10 postretirement investment fund expected to be payable on January
11 1, 2006, must be transferred to the Minnesota postretirement
12 investment fund. The executive director of the State Board of
13 Investment shall estimate this ratio at the time of the
14 transfer. By January 1, 2006, after all necessary financial
15 information becomes available to determine the actual funded
16 ratio of the Minnesota postretirement investment fund, the
17 postretirement fund must refund to the Teachers Retirement
18 Association any excess assets or the Teachers Retirement
19 Association must contribute any deficiency to the Minnesota
20 postretirement investment fund with interest under section
21 11A.18, subdivision 6. The balance of the assets of the former
22 Minneapolis Teachers Retirement Fund Association after the
23 transfer to the Minnesota postretirement investment fund must be
24 credited to the Teachers Retirement Association.

25 If the assets transferred by the Minneapolis Teachers
26 Retirement Fund Association to the Teachers Retirement
27 Association are insufficient to meet its obligation to the
28 Minnesota postretirement investment fund, additional assets must
29 be transferred by the executive director of the Teachers
30 Retirement Association to meet the amount required.

31 Subd. 6. [BENEFIT CALCULATION.] (a) For every deferred,
32 inactive, disabled, and retired member of the Minneapolis
33 Teachers Retirement Fund Association transferred under
34 subdivision 1, and the survivors of these members, annuities or
35 benefits earned before the date of the transfer, other than
36 future postretirement adjustments, must be calculated and paid

1 by the Teachers Retirement Association under the laws, articles
2 of incorporation, and bylaws of the former Minneapolis Teachers
3 Retirement Fund Association that were in effect relative to the
4 person on the date of the person's termination of active service
5 covered by the former Minneapolis Teachers Retirement Fund
6 Association.

7 (b) Former Minneapolis Teachers Retirement Fund Association
8 members who retired before July 1, 2005, must receive
9 postretirement adjustments after January 1, 2006, only as
10 provided in section 11A.18. All other benefit recipients of the
11 former Minneapolis Teachers Retirement Fund Association must
12 receive postretirement adjustments after January 1, 2006, only
13 as provided in section 356.41.

14 Subd. 7. [TERMINATION OF THE MINNEAPOLIS TEACHERS
15 RETIREMENT FUND ASSOCIATION.] As of the effective date of this
16 section and upon the transfer of administration, records,
17 assets, and liabilities from the Minneapolis Teachers Retirement
18 Fund Association to the Teachers Retirement Association, the
19 Minneapolis Teachers Retirement Fund Association ceases to exist
20 as a Minnesota public pension plan.

21 Sec. 10. [354.75] [MINNEAPOLIS EMPLOYEES RETIREMENT FUND
22 STATE AID REDEDICATED.]

23 Subdivision 1. [APPROPRIATION.] The positive difference,
24 if any, between the actual state aid paid to the Minneapolis
25 Employees Retirement Fund under section 422A.101, subdivision 3,
26 and \$8,065,000 annually is appropriated from the general fund to
27 the commissioner of finance for deposit in the Teachers
28 Retirement Association to offset all or a portion of the current
29 and future unfunded actuarial accrued liability of the
30 Minneapolis Teachers Retirement Fund Association.

31 Subd. 2. [FINANCIAL REQUIREMENTS.] The appropriation in
32 subdivision 1 is available to the extent that financial
33 requirements of the Minneapolis Employees Retirement Fund under
34 section 422A.101, subdivision 3, have been satisfied.

35 Sec. 11. Minnesota Statutes 2004, section 354A.011,
36 subdivision 15a, is amended to read:

1 Subd. 15a. [NORMAL RETIREMENT AGE.] "Normal retirement
2 age" means age 65 for a person who first became a member of the
3 coordinated program of the ~~Minneapolis-er~~ St. Paul Teachers
4 Retirement Fund Association or the new law coordinated program
5 of the Duluth Teachers Retirement Fund Association or a member
6 of a pension fund listed in section 356.30, subdivision 3,
7 before July 1, 1989. For a person who first became a member of
8 the coordinated program of the ~~Minneapolis-er~~ St. Paul Teachers
9 Retirement Fund Association or the new law coordinated program
10 of the Duluth Teachers Retirement Fund Association after June
11 30, 1989, normal retirement age means the higher of age 65 or
12 retirement age, as defined in United States Code, title 42,
13 section 416(1), as amended, but not to exceed age 66. For a
14 person who is a member of the basic program of the ~~Minneapolis~~
15 ~~er~~ St. Paul Teachers Retirement Fund Association or the old law
16 coordinated program of the Duluth Teachers Retirement Fund
17 Association, normal retirement age means the age at which a
18 teacher becomes eligible for a normal retirement annuity
19 computed upon meeting the age and service requirements specified
20 in the applicable provisions of the articles of incorporation or
21 bylaws of the respective teachers retirement fund association.

22 Sec. 12. Minnesota Statutes 2004, section 354A.011,
23 subdivision 27, is amended to read:

24 Subd. 27. [TEACHER.] (a) "Teacher" means any person who
25 renders service for a public school district, other than a
26 charter school, located in the corporate limits of ~~one-of~~ the
27 cities of ~~the-first-class-which-was-so-classified-on-January-17~~
28 ~~1979~~ Duluth and St. Paul, as any of the following:

29 (1) a full-time employee in a position for which a valid
30 license from the state Department of Education is required;

31 (2) an employee of the teachers retirement fund association
32 located in the city of the first class unless the employee has
33 exercised the option pursuant to Laws 1955, chapter 10, section
34 1, to retain membership in the Minneapolis Employees Retirement
35 Fund established pursuant to chapter 422A;

36 (3) a part-time employee in a position for which a valid

1 license from the state Department of Education is required; or

2 (4) a part-time employee in a position for which a valid
3 license from the state Department of Education is required who
4 also renders other nonteaching services for the school district,
5 unless the board of trustees of the teachers retirement fund
6 association determines that the combined employment is on the
7 whole so substantially dissimilar to teaching service that the
8 service may not be covered by the association.

9 (b) The term does not mean any person who renders service
10 in the school district as any of the following:

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

13 (2) an employee who is a full-time teacher covered by the
14 Teachers Retirement Association or by another teachers
15 retirement fund association established pursuant to this chapter
16 or chapter 354;

17 (3) an employee exempt from licensure pursuant to section
18 122A.30;

19 (4) an employee who is a teacher in a technical college
20 located in a city of the first class unless the person elects
21 coverage by the applicable first class city teacher retirement
22 fund association under section 354B.21, subdivision 2;

23 (5) a teacher employed by a charter school, irrespective of
24 the location of the school; or

25 (6) an employee who is a part-time teacher in a technical
26 college in a city of the first class and who has elected
27 coverage by the applicable first class city teacher retirement
28 fund association under section 354B.21, subdivision 2, but (i)
29 the teaching service is incidental to the regular nonteaching
30 occupation of the person; (ii) the applicable technical college
31 stipulates annually in advance that the part-time teaching
32 service will not exceed 300 hours in a fiscal year; and (iii)
33 the part-time teaching actually does not exceed 300 hours in the
34 fiscal year to which the certification applies.

35 Sec. 13. Minnesota Statutes 2004, section 354A.021,
36 subdivision 1, is amended to read:

1 Subdivision 1. [ESTABLISHMENT.] There is established a
2 teachers retirement fund association in each of the cities of
3 ~~the first class which were so classified on January 1,~~
4 ~~1979~~ Duluth and St. Paul. The associations shall be known
5 respectively as the "Duluth Teachers Retirement Fund
6 Association," ~~the "Minneapolis Teachers Retirement Fund~~
7 ~~Association"~~ and the "St. Paul Teachers Retirement Fund
8 Association." Each association shall be a continuation of the
9 teachers retirement fund association with the same corporate
10 name established pursuant to the authorization contained in Laws
11 1909, chapter 343, section 1.

12 Sec. 14. Minnesota Statutes 2004, section 354A.092, is
13 amended to read:

14 354A.092 [SABBATICAL LEAVE.]

15 Any teacher in the coordinated program of ~~either the~~
16 ~~Minneapolis Teachers Retirement Fund Association or the St.~~
17 Paul Teachers Retirement Fund Association or any teacher in the
18 new law coordinated program of the Duluth Teachers Retirement
19 Fund Association who is granted a sabbatical leave shall be
20 entitled to receive allowable service credit in the applicable
21 association for periods of sabbatical leave. To obtain the
22 service credit, the teacher on sabbatical leave shall make an
23 employee contribution to the applicable association. No teacher
24 shall be entitled to receive more than three years of allowable
25 service credit pursuant to this section for a period or periods
26 of sabbatical leave during any ten consecutive fiscal or
27 calendar years, whichever is the applicable plan year for the
28 teachers retirement fund association. If the teacher granted a
29 sabbatical leave makes the employee contribution for a period of
30 sabbatical leave pursuant to this section, the employing unit
31 shall make an employer contribution on behalf of the teacher to
32 the applicable association for that period of sabbatical leave
33 in the manner described in section 354A.12, subdivision 2a. The
34 employee and employer contributions shall be in an amount equal
35 to the employee and employer contribution rates in effect for
36 other active members of the association covered by the same

1 program applied to a salary figure equal to the teacher's actual
2 covered salary for the plan year immediately preceding the
3 sabbatical leave period. Payment of the employee contribution
4 authorized pursuant to this section shall be made by the teacher
5 on or before June 30 of year next following the year in which
6 the sabbatical leave terminated and shall be made without
7 interest. For sabbatical leaves taken after June 30, 1986, the
8 required employer contributions shall be paid by the employing
9 unit within 30 days after notification by the association of the
10 amount due. If the employee contributions for the sabbatical
11 leave period are less than an amount equal to the applicable
12 contribution rate applied to a salary figure equal to the
13 teacher's actual covered salary for the plan year immediately
14 preceding the sabbatical leave period, service credit shall be
15 prorated. The prorated service credit shall be determined by
16 the ratio between the amount of the actual payment which was
17 made and the full contribution amount payable pursuant to this
18 section.

19 Sec. 15. Minnesota Statutes 2004, section 354A.093,
20 subdivision 1, is amended to read:

21 Subdivision 1. [ELIGIBILITY.] Any teacher in the
22 coordinated program of ~~either-the-Minneapolis-Teachers~~
23 ~~Retirement-Fund-Association-or~~ the St. Paul Teachers Retirement
24 Fund Association or any teacher in the new law coordinated
25 program of the Duluth Teachers Retirement Fund Association who
26 is absent from employment by reason of service in the uniformed
27 services as defined in United States Code, title 38, section
28 4303(13) and who returns to the employer providing active
29 teaching service upon discharge from uniformed service within
30 the time frames required under United States Code, title 38,
31 section 4312(e), may receive allowable service credit in the
32 applicable association for all or a portion of the period of
33 uniformed service, provided that the teacher did not separate
34 from uniformed service with a dishonorable or bad conduct
35 discharge or under other than honorable conditions.

36 Sec. 16. Minnesota Statutes 2004, section 354A.095, is

1 amended to read:

2 354A.095 [PARENTAL AND MATERNITY LEAVE.]

3 Basic or coordinated members of the St. Paul Teachers
4 Retirement Fund Association, ~~the Minneapolis Teachers Retirement~~
5 ~~Fund Association~~, and new coordinated members of the Duluth
6 Teachers Retirement Fund Association, who are granted parental
7 or maternity leave of absence by the employing authority, are
8 entitled to obtain service credit not to exceed one year for the
9 period of leave upon payment to the applicable fund by the end
10 of the fiscal year following the fiscal year in which the leave
11 of absence terminated. The amount of the payment must include
12 the total required employee and employer contributions for the
13 period of leave prescribed in section 354A.12. Payment must be
14 based on the member's average monthly salary rate upon return to
15 teaching service, and is payable without interest. Payment must
16 be accompanied by a certified or otherwise adequate copy of the
17 resolution or action of the employing authority granting or
18 approving the leave.

19 Sec. 17. Minnesota Statutes 2004, section 354A.096, is
20 amended to read:

21 354A.096 [MEDICAL LEAVE.]

22 Any teacher in the coordinated program of ~~either the~~
23 ~~Minneapolis Teachers Retirement Fund Association or~~ the St. Paul
24 Teachers Retirement Fund Association or the new law coordinated
25 program of the Duluth Teachers Retirement Fund Association who
26 is on an authorized medical leave of absence and subsequently
27 returns to teaching service is entitled to receive allowable
28 service credit, not to exceed one year, for the period of leave,
29 upon making the prescribed payment to the fund. This payment
30 must include the required employee and employer contributions at
31 the rates specified in section 354A.12, subdivisions 1 and 2, as
32 applied to the member's average full-time monthly salary rate on
33 the date the leave of absence commenced plus annual interest at
34 the rate of 8.5 percent per year from the end of the fiscal year
35 during which the leave terminates to the end of the month during
36 which payment is made. The member must pay the total amount

1 required unless the employing unit, at its option, pays the
 2 employer contributions. The total amount required must be paid
 3 by the end of the fiscal year following the fiscal year in which
 4 the leave of absence terminated or before the member retires,
 5 whichever is earlier. Payment must be accompanied by a copy of
 6 the resolution or action of the employing authority granting the
 7 leave and the employing authority, upon granting the leave, must
 8 certify the leave to the association in a manner specified by
 9 the executive director. A member may not receive more than one
 10 year of allowable service credit during any fiscal year by
 11 making payment under this section. A member may not receive
 12 disability benefits under section 354A.36 and receive allowable
 13 service credit under this section for the same period of time.

14 Sec. 18. Minnesota Statutes 2004, section 354A.12,
 15 subdivision 1, is amended to read:

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

21 Association and Program	22 Percentage of Total Salary
23 Duluth Teachers Retirement	
24 Association	
25 old law and new law	
26 coordinated programs	5.5 percent
27 Minneapolis-Teachers-Retirement	
28 Association	
29 basic-program	8.5-percent
30 coordinated-program	5.5-percent
31 St. Paul Teachers Retirement	
32 Association	
33 basic program	8 percent
34 coordinated program	5.5 percent

35 Contributions shall be made by deduction from salary and
 36 must be remitted directly to the respective teachers retirement

1 fund association at least once each month.

2 Sec. 19. Minnesota Statutes 2004, section 354A.12,
3 subdivision 2, is amended to read:

4 Subd. 2. [RETIREMENT CONTRIBUTION LEVY DISALLOWED.] Except
5 as provided in ~~subdivision 3b and in section 423A.02,~~
6 ~~subdivision 3, with respect to the city of Minneapolis and~~
7 ~~special school district No. 1 and in~~ section 423A.02,
8 subdivision 3, with respect to independent school district No.
9 625, notwithstanding any law to the contrary, levies for
10 teachers retirement fund associations in the cities of ~~the first~~
11 ~~class~~ Duluth and St. Paul, including levies for any employer
12 Social Security taxes for teachers covered by the Duluth
13 Teachers Retirement Fund Association or the ~~Minneapolis Teachers~~
14 ~~Retirement Fund Association or the~~ St. Paul Teachers Retirement
15 Fund Association, are disallowed.

16 Sec. 20. Minnesota Statutes 2004, section 354A.12,
17 subdivision 2a, is amended to read:

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

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

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

31	Duluth Teachers Retirement	
32	Fund Association	4.50 percent
33	Minneapolis Teachers Retirement	
34	Fund Association	4.50 percent
35	St. Paul Teachers Retirement	
36	Fund Association	4.50 percent;

1 (3) for any basic member of ~~one-of the following~~ St. Paul
 2 Teachers Retirement Fund associations-in-a-city-of-the-first
 3 class Association, the employing unit shall make a regular
 4 employer contribution to the respective retirement fund in an
 5 amount equal to ~~the-designated-percentage~~ 8.00 percent of the
 6 salary of the basic member ~~as-provided-below:~~

7	Minneapolis-Teachers-Retirement	
8	Fund-Association	8-50-percent
9	St.-Paul-Teachers-Retirement	
10	Fund-Association	8-00-percent;

11 (4) for a basic member of a the St. Paul Teachers
 12 Retirement Fund Association in-a-city-of-the-first-class, the
 13 employing unit shall make an additional employer contribution to
 14 the respective fund in an amount equal to ~~the-designated~~
 15 percentage 3.64 percent of the salary of the basic member, ~~as~~
 16 ~~provided-below:~~

17	Minneapolis-Teachers-Retirement	
18	Fund-Association	
19	July-1,--1993---June-30,--1994	4-85-percent
20	July-1,--1994,--and-thereafter	3-64-percent
21	St.-Paul-Teachers-Retirement	
22	Fund-Association	
23	July-1,--1993---June-30,--1995	4-63-percent
24	July-1,--1995,--and-thereafter	3-64-percent;

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

30	Duluth Teachers Retirement	
31	Fund Association	1.29 percent
32	Minneapolis-Teachers-Retirement	
33	Fund-Association	
34	July-1,--1993---June-30,--1994	8-50-percent
35	July-1,--1994,--and-thereafter	3-64-percent
36	St. Paul Teachers Retirement	

1 Fund Association

2 July 1, 1993 - June 30, 1994 0.50 percent

3 July 1, 1994 - June 30, 1995 1.50 percent

4 July 1, 1997, and thereafter 3.84 percent.

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

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

13 Sec. 21. Minnesota Statutes 2004, section 354A.12,
14 subdivision 3a, is amended to read:

15 Subd. 3a. [SPECIAL DIRECT STATE AID TO FIRST CLASS CITY
16 TEACHERS RETIREMENT FUND ASSOCIATIONS.] (a) In fiscal year 1998,
17 the state shall pay \$4,827,000 to the St. Paul Teachers
18 Retirement Fund Association, \$17,954,000 to the Minneapolis
19 Teachers Retirement Fund Association, and \$486,000 to the Duluth
20 Teachers Retirement Fund Association. In each subsequent fiscal
21 year after fiscal year 2005, these payments to the first class
22 city teachers retirement fund associations must be \$2,827,000
23 for St. Paul, \$12,954,000 to the Teachers Retirement Association
24 for the former Minneapolis Teachers Retirement Fund Association,
25 and \$486,000 for Duluth.

26 (b) The direct state aids under this subdivision are
27 payable October 1 annually. The commissioner of finance shall
28 pay the direct state aid. The amount required under this
29 subdivision is appropriated annually from the general fund to
30 the commissioner of finance.

31 Sec. 22. Minnesota Statutes 2004, section 354A.12,
32 subdivision 3b, is amended to read:

33 Subd. 3b. [SPECIAL DIRECT STATE MATCHING AID TO THE
34 ~~MINNEAPOLIS~~ TEACHERS RETIREMENT FUND ASSOCIATION.] (a) Special
35 School District No. 1 ~~may~~ must make an additional employer
36 contribution to the ~~Minneapolis~~ Teachers Retirement Fund

1 Association. The city of Minneapolis may must make a
2 contribution to the Minneapolis Teachers Retirement Fund
3 Association. This contribution may must be made by a levy of
4 the board of estimate and taxation of the city of Minneapolis
5 and the levy, if made, is classified as that of a special taxing
6 district for purposes of sections 275.065 and 276.04, and for
7 all other property tax purposes.

8 (b) ~~For every \$1,000~~ \$1,125,000 must be contributed in
9 ~~equal proportion~~ by Special School District No. 1 and \$1,125,000
10 must be contributed by the city of Minneapolis to
11 the Minneapolis Teachers Retirement Fund Association under
12 paragraph (a), and the state shall pay to the Minneapolis
13 Teachers Retirement Fund Association ~~\$1,000,000, but not to~~
14 ~~exceed \$2,500,000 in total in each~~ fiscal year 1994. The
15 superintendent of Special School District No. 1, the mayor of
16 the city of Minneapolis, and the executive director of
17 the Minneapolis Teachers Retirement Fund Association shall
18 jointly certify to the commissioner of finance the total amount
19 that has been contributed by Special School District No. 1 and
20 by the city of Minneapolis to the Minneapolis Teachers
21 Retirement Fund Association. Any certification to the
22 commissioner of education must be made quarterly. If the total
23 certifications for a fiscal year exceed the maximum annual
24 direct state matching aid amount in any quarter, the amount of
25 direct state matching aid payable to the Minneapolis Teachers
26 Retirement Fund Association must be limited to the balance of
27 the maximum annual direct state matching aid amount available.
28 The amount required under this paragraph, subject to the maximum
29 direct state matching aid amount, is appropriated annually to
30 the commissioner of finance.

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

33 Sec. 23. Minnesota Statutes 2004, section 354A.12,
34 subdivision 3c, is amended to read:

35 Subd. 3c. [TERMINATION OF SUPPLEMENTAL CONTRIBUTIONS AND
36 DIRECT MATCHING AND STATE AID.] (a) The supplemental

1 contributions payable to the ~~Minneapolis-Teachers-Retirement~~
2 ~~Fund-Association-by-special-school-district-No.-1-and-the-city~~
3 ~~of-Minneapolis-under-section-423A.027-subdivision-37-or-to-the~~
4 St. Paul Teachers Retirement Fund Association by Independent
5 School District No. 625 under section 423A.02, subdivision 3, or
6 the direct state aids under subdivision 3a to the ~~first-class~~
7 ~~city~~ St. Paul Teachers Retirement associations, ~~and-the-direct~~
8 ~~matching-and-state-aid-under-subdivision-3b-to-the-Minneapolis~~
9 Teachers-Retirement Fund Association terminate for the
10 ~~respective-fund~~ at the end of the fiscal year in which the
11 accrued liability funding ratio for that fund, as determined in
12 the most recent actuarial report for that fund by the actuary
13 retained by the Legislative Commission on Pensions and
14 Retirement, equals or exceeds the accrued liability funding
15 ratio for the teachers retirement association, as determined in
16 the most recent actuarial report for the Teachers Retirement
17 Association by the actuary retained by the Legislative
18 Commission on Pensions and Retirement.

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

23 (c) If ~~either-the-Minneapolis-Teachers-Retirement-Fund~~
24 ~~Association,~~ the St. Paul Teachers Retirement Fund Association,
25 ~~or-the-Duluth-Teachers-Retirement-Fund-Association-remain~~ is
26 funded at ~~less-than~~ the funding ratio applicable to the teachers
27 retirement association when the provisions of paragraph (b)
28 become effective, then any state aid ~~not~~ previously distributed
29 to that association must be immediately transferred to the ~~other~~
30 ~~associations-in-proportion-to-the-relative-sizes-of-their~~
31 ~~unfunded-actuarial-accrued-liabilities~~ Teachers Retirement
32 Association.

33 Sec. 24. Minnesota Statutes 2004, section 354A.12,
34 subdivision 3d, is amended to read:

35 Subd. 3d. [SUPPLEMENTAL ADMINISTRATIVE EXPENSE
36 ASSESSMENT.] (a) The active and retired membership of the

1 ~~Minneapolis-Teachers-Retirement-Fund-Association-and-of-the~~ St.
2 Paul Teachers Retirement Fund Association is responsible for
3 defraying supplemental administrative expenses other than
4 investment expenses of the respective teacher retirement fund
5 association.

6 (b) Investment expenses of the teachers retirement fund
7 association are those expenses incurred by or on behalf of the
8 retirement fund in connection with the investment of the assets
9 of the retirement fund other than investment security
10 transaction costs. Other administrative expenses are all
11 expenses incurred by or on behalf of the retirement fund for all
12 other retirement fund functions other than the investment of
13 retirement fund assets. Investment and other administrative
14 expenses must be accounted for using generally accepted
15 accounting principles and in a manner consistent with the
16 comprehensive annual financial report of the teachers retirement
17 fund association for the immediately previous fiscal year under
18 section 356.20.

19 (c) Supplemental administrative expenses other than
20 investment expenses of ~~a-first-class-city-teacher~~ the St. Paul
21 Teachers Retirement Fund Association are those expenses for the
22 fiscal year that:

23 (1) exceed, for the St. Paul Teachers Retirement Fund
24 Association, ~~\$443,745,-or-for-the-Minneapolis-Teacher-Retirement~~
25 ~~Fund-Association-\$671,513,~~ plus, ~~in-each-case,~~ an additional
26 amount derived by applying the percentage increase in the
27 Consumer Price Index for Urban Wage Earners and Clerical Workers
28 All Items Index published by the Bureau of Labor Statistics of
29 the United States Department of Labor since July 1, 2001, to the
30 ~~applicable~~ dollar amount; and

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

36 (d) The board of trustees of ~~each-first-class-city~~ the St.

1 Paul Teachers Retirement Fund Association shall allocate the
2 total dollar amount of supplemental administrative expenses
3 other than investment expenses determined under paragraph (c),
4 clause (2), among the various active and retired membership
5 groups of the teachers retirement fund association and shall
6 assess the various membership groups their respective share of
7 the supplemental administrative expenses other than investment
8 expenses, in amounts determined by the board of trustees. The
9 supplemental administrative expense assessments must be paid by
10 the membership group in a manner determined by the board of
11 trustees of the respective teachers retirement association.
12 Supplemental administrative expenses payable by the active
13 members of the pension plan must be picked up by the employer in
14 accordance with section 356.62.

15 (e) With respect to the St. Paul Teachers Retirement Fund
16 Association, the supplemental administrative expense assessment
17 must be fully disclosed to the various active and retired
18 membership groups of the teachers retirement fund association.
19 The chief administrative officer of the St. Paul Teachers
20 Retirement Fund Association shall prepare a supplemental
21 administrative expense assessment disclosure notice, which must
22 include the following:

23 (1) the total amount of administrative expenses of the St.
24 Paul Teachers Retirement Fund Association, the amount of the
25 investment expenses of the St. Paul Teachers Retirement Fund
26 Association, and the net remaining amount of administrative
27 expenses of the St. Paul Teachers Retirement Fund Association;

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

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

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

1 (5) the manner of collecting the supplemental
2 administrative expense assessment from each membership group,
3 the number of assessment payments required during the year, and
4 the amount of each payment or the procedure used to determine
5 each payment; and

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

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

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

15 (h) Any omitted active membership group assessments that
16 remain undeducted and unpaid to the teachers retirement fund
17 association for 90 days must be paid by the respective school
18 district. The school district may recover any omitted active
19 membership group assessment amounts that it has previously
20 paid. The teachers retirement fund association shall deduct any
21 omitted retired membership group assessment amounts from the
22 benefits next payable after the discovery of the omitted amounts.

23 Sec. 25. Minnesota Statutes 2004, section 354A.30, is
24 amended to read:

25 354A.30 [MINNEAPOLIS-AND ST. PAUL TEACHERS RETIREMENT
26 FUND ASSOCIATIONS ASSOCIATION; COORDINATED PROGRAM.]

27 There is established a coordinated program within the
28 ~~Minneapolis-Teachers-Retirement-Fund-Association-and-a~~
29 ~~coordinated-program-within-the~~ St. Paul Teachers Retirement Fund
30 Association to provide retirement coverage for teachers who are
31 covered by an agreement or modification made between the state
32 and the secretary of health, education and welfare making the
33 provisions of the federal Old Age, Survivors and Disability
34 Insurance Act applicable to certain teachers covered by the
35 teachers retirement fund association. The provisions governing
36 the coordinated program shall be sections 354A.31 to 354A.41 and

1 any other applicable provisions of this chapter.

2 Sec. 26. Minnesota Statutes 2004, section 354A.31,
3 subdivision 4, is amended to read:

4 Subd. 4. [COMPUTATION OF THE NORMAL COORDINATED RETIREMENT
5 ANNUITY; ~~MINNEAPOLIS-AND ST. PAUL FUNDS.~~] (a) This subdivision
6 applies to the coordinated ~~programs~~ program of the ~~Minneapolis~~
7 ~~Teachers-Retirement-Fund-Association-and-the~~ St. Paul Teachers
8 Retirement Fund Association.

9 (b) The normal coordinated retirement annuity shall be an
10 amount equal to a retiring coordinated member's average salary
11 multiplied by the retirement annuity formula percentage.
12 Average salary for purposes of this section shall mean an amount
13 equal to the average salary upon which contributions were made
14 for the highest five successive years of service credit, but
15 which shall not in any event include any more than the
16 equivalent of 60 monthly salary payments. Average salary must
17 be based upon all years of service credit if this service credit
18 is less than five years.

19 (c) This paragraph, in conjunction with subdivision 6,
20 applies to a person who first became a member or a member in a
21 pension fund listed in section 356.30, subdivision 3, before
22 July 1, 1989, unless paragraph (d), in conjunction with
23 subdivision 7, produces a higher annuity amount, in which case
24 paragraph (d) will apply. The retirement annuity formula
25 percentage for purposes of this paragraph is the percent
26 specified in section 356.315, subdivision 1, per year for each
27 year of coordinated service for the first ten years and the
28 percent specified in section 356.315, subdivision 2, for each
29 year of coordinated service thereafter.

30 (d) This paragraph applies to a person who has become at
31 least 55 years old and who first becomes a member after June 30,
32 1989, and to any other member who has become at least 55 years
33 old and whose annuity amount, when calculated under this
34 paragraph and in conjunction with subdivision 7 is higher than
35 it is when calculated under paragraph (c), in conjunction with
36 the provisions of subdivision 6. The retirement annuity formula

1 percentage for purposes of this paragraph is the percent
2 specified in section 356.315, subdivision 2, for each year of
3 coordinated service.

4 Sec. 27. Minnesota Statutes 2004, section 354A.32,
5 subdivision 1, is amended to read:

6 Subdivision 1. [OPTIONAL FORMS GENERALLY.] The ~~boards~~
7 board of the ~~Minneapolis-and-the~~ St. Paul Teachers Retirement
8 ~~Fund Associations Association~~ shall each establish for the
9 coordinated program and the board of the Duluth Teachers
10 Retirement Fund Association shall establish for the new law
11 coordinated program an optional retirement annuity which shall
12 take the form of a joint and survivor annuity. Each board may
13 also in its discretion establish an optional annuity which shall
14 take the form of an annuity payable for a period certain and for
15 life thereafter. Each board shall also establish an optional
16 retirement annuity that guarantees payment of the balance of the
17 annuity recipient's accumulated deductions to a designated
18 beneficiary upon the death of the annuity recipient. Except as
19 provided in subdivision 1a, optional annuity forms shall be the
20 actuarial equivalent of the normal forms provided in section
21 354A.31. In establishing these optional annuity forms, the
22 board shall obtain the written recommendation of the
23 commission-retained actuary. The recommendation shall be a part
24 of the permanent records of the board.

25 Sec. 28. Minnesota Statutes 2004, section 354A.39, is
26 amended to read:

27 354A.39 [SERVICE IN OTHER PUBLIC RETIREMENT FUNDS;
28 ANNUITY.]

29 Any person who has been a member of the Minnesota State
30 Retirement System, the Public Employees Retirement Association
31 including the Public Employees Retirement Association Police and
32 Fire Fund, the Teachers Retirement Association, the Minnesota
33 State Patrol Retirement Association, the legislators retirement
34 plan, the constitutional officers retirement plan, the
35 Minneapolis Employees Retirement Fund, the Duluth Teachers
36 Retirement Fund Association new law coordinated program, the

1 ~~Minneapolis-Teachers-Retirement-Fund-Association-coordinated~~
2 ~~program~~, the St. Paul Teachers Retirement Fund Association
3 coordinated program, or any other public employee retirement
4 system in the state of Minnesota having a like provision but
5 excluding all other funds providing retirement benefits for
6 police officers or firefighters shall be entitled when qualified
7 to an annuity from each fund if the person's total allowable
8 service in all of the funds or in any two or more of the funds
9 totals three or more years, provided that no portion of the
10 allowable service upon which the retirement annuity from one
11 fund is based is used again in the computation for a retirement
12 annuity from another fund and provided further that the person
13 has not taken a refund from any of funds or associations since
14 the person's membership in the fund or association has
15 terminated. The annuity from each fund or association shall be
16 determined by the appropriate provisions of the law governing
17 each fund or association, except that the requirement that a
18 person must have at least three years of allowable service in
19 the respective fund or association shall not apply for the
20 purposes of this section, provided that the aggregate service in
21 two or more of these funds equals three or more years.

22 Sec. 29. Minnesota Statutes 2004, section 354A.40,
23 subdivision 1, is amended to read:

24 Subdivision 1. [RETIREMENT ANNUITY.] Any coordinated
25 member of ~~either-the-Minneapolis-Teachers-Retirement-Fund~~
26 ~~Association-or-of~~ the St. Paul Teachers Retirement Fund
27 Association who has credited service prior to July 1, 1978 shall
28 be entitled to receive a retirement annuity when otherwise
29 qualified, the calculation of which shall utilize the applicable
30 retirement annuity formula specified in articles of
31 incorporation and bylaws of the teachers retirement fund
32 association governing the basic program for that portion of
33 credited service which was served prior to July 1, 1978, and the
34 retirement annuity formula specified in section 354A.31 for the
35 remainder of the member's credited service, both applied to the
36 member's average salary as specified in section 354A.31,

1 subdivision 4. The formula percentages to be used in
2 calculating the coordinated portion of the retirement annuity or
3 coordinated service under this section shall recognize the
4 coordinated service as a continuation of any service prior to
5 July 1, 1978.

6 Sec. 30. Minnesota Statutes 2004, section 354A.41, is
7 amended to read:

8 354A.41 [ADMINISTRATION OF COORDINATED PROGRAM.]

9 Subdivision 1. [ADMINISTRATIVE PROVISIONS.] The provisions
10 of the articles of incorporation and bylaws of the ~~Minneapolis~~
11 ~~or the~~ St. Paul Teachers Retirement Fund Association, ~~whichever~~
12 ~~is applicable,~~ relating to the administration of the fund shall
13 govern the administration of the coordinated program and the
14 provisions of the articles of incorporation and bylaws of the
15 Duluth Teachers Retirement Fund Association relating to the
16 administration of the fund shall govern the administration of
17 the new law coordinated program in instances where the
18 administrative provisions are not inconsistent with the
19 provisions of sections 354A.31 to 354A.41, including but not
20 limited to provisions relating to the composition and function
21 of the board of trustees, the investment of assets of the
22 teachers retirement fund association, and the definition of the
23 plan year.

24 Subd. 2. [ACTUARIAL VALUATIONS.] In any actuarial
25 valuation of the ~~Minneapolis-Teachers-Retirement-Fund~~
26 ~~Association,~~ the St. Paul Teachers Retirement Fund Association,
27 or the Duluth Teachers Retirement Fund Association under section
28 356.215 prepared by the commission-retained actuary or
29 supplemental actuarial valuation prepared by an approved actuary
30 retained by the teachers retirement fund association, there
31 shall be included a finding of the condition of the fund showing
32 separately the basic and coordinated programs or the old law
33 coordinated and new law coordinated programs, as appropriate.
34 The finding shall include the level normal cost and the
35 applicable employee and employer contribution rates for each
36 program.

1 Sec. 31. Minnesota Statutes 2004, section 356.20,
2 subdivision 2, is amended to read:

3 Subd. 2. [COVERED PUBLIC PENSION PLANS AND FUNDS.] This
4 section applies to the following public pension plans:

5 (1) the general state employees retirement plan of the
6 Minnesota State Retirement System;

7 (2) the general employees retirement plan of the Public
8 Employees Retirement Association;

9 (3) the Teachers Retirement Association;

10 (4) the State Patrol retirement plan;

11 (5) the ~~Minneapolis-Teachers-Retirement-Fund-Association;~~

12 ~~(6)-the~~ St. Paul Teachers Retirement Fund Association;

13 ~~(7)~~ (6) the Duluth Teachers Retirement Fund Association;

14 ~~(8)~~ (7) the Minneapolis Employees Retirement Fund;

15 ~~(9)~~ (8) the University of Minnesota faculty retirement
16 plan;

17 ~~(10)~~ (9) the University of Minnesota faculty supplemental
18 retirement plan;

19 ~~(11)~~ (10) the judges retirement fund;

20 ~~(12)~~ (11) a police or firefighter's relief association
21 specified or described in section 69.77, subdivision 1a, or
22 69.771, subdivision 1;

23 ~~(13)~~ (12) the public employees police and fire plan of the
24 Public Employees Retirement Association;

25 ~~(14)~~ (13) the correctional state employees retirement plan
26 of the Minnesota State Retirement System; and

27 ~~(15)~~ (14) the local government correctional service
28 retirement plan of the Public Employees Retirement Association.

29 Sec. 32. Minnesota Statutes 2004, section 356.214,
30 subdivision 1, is amended to read:

31 Subdivision 1. [JOINT RETENTION.] (a) The chief
32 administrative officers of the Minnesota State Retirement
33 System, the Public Employees Retirement Association, the
34 Teachers Retirement Association, the Duluth Teachers Retirement
35 Fund Association, ~~the-Minneapolis-Teachers-Retirement-Fund~~
36 ~~Association;~~ the Minneapolis Employees Retirement Fund, and the

1 St. Paul Teachers Retirement Fund Association, jointly, on
2 behalf of the state, its employees, its taxpayers, and its
3 various public pension plans, shall contract with an established
4 actuarial consulting firm to conduct annual actuarial valuations
5 and related services for the retirement plans named in paragraph
6 (b). The principal from the actuarial consulting firm on the
7 contract must be an approved actuary under section 356.215,
8 subdivision 1, paragraph (c). Prior to becoming effective, the
9 contract under this section is subject to a review and approval
10 by the Legislative Commission on Pensions and Retirement.

11 (b) The contract for actuarial services must include the
12 preparation of actuarial valuations and related actuarial work
13 for the following retirement plans:

14 (1) the teachers retirement plan, Teachers Retirement
15 Association;

16 (2) the general state employees retirement plan, Minnesota
17 State Retirement System;

18 (3) the correctional employees retirement plan, Minnesota
19 State Retirement System;

20 (4) the State Patrol retirement plan, Minnesota State
21 Retirement System;

22 (5) the judges retirement plan, Minnesota State Retirement
23 System;

24 (6) the Minneapolis employees retirement plan, Minneapolis
25 Employees Retirement Fund;

26 (7) the public employees retirement plan, Public Employees
27 Retirement Association;

28 (8) the public employees police and fire plan, Public
29 Employees Retirement Association;

30 (9) the Duluth teachers retirement plan, Duluth Teachers
31 Retirement Fund Association;

32 ~~(10) the Minneapolis-teachers-retirement-plan,-Minneapolis~~
33 ~~Teachers-Retirement-Fund-Association,~~

34 ~~{11}-the~~ St. Paul teachers retirement plan, St. Paul
35 Teachers Retirement Fund Association;

36 ~~{12}~~ (11) the legislators retirement plan, Minnesota State

1 Retirement System;

2 ~~(13)~~ (12) the elective state officers retirement plan,

3 Minnesota State Retirement System; and

4 ~~(14)~~ (13) local government correctional service retirement

5 plan, Public Employees Retirement Association.

6 (c) The contract must require completion of the annual
7 actuarial valuation calculations on a fiscal year basis, with
8 the contents of the actuarial valuation calculations as
9 specified in section 356.215, and in conformity with the
10 standards for actuarial work adopted by the Legislative
11 Commission on Pensions and Retirement.

12 The contract must require completion of annual experience
13 data collection and processing and a quadrennial published
14 experience study for the plans listed in paragraph (b), clauses
15 (1), (2), and (7), as provided for in the standards for
16 actuarial work adopted by the commission. The experience data
17 collection, processing, and analysis must evaluate the following:

- 18 (1) individual salary progression;
- 19 (2) the rate of return on investments based on the current
20 asset value;
- 21 (3) payroll growth;
- 22 (4) mortality;
- 23 (5) retirement age;
- 24 (6) withdrawal; and
- 25 (7) disablement.

26 The contract must include provisions for the preparation of
27 cost analyses by the jointly retained actuary for proposed
28 legislation that include changes in benefit provisions or
29 funding policies prior to their consideration by the Legislative
30 Commission on Pensions and Retirement.

31 (d) The actuary retained by the joint retirement systems
32 shall annually prepare a report to the legislature, including a
33 commentary on the actuarial valuation calculations for the plans
34 named in paragraph (b) and summarizing the results of the
35 actuarial valuation calculations. The actuary shall include
36 with the report the actuary's recommendations to the legislature

1 concerning the appropriateness of the support rates to achieve
2 proper funding of the retirement plans by the required funding
3 dates. The actuary shall, as part of the quadrennial experience
4 study, include recommendations to the legislature on the
5 appropriateness of the actuarial valuation assumptions required
6 for evaluation in the study.

7 (e) If the actuarial gain and loss analysis in the
8 actuarial valuation calculations indicates a persistent pattern
9 of sizable gains or losses, as directed by the joint retirement
10 systems or as requested by the chair of the Legislative
11 Commission on Pensions and Retirement, the actuary shall prepare
12 a special experience study for a plan listed in paragraph (b),
13 clause (3), (4), (5), (6), (8), (9), (10), (11), (12), ~~(13)~~ or
14 ~~(14)~~ (13), in the manner provided for in the standards for
15 actuarial work adopted by the commission.

16 (f) The term of the contract between the joint retirement
17 systems and the actuary retained may not exceed five years. The
18 joint retirement system administrative officers shall establish
19 procedures for the consideration and selection of contract
20 bidders and the requirements for the contents of an actuarial
21 services contract under this section. The procedures and
22 requirements must be submitted to the Legislative Commission on
23 Pensions and Retirement for review and comment prior to final
24 approval by the joint administrators. The contract is subject
25 to the procurement procedures under chapter 16C. The
26 consideration of bids and the selection of a consulting
27 actuarial firm by the chief administrative officers must occur
28 at a meeting that is open to the public and reasonable timely
29 public notice of the date and the time of the meeting and its
30 subject matter must be given.

31 (g) The actuarial services contract may not limit the
32 ability of the Minnesota legislature and its standing committees
33 and commissions to rely on the actuarial results of the work
34 prepared under the contract.

35 (h) The joint retirement systems shall designate one of the
36 retirement system executive directors as the actuarial services

1 contract manager.

2 Sec. 33. Minnesota Statutes 2004, section 356.215,
3 subdivision 8, is amended to read:

4 Subd. 8. [INTEREST AND SALARY ASSUMPTIONS.] (a) The
5 actuarial valuation must use the applicable following
6 preretirement interest assumption and the applicable following
7 postretirement interest assumption:

8		preretirement	postretirement
9		interest rate	interest rate
10	plan	assumption	assumption
11	general state employees		
12	retirement plan	8.5%	6.0%
13	correctional state employees		
14	retirement plan	8.5	6.0
15	State Patrol retirement plan	8.5	6.0
16	legislators retirement plan	8.5	6.0
17	elective state officers		
18	retirement plan	8.5	6.0
19	judges retirement plan	8.5	6.0
20	general public employees		
21	retirement plan	8.5	6.0
22	public employees police and fire		
23	retirement plan	8.5	6.0
24	local government correctional		
25	service retirement plan	8.5	6.0
26	teachers retirement plan	8.5	6.0
27	Minneapolis employees		
28	retirement plan	6.0	5.0
29	Duluth teachers retirement plan	8.5	8.5
30	Minneapolis-teachers-retirement		
31	plan	8.5	8.5
32	St. Paul teachers retirement		
33	plan	8.5	8.5
34	Minneapolis Police Relief		
35	Association	6.0	6.0
36	Fairmont Police Relief		
37	Association	5.0	5.0
38	Minneapolis Fire Department		
39	Relief Association	6.0	6.0
40	Virginia Fire Department		
41	Relief Association	5.0	5.0
42	local monthly benefit volunteer		
43	firefighters relief associations	5.0	5.0

44 (b) The actuarial valuation must use the applicable
45 following single rate future salary increase assumption, the
46 applicable following modified single rate future salary increase
47 assumption, or the applicable following graded rate future
48 salary increase assumption:

49 (1) single rate future salary increase assumption

50		future salary
51	plan	increase assumption
52	legislators retirement plan	5.0%
53	elective state officers retirement	
54	plan	5.0
55	judges retirement plan	5.0
56	Minneapolis Police Relief Association	4.0
57	Fairmont Police Relief	

1 Association 3.5
 2 Minneapolis Fire Department Relief
 3 Association 4.0
 4 Virginia Fire Department
 5 Relief Association 3.5

6 (2) modified single rate future salary increase assumption
 7 future salary
 8 plan increase assumption
 9 Minneapolis employees the prior calendar year
 10 retirement plan amount increased first by
 11 1.0198 percent to prior
 12 fiscal year date and
 13 then increased by 4.0
 14 percent annually for
 15 each future year

16 (3) select and ultimate future salary increase assumption
 17 or graded rate future salary increase assumption

18 future salary
 19 plan increase assumption
 20 general state employees select calculation and
 21 retirement plan assumption A
 22 correctional state employees
 23 retirement plan assumption H G
 24 State Patrol retirement plan assumption H G
 25 general public employees select calculation and
 26 retirement plan assumption B
 27 public employees police and fire
 28 fund retirement plan assumption C
 29 local government correctional service
 30 retirement plan assumption H G
 31 teachers retirement plan assumption D
 32 Duluth teachers retirement plan assumption E
 33 Minneapolis-teachers-retirement-plan assumption-F
 34 St. Paul teachers retirement plan assumption G F

35
 36 The select calculation is:
 37 during the ten-year select period, a designated percent
 38 is multiplied by the result of ten minus T, where T is
 39 the number of completed years of service, and is added
 40 to the applicable future salary increase assumption. The
 41 designated percent is 0.2 percent for the correctional state
 42 employees retirement plan, the State Patrol retirement
 43 plan, the public employees police and fire plan, and the
 44 local government correctional service plan; 0.3 percent
 45 for the general state employees retirement plan, the
 46 general public employees retirement plan, the teachers
 47 retirement plan, the Duluth Teachers Retirement Fund
 48 Association, and the St. Paul Teachers Retirement Fund
 49 Association; and 0.4 percent for the Minneapolis Teachers
 50 Retirement Fund Association.

51
 52 The ultimate future salary increase assumption is:

age	A	B	C	D	E	F	G	F	H	G
16	6.95%	6.95%	11.50%	8.20%	8.00%	6-50%	6.90%	7.7500		
17	6.90	6.90	11.50	8.15	8.00	6-50	6.90	7.7500		
18	6.85	6.85	11.50	8.10	8.00	6-50	6.90	7.7500		
19	6.80	6.80	11.50	8.05	8.00	6-50	6.90	7.7500		
20	6.75	6.40	11.50	6.00	6.90	6-50	6.90	7.7500		
21	6.75	6.40	11.50	6.00	6.90	6-50	6.90	7.1454		
22	6.75	6.40	11.50	6.00	6.90	6-50	6.90	7.0725		
23	6.75	6.40	10.50	6.00	6.85	6-50	6.85	7.0544		
24	6.75	6.40	10.00	6.00	6.80	6-50	6.80	7.0363		
25	6.75	6.40	9.50	6.00	6.75	6-50	6.75	7.0000		
26	6.75	6.36	9.20	6.00	6.70	6-50	6.70	7.0000		
27	6.75	6.32	8.90	6.00	6.65	6-50	6.65	7.0000		

1	28	6.75	6.28	8.60	6.00	6.60	6.50	6.60	7.0000
2	29	6.75	6.24	8.30	6.00	6.55	6.50	6.55	7.0000
3	30	6.75	6.20	8.00	6.00	6.50	6.50	6.50	7.0000
4	31	6.75	6.16	7.80	6.00	6.45	6.50	6.45	7.0000
5	32	6.75	6.12	7.60	6.00	6.40	6.50	6.40	7.0000
6	33	6.75	6.08	7.40	6.00	6.35	6.50	6.35	7.0000
7	34	6.75	6.04	7.20	6.00	6.30	6.50	6.30	7.0000
8	35	6.75	6.00	7.00	6.00	6.25	6.50	6.25	7.0000
9	36	6.75	5.96	6.80	6.00	6.20	6.50	6.20	6.9019
10	37	6.75	5.92	6.60	6.00	6.15	6.50	6.15	6.8074
11	38	6.75	5.88	6.40	5.90	6.10	6.50	6.10	6.7125
12	39	6.75	5.84	6.20	5.80	6.05	6.50	6.05	6.6054
13	40	6.75	5.80	6.00	5.70	6.00	6.50	6.00	6.5000
14	41	6.75	5.76	5.90	5.60	5.90	6.50	5.95	6.3540
15	42	6.75	5.72	5.80	5.50	5.80	6.50	5.90	6.2087
16	43	6.65	5.68	5.70	5.40	5.70	6.50	5.85	6.0622
17	44	6.55	5.64	5.60	5.30	5.60	6.50	5.80	5.9048
18	45	6.45	5.60	5.50	5.20	5.50	6.50	5.75	5.7500
19	46	6.35	5.56	5.45	5.10	5.40	6.40	5.70	5.6940
20	47	6.25	5.52	5.40	5.00	5.30	6.30	5.65	5.6375
21	48	6.15	5.48	5.35	5.00	5.20	6.20	5.60	5.5822
22	49	6.05	5.44	5.30	5.00	5.10	6.10	5.55	5.5404
23	50	5.95	5.40	5.25	5.00	5.00	6.00	5.50	5.5000
24	51	5.85	5.36	5.25	5.00	5.00	5.90	5.45	5.4384
25	52	5.75	5.32	5.25	5.00	5.00	5.80	5.40	5.3776
26	53	5.65	5.28	5.25	5.00	5.00	5.70	5.35	5.3167
27	54	5.55	5.24	5.25	5.00	5.00	5.60	5.30	5.2826
28	55	5.45	5.20	5.25	5.00	5.00	5.50	5.25	5.2500
29	56	5.35	5.16	5.25	5.00	5.00	5.40	5.20	5.2500
30	57	5.25	5.12	5.25	5.00	5.00	5.30	5.15	5.2500
31	58	5.25	5.08	5.25	5.10	5.00	5.20	5.10	5.2500
32	59	5.25	5.04	5.25	5.20	5.00	5.10	5.05	5.2500
33	60	5.25	5.00	5.25	5.30	5.00	5.00	5.00	5.2500
34	61	5.25	5.00	5.25	5.40	5.00	5.00	5.00	5.2500
35	62	5.25	5.00	5.25	5.50	5.00	5.00	5.00	5.2500
36	63	5.25	5.00	5.25	5.60	5.00	5.00	5.00	5.2500
37	64	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
38	65	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
39	66	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
40	67	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
41	68	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
42	69	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
43	70	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
44	71	5.25	5.00		5.70				

45 (c) The actuarial valuation must use the applicable
 46 following payroll growth assumption for calculating the
 47 amortization requirement for the unfunded actuarial accrued
 48 liability where the amortization retirement is calculated as a
 49 level percentage of an increasing payroll:

50		payroll growth
51	plan	assumption
52	general state employees retirement plan	5.00%
53	correctional state employees retirement plan	5.00
54	State Patrol retirement plan	5.00
55	legislators retirement plan	5.00
56	elective state officers retirement plan	5.00
57	judges retirement plan	5.00
58	general public employees retirement plan	6.00
59	public employees police and fire	
60	retirement plan	6.00
61	local government correctional service	
62	retirement plan	6.00
63	teachers retirement plan	5.00
64	Duluth teachers retirement plan	5.00
65	Minneapolis-teachers-retirement-plan	5.00

1 St. Paul teachers retirement plan 5.00

2 Sec. 34. Minnesota Statutes 2004, section 356.30,
3 subdivision 3, is amended to read:

4 Subd. 3. [COVERED PLANS.] This section applies to the
5 following retirement plans:

6 (1) the general state employees retirement plan of the
7 Minnesota State Retirement System, established under chapter
8 352;

9 (2) the correctional state employees retirement plan of the
10 Minnesota State Retirement System, established under chapter
11 352;

12 (3) the unclassified employees retirement program,
13 established under chapter 352D;

14 (4) the State Patrol retirement plan, established under
15 chapter 352B;

16 (5) the legislators retirement plan, established under
17 chapter 3A;

18 (6) the elective state officers' retirement plan,
19 established under chapter 352C;

20 (7) the general employees retirement plan of the Public
21 Employees Retirement Association, established under chapter 353;

22 (8) the public employees police and fire retirement plan of
23 the Public Employees Retirement Association, established under
24 chapter 353;

25 (9) the local government correctional service retirement
26 plan of the Public Employees Retirement Association, established
27 under chapter 353E;

28 (10) the Teachers Retirement Association, established under
29 chapter 354;

30 (11) the Minneapolis Employees Retirement Fund, established
31 under chapter 422A;

32 ~~(12) the Minneapolis-Teachers-Retirement-Fund-Association,~~
33 ~~established-under-chapter-354A;~~

34 ~~{13}-the~~ St. Paul Teachers Retirement Fund Association,
35 established under chapter 354A;

36 ~~{14}~~ (13) the Duluth Teachers Retirement Fund Association,

1 established under chapter 354A; and

2 ~~(15)~~ (14) the judges' retirement fund, established by
3 sections 490.121 to 490.132.

4 Sec. 35. Minnesota Statutes 2004, section 356.302,
5 subdivision 7, is amended to read:

6 Subd. 7. [COVERED RETIREMENT PLANS.] This section applies
7 to the following retirement plans:

8 (1) the general state employees retirement plan of the
9 Minnesota State Retirement System, established by chapter 352;

10 (2) the unclassified state employees retirement program of
11 the Minnesota State Retirement System, established by chapter
12 352D;

13 (3) the general employees retirement plan of the Public
14 Employees Retirement Association, established by chapter 353;

15 (4) the Teachers Retirement Association, established by
16 chapter 354;

17 (5) the Duluth Teachers Retirement Fund Association,
18 established by chapter 354A;

19 ~~(6) the Minneapolis-Teachers-Retirement-Fund-Association,~~
20 ~~established-by-chapter-354A;~~

21 ~~(7)-the~~ St. Paul Teachers Retirement Fund Association,
22 established by chapter 354A;

23 ~~(8)~~ (7) the Minneapolis Employees Retirement Fund,
24 established by chapter 422A;

25 ~~(9)~~ (8) the state correctional employees retirement plan of
26 the Minnesota State Retirement System, established by chapter
27 352;

28 ~~(10)~~ (9) the State Patrol retirement plan, established by
29 chapter 352B;

30 ~~(11)~~ (10) the public employees police and fire plan of the
31 Public Employees Retirement Association, established by chapter
32 353;

33 ~~(12)~~ (11) the local government correctional service
34 retirement plan of the Public Employees Retirement Association,
35 established by chapter 353E; and

36 ~~(13)~~ (12) the judges' retirement plan, established by

1 sections 490.121 to 490.132.

2 Sec. 36. Minnesota Statutes 2004, section 356.303,
3 subdivision 4, is amended to read:

4 Subd. 4. [COVERED RETIREMENT PLANS.] This section applies
5 to the following retirement plans:

6 (1) the legislators retirement plan, established by chapter
7 3A;

8 (2) the general state employees retirement plan of the
9 Minnesota State Retirement System, established by chapter 352;

10 (3) the correctional state employees retirement plan of the
11 Minnesota State Retirement System, established by chapter 352;

12 (4) the State Patrol retirement plan, established by
13 chapter 352B;

14 (5) the elective state officers retirement plan,
15 established by chapter 352C;

16 (6) the unclassified state employees retirement program,
17 established by chapter 352D;

18 (7) the general employees retirement plan of the Public
19 Employees Retirement Association, established by chapter 353;

20 (8) the public employees police and fire plan of the Public
21 Employees Retirement Association, established by chapter 353;

22 (9) the local government correctional service retirement
23 plan of the Public Employees Retirement Association, established
24 by chapter 353E;

25 (10) the Teachers Retirement Association, established by
26 chapter 354;

27 (11) the Duluth Teachers Retirement Fund Association,
28 established by chapter 354A;

29 ~~(12) the Minneapolis-Teachers-Retirement-Fund-Association,~~
30 ~~established-by-chapter-354A;~~

31 ~~(13)-the~~ St. Paul Teachers Retirement Fund Association,
32 established by chapter 354A;

33 ~~(14)~~ (13) the Minneapolis Employees Retirement Fund,
34 established by chapter 422A; and

35 ~~(15)~~ (14) the judges' retirement fund, established by
36 sections 490.121 to 490.132.

1 Sec. 37. Minnesota Statutes 2004, section 356.315, is
2 amended by adding a subdivision to read:

3 Subd. 1a. [COORDINATED PLAN MEMBERS.] The applicable
4 benefit accrual rate is 1.5 percent.

5 Sec. 38. Minnesota Statutes 2004, section 356.42,
6 subdivision 3, is amended to read:

7 Subd. 3. [COVERED RETIREMENT PLANS.] The postretirement
8 adjustment provided in this section applies to the following
9 retirement funds:

10 (1) the general employees retirement plans of the Public
11 Employees Retirement Association;

12 (2) the public employees police and fire plan of the Public
13 Employees Retirement Association;

14 (3) the teachers retirement association;

15 (4) the State Patrol retirement plan;

16 (5) the state employees retirement plan of the Minnesota
17 State Retirement System;

18 (6) ~~the Minneapolis-Teachers-Retirement-Fund-Association~~
19 ~~established-under-chapter-354A;~~

20 ~~(7)-the St. Paul Teachers Retirement Fund Association~~
21 ~~established under chapter 354A; and~~

22 ~~(8) (7) the Duluth Teachers Retirement Fund Association~~
23 ~~established under chapter 354A.~~

24 Sec. 39. Minnesota Statutes 2004, section 356.465,
25 subdivision 3, is amended to read:

26 Subd. 3. [COVERED RETIREMENT PLANS.] The provisions of
27 this section apply to the following retirement plans:

28 (1) the general state employees retirement plan of the
29 Minnesota State Retirement System established under chapter 352;

30 (2) the correctional state employees retirement plan of the
31 Minnesota State Retirement System established under chapter 352;

32 (3) the State Patrol retirement plan established under
33 chapter 352B;

34 (4) the legislators retirement plan established under
35 chapter 3A;

36 (5) the judges retirement plan established under chapter

1 490;

2 (6) the general employees retirement plan of the Public
3 Employees Retirement Association established under chapter 353;

4 (7) the public employees police and fire plan of the Public
5 Employees Retirement Association established under chapter 353;

6 (8) the teachers retirement plan established under chapter
7 354;

8 (9) the Duluth Teachers Retirement Fund Association
9 established under chapter 354A;

10 (10) the St. Paul Teachers Retirement Fund Association
11 established under chapter 354A;

12 ~~(11) the Minneapolis-Teachers-Retirement-Fund-Association~~
13 ~~established-under-chapter-354A;~~

14 ~~(12)-the~~ Minneapolis employees retirement plan established
15 under chapter 422A;

16 ~~(13)~~ (12) the Minneapolis Firefighters Relief Association
17 established under chapter 423C;

18 ~~(14)~~ (13) the Minneapolis Police Relief Association
19 established under chapter 423B; and

20 ~~(15)~~ (14) the local government correctional service
21 retirement plan of the Public Employees Retirement Association
22 established under chapter 353E.

23 Sec. 40. Minnesota Statutes 2004, section 423A.02,
24 subdivision 1b, is amended to read:

25 Subd. 1b. [ADDITIONAL AMORTIZATION STATE AID.] (a)
26 Annually, on October 1, the commissioner of revenue shall
27 allocate the additional amortization state aid transferred under
28 section 69.021, subdivision 11, to:

29 (1) all police or salaried firefighters relief associations
30 governed by and in full compliance with the requirements of
31 section 69.77, that had an unfunded actuarial accrued liability
32 in the actuarial valuation prepared under sections 356.215 and
33 356.216 as of the preceding December 31;

34 (2) all local police or salaried firefighter consolidation
35 accounts governed by chapter 353A that are certified by the
36 executive director of the public employees retirement

1 association as having for the current fiscal year an additional
2 municipal contribution amount under section 353A.09, subdivision
3 5, paragraph (b), and that have implemented section 353A.083,
4 subdivision 1, if the effective date of the consolidation
5 preceded May 24, 1993, and that have implemented section
6 353A.083, subdivision 2, if the effective date of the
7 consolidation preceded June 1, 1995; and

8 (3) the municipalities that are required to make an
9 additional municipal contribution under section 353.665,
10 subdivision 8, for the duration of the required additional
11 contribution.

12 (b) The commissioner shall allocate the state aid on the
13 basis of the proportional share of the relief association or
14 consolidation account of the total unfunded actuarial accrued
15 liability of all recipient relief associations and consolidation
16 accounts as of December 31, 1993, for relief associations, and
17 as of June 30, 1994, for consolidation accounts.

18 (c) Beginning October 1, 2000, and annually thereafter, the
19 commissioner shall allocate the state aid, including any state
20 aid in excess of the limitation in subdivision 4, on the
21 following basis:

22 (1) 64.5 percent to the municipalities to which section
23 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision
24 5, paragraph (b), apply for distribution in accordance with
25 paragraph (b) and subject to the limitation in subdivision 4;

26 (2) 34.2 percent to the city of Minneapolis to fund any
27 unfunded actuarial accrued liability in the actuarial valuation
28 prepared under sections 356.215 and 356.216 as of the preceding
29 December 31 for the Minneapolis Police Relief Association or the
30 Minneapolis Fire Department Relief Association; and

31 (3) 1.3 percent to the city of Virginia to fund any
32 unfunded actuarial accrued liability in the actuarial valuation
33 prepared under sections 356.215 and 356.216 as of the preceding
34 December 31 for the Virginia Fire Department Relief Association.

35 If there is no unfunded actuarial accrued liability in both
36 the Minneapolis Police Relief Association and the Minneapolis

1 Fire Department Relief Association as disclosed in the most
2 recent actuarial valuations for the relief associations prepared
3 under sections 356.215 and 356.216, the commissioner shall
4 allocate that 34.2 percent of the aid as follows: 49 percent to
5 the Minneapolis Teachers Retirement Fund Association, 21 percent
6 to the St. Paul Teachers Retirement Fund Association, and 30
7 percent as additional funding to support minimum fire state aid
8 for volunteer firefighters relief associations. If there is no
9 unfunded actuarial accrued liability in the Virginia Fire
10 Department Relief Association as disclosed in the most recent
11 actuarial valuation for the relief association prepared under
12 sections 356.215 and 356.216, the commissioner shall allocate
13 that 1.3 percent of the aid as follows: 49 percent to the
14 Minneapolis Teachers Retirement Fund Association, 21 percent to
15 the St. Paul Teachers Retirement Fund Association, and 30
16 percent as additional funding to support minimum fire state aid
17 for volunteer firefighters relief associations. The allocation
18 must be made by the commissioner at the same time and under the
19 same procedures as specified in subdivision 3. With respect to
20 the ~~Minneapolis-Teachers-Retirement-Fund-Association-or-the~~ St.
21 Paul Teachers Retirement Fund Association, annually, beginning
22 on July 1, 2005, if the applicable teacher's association
23 five-year average time-weighted rate of investment return does
24 not equal or exceed the performance of a composite portfolio
25 assumed passively managed (indexed) invested ten percent in cash
26 equivalents, 60 percent in bonds and similar debt securities,
27 and 30 percent in domestic stock calculated using the formula
28 under section 11A.04, clause (11), the aid allocation to that
29 retirement fund under this section ceases until the five-year
30 annual rate of investment return equals or exceeds the
31 performance of that composite portfolio.

32 (d) The amounts required under this subdivision are
33 annually appropriated to the commissioner of revenue.

34 Sec. 41. [FULL FUNDING DATE.]

35 Notwithstanding any other law to the contrary, for the
36 Teachers Retirement Association, the established date for full

1 funding is 2035.

2 Sec. 42. [MTRFA EMPLOYEE JOB PREFERENCE.]

3 An employee of the Minneapolis Teachers Retirement Fund
4 Association on the date of enactment has an employment
5 preference for subsequent employment by the Teachers Retirement
6 Association, the Minnesota State Retirement System, or the
7 Public Employees Retirement Association equivalent to the
8 preference provided to armed forces veterans under state law and
9 Department of Employee Relations practice.

10 Sec. 43. [MTRFA ARTICLES AND BYLAWS; REPEAL;
11 APPLICABILITY.]

12 (a) The articles of incorporation and bylaws of the
13 Minneapolis Teachers Retirement Fund Association are repealed
14 and have application only as provided in section 6, subdivision
15 6, and paragraph (b).

16 (b) The articles of incorporation and bylaws of the
17 Minneapolis Teachers Retirement Fund Association only apply to
18 members of the former Minneapolis Teachers Retirement Fund
19 Association with service credit in the plan on or before June
20 30, 2005, and apply solely for purposes of determining the
21 retirement annuity for or benefit on behalf of a member of the
22 basic program of that retirement plan.

23 (c) No annuity adjustment or increase under article 30 of
24 the articles of incorporation of the Minneapolis Teachers
25 Retirement Fund Association is applicable or payable after June
26 30, 2005.

27 Sec. 44. [REPEALER.]

28 Minnesota Statutes 2004, sections 354A.051; 354A.105;
29 354A.23, subdivision 1; and 354A.28, are repealed.

30 Sec. 45. [EFFECTIVE DATE.]

31 (a) Sections 1, 2, 3, 21, and 22 are effective on the day
32 following final enactment.

33 (b) Sections 4 to 20 and 23 to 44 are effective on the day
34 following final enactment.

35 ARTICLE 3

36 PRE-1969 TEACHER SPECIAL POSTRETIREMENT

ADJUSTMENT

1
2 Section 1. [354.551] [ADDITIONAL BENEFIT FOR CERTAIN
3 TEACHERS.]

4 Subdivision 1. [ADDITIONAL BENEFIT ENTITLEMENT.] If there
5 is an appropriation for this purpose and to the extent of that
6 appropriation, eligible retired teachers as defined in
7 subdivision 2 are entitled to receive the additional benefit
8 amount determined under subdivision 3 unless the applicable
9 person files a written notification with the executive director
10 of the Teachers Retirement Association that the additional
11 benefit not be paid.

12 Subd. 2. [ELIGIBILITY.] An eligible person for purposes of
13 this section is a person who:

14 (1) was a teacher as defined in section 354.05, subdivision
15 2;

16 (2) rendered teaching service as defined in section 354.05,
17 subdivision 3, either during the 1968-1969 school year, but was
18 not covered by the improved money purchase program savings
19 clause in section 354.55, subdivision 17, or before the
20 1968-1969 school year, did not take a refund of member
21 contributions upon the termination of teacher service, and was
22 eligible to make an election under Minnesota Statutes 1971,
23 section 354.55, subdivision 8.

24 Subd. 3. [DETERMINATION OF ADDITIONAL BENEFIT AMOUNT.] (a)
25 By July 1, annually, the executive director of the Teachers
26 Retirement Association shall determine which retired teachers
27 are eligible to receive an additional benefit amount under this
28 section and the amount of each person's additional benefit
29 amount.

30 If the applicable appropriation permits, as determined by
31 the executive director of the Teachers Retirement Association,
32 the increase amount is 45 percent of the difference, if a
33 positive number, obtained by subtracting the single life annuity
34 amount initially payable upon retirement under section 354.44,
35 subdivision 6, from a comparable single life annuity amount
36 computed as of the same date under section 354.44, subdivision

1 2. If the applicable appropriation does not permit the full
2 postretirement adjustment payment amount as determined by the
3 executive director of the Teachers Retirement Association, the
4 increase amount is that portion of the full increase amount that
5 bears the same relationship to the full increase amount that the
6 appropriation bears to the full required funding for the full
7 increase amount.

8 (b) The additional retirement benefit is payable beginning
9 July 1, 2005, for persons who were receiving a retirement
10 annuity on June 1, 2005, or with the initial retirement annuity
11 payment for persons who were active, deferred, or inactive
12 members on June 1, 2005.

13 Subd. 4. [DURATION OF ADDITIONAL BENEFIT.] If the
14 appropriations permit, the additional benefit amount is payable
15 for life or for the duration of the selected optional annuity
16 form, whichever applies.

17 Subd. 5. [NO PAYMENT TO ESTATE; NO RETROACTIVITY.] (a)
18 Nothing in this section authorizes the payment of an additional
19 benefit amount under this section to an estate or to a survivor
20 or beneficiary other than under an optional annuity form.

21 (b) Nothing in this section authorizes the payment of an
22 additional benefit amount for any period before July 1, 2005.

23 (c) Nothing in this section authorizes the payment of an
24 additional benefit amount to a person who was or is entitled to
25 have their retirement annuity calculated under section 354.44,
26 subdivision 2.

27 Sec. 2. [APPROPRIATION.]

28 There is appropriated from the education reserve account in
29 the special revenue fund to the executive director of the
30 Teachers Retirement Association for the purposes of the special
31 postretirement adjustment under section 1 \$11,000,000 for the
32 year ending June 30, 2006, and \$11,000,000 for the year ending
33 June 30, 2007.

34 Sec. 3. [EFFECTIVE DATE.]

35 Sections 1 and 2 are effective on July 1, 2005.

36 ARTICLE 4

1 PENSION DEFAULT INSURANCE POOL

2 Sec. 1. Minnesota Statutes 2004, section 352.04,
3 subdivision 12, is amended to read:

4 Subd. 12. [FUND DISBURSEMENT RESTRICTED.] (a) The state
5 employees retirement fund and the participation in the Minnesota
6 postretirement investment fund must be disbursed only for the
7 purposes provided by law.

8 (b) The expenses of the system, the pension default
9 insurance pool charge under section 356.95, and any benefits
10 provided by law, other than benefits payable from the Minnesota
11 postretirement investment fund, must be paid from the state
12 employees retirement fund.

13 (c) The retirement allowances, retirement annuities, and
14 disability benefits, as well as refunds of any sum remaining to
15 the credit of a deceased retired employee or a disabled employee
16 must be paid only from the state employees retirement fund after
17 the needs have been certified and the amounts withdrawn from the
18 participation in the Minnesota postretirement investment fund
19 under section 11A.18.

20 (d) The amounts necessary to make the payments from the
21 state employees retirement fund and the participation in the
22 Minnesota postretirement investment fund are annually
23 appropriated from these funds for those purposes.

24 Sec. 2. Minnesota Statutes 2004, section 352.911,
25 subdivision 5, is amended to read:

26 Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The
27 correctional employees retirement fund and its share of
28 participation in the Minnesota postretirement investment fund
29 shall be disbursed only for the purposes provided for in the
30 applicable provisions in this chapter.

31 (b) The proportional share of the expenses of the system,
32 the pension default insurance pool charge under section 356.95,
33 and any benefits provided in sections 352.90 to 352.951, other
34 than benefits payable from the Minnesota postretirement
35 investment fund, shall be paid from the correctional employees
36 retirement fund.

1 (c) The retirement allowances, retirement annuities, the
2 disability benefits, the survivorship benefits, and any refunds
3 of accumulated deductions shall be paid only from the
4 correctional employees retirement fund after those needs have
5 been certified by the executive director and the amounts
6 withdrawn from the share of participation in the Minnesota
7 postretirement fund under section 11A.18.

8 (d) The amounts necessary to make the payments from the
9 correctional employees retirement fund and the participation in
10 the Minnesota postretirement investment fund are annually
11 appropriated from those funds for those purposes.

12 Sec. 3. Minnesota Statutes 2004, section 352B.02,
13 subdivision 1d, is amended to read:

14 Subd. 1d. [FUND REVENUE AND EXPENSES.] The amounts
15 provided for in this section must be credited to the State
16 Patrol retirement fund. All money received must be deposited by
17 the commissioner of finance in the State Patrol retirement
18 fund. The fund must be used to pay the administrative expenses
19 of the retirement fund, the pension default insurance pool
20 charge under section 356.95, and the benefits and annuities
21 provided in this chapter. Appropriate amounts shall be
22 transferred to or withdrawn from the Minnesota postretirement
23 investment fund as provided in section 352B.26.

24 Sec. 4. Minnesota Statutes 2004, section 352D.09,
25 subdivision 7, is amended to read:

26 Subd. 7. [ADMINISTRATIVE FEES.] The board of directors
27 shall establish a budget and charge participants a fee to pay
28 the administrative expenses of the unclassified program and the
29 pension default insurance pool charge under section 356.95.
30 Fees cannot be charged on contributions and investment returns
31 attributable to contributions made before July 1, 1992. Annual
32 total fees charged for plan administration cannot exceed 10/100
33 of one percent of the contributions and investment returns
34 attributable to contributions made on or after July 1, 1992.

35 Sec. 5. Minnesota Statutes 2004, section 353.27,
36 subdivision 1, is amended to read:

1 Subdivision 1. [INCOME; DISBURSEMENTS.] There is a special
2 fund known as the "public employees retirement fund," the
3 "retirement fund," or the "fund," which shall include all the
4 assets of the association. This fund shall be credited with all
5 contributions, all interest and all other income authorized by
6 law. From this fund there is appropriated the payments
7 authorized by this chapter in the amounts and at such time
8 provided herein, including the expenses of administering the
9 fund, including the pension default insurance pool charge under
10 section 356.95, and including the proper share of the Minnesota
11 postretirement investment fund.

12 Sec. 6. Minnesota Statutes 2004, section 353.65,
13 subdivision 6, is amended to read:

14 Subd. 6. [FUND.] All contributions other than the excess
15 contribution established by section 69.031, subdivision 5,
16 paragraphs (2), clauses (b) and (c), and (3) shall be credited
17 to the fund and all interest and other income of the fund shall
18 be credited to said fund. The retirement fund shall be
19 disbursed only for the purposes herein provided. The expenses
20 of said fund, the pension default insurance pool charge, and the
21 annuities herein provided upon retirement shall be paid from
22 said fund.

23 Sec. 7. Minnesota Statutes 2004, section 353E.01,
24 subdivision 5, is amended to read:

25 Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The public
26 employees local government correctional service retirement fund
27 and its share of participation in the Minnesota postretirement
28 investment fund may be disbursed only for the purposes provided
29 for in this chapter.

30 (b) The proportional share of the necessary and reasonable
31 administrative expenses of the association, the pension default
32 insurance pool charge under section 356.95, and any benefits
33 provided in this chapter, other than benefits payable from the
34 Minnesota postretirement investment fund, must be paid from the
35 public employees local government correctional service
36 retirement fund. Retirement annuities, disability benefits,

1 survivorship benefits, and any refunds of accumulated deductions
2 may be paid only from the correctional service retirement fund
3 after those needs have been certified by the executive director
4 and any applicable amounts withdrawn from the share of
5 participation in the Minnesota postretirement fund under section
6 11A.18.

7 (c) The amounts necessary to make the payments from the
8 public employees local government correctional service
9 retirement fund and its participation in the Minnesota
10 postretirement investment fund are annually appropriated from
11 those funds for those purposes.

12 Sec. 8. Minnesota Statutes 2004, section 354.42, is
13 amended by adding a subdivision to read:

14 Subd. 8. [PENSION DEFAULT CHARGE.] The pension default
15 insurance pool charge under section 356.95 must be paid from the
16 Teachers Retirement Association.

17 Sec. 9. Minnesota Statutes 2004, section 354A.021,
18 subdivision 4, is amended to read:

19 Subd. 4. [FUND DISBURSEMENT RESTRICTED.] The assets of the
20 special retirement fund shall be disbursed only for the purposes
21 provided for in this chapter, the articles of incorporation or
22 bylaws in effect as of March 31, 1975, and the articles of
23 incorporation or bylaws adopted subsequent to March 31, 1975 in
24 accordance with the provisions of section 354A.12. The pension
25 default insurance pool charge under section 356.95 and all
26 appropriate expenses of and any authorized benefits provided by
27 the teachers retirement fund association shall be paid from the
28 special retirement fund. Amounts necessary to make payments
29 from the special retirement fund of a teachers retirement fund
30 association are hereby appropriated.

31 Sec 10. [356.95] [PENSION DEFAULT INSURANCE POOL.]

32 Subdivision 1. [DEFAULT INSURANCE; LEGISLATIVE
33 FINDINGS.] The legislature finds that some Minnesota public
34 pension plans have periodic funding difficulties and could
35 default on the payment of retirement benefits in the future.
36 The legislature further finds that a potential default may occur

1 at a time when timely corrective legislative responses may not
2 be possible, causing significant potential economic harm to
3 affected benefit recipients. To provide emergency funding
4 resources for a Minnesota public pension plan facing a default
5 in the payment of retirement benefits, the legislature is
6 establishing an insurance pool to have resources for a temporary
7 remedy for a defaulting pension plan.

8 Subd. 2. [DEFAULT INSURANCE CHARGE.] (a) In fiscal year
9 2006, the pension default insurance charge is \$0.10 per month
10 per active member and benefit recipient of a covered retirement
11 plan.

12 (b) The pension default insurance charge must be reassessed
13 by the commissioner of finance, who shall revise the charge
14 upward or downward based on an assessment of the potential risk
15 of a future retirement plan default. The consulting actuary
16 retained under section 356.214 shall provide an assessment of
17 the relative probability of future retirement plan defaults as
18 part of the actuarial valuation reports performed annually.

19 Subd. 3. [RECEIPT OF CHARGES; INVESTMENT.] The pension
20 default insurance charge is payable to the commissioner of
21 finance for deposit in a special pension default insurance pool
22 fund in the state treasury. The special default insurance pool
23 fund must be invested by the State Board of Investment in
24 investments authorized under section 11A.24.

25 Subd. 4. [DISBURSEMENTS.] (a) The chief administrative
26 officer of a covered retirement plan facing imminent default in
27 the payment of retirement annuities and benefits is authorized
28 to apply to the commissioner of finance for the transfer of
29 assets to forestall the default.

30 (b) If the commissioner of finance finds that a covered
31 retirement plan is facing an imminent default, the commissioner
32 may transfer the necessary amount of assets to avert the
33 expected default from the pension default insurance pool.

34 Subd. 5. [COVERED RETIREMENT PLANS.] The retirement plans
35 covered by the pension default insurance pool are:

36 (1) the general state employees retirement plan of the

1 Minnesota State Retirement System, established under chapter
2 352;
3 (2) the correctional state employees retirement plan of the
4 Minnesota State Retirement System, established under chapter
5 352;
6 (3) the unclassified employees retirement program,
7 established under chapter 352D;
8 (4) the State Patrol retirement plan, established under
9 chapter 352B;
10 (5) the legislators retirement plan, established under
11 chapter 3A;
12 (6) the elective state officers' retirement plan,
13 established under chapter 352C;
14 (7) the general employees retirement plan of the Public
15 Employees Retirement Association, established under chapter 353;
16 (8) the public employees police and fire retirement plan of
17 the Public Employees Retirement Association, established under
18 chapter 353;
19 (9) the local government correctional service retirement
20 plan of the Public Employees Retirement Association, established
21 under chapter 353E;
22 (10) the Teachers Retirement Association, established under
23 chapter 354;
24 (11) the Minneapolis Employees Retirement Fund, established
25 under chapter 422A;
26 (12) the Minneapolis Teachers Retirement Fund Association,
27 established under chapter 354A;
28 (13) the St. Paul Teachers Retirement Fund Association,
29 established under chapter 354A;
30 (14) the Duluth Teachers Retirement Fund Association,
31 established under chapter 354A; and
32 (15) the judges' retirement fund, established by sections
33 490.121 to 490.132.
34 Sec. 11. [EFFECTIVE DATE.]
35 Sections 1 to 10 are effective on the day following final
36 enactment.

ARTICLE 5

DEFERRED ANNUITIES AUGMENTATION

Section 1. Minnesota Statutes 2004, section 352.116, subdivision 1a, is amended to read:

Subd. 1a. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This subdivision applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity is higher when calculated under section 352.115, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 352.115, subdivision 3, paragraph (a), in conjunction with subdivision 1. A covered employee who retires before the normal retirement age shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (b), reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age, if the employee became an employee before July 1, 2005, and is the actuarial equivalent of this annuity that would be payable to the employee if the employee deferred receipt of the annuity if the employee initially became an employee after June 30, 2005.

Sec. 2. Minnesota Statutes 2004, section 352.72, subdivision 2, is amended to read:

Subd. 2. [COMPUTATION OF DEFERRED ANNUITY.] (a) The deferred annuity, if any, accruing under subdivision 1, or section 352.22, subdivision 3, must be computed as provided in section 352.22, subdivision 3, on the basis of allowable service before termination of state service and augmented as provided herein.

(b) If the employee became an employee before July 1, 2005, the required reserves applicable to a deferred annuity or to an annuity for which a former employee was eligible but had not applied or to any deferred segment of an annuity must be

1 determined as of the date the benefit begins to accrue and
2 augmented by interest compounded annually from the first day of
3 the month following the month in which the employee ceased to be
4 a state employee, or July 1, 1971, whichever is later, to the
5 first day of the month in which the annuity begins to accrue.
6 The rates of interest used for this purpose must be five percent
7 compounded annually until January 1, 1981, and three percent
8 compounded annually thereafter until January 1 of the year
9 following the year in which the former employee attains age 55.
10 From that date to the effective date of retirement, the rate is
11 five percent compounded annually. If a person has more than one
12 period of uninterrupted service, the required reserves related
13 to each period must be augmented by interest under this
14 subdivision. The sum of the augmented required reserves so
15 determined is the present value of the annuity. "Uninterrupted
16 service" for the purpose of this subdivision means periods of
17 covered employment during which the employee has not been
18 separated from state service for more than two years. If a
19 person repays a refund, the service restored by the repayment
20 must be considered continuous with the next period of service
21 for which the employee has credit with this system. The formula
22 percentages used for each period of uninterrupted service must
23 be those applicable to a new employee. The mortality table and
24 interest assumption used to compute the annuity must be those in
25 effect when the employee files application for annuity. This
26 section does not reduce the annuity otherwise payable under this
27 chapter.

28 (c) If the employee initially became an employee after June
29 30, 2005, no augmentation is payable on a deferred annuity.

30 ~~(b)~~ (d) The retirement annuity or disability benefit of, or
31 the survivor benefit payable on behalf of, a former state
32 employee who terminated service before July 1, 1997, which is
33 not first payable until after June 30, 1997, must be increased
34 on an actuarial equivalent basis to reflect the change in the
35 postretirement interest rate actuarial assumption under section
36 356.215, subdivision 8, from five percent to six percent under a

1 calculation procedure and the tables adopted by the board and
2 approved by the actuary retained by the Legislative Commission
3 on Pensions and Retirement.

4 Sec. 3. Minnesota Statutes 2004, section 352B.30,
5 subdivision 2, is amended to read:

6 Subd. 2. [COMPUTATION OF DEFERRED ANNUITY.] (a) Deferred
7 annuities must be computed according to this chapter on the
8 basis of allowable service before termination of service and
9 augmented as provided in this chapter.

10 (b) If the member became a member before July 1, 2005, the
11 required reserves applicable to a deferred annuity must be
12 augmented by interest compounded annually from the first day of
13 the month following the month in which the member terminated
14 service, or July 1, 1971, whichever is later, to the first day
15 of the month in which the annuity begins to accrue. The rates
16 of interest used for this purpose shall be five percent per year
17 compounded annually until January 1, 1981, and after that date
18 three percent per year compounded annually. The mortality table
19 and interest assumption used to compute the annuity shall be
20 those in effect when the member files application for annuity.

21 (c) If the member initially became a member after June 30,
22 2005, no augmentation is payable on a deferred annuity.

23 Sec. 4. Minnesota Statutes 2004, section 353.30,
24 subdivision 5, is amended to read:

25 Subd. 5. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This
26 subdivision applies to a member who has become at least 55 years
27 old and first became a public employee after June 30, 1989, and
28 to any other member who has become at least 55 years old and
29 whose annuity is higher when calculated under section 353.29,
30 subdivision 3, paragraph (b), in conjunction with this
31 subdivision than when calculated under section 353.29,
32 subdivision 3, paragraph (a), in conjunction with subdivision 1,
33 1a, 1b, or 1c. An employee who retires before normal retirement
34 age shall be paid the retirement annuity provided in section
35 353.29, subdivision 3, paragraph (b), reduced so that the
36 reduced annuity is the actuarial equivalent of the annuity that

1 would be payable to the employee if the employee deferred
2 receipt of the annuity and the annuity amount were augmented at
3 an annual rate of three percent compounded annually from the day
4 the annuity begins to accrue until the normal retirement age if
5 the member became a member before July 1, 2005, and is the
6 actuarial equivalent of the annuity that would be payable to the
7 member if the member deferred receipt of the annuity if the
8 member initially became a member after June 30, 2005.

9 Sec. 5. Minnesota Statutes 2004, section 353.71,
10 subdivision 2, is amended to read:

11 Subd. 2. [DEFERRED ANNUITY COMPUTATION; AUGMENTATION.] (a)
12 The deferred annuity accruing under subdivision 1, or under
13 sections 353.34, subdivision 3, and 353.68, subdivision 4, must
14 be computed on the basis of allowable service prior to the
15 termination of public service and augmented as provided in this
16 paragraph.

17 (b) The required reserves applicable to a deferred annuity,
18 or to any deferred segment of an annuity must be determined as
19 of the first day of the month following the month in which the
20 former member ceased to be a public employee, or July 1, 1971,
21 whichever is later. If the member became a member before July
22 1, 2005, these required reserves must be augmented at the rate
23 of five percent annually compounded annually until January 1,
24 1981, and at the rate of three percent thereafter until January
25 1 of the year following the year in which the former member
26 attains age 55. From that date to the effective date of
27 retirement, the rate is five percent compounded annually. If a
28 person has more than one period of uninterrupted service, the
29 required reserves related to each period must be augmented as
30 specified in this paragraph. The sum of the augmented required
31 reserves is the present value of the annuity. Uninterrupted
32 service for the purpose of this subdivision means periods of
33 covered employment during which the employee has not been
34 separated from public service for more than two years. If a
35 person repays a refund, the restored service must be considered
36 as continuous with the next period of service for which the

1 employee has credit with this association. This section must not
2 reduce the annuity otherwise payable under this chapter. This
3 paragraph applies to individuals who become deferred annuitants
4 on or after July 1, 1971. For a member who became a deferred
5 annuitant before July 1, 1971, the paragraph applies from July
6 1, 1971, if the former active member applies for an annuity
7 after July 1, 1973.

8 (c) If the member initially became a member after June 30,
9 2005, no augmentation is payable on a deferred annuity.

10 ~~(b)~~ (d) The retirement annuity or disability benefit of, or
11 the survivor benefit payable on behalf of, a former member who
12 terminated service before July 1, 1997, or the survivor benefit
13 payable on behalf of a basic or police and fire member who was
14 receiving disability benefits before July 1, 1997, which is
15 first payable after June 30, 1997, must be increased on an
16 actuarial equivalent basis to reflect the change in the
17 postretirement interest rate actuarial assumption under section
18 356.215, subdivision 8, from five percent to six percent under a
19 calculation procedure and tables adopted by the board and
20 approved by the actuary retained by the Legislative Commission
21 on Pensions and Retirement.

22 Sec. 6. Minnesota Statutes 2004, section 353E.05, is
23 amended to read:

24 353E.05 [AUGMENTATION IN CERTAIN CASES.]

25 Unless prior service has been transferred or unless a
26 combined service annuity under section 356.30 has been elected,
27 an employee who becomes a local government correctional employee
28 after being a member of the Public Employees Retirement
29 Association or the public employees police and fire fund is
30 covered under section 353.71, subdivision 2, with respect to
31 that prior service. An employee who became an employee before
32 July 1, 2005, and who becomes a member of the Public Employees
33 Retirement Association or the public employees police and fire
34 plan after being a local government correctional employee is
35 also covered under section 353.71, subdivision 2, with respect
36 to that prior service, unless calculated under section 356.30.

1 Sec. 7. Minnesota Statutes 2004, section 354.44,
2 subdivision 6, is amended to read:

3 Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT
4 ANNUITY.] (a) The formula retirement annuity must be computed in
5 accordance with the applicable provisions of the formulas stated
6 in paragraph (b) or (d) on the basis of each member's average
7 salary for the period of the member's formula service credit.

8 For all years of formula service credit, "average salary,"
9 for the purpose of determining the member's retirement annuity,
10 means the average salary upon which contributions were made and
11 upon which payments were made to increase the salary limitation
12 provided in Minnesota Statutes 1971, section 354.511, for the
13 highest five successive years of formula service credit
14 provided, however, that such "average salary" shall not include
15 any more than the equivalent of 60 monthly salary payments.
16 Average salary must be based upon all years of formula service
17 credit if this service credit is less than five years.

18 (b) This paragraph, in conjunction with paragraph (c),
19 applies to a person who first became a member of the association
20 or a member of a pension fund listed in section 356.30,
21 subdivision 3, before July 1, 1989, unless paragraph (d), in
22 conjunction with paragraph (e), produces a higher annuity
23 amount, in which case paragraph (d) applies. The average salary
24 as defined in paragraph (a), multiplied by the following
25 percentages per year of formula service credit shall determine
26 the amount of the annuity to which the member qualifying
27 therefor is entitled:

	Coordinated Member	Basic Member
28		
29 Each year of service	the percent	the percent
30 during first ten	specified in	specified in
31	section 356.315,	section 356.315,
32	subdivision 1,	subdivision 3,
33	per year	per year
34 Each year of service	the percent	the percent
35 thereafter	specified in	specified in
36	section 356.315,	section 356.315,

1 subdivision 2, subdivision 4,
2 per year per year

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

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

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

22 (d) This paragraph applies to a member who has become at
23 least 55 years old and first became a member of the association
24 after June 30, 1989, and to any other member who has become at
25 least 55 years old and whose annuity amount when calculated
26 under this paragraph and in conjunction with paragraph (e), is
27 higher than it is when calculated under paragraph (b), in
28 conjunction with paragraph (c). The average salary, as defined
29 in paragraph (a) multiplied by the percent specified by section
30 356.315, subdivision 4, for each year of service for a basic
31 member and by the percent specified in section 356.315,
32 subdivision 2, for each year of service for a coordinated member
33 shall determine the amount of the retirement annuity to which
34 the member is entitled.

35 (e) This paragraph applies to a person who has become at
36 least 55 years old and first becomes a member of the association

1 after June 30, 1989, and to any other member who has become at
2 least 55 years old and whose annuity is higher when calculated
3 under paragraph (d) in conjunction with this paragraph than when
4 calculated under paragraph (b), in conjunction with paragraph
5 (c). An employee who retires under the formula annuity before
6 the normal retirement age shall be paid the normal annuity
7 provided in paragraph (d) reduced so that the reduced annuity is
8 the actuarial equivalent of the annuity that would be payable to
9 the employee if the employee deferred receipt of the annuity and
10 the annuity amount were augmented at an annual rate of three
11 percent compounded annually from the day the annuity begins to
12 accrue until the normal retirement age if the employee became an
13 employee before July 1, 2005, and is the actuarial equivalent of
14 the annuity that would be payable to the employee if the
15 employee initially became a member after June 30, 2005.

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

24 Sec. 8. Minnesota Statutes 2004, section 354.55,
25 subdivision 11, is amended to read:

26 Subd. 11. [DEFERRED ANNUITY; AUGMENTATION.] (a) Any person
27 covered under section 354.44, subdivision 6, who ceases to
28 render teaching service, may leave the person's accumulated
29 deductions in the fund for the purpose of receiving a deferred
30 annuity at retirement. Eligibility for an annuity under this
31 subdivision is governed pursuant to section 354.44, subdivision
32 1, or 354.60.

33 (b) The amount of the deferred retirement annuity is
34 determined by section 354.44, subdivision 6, and augmented as
35 provided in this subdivision. The required reserves related to
36 that portion of the annuity which had accrued when the member

1 ceased to render teaching service must be augmented by interest
2 compounded annually from the first day of the month following
3 the month during which the member ceased to render teaching
4 service to the effective date of retirement. There shall be no
5 augmentation if this period is less than three months or if this
6 period commences prior to July 1, 1971. If the member became a
7 member before July 1, 2005, the rates of interest used for this
8 purpose must be five percent compounded annually commencing July
9 1, 1971, until January 1, 1981, and three percent compounded
10 annually thereafter until January 1 of the year following the
11 year in which the former member attains age 55. From that date
12 to the effective date of retirement, the rate is five percent
13 compounded annually. If a person has more than one period of
14 uninterrupted service, a separate average salary determined
15 under section 354.44, subdivision 6, must be used for each
16 period and the required reserves related to each period must be
17 augmented by interest pursuant to this subdivision. The sum of
18 the augmented required reserves so determined shall be the basis
19 for purchasing the deferred annuity. If a person repays a
20 refund, the service restored by the repayment must be considered
21 as continuous with the next period of service for which the
22 person has credit with this fund. If a person does not render
23 teaching service in any one fiscal year or more consecutive
24 fiscal years and then resumes teaching service, the formula
25 percentages used from the date of the resumption of teaching
26 service must be those applicable to new members. The mortality
27 table and interest assumption used to compute the annuity must
28 be the applicable mortality table established by the board under
29 section 354.07, subdivision 1, and the interest rate assumption
30 under section 356.215 in effect when the member retires. A
31 period of uninterrupted service for the purposes of this
32 subdivision means a period of covered teaching service during
33 which the member has not been separated from active service for
34 more than one fiscal year.

35 (c) In no case shall the annuity payable under this
36 subdivision be less than the amount of annuity payable pursuant

1 to section 354.44, subdivision 6. If the member initially
2 became a member after June 30, 2005, no augmentation is payable
3 on a deferred annuity.

4 (d) The requirements and provisions for retirement before
5 normal retirement age contained in section 354.44, subdivision
6 6, clause (3) or (5), shall also apply to an employee fulfilling
7 the requirements with a combination of service as provided in
8 section 354.60.

9 (e) The augmentation provided by this subdivision applies
10 to the benefit provided in section 354.46, subdivision 2.

11 (f) The augmentation provided by this subdivision shall not
12 apply to any period in which a person is on an approved leave of
13 absence from an employer unit covered by the provisions of this
14 chapter.

15 (g) The retirement annuity or disability benefit of, or the
16 survivor benefit payable on behalf of, a former teacher who
17 terminated service before July 1, 1997, which is not first
18 payable until after June 30, 1997, must be increased on an
19 actuarial equivalent basis to reflect the change in the
20 postretirement interest rate actuarial assumption under section
21 356.215, subdivision 8, from five percent to six percent under a
22 calculation procedure and tables adopted by the board as
23 recommended by an approved actuary and approved by the actuary
24 retained by the Legislative Commission on Pensions and
25 Retirement.

26 Sec. 9. Minnesota Statutes 2004, section 354A.31,
27 subdivision 7, is amended to read:

28 Subd. 7. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This
29 subdivision applies to a person who has become at least 55 years
30 old and first becomes a coordinated member after June 30, 1989,
31 and to any other coordinated member who has become at least 55
32 years old and whose annuity is higher when calculated using the
33 retirement annuity formula percentage in subdivision 4,
34 paragraph (d), and subdivision 4a, paragraph (d), in conjunction
35 with this subdivision than when calculated under subdivision 4,
36 paragraph (c), or subdivision 4a, paragraph (c), in conjunction

1 with subdivision 6. A coordinated member who retires before the
2 full benefit age shall be paid the retirement annuity calculated
3 using the retirement annuity formula percentage in subdivision
4 4, paragraph (d), or subdivision 4a, paragraph (d), reduced so
5 that the reduced annuity is the actuarial equivalent of the
6 annuity that would be payable to the member if the member
7 deferred receipt of the annuity and the annuity amount were
8 augmented at an annual rate of three percent compounded annually
9 from the day the annuity begins to accrue until the normal
10 retirement age if the member became a member before July 1,
11 2005, and is the actuarial equivalent of the annuity that would
12 be payable to the member if the member initially became a member
13 after June 30, 2005.

14 Sec. 10. Minnesota Statutes 2004, section 354A.37,
15 subdivision 2, is amended to read:

16 Subd. 2. [ELIGIBILITY FOR DEFERRED RETIREMENT ANNUITY.]

17 (a) Any coordinated member who ceases to render teaching
18 services for the school district in which the teachers
19 retirement fund association is located, with sufficient
20 allowable service credit to meet the minimum service
21 requirements specified in section 354A.31, subdivision 1, shall
22 be entitled to a deferred retirement annuity in lieu of a refund
23 pursuant to subdivision 1. The deferred retirement annuity
24 shall be computed pursuant to section 354A.31 and shall be
25 augmented as provided in this subdivision. The deferred annuity
26 shall commence upon application after the person on deferred
27 status attains at least the minimum age specified in section
28 354A.31, subdivision 1.

29 (b) If the coordinated member became a member before July
30 1, 2005, the monthly annuity amount that had accrued when the
31 member ceased to render teaching service must be augmented from
32 the first day of the month following the month during which the
33 member ceased to render teaching service to the effective date
34 of retirement. There is no augmentation if this period is less
35 than three months. The rate of augmentation is three percent
36 compounded annually until January 1 of the year following the

1 year in which the former member attains age 55, and five percent
2 compounded annually after that date to the effective date of
3 retirement. If a person has more than one period of
4 uninterrupted service, a separate average salary determined
5 under section 354A.31 must be used for each period, and the
6 monthly annuity amount related to each period must be augmented
7 as provided in this subdivision. The sum of the augmented
8 monthly annuity amounts determines the total deferred annuity
9 payable. If a person repays a refund, the service restored by
10 the repayment must be considered as continuous with the next
11 period of service for which the person has credit with the
12 fund. If a person does not render teaching services in any one
13 fiscal year or more consecutive fiscal years and then resumes
14 teaching service, the formula percentages used from the date of
15 resumption of teaching service are those applicable to new
16 members. The mortality table and interest assumption used to
17 compute the annuity are the table established by the fund to
18 compute other annuities, and the interest assumption under
19 section 356.215 in effect when the member retires. A period of
20 uninterrupted service for the purpose of this subdivision means
21 a period of covered teaching service during which the member has
22 not been separated from active service for more than one fiscal
23 year. The augmentation provided by this subdivision applies to
24 the benefit provided in section 354A.35, subdivision 2. The
25 augmentation provided by this subdivision does not apply to any
26 period in which a person is on an approved leave of absence from
27 an employer unit.

28 (c) If the coordinated member initially became a member
29 after June 30, 2005, no augmentation is payable on a deferred
30 annuity.

31 Sec. 11. Minnesota Statutes 2004, section 356.30,
32 subdivision 1, is amended to read:

33 Subdivision 1. [ELIGIBILITY; COMPUTATION OF ANNUITY.] (a)
34 Notwithstanding any provisions of the laws governing the
35 retirement plans enumerated in subdivision 3, a person who has
36 met the qualifications of paragraph (b) may elect to receive a

1 retirement annuity from each enumerated retirement plan in which
2 the person has at least one-half year of allowable service,
3 based on the allowable service in each plan, subject to the
4 provisions of paragraph (c).

5 (b) A person may receive, upon retirement, a retirement
6 annuity from each enumerated retirement plan in which the person
7 has at least one-half year of allowable service, and, if the
8 person was a member of a covered retirement plan on or before
9 July 1, 2005, augmentation of a deferred annuity calculated
10 under the laws governing each public pension plan or fund named
11 in subdivision 3, from the date the person terminated all public
12 service if:

13 (1) the person has allowable service totaling an amount
14 that allows the person to receive an annuity in any two or more
15 of the enumerated plans; and

16 (2) the person has not begun to receive an annuity from any
17 enumerated plan or the person has made application for benefits
18 from each applicable plan and the effective dates of the
19 retirement annuity with each plan under which the person chooses
20 to receive an annuity are within a one-year period.

21 (c) The retirement annuity from each plan must be based
22 upon the allowable service, accrual rates, and average salary in
23 the applicable plan except as further specified or modified in
24 the following clauses:

25 (1) the laws governing annuities must be the law in effect
26 on the date of termination from the last period of public
27 service under a covered retirement plan with which the person
28 earned a minimum of one-half year of allowable service credit
29 during that employment;

30 (2) the "average salary" on which the annuity from each
31 covered plan in which the employee has credit in a formula plan
32 must be based on the employee's highest five successive years of
33 covered salary during the entire service in covered plans;

34 (3) the accrual rates to be used by each plan must be those
35 percentages prescribed by each plan's formula as continued for
36 the respective years of allowable service from one plan to the

1 next, recognizing all previous allowable service with the other
2 covered plans;

3 (4) the allowable service in all the plans must be combined
4 in determining eligibility for and the application of each
5 plan's provisions in respect to reduction in the annuity amount
6 for retirement prior to normal retirement age; and

7 (5) the annuity amount payable for any allowable service
8 under a nonformula plan of a covered plan must not be affected,
9 but such service and covered salary must be used in the above
10 calculation.

11 (d) This section does not apply to any person whose final
12 termination from the last public service under a covered plan
13 was before May 1, 1975.

14 (e) For the purpose of computing annuities under this
15 section, the accrual rates used by any covered plan, except the
16 public employees police and fire plan, the judges' retirement
17 fund, and the State Patrol retirement plan, must not exceed the
18 percent specified in section 356.315, subdivision 4, per year of
19 service for any year of service or fraction thereof. The
20 formula percentage used by the judges' retirement fund must not
21 exceed the percentage rate specified in section 356.315,
22 subdivision 8, per year of service for any year of service or
23 fraction thereof. The accrual rate used by the public employees
24 police and fire plan and the State Patrol retirement plan must
25 not exceed the percentage rate specified in section 356.315,
26 subdivision 6, per year of service for any year of service or
27 fraction thereof. The accrual rate or rates used by the
28 legislators retirement plan and the elective state officers
29 retirement plan must not exceed 2.5 percent, but this limit does
30 not apply to the adjustment provided under section 3A.02,
31 subdivision 1, paragraph (c), or 352C.031, paragraph (b).

32 (f) Any period of time for which a person has credit in
33 more than one of the covered plans must be used only once for
34 the purpose of determining total allowable service.

35 (g) If the period of duplicated service credit is more than
36 one-half year, or the person has credit for more than one-half

1 year, with each of the plans, each plan must apply its formula
2 to a prorated service credit for the period of duplicated
3 service based on a fraction of the salary on which deductions
4 were paid to that fund for the period divided by the total
5 salary on which deductions were paid to all plans for the period.

6 (h) If the period of duplicated service credit is less than
7 one-half year, or when added to other service credit with that
8 plan is less than one-half year, the service credit must be
9 ignored and a refund of contributions made to the person in
10 accord with that plan's refund provisions.

11 Sec. 12. [EFFECTIVE DATE.]

12 Sections 1 to 11 are effective on July 1, 2005.

13 ARTICLE 6

14 MAXIMUM RETIREMENT PLAN

15 COVERED SALARY

16 Section 1. Minnesota Statutes 2004, section 352.01,
17 subdivision 13, is amended to read:

18 Subd. 13. [SALARY.] (a) Subject to the limitations of
19 section 356.611, "salary" means wages, or other periodic
20 compensation, paid to an employee before deductions for deferred
21 compensation, supplemental retirement plans, or other voluntary
22 salary reduction programs.

23 (b) "Salary" does not include:

24 (1) lump sum sick leave payments;

25 (2) severance payments;

26 (3) lump sum annual leave payments and overtime payments
27 made at the time of separation from state service;

28 (4) payments in lieu of any employer-paid group insurance
29 coverage, including the difference between single and family
30 rates that may be paid to an employee with single coverage;

31 (5) payments made as an employer-paid fringe benefit;

32 (6) workers' compensation payments;

33 (7) employer contributions to a deferred compensation or
34 tax sheltered annuity program; and

35 (8) amounts contributed under a benevolent vacation and
36 sick leave donation program.

1 (c) Amounts provided to an employee by the employer through
2 a grievance proceeding or a legal settlement are salary only if
3 the settlement is reviewed by the executive director and the
4 amounts are determined by the executive director to be
5 consistent with paragraph (a) and prior determinations.

6 Sec. 2. Minnesota Statutes 2004, section 352B.01,
7 subdivision 11, is amended to read:

8 Subd. 11. [AVERAGE MONTHLY SALARY.] (a) Subject to the
9 limitations of section 356.611, "average monthly salary" means
10 the average of the highest monthly salaries for five years of
11 service as a member upon which contributions were deducted from
12 pay under section 352B.02, or upon which appropriate
13 contributions or payments were made to the fund to receive
14 allowable service and salary credit as specified under the
15 applicable law. Average monthly salary must be based upon all
16 allowable service if this service is less than five years.

17 (b) "Average monthly salary" means the salary of the member
18 as defined in section 352.01, subdivision 13. "Average monthly
19 salary" does not include any lump-sum annual leave payments and
20 overtime payments made at the time of separation from state
21 service, any amounts of severance pay, or any reduced salary
22 paid during the period the person is entitled to workers'
23 compensation benefit payments for temporary disability.

24 (c) A member on leave of absence receiving temporary
25 workers' compensation payments and a reduced salary or no salary
26 from the employer who is entitled to allowable service credit
27 for the period of absence may make payment to the fund for the
28 difference between salary received, if any, and the salary the
29 member would normally receive if not on leave of absence during
30 the period. The member shall pay an amount equal to the member
31 and employer contribution rate under section 352B.02,
32 subdivisions 1b and 1c, on the differential salary amount for
33 the period of the leave of absence. The employing department,
34 at its option, may pay the employer amount on behalf of the
35 member. Payment made under this subdivision must include
36 interest at the rate of 8.5 percent per year, and must be

1 completed within one year of the return from the leave of
2 absence.

3 Sec. 3. Minnesota Statutes 2004, section 353.01,
4 subdivision 10, is amended to read:

5 Subd. 10. [SALARY.] (a) Subject to the limitations of
6 section 356.611, "salary" means:

7 (1) the periodic compensation of a public employee, before
8 deductions for deferred compensation, supplemental retirement
9 plans, or other voluntary salary reduction programs, and also
10 means "wages" and includes net income from fees; and

11 (2) for a public employee who has prior service covered by
12 a local police or firefighters relief association that has
13 consolidated with the Public Employees Retirement Association or
14 to which section 353.665 applies and who has elected coverage
15 either under the public employees police and fire fund benefit
16 plan under section 353A.08 following the consolidation or under
17 section 353.665, subdivision 4, the rate of salary upon which
18 member contributions to the special fund of the relief
19 association were made prior to the effective date of the
20 consolidation as specified by law and by bylaw provisions
21 governing the relief association on the date of the initiation
22 of the consolidation procedure and the actual periodic
23 compensation of the public employee after the effective date of
24 consolidation.

25 (b) Salary does not mean:

26 (1) the fees paid to district court reporters, unused
27 annual vacation or sick leave payments, in lump-sum or periodic
28 payments, severance payments, reimbursement of expenses,
29 lump-sum settlements not attached to a specific earnings period,
30 or workers' compensation payments;

31 (2) employer-paid amounts used by an employee toward the
32 cost of insurance coverage, employer-paid fringe benefits,
33 flexible spending accounts, cafeteria plans, health care expense
34 accounts, day care expenses, or any payments in lieu of any
35 employer-paid group insurance coverage, including the difference
36 between single and family rates that may be paid to a member

1 with single coverage and certain amounts determined by the
2 executive director to be ineligible;

3 (3) the amount equal to that which the employing
4 governmental subdivision would otherwise pay toward single or
5 family insurance coverage for a covered employee when, through a
6 contract or agreement with some but not all employees, the
7 employer:

8 (i) discontinues, or for new hires does not provide,
9 payment toward the cost of the employee's selected insurance
10 coverages under a group plan offered by the employer;

11 (ii) makes the employee solely responsible for all
12 contributions toward the cost of the employee's selected
13 insurance coverages under a group plan offered by the employer,
14 including any amount the employer makes toward other employees'
15 selected insurance coverages under a group plan offered by the
16 employer; and

17 (iii) provides increased salary rates for employees who do
18 not have any employer-paid group insurance coverages;

19 (4) except as provided in section 353.86 or 353.87,
20 compensation of any kind paid to volunteer ambulance service
21 personnel or volunteer firefighters, as defined in subdivision
22 35 or 36; and

23 (5) the amount of compensation that exceeds the limitation
24 provided in section 356.611.

25 (c) Amounts provided to an employee by the employer through
26 a grievance proceeding or a legal settlement are salary only if
27 the settlement is reviewed by the executive director and the
28 amounts are determined by the executive director to be
29 consistent with paragraph (a) and prior determinations.

30 Sec. 4. Minnesota Statutes 2004, section 353B.02,
31 subdivision 10, is amended to read:

32 Subd. 10. [SALARY.] (a) "Salary" under this chapter is
33 subject to the limitations of section 356.611.

34 (b) "Salary" for benefit computation and contribution
35 purposes means the salary of a first class or first grade
36 firefighter or patrol officer, whichever applies, for the former

1 members of the following consolidating relief associations:

- 2 (1) Anoka Police Relief Association;
- 3 (2) Austin Firefighters Relief Association;
- 4 (3) Austin Police Relief Association;
- 5 (4) Columbia Heights Fire Department Relief Association,
- 6 Paid Division;
- 7 (5) Fairmont Police Benefit Association;
- 8 (6) Faribault Fire Department Relief Association;
- 9 (7) Mankato Fire Department Relief Association;
- 10 (8) Minneapolis Fire Department Relief Association;
- 11 (9) Minneapolis Police Relief Association;
- 12 (10) Richfield Fire Department Relief Association;
- 13 (11) Rochester Fire Department Relief Association;
- 14 (12) Rochester Police Relief Association;
- 15 (13) St. Cloud Fire Department Relief Association;
- 16 (14) St. Cloud Police Relief Association;
- 17 (15) St. Paul Fire Department Relief Association;
- 18 (16) South St. Paul Firefighters Relief Association;
- 19 (17) West St. Paul Firefighters Relief Association;
- 20 (18) West St. Paul Police Relief Association; and
- 21 (19) Winona Fire Department Relief Association.

22 ~~(b)~~ (c) "Salary" for benefit computation purposes means the
23 salary of a first grade patrol officer for the second month of
24 the previous fiscal year and for contribution purposes means the
25 current salary of a first grade patrol officer, for the former
26 members of the following consolidating relief associations:

- 27 (1) Bloomington Police Relief Association;
- 28 (2) Crystal Police Relief Association;
- 29 (3) Fridley Police Pension Association;
- 30 (4) Richfield Police Relief Association;
- 31 (5) St. Louis Park Police Relief Association; and
- 32 (6) Winona Police Relief Association.

33 ~~(e)~~ (d) "Salary" for benefit computation purposes means the
34 final salary and for contribution purposes means the current
35 salary for the former members of the following consolidating
36 relief associations:

- 1 (1) Albert Lea Firefighters Relief Association;
- 2 (2) Albert Lea Police Relief Association;
- 3 (3) Buhl Police Relief Association;
- 4 (4) Chisholm Firefighters Relief Association;
- 5 (5) Crockston Fire Department Relief Association;
- 6 (6) Crockston Police Relief Association;
- 7 (7) Faribault Police Benefit Association;
- 8 (8) Red Wing Police Relief Association; and
- 9 (9) Virginia Fire Department Relief Association.

10 ~~(d)~~ (e) "Salary" for benefit computation purposes means the
11 average earnings or salary for the final six months of
12 employment before retirement and for contribution purposes means
13 the current salary for the former members of the following
14 consolidating relief associations:

- 15 (1) Chisholm Police Relief Association;
- 16 (2) Hibbing Firefighters Relief Association; and
- 17 (3) Hibbing Police Relief Association.

18 ~~(e)~~ (f) "Salary" for benefit computation purposes means the
19 greater of the final salary at retirement or the highest salary
20 of a patrol officer and for contribution purposes means the
21 greater of the current salary or the current highest salary of a
22 patrol officer for the former members of the following
23 consolidating relief associations:

- 24 (1) Brainerd Police Benefit Association; and
- 25 (2) New Ulm Police Relief Association.

26 ~~(f)~~ (g) "Salary" for benefit computation and contribution
27 purposes means the following for the former members of the
28 consolidating relief associations as indicated:

- 29 (1) salary of a top grade patrol officer, including
30 longevity pay and education incentive pay in an amount not to
31 exceed \$235 per month, Columbia Heights Police Relief
32 Association;

- 33 (2) maximum pay of a firefighter, including overtime
34 payments for a regular workweek of a firefighter mandated by the
35 federal Fair Labor Standards Act of 1938, as amended, Duluth
36 Firefighters Relief Association;

- 1 (3) salary of a first class patrol officer with 16 years of
- 2 service, Duluth Police Pension Association;
- 3 (4) base salary for the rank currently held, plus longevity
- 4 pay, pay for eligibility for next higher rank and pay for first
- 5 aid care, Mankato Police Benefit Association;
- 6 (5) average annual salary for highest three paid years for
- 7 benefit computation purposes and current salary for contribution
- 8 purposes, Red Wing Fire Department Relief Association;
- 9 (6) pay of the highest grade full-time firefighter, St.
- 10 Louis Park Fire Department Relief Association;
- 11 (7) maximum monthly pay of a patrol officer, St. Paul
- 12 Police Relief Association;
- 13 (8) prevailing base pay of rank held at retirement for
- 14 benefit computation purposes and current salary for contribution
- 15 purposes, South St. Paul Police Relief Association; and
- 16 (9) prevailing pay for rank held for at least six months
- 17 before retirement for benefit computation purposes and current
- 18 salary for contribution purposes, Virginia Police Relief
- 19 Association.

20 Sec. 5. Minnesota Statutes 2004, section 354.05,
 21 subdivision 35, is amended to read:

22 Subd. 35. [SALARY.] (a) Subject to the limitations of
 23 section 356.611, "salary" means the periodic compensation, upon
 24 which member contributions are required before deductions for
 25 deferred compensation, supplemental retirement plans, or other
 26 voluntary salary reduction programs.

27 (b) "Salary" does not mean:

- 28 (1) lump sum annual leave payments;
- 29 (2) lump sum wellness and sick leave payments;
- 30 (3) employer-paid amounts used by an employee toward the
- 31 cost of insurance coverage, employer-paid fringe benefits,
- 32 flexible spending accounts, cafeteria plans, health care expense
- 33 accounts, day care expenses, or any payments in lieu of any
- 34 employer-paid group insurance coverage, including the difference
- 35 between single and family rates that may be paid to a member
- 36 with single coverage and certain amounts determined by the

1 executive director to be ineligible;

2 (4) any form of payment made in lieu of any other
3 employer-paid fringe benefit or expense;

4 (5) any form of severance payments;

5 (6) workers' compensation payments;

6 (7) disability insurance payments, including self-insured
7 disability payments;

8 (8) payments to school principals and all other
9 administrators for services that are in addition to the normal
10 work year contract if these additional services are performed on
11 an extended duty day, Saturday, Sunday, holiday, annual leave
12 day, sick leave day, or any other nonduty day;

13 (9) payments under section 356.24, subdivision 1, clause
14 (4); and

15 (10) payments made under section 122A.40, subdivision 12,
16 except for payments for sick leave that are accumulated under
17 the provisions of a uniform school district policy that applies
18 equally to all similarly situated persons in the district.

19 (c) Amounts provided to an employee by the employer through
20 a grievance proceeding or a legal settlement are salary only if
21 the settlement is reviewed by the executive director and the
22 amounts are determined by the executive director to be
23 consistent with paragraph (a) and prior determinations.

24 Sec. 6. Minnesota Statutes 2004, section 354A.011,
25 subdivision 24, is amended to read:

26 Subd. 24. [SALARY; COVERED SALARY.] (a) Subject to the
27 limitations of section 356.611, "salary" or "covered salary"
28 means the entire compensation, upon which member contributions
29 are required and made, that is paid to a teacher before
30 deductions for deferred compensation, supplemental retirement
31 plans, or other voluntary salary reduction programs.

32 (b) "Salary" does not mean:

33 (1) lump sum annual leave payments;

34 (2) lump sum wellness and sick leave payments;

35 (3) employer-paid amounts used by an employee toward the
36 cost of insurance coverage, employer-paid fringe benefits,

1 amended by adding a subdivision to read:

2 Subd. 29. [COVERED SALARY.] "Salary" is subject to the
3 limitations of section 356.611.

4 Sec. 11. Minnesota Statutes 2002, section 490.121, is
5 amended by adding a subdivision to read:

6 Subd. 21a. [COVERED SALARY LIMITATION.] "Final average
7 compensation" is subject to the limitations of section 356.611.

8 Sec. 12. [EFFECTIVE DATE.]

9 This article is effective the day following final
10 enactment, except that section 7 applies retroactively to April
11 28, 1994.

12 ARTICLE 7

13 EARLY RETIREMENT INCENTIVES

14 Section 1. [EARLY RETIREMENT INCENTIVE.]

15 Subdivision 1. [ELIGIBILITY.] An appointing authority in
16 the executive or legislative branch of state government or the
17 Board of Public Defense or the Minnesota Historical Society or
18 any school district may offer the early retirement incentive in
19 this section to an employee who:

20 (1) has at least five years of allowable service in one or
21 more of the funds listed in Minnesota Statutes, section 356.30,
22 subdivision 3, or has at least five years of coverage by the
23 individual retirement account plan governed by Minnesota
24 Statutes, chapter 354b, and upon retirement is immediately
25 eligible for a retirement annuity or benefit from one or more of
26 these funds; and

27 (2) terminates state or teaching service after the
28 effective date of this section and before September 1, 2005.

29 Subd. 2. [INCENTIVE.] (a) For an employee eligible under
30 subdivision 1, the employer may provide an amount up to \$17,000,
31 to be used:

32 (1) for an employee who terminates state service after the
33 effective date of this section and on or before July 15, 2005,
34 for deposit in the employee's account in the health care savings
35 plan established by Minnesota Statutes, section 352.98; or

36 (2) for an employee who terminates state service after July

1 15, 2005, and before September 1, 2005:

2 (i) notwithstanding Minnesota Statutes, section 352.01,
3 subdivision 11, or 354.05, subdivision 13, whichever applies,
4 for purchase of service credit for unperformed service
5 sufficient to enable the employee to retire under Minnesota
6 Statutes, section 352.116, subdivision 1, paragraph (b); 353.30;
7 or 354.44, subdivision 6, paragraph (b), whichever applies; or

8 (ii) for purchase of a lifetime annuity or annuity for a
9 specific number of years from the state unclassified retirement
10 program to provide additional benefits under Minnesota Statutes,
11 section 352D.06, subdivision 1.

12 (b) An employee is eligible for the payment under paragraph
13 (a), clause (2), item (i), if the employee uses money from a
14 deferred compensation account that, combined with the payment
15 under paragraph (a), clause (2), item (i), would be sufficient
16 to purchase enough service credit to qualify for retirement
17 under Minnesota Statutes, section 352.116, subdivision 1,
18 paragraph (b); 353.30, subdivision 1a; or 354.44, subdivision 6,
19 paragraph (b), whichever applies.

20 Subd. 3. [DESIGNATION OF POSITIONS; EMPLOYER
21 DISCRETION.] Before offering an incentive under this section, an
22 appointing authority must designate the job classifications or
23 positions within job classifications that qualify for the
24 incentive. The appointing authority may modify this designation
25 at any time. Designation of positions eligible for the
26 incentive under this section, participation of individual
27 employees, and the amount of the payment under this section are
28 at the sole discretion of the appointing authority. Unilateral
29 implementation of this section by the employer is not an unfair
30 labor practice under Minnesota Statutes, chapter 179A.

31 Sec. 2. [POSTRETIREMENT EMPLOYMENT.]

32 (a) This section applies to a state employee who:

33 (1) on the effective date of this section is regularly
34 scheduled to work 1,044 or more hours a year in a position
35 covered by the Minnesota state retirement system general
36 employees retirement plan, correctional plan, or unclassified

1 plan;

2 (2) enters into an agreement with the appointing authority
3 to work a reduced schedule that is both (i) a reduction of at
4 least 25 percent from the number of regularly scheduled work
5 hours; and (ii) 1,044 hours or less in the covered position; and

6 (3) at the time of entering into the agreement under clause
7 (2), meets the age and service requirements necessary to receive
8 an unreduced retirement benefit from the plan.

9 (b) Notwithstanding any law to the contrary, for service
10 under an agreement entered into under paragraph (a), an employee:

11 (1) may receive a retirement annuity from the plan without
12 separating from state service; and

13 (2) is not subject to the cessation of annuity provisions
14 in Minnesota Statutes, section 352.115, subdivision 10.

15 (c) The amount of hours worked, the work schedule, and the
16 duration of the phased retirement employment must be mutually
17 agreed to by the employee and the appointing authority. The
18 appointing authority may not require a person to waive any
19 rights under a collective bargaining agreement as a condition of
20 participation under this section. The appointing authority has
21 sole discretion to determine if and the extent to which phased
22 retirement under this section is available to an employee. Upon
23 expiration of an agreement entered into under this section, the
24 appointing authority must restore the position to its status
25 prior to the agreement.

26 (d) Notwithstanding any law to the contrary, a person may
27 not earn service credit in the Minnesota state retirement system
28 for employment covered under this section, and employer
29 contributions and payroll deductions for the retirement fund
30 must not be made based on earnings of a person working under
31 this section. No change shall be made to a monthly annuity or
32 retirement allowance based on employment under this section.

33 (e) A person who works under this section is a member of
34 the appropriate bargaining unit; is covered by the appropriate
35 collective bargaining contract or compensation plan; and is
36 eligible for health care coverage as provided in the collective

1 bargaining contract or compensation plan.

2 (f) An agreement under this section may apply only to work
3 through June 30, 2007.

4 Sec. 3. [VOLUNTARY HOUR REDUCTION PLAN.]

5 (a) This section applies to a state employee who:

6 (1) on the effective date of this section is regularly
7 scheduled to work 1,044 or more hours a year in a position
8 covered by a pension plan administered by the Minnesota state
9 retirement system; and

10 (2) enters into an agreement with the appointing authority
11 to work a reduced schedule of 1,044 hours or less in the covered
12 position.

13 (b) Notwithstanding any law to the contrary, for service
14 under an agreement entered into under paragraph (a),
15 contributions may be made to the applicable plan of the
16 Minnesota state retirement system as if the employee had not
17 reduced hours. The employee must pay the additional employee
18 contributions and the employer must pay the additional employer
19 contributions necessary to bring the service credit and salary
20 up to the level prior to the voluntary reduction in hours.
21 Contributions must be made in a time and manner prescribed by
22 the executive director of the Minnesota state retirement system.

23 (c) The amount of hours worked, the work schedule, and the
24 duration of the voluntary hour reduction must be mutually agreed
25 to by the employee and the appointing authority. The appointing
26 authority may not require a person to waive any rights under a
27 collective bargaining agreement as a condition of participation
28 under this section. The appointing authority has sole
29 discretion to determine if and the extent to which voluntary
30 hour reduction under this section is available to an employee.

31 (d) A person who works under this section is a member of
32 the appropriate bargaining unit; is covered by the appropriate
33 collective bargaining contract or compensation plan; and is
34 eligible for health care coverage as provided in the collective
35 bargaining contract or compensation plan.

36 (e) An agreement under this section may apply only to work

1 through June 30, 2007.

2 Sec. 4. [VOLUNTARY UNPAID LEAVE OF ABSENCE.]

3 Appointing authorities in state government may allow each
4 employee to take unpaid leaves of absence for up to 1,044 hours
5 between June 1, 2005, and June 30, 2007. Each appointing
6 authority approving such a leave shall allow the employee to
7 continue accruing vacation and sick leave, be eligible for paid
8 holidays and insurance benefits, accrue seniority, and accrue
9 service credit and credited salary in the state retirement plans
10 as if the employee had actually been employed during the time of
11 leave. An employee covered by the unclassified plan may
12 voluntarily make both the employee and employer contributions to
13 the unclassified plan during the leave of absence. For
14 employees covered by another retirement plan administered by the
15 Minnesota State Retirement System, the employee must pay the
16 additional employee contributions and the employer must pay the
17 additional employer contributions necessary to bring the service
18 credit and salary credit up to the level prior to the voluntary
19 reduction in hours. Contributions must be made at a time and in
20 a manner prescribed by the executive director of the Minnesota
21 State Retirement System. If the leave of absence is for one
22 full pay period or longer, any holiday pay shall be included in
23 the first payroll warrant after return from the leave of
24 absence. The appointing authority shall attempt to grant
25 requests for the unpaid leaves of absence consistent with the
26 need to continue efficient operation of the agency. However,
27 each appointing authority shall retain discretion to grant or
28 refuse to grant requests for leaves of absence and to schedule
29 and cancel leaves, subject to the applicable provisions of
30 collective bargaining agreements and compensation plans.

31 Sec. 5. [RELATIONSHIP OF SECTIONS.]

32 (a) An employee covered by a phased retirement agreement
33 under section 2 may not be covered by the voluntary hour
34 reduction provisions of section 3 or by a voluntary unpaid leave
35 of absence agreement under section 4 during the same time period
36 or any later time period.

1 (b) An employee covered by the voluntary hour reduction
2 provisions of section 3:

3 (1) may not be covered by a phased retirement agreement
4 under section 2 during the same time period, but may be covered
5 by a phased retirement agreement under section 2 during a later
6 time period; and

7 (2) may be covered by the voluntary leave of absence
8 provision of section 4 during an earlier or later time period.

9 (c) An employee may receive the early retirement incentive
10 in section 1 after being covered under section 2, 3, or 4. An
11 employee who receives an incentive under section 1 may not later
12 be covered by section 2, 3, or 4.

13 Sec. 6. [EFFECTIVE DATE.]

14 Sections 1 to 5 are effective the day following final
15 enactment."

16 Delete the title and insert:

17 "A bill for an act relating to retirement; statewide and
18 major local retirement plans; providing for various member and
19 employer contribution rate increases; restructuring the
20 statewide Teachers Retirement Association fund and benefit plan;
21 providing a special postretirement adjustment to certain
22 pre-1969 teachers; changing deferred annuities augmentation for
23 new retirement plan members; creating a public pension plan
24 default insurance pool; increasing the maximum retirement plan
25 covered salary figure; providing certain early retirement
26 incentives; appropriating money; amending Minnesota Statutes
27 2004, sections 352.01, subdivision 13; 352.04, subdivisions 2,
28 3, 12; 352.116, subdivision 1a; 352.72, subdivision 2; 352.911,
29 subdivision 5; 352.92, subdivisions 1, 2; 352B.01, subdivision
30 11; 352B.02, subdivisions 1a, 1c, 1d; 352B.30, subdivision 2;
31 352D.04, subdivision 2; 352D.09, subdivision 7; 353.01,
32 subdivision 10; 353.27, subdivisions 1, 2, 3, 3a, by adding a
33 subdivision; 353.30, subdivision 5; 353.65, subdivisions 2, 3,
34 6; 353.71, subdivision 2; 353B.02, subdivision 10; 353E.01,
35 subdivision 5; 353E.05; 354.05, subdivisions 2, 13, 35; 354.42,
36 subdivisions 2, 3, by adding a subdivision; 354.44, subdivisions
37 6, 6; 354.55, subdivision 11; 354A.011, subdivisions 15a, 24,
38 27; 354A.021, subdivisions 1, 4; 354A.092; 354A.093, subdivision
39 1; 354A.095; 354A.096; 354A.12, subdivisions 1, 2, 2a, 3a, 3b,
40 3c, 3d; 354A.30; 354A.31, subdivisions 4, 7; 354A.32,
41 subdivision 1; 354A.37, subdivision 2; 354A.39; 354A.40,
42 subdivision 1; 354A.41; 356.20, subdivision 2; 356.214,
43 subdivision 1; 356.215, subdivision 8; 356.30, subdivisions 1,
44 3; 356.302, subdivision 7; 356.303, subdivision 4; 356.315, by
45 adding a subdivision; 356.42, subdivision 3; 356.465,
46 subdivision 3; 356.611, subdivision 1; 422A.01, by adding a
47 subdivision; 423A.02, subdivision 1b; 423B.01, by adding a
48 subdivision; 423C.01, by adding a subdivision; 490.121, by
49 adding a subdivision; proposing coding for new law in Minnesota
50 Statutes, chapters 126C; 128D; 354; 356; repealing Minnesota
51 Statutes 2004, sections 354A.051; 354A.105; 354A.23, subdivision
52 1; 354A.28."

1 Senator Cohen from the Committee on Finance, to which was
2 re-referred

3 S.F. No. 1057: A bill for an act relating to state
4 employment; providing voluntary unpaid leave options and early
5 retirement incentives to state employees.

6 Reports the same back with the recommendation that the bill
7 be amended as follows:

8 Delete everything after the enacting clause and insert:

9 "ARTICLE 1

10 VARIOUS RETIREMENT PLAN CONTRIBUTION

11 RATE INCREASES

12 Section 1. Minnesota Statutes 2004, section 352.04,
13 subdivision 2, is amended to read:

14 Subd. 2. [EMPLOYEE CONTRIBUTIONS.] The employee
15 contribution to the fund must be equal to 4.0 percent of
16 salary. Beginning on July 1, 2007, the employee contribution
17 must be equal to 4.25 percent of salary. Beginning on July 1,
18 2008, the employee contribution must be equal to 4.50 percent of
19 salary. Beginning on July 1, 2009, the employee contribution
20 must be equal to 4.75 percent of salary. Beginning on July 1,
21 2010, the employee contribution must be equal to 5.0 percent of
22 salary. These contributions must be made by deduction from
23 salary as provided in subdivision 4.

24 Sec. 2. Minnesota Statutes 2004, section 352.04,
25 subdivision 3, is amended to read:

26 Subd. 3. [EMPLOYER CONTRIBUTIONS.] The employer
27 contribution to the fund must be equal to 4.0 percent of
28 salary. Beginning on July 1, 2007, the employer contribution
29 must be equal to 4.25 percent of salary. Beginning on July 1,
30 2008, the employer contribution must be equal to 4.50 percent of
31 salary. Beginning on July 1, 2009, the employer contribution
32 must be equal to 4.75 percent of salary. Beginning on July 1,
33 2010, the employer contribution must be equal to 5.0 percent of
34 salary.

35 Sec. 3. Minnesota Statutes 2004, section 352.92,
36 subdivision 1, is amended to read:

37 Subdivision 1. [EMPLOYEE CONTRIBUTIONS.] Employee
38 contributions of covered correctional employees must be in an

1 amount equal to ~~5.69~~ a percent of salary. Beginning July 1,
2 2007, through June 30, 2008, the employee contribution must be
3 equal to 6.4 percent of salary. Beginning July 1, 2008, through
4 June 30, 2009, the employee contribution must be equal to 7.0
5 percent of salary. Beginning July 1, 2009, through June 30,
6 2010, the employee contribution must be equal to 7.7 percent of
7 salary. Beginning July 1, 2010, the ongoing employee
8 contribution must be equal to 8.6 percent of salary.

9 Sec. 4. Minnesota Statutes 2004, section 352.92,
10 subdivision 2, is amended to read:

11 Subd. 2. [EMPLOYER CONTRIBUTIONS.] The employer shall
12 contribute for covered correctional employees an amount equal to
13 ~~7.98~~ a percent of salary. Beginning July 1, 2007, through June
14 30, 2008, the employer contribution must be equal to 9.1 percent
15 of salary. Beginning July 1, 2008, through June 30, 2009, the
16 employer contribution must be equal to 10.1 percent of salary.
17 Beginning July 1, 2009, through June 30, 2010, the employer
18 contribution must be equal to 11.1 percent of salary. Beginning
19 July 1, 2010, the ongoing employer contribution must be equal to
20 12.1 percent of salary.

21 Sec. 5. Minnesota Statutes 2004, section 352B.02,
22 subdivision 1a, is amended to read:

23 Subd. 1a. [MEMBER CONTRIBUTIONS.] Each member shall pay a
24 sum equal to ~~8.40~~ a percent of the member's salary, which shall
25 constitute the member contribution to the fund. Beginning July
26 1, 2007, through June 30, 2008, each member contribution shall
27 be equal to 9.1 percent of salary. Beginning July 1, 2008, the
28 ongoing member contribution amount shall be equal to 9.8 percent
29 of salary.

30 Sec. 6. Minnesota Statutes 2004, section 352B.02,
31 subdivision 1c, is amended to read:

32 Subd. 1c. [EMPLOYER CONTRIBUTIONS.] In addition to member
33 contributions, department heads shall pay a sum equal to ~~12.60~~ a
34 percent of the salary upon which deductions were made, which
35 shall constitute the employer contribution to the fund.
36 Beginning July 1, 2007, through June 30, 2008, the employer

1 contribution shall be equal to 13.6 percent of salary.
 2 Beginning July 1, 2008, the ongoing employer contribution amount
 3 shall be equal to 14.6 percent of salary. Department
 4 contributions must be paid out of money appropriated to
 5 departments for this purpose.

6 Sec. 7. Minnesota Statutes 2004, section 352D.04,
 7 subdivision 2, is amended to read:

8 Subd. 2. [CONTRIBUTION RATES.] (a) The money used to
 9 purchase shares under this section is the employee and employer
 10 contributions provided in this subdivision.

11 (b) The employee contribution is an amount equal to ~~the~~
 12 ~~employee-contribution-specified-in-section-352-047-subdivision-2~~
 13 four percent of salary.

14 (c) The employer contribution is an amount equal to six
 15 percent of salary.

16 (d) These contributions must be made in the manner provided
 17 in section 352.04, subdivisions 4, 5, and 6.

18 (e) For members of the legislature, the contributions under
 19 this subdivision also must be made on per diem payments received
 20 during a regular or special legislative session, but may not be
 21 made on per diem payments received outside of a regular or
 22 special legislative session, on the additional compensation
 23 attributable to a leadership position under section 3.099,
 24 subdivision 3, living expense payments under section 3.101, or
 25 special session living expense payments under section 3.103.

26 (f) For a judge who is a member of the unclassified plan
 27 under section 352D.02, subdivision 1, paragraph (c), clause
 28 (16), the employee contribution rate is eight percent of salary,
 29 and there is no employer contribution.

30 Sec. 8. Minnesota Statutes 2004, section 353.27,
 31 subdivision 2, is amended to read:

32 Subd. 2. [EMPLOYEE CONTRIBUTION.] (a) The employee
 33 contribution is the following applicable percentage of the total
 34 salary amount for a "basic member" and for a "coordinated
 35 member":

36

Basic	Coordinated
-------	-------------

	Program	Program
1		
2	Before-January-17-2002	8-75
3	Effective-January-17-2002	4-75
4	<u>Effective before January 1, 2006</u>	9.10
5	<u>Effective January 1, 2006</u>	5.10
6	<u>Effective January 1, 2007</u>	9.10
7	<u>Effective January 1, 2008</u>	5.50
8		9.10
9		<u>6.00 plus any</u>
10		<u>contribution</u>
11		<u>rate adjustment</u>
12		<u>under</u>
13		<u>subdivision 3b</u>

(b) These contributions must be made by deduction from salary as defined in section 353.01, subdivision 10, in the manner provided in subdivision 4. Where If any portion of a member's salary is paid from other than public funds, such the member's employee contribution must be based on the total salary received by the member from all sources.

Sec. 9. Minnesota Statutes 2004, section 353.27, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER CONTRIBUTION.] (a) The employer contribution is the following applicable percentage of the total salary amount for "basic members" and for "coordinated members":

	Basic	Coordinated
	Program	Program
23		
24	Before-January-17-2002	8-75
25	Effective-January-17-2002	4-75
26	<u>Effective before January 1, 2006</u>	9.10
27	<u>Effective January 1, 2006</u>	5.10
28	<u>Effective January 1, 2007</u>	9.10
29	<u>Effective January 1, 2008</u>	5.50
30		9.10
31		<u>6.00 plus any</u>
32		<u>contribution</u>
33		<u>rate adjustment</u>
34		<u>under</u>
35		<u>subdivision 3b</u>

(b) This contribution must be made from funds available to the employing subdivision by the means and in the manner

1 provided in section 353.28.

2 Sec. 10. Minnesota Statutes 2004, section 353.27,
3 subdivision 3a, is amended to read:

4 Subd. 3a. [ADDITIONAL EMPLOYER CONTRIBUTION.] (a) An
5 additional employer contribution must be made equal to ~~(1)-2.68~~
6 ~~percent-of~~ the following applicable percentage of the total
7 ~~salary of-each amount for "basic member members"; and (2)~~
8 ~~.43-percent-of-the-total-salary-of-each for "coordinated member-~~
9 members":

	<u>Basic</u>	<u>Coordinated</u>
	<u>Program</u>	<u>Program</u>
12 <u>Effective before January 1, 2006</u>	<u>2.68</u>	<u>.43</u>
13 <u>Effective January 1, 2006</u>	<u>2.68</u>	<u>.50</u>
14 <u>Effective January 1, 2009</u>	<u>2.68</u>	<u>.75</u>
15 <u>Effective January 1, 2010</u>	<u>2.68</u>	<u>1.00</u>

16 These contributions must be made from funds available to
17 the employing subdivision by the means and in the manner
18 provided in section 353.28.

19 (b) The coordinated program contribution rates set forth in
20 paragraph (a) effective for January 1, 2009, or January 1, 2010,
21 must not be implemented if, following receipt of the July 1,
22 2008, or July 1, 2009, annual actuarial valuation reports under
23 section 356.215, respectively, the actuarially required
24 contributions are equal to or less than the total rates under
25 this section in effect as of January 1, 2008.

26 (c) This subdivision is repealed once the actuarial value
27 of the assets of the plan equal or exceed the actuarial accrued
28 liability of the plan as determined by the actuary retained by
29 the Legislative Commission on Pensions and Retirement under
30 section 356.215. The repeal is effective on the first day of
31 the first full pay period occurring after March 31 of the
32 calendar year following the issuance of the actuarial valuation
33 upon which the repeal is based.

34 Sec. 11. Minnesota Statutes 2004, section 353.27, is
35 amended by adding a subdivision to read:

36 Subd. 3b. [CHANGE IN EMPLOYEE AND EMPLOYER CONTRIBUTIONS

1 IN CERTAIN INSTANCES.] (a) For purposes of this section, a
2 contribution sufficiency exists if the total of the employee
3 contribution under subdivision 2, the employer contribution
4 under subdivision 3, the additional employer contribution under
5 subdivision 3a, and any additional contribution previously
6 imposed under this subdivision exceeds the total of the normal
7 cost, the administrative expenses, and the amortization
8 contribution of the retirement plan as reported in the most
9 recent actuarial valuation of the retirement plan prepared by
10 the actuary retained under section 356.214 and prepared under
11 section 356.215 and the standards for actuarial work of the
12 Legislative Commission on Pensions and Retirement. For purposes
13 of this section, a contribution deficiency exists if the total
14 of the employee contributions under subdivision 2, the employer
15 contributions under subdivision 3, the additional employer
16 contribution under subdivision 3a, and any additional
17 contribution previously imposed under this subdivision is less
18 than the total of the normal cost, the administrative expenses,
19 and the amortization contribution of the retirement plan as
20 reported in the most recent actuarial valuation of the
21 retirement plan prepared by the actuary retained under section
22 356.214 and prepared under section 356.215 and the standards for
23 actuarial work of the Legislative Commission on Pensions and
24 Retirement.

25 (b) Employee and employer contributions under subdivisions
26 2 and 3 must be adjusted:

27 (1) if, after July 1, 2010, the regular actuarial
28 valuations of the general employees retirement plan of the
29 Public Employees Retirement Association under section 356.215
30 indicate that there is a contribution sufficiency under
31 paragraph (a) equal to or greater than 0.5 percent of covered
32 payroll for two consecutive years, the coordinated program
33 employee and employer contribution rates must be decreased as
34 determined under paragraph (c) to a level such that the
35 sufficiency equals no more than 0.25 percent of covered payroll
36 based on the most recent actuarial valuation; or

1 (2) if, after July 1, 2010, the regular actuarial
2 valuations of the general employees retirement plan of the
3 Public Employees Retirement Association under section 356.215
4 indicate that there is a deficiency equal to or greater than 0.5
5 percent of covered payroll for two consecutive years, the
6 coordinated program employee and employer contribution rates
7 must be increased as determined under paragraph (c) to a level
8 such that no deficiency exists based on the most recent
9 actuarial valuation.

10 (c) The contribution rate increase or decrease must be
11 determined by the executive director of the Public Employees
12 Retirement Association, must be reported to the chair and the
13 executive director of the Legislative Commission on Pensions and
14 Retirement on or before the next February 1, and, if the
15 Legislative Commission on Pensions and Retirement does not
16 recommend against the rate change or does not recommend a
17 modification in the rate change, is effective on the next July 1
18 following the determination by the executive director that a
19 contribution deficiency or sufficiency has existed for two
20 consecutive fiscal years based on the most recent actuarial
21 valuations under section 356.215. If the actuarially required
22 contribution exceeds or is less than the total support provided
23 by the combined employee and employer contribution rates by more
24 than 0.5 percent of covered payroll, the coordinated program
25 employee and employer contribution rates must be adjusted
26 incrementally over one or more years to a level such that there
27 remains a contribution sufficiency of no more than 0.25 percent
28 of covered payroll.

29 (d) No incremental adjustment may exceed 0.25 percent for
30 either the coordinated program employee and employer
31 contribution rates per year in which any adjustment is
32 implemented. A contribution rate adjustment under this
33 subdivision must not be made until at least two years have
34 passed since fully implementing a previous adjustment under this
35 subdivision.

36 Sec. 12. Minnesota Statutes 2004, section 353.65,

1 subdivision 2, is amended to read:

2 Subd. 2. [EMPLOYEE CONTRIBUTION RATE.] (a) The employee
3 contribution is an amount equal to ~~6.2~~ the percent of the total
4 salary of the member specified in paragraph (b). This
5 contribution must be made by deduction from salary in the manner
6 provided in subdivision 4. Where any portion of a member's
7 salary is paid from other than public funds, the member's
8 employee contribution is based on the total salary received from
9 all sources.

10 (b) For calendar year 2006, the employee contribution rate
11 is 7.0 percent. For calendar year 2007, the employee
12 contribution rate is 7.8 percent. For calendar year 2008, the
13 employee contribution rate is 8.6 percent. For calendar year
14 2009 and thereafter, the employee contribution rate is 9.4
15 percent.

16 Sec. 13. Minnesota Statutes 2004, section 353.65,
17 subdivision 3, is amended to read:

18 Subd. 3. [EMPLOYER CONTRIBUTION RATE.] (a) The employer
19 contribution shall be an amount equal to ~~9.3~~ the percent of the
20 total salary of every member as specified in paragraph (b).
21 This contribution shall be made from funds available to the
22 employing subdivision by the means and in the manner provided in
23 section 353.28.

24 (b) For calendar year 2006, the employer contribution rate
25 is 10.5 percent. For calendar year 2007, the employer
26 contribution rate is 11.7 percent. For calendar year 2008, the
27 employer contribution rate is 12.9 percent. For calendar year
28 2009 and thereafter, the employer contribution rate is 14.1
29 percent.

30 Sec. 14. [EFFECTIVE DATE.]

31 (a) Sections 1, 2, and 7 are effective on July 1, 2007.

32 (b) Sections 3 to 6 are effective on July 1, 2005.

33 (c) Sections 8 to 13 are effective on January 1, 2006.

34 ARTICLE 2

35 TEACHER RETIREMENT FUND AND

36 BENEFIT RESTRUCTURING

1 Section 1. [126C.458] [LEVY FOR EARLY RETIREMENT COSTS.]

2 Each year, a school district may levy for the additional
3 employer contributions required under section 354.42,
4 subdivision 3.

5 Sec. 2. [128D.18] [FUNDING OF UNFUNDED PENSION
6 LIABILITIES.]

7 Subdivision 1. [FINANCING AUTHORITY.] Notwithstanding any
8 other law to the contrary, Special School District No. 1,
9 Minneapolis, may finance all or a portion of the current and
10 future unfunded actuarial accrued liability of the former
11 Minneapolis Teachers Retirement Fund Association through the
12 issuance of pension obligation bonds under this section.

13 Subd. 2. [USE OF PROCEEDS.] The proceeds of the bonds
14 issued, less costs, must be paid to the State Board of
15 Investment to be deposited as a payment toward the funding of
16 the unfunded actuarial accrued liability of the former
17 Minneapolis Teachers Retirement Fund Association owed by Special
18 School District No. 1, Minneapolis, and must be credited as an
19 asset of the Teachers Retirement Association.

20 Subd. 3. [APPROPRIATIONS.] Notwithstanding any law to the
21 contrary, special direct state aid, matching aid, and other
22 contributions levied for the Teachers Retirement Association
23 under section 354A.12, subdivisions 3a and 3b, and amortization
24 or supplementary amortization state aid reallocated to the
25 Teachers Retirement Association under section 423A.02 are
26 pledged and appropriated to the payment of the bonds and must be
27 transferred to Special School District No. 1, Minneapolis, and
28 additional employer contributions levied by Special School
29 District No. 1, Minneapolis, under section 354A.12, subdivision
30 3b, shall be retained by the district to the extent required to
31 pay debt service on the bonds for the succeeding 12-month period
32 or a longer period established pursuant to the resolution of the
33 district authorizing the bonds.

34 Subd. 4. [NO ELECTION.] No election of the voters of the
35 district shall be required to issue bonds authorized by this
36 section.

1 Subd. 5. [TERMS AND SALE OF BONDS.] The bonds issued
2 pursuant to this section shall bear interest at the rate or
3 rates and mature on the date or dates not more than 30 years
4 from the date of issue as the district shall determine by
5 resolution. Interest may be at a fixed or variable rate. The
6 bonds may be sold and issued on terms and in a manner that
7 Special School District No. 1, Minneapolis, determines is in its
8 best interests and in the best interests of the state.

9 Subd. 6. [THIS SECTION PREVAILS.] Notwithstanding any
10 other law to the contrary, this section shall apply to the
11 issuance and sale of the bonds and to the purposes for which the
12 bonds may be issued.

13 Subd. 7. [STATE PLEDGE AGAINST IMPAIRMENT OF
14 CONTRACTS.] The state pledges and agrees with the holders of
15 bonds issued under this section that the state will not limit or
16 alter the rights vested in Special School District No. 1,
17 Minneapolis, to fulfill the terms of any agreements made with
18 the bondholders or in any way impair the rights and remedies of
19 the holders until the bonds, together with interest on them,
20 with interest on any unpaid installments of interest, and all
21 costs and expenses in connection with any action or proceeding
22 by or on behalf of the bondholders, are fully met and
23 discharged. The district may include this pledge and agreement
24 of the state in any agreement with the holders of bonds issued
25 under this section.

26 Subd. 8. [NOT NET DEBT.] Bonds ended under this section
27 not in default shall not be deemed net debt under any law
28 limiting indebtedness.

29 Subd. 9. [AID REDUCTION FOR REPAYMENT.] If the amount
30 transferred by Special School District No. 1, Minneapolis, to
31 the paying agent for the bonds is insufficient to pay required
32 debt service, the paying agent shall notify the commissioner of
33 finance. The commissioner shall reduce any and all unrestricted
34 state aids generally available to the school district by the
35 amount of the deficiency and pay the amounts to the paying agent
36 for the bonds for the payment of debt service. If the state

1 aids are reduced pursuant to this subdivision, the district may
2 levy a tax in the amount of the reduction in state aid.
3 Notwithstanding any other law to the contrary, no election of
4 the voters of the district is required for the levy and the levy
5 is not subject to other levy limitations.

6 Sec. 3. [128D.181] [AID REDEDICATION.]

7 Notwithstanding any law to the contrary and subject to
8 section 2, special direct state aid previously paid to the
9 Minneapolis Teachers Retirement Fund Association under section
10 354A.12, subdivision 3a, must be paid to the Teachers Retirement
11 Association.

12 Sec. 4. Minnesota Statutes 2004, section 354.05,
13 subdivision 2, is amended to read:

14 Subd. 2. [TEACHER.] (a) "Teacher" means:

15 (1) a person who renders service as a teacher, supervisor,
16 principal, superintendent, librarian, nurse, counselor, social
17 worker, therapist, or psychologist in a public school of the
18 state located outside of the corporate limits of ~~a city of the~~
19 ~~first-class~~ the city of Duluth or the city of St. Paul, or in
20 any charter school, irrespective of the location of the school,
21 or in any charitable, penal, or correctional institutions of a
22 governmental subdivision, or who is engaged in educational
23 administration in connection with the state public school
24 system, but excluding the University of Minnesota, whether the
25 position be a public office or an employment, and not including
26 the members or officers of any general governing or managing
27 board or body;

28 (2) an employee of the Teachers Retirement Association;

29 (3) a person who renders teaching service on a part-time
30 basis and who also renders other services for a single employing
31 unit. A person whose teaching service comprises at least 50
32 percent of the combined employment salary is a member of the
33 association for all services with the single employing unit. If
34 the person's teaching service comprises less than 50 percent of
35 the combined employment salary, the executive director must
36 determine whether all or none of the combined service is covered

1 by the association; or

2 (4) a person who is not covered by the plans established
3 under chapter 352D, 354A, or 354B and who is employed by the
4 Board of Trustees of the Minnesota State Colleges and
5 Universities system in an unclassified position as:

6 (i) a president, vice-president, or dean;

7 (ii) a manager or a professional in an academic or an
8 academic support program other than specified in item (i);

9 (iii) an administrative or a service support faculty
10 position; or

11 (iv) a teacher or a research assistant.

12 (b) "Teacher" does not mean:

13 (1) a person who works for a school or institution as an
14 independent contractor as defined by the Internal Revenue
15 Service;

16 (2) a person who renders part-time teaching service or who
17 is a customized trainer as defined by the Minnesota State
18 Colleges and Universities system if (i) the service is
19 incidental to the regular nonteaching occupation of the person;
20 and (ii) the employer stipulates annually in advance that the
21 part-time teaching service or customized training service will
22 not exceed 300 hours in a fiscal year and retains the
23 stipulation in its records; and (iii) the part-time teaching
24 service or customized training service actually does not exceed
25 300 hours in a fiscal year; or

26 (3) a person exempt from licensure under section 122A.30.

27 Sec. 5. Minnesota Statutes 2004, section 354.05,
28 subdivision 13, is amended to read:

29 Subd. 13. [ALLOWABLE SERVICE.] "Allowable service" means:

30 (1) Any service rendered by a teacher for which on or
31 before July 1, 1957, the teacher's account in the retirement
32 fund was credited by reason of employee contributions in the
33 form of salary deductions, payments in lieu of salary
34 deductions, or in any other manner authorized by Minnesota
35 Statutes 1953, sections 135.01 to 135.13, as amended by Laws
36 1955, chapters 361, 549, 550, 611, or

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

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

9 (4) Any service rendered by a person after July 1, 1957,
10 for any calendar month where payments in lieu of salary
11 deductions are made, deposited and credited into the fund as
12 provided in Minnesota Statutes 1980, section 354.09, subdivision
13 4, and section 354.53, or

14 (5) Any service rendered by a teacher for which the teacher
15 elected to obtain credit for service by making payments to the
16 fund pursuant to Minnesota Statutes 1980, section 354.09,
17 subdivisions 1 and 4, sections 354.50, 354.51, Minnesota
18 Statutes 1957, section 135.41, subdivision 4, Minnesota Statutes
19 1971, section 354.09, subdivision 2, or Minnesota Statutes, 1973
20 Supplement, section 354.09, subdivision 3, or

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

26 (7) Any service rendered where contributions were made and
27 no allowable service credit was established because of the
28 limitations contained in Minnesota Statutes 1957, section
29 135.09, subdivision 2, as determined by the ratio between the
30 amounts of money credited to the teacher's account in a fiscal
31 year and the maximum retirement contribution allowable for that
32 year, or

33 (8) MS 2002 (Expired)

34 (9) A period of time during which a teacher who is a state
35 employee was on strike without pay, not to exceed a period of
36 one year, if the teacher makes a payment in lieu of salary

1 deductions or makes a prior service credit purchase payment,
2 whichever applies. If the payment is made within 12 months, the
3 payment by the teacher must be an amount equal to the employee
4 and employer contribution rates set forth in section 354.42,
5 subdivisions 2 and 3, applied to the teacher's rate of salary in
6 effect on the conclusion of the strike for the period of the
7 strike without pay, plus compound interest at a monthly rate of
8 0.71 percent from the last day of the strike until the date of
9 payment. If the payment by the employee is not made within 12
10 months, the payment must be in an amount equal to the payment
11 amount determined under section 356.55 or 356.551, whichever
12 applies, or

13 (10) A period of service before July 1, 2005, that was
14 credited by the Minneapolis Teachers Retirement Fund Association
15 and that was rendered by a teacher as an employee of Special
16 School District No. 1, Minneapolis, or by an employee of the
17 Minneapolis Teachers Retirement Fund Association who was a
18 member of the Minneapolis Teachers Retirement Fund Association
19 by virtue of that employment, who has not begun receiving an
20 annuity or other retirement benefit from the former Minneapolis
21 Teachers Retirement Fund Association calculated in whole or in
22 part on that service before July 1, 2005, and who has not taken
23 a refund of member contributions related to that service unless
24 the refund is repaid under section 354.50, subdivision 4.

25 Sec. 6. Minnesota Statutes 2004, section 354.42,
26 subdivision 2, is amended to read:

27 Subd. 2. [EMPLOYEE.] (a) The employee contribution to the
28 fund is an amount equal to the following percentage of the
29 salary of a member:

30 (1) after July 1, 2005, for a teacher employed by Special
31 School District No. 1, Minneapolis, 5.5 percent if the teacher
32 is a coordinated member and 9.0 percent if the teacher is a
33 basic member;

34 (2) for every other teacher, ~~5.0~~ 5.5 percent ~~of~~ if the
35 salary-of-every teacher is a coordinated member and 9.0 percent
36 of if the salary-of-every teacher is a basic member.

1 **(b)** This contribution must be made by deduction from
2 salary. Where any portion of a member's salary is paid from
3 other than public funds, the member's employee contribution must
4 be based on the entire salary received.

5 Sec. 7. Minnesota Statutes 2004, section 354.42,
6 subdivision 3, is amended to read:

7 Subd. 3. [EMPLOYER.] (a) The employer contribution to the
8 fund by Special School District No. 1, Minneapolis, is an amount
9 equal to 8.64 percent of the salary of each of its teachers who
10 is a coordinated member and 12.64 percent of the salary of each
11 of its teachers who is a basic member.

12 **(b)** The employer contribution to the fund for every other
13 employer is an amount equal to ~~5.0~~ 5.5 percent of the salary of
14 each coordinated member and 9.0 percent of the salary of each
15 basic member.

16 **(c)** As payment toward the cost of the unfunded actuarial
17 accrued liability transferred to the Teachers Retirement
18 Association from the former Minneapolis Teachers Retirement Fund
19 Association, a supplemental contribution of 0.26 percent of the
20 covered payroll of the fund must be made each fiscal year
21 through June 30, 2035. One-third of the dollar amount of this
22 supplemental contribution must be paid each by Special School
23 District No. 1, Minneapolis, the city of Minneapolis, and the
24 state of Minnesota. On or before October 1, annually, the
25 executive director of the Teachers Retirement Association shall
26 calculate the expected total dollar amount of the supplemental
27 contribution for the calendar year and shall certify the portion
28 payable by each governmental entity. The amount is payable in
29 full on or before the following June 1.

30 Sec. 8. Minnesota Statutes 2004, section 354.44,
31 subdivision 6, is amended to read:

32 Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT
33 ANNUITY.] (a) The formula retirement annuity must be computed in
34 accordance with the applicable provisions of the formulas stated
35 in paragraph (b) or (d) on the basis of each member's average
36 salary for the period of the member's formula service credit.

1 For all years of formula service credit, "average salary,"
 2 for the purpose of determining the member's retirement annuity,
 3 means the average salary upon which contributions were made and
 4 upon which payments were made to increase the salary limitation
 5 provided in Minnesota Statutes 1971, section 354.511, for the
 6 highest five successive years of formula service credit
 7 provided, however, that such "average salary" shall not include
 8 any more than the equivalent of 60 monthly salary payments.
 9 Average salary must be based upon all years of formula service
 10 credit if this service credit is less than five years.

11 (b) This paragraph, in conjunction with paragraph (c),
 12 applies to a person who first became a member of the association
 13 or a member of a pension fund listed in section 356.30,
 14 subdivision 3, before July 1, 1989, unless paragraph (d), in
 15 conjunction with paragraph (e), produces a higher annuity
 16 amount, in which case paragraph (d) applies. The average salary
 17 as defined in paragraph (a), multiplied by the following
 18 percentages per year of formula service credit shall determine
 19 the amount of the annuity to which the member qualifying
 20 therefor is entitled for service rendered prior to July 1, 2005:

	Coordinated Member	Basic Member
21		
22	Each year of service	the percent
23	during first ten	specified in
24		section 356.315,
25		subdivision 1,
26		per year
27	Each year of service	the percent
28	thereafter	specified in
29		section 356.315,
30		subdivision 2,
31		per year

32 For service rendered on or after July 1, 2005, the average
 33 salary as defined in paragraph (a), multiplied by the following
 34 percentages per year of service credit shall determine the
 35 amount of the annuity to which the member qualifying therefor is
 36 entitled:

1		<u>Coordinated Member</u>	<u>Basic Member</u>
2	<u>Each year of service</u>	<u>the percent</u>	<u>the percent</u>
3	<u>during first ten</u>	<u>specified in</u>	<u>specified in</u>
4		<u>section 356.315,</u>	<u>section 356.315,</u>
5		<u>subdivision 1a,</u>	<u>subdivision 3,</u>
6		<u>per year</u>	<u>per year</u>
7		<u>Coordinated Member</u>	<u>Basic Member</u>
8	<u>Each year of service</u>	<u>the percent</u>	<u>the percent</u>
9	<u>after ten years of</u>	<u>specified in</u>	<u>specified in</u>
10	<u>service</u>	<u>section 356.315,</u>	<u>section 356.315,</u>
11		<u>subdivision 2a,</u>	<u>subdivision 4,</u>
12		<u>per year</u>	<u>per year</u>

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

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

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

32 (d) This paragraph applies to a member who has become at
 33 least 55 years old and first became a member of the association
 34 after June 30, 1989, and to any other member who has become at
 35 least 55 years old and whose annuity amount when calculated
 36 under this paragraph and in conjunction with paragraph (e), is

1 higher than it is when calculated under paragraph (b), in
2 conjunction with paragraph (c). For a basic member, the average
3 salary, as defined in paragraph (a) multiplied by the percent
4 specified by section 356.315, subdivision 4, for each year of
5 service for a basic member and-by-the-percent-specified-in
6 section-356-315,-subdivision-2,-for-each-year-of-service-for-a
7 coordinated-member shall determine the amount of the retirement
8 annuity to which the basic member is entitled. For a
9 coordinated member, the average salary, as defined in paragraph
10 (a) multiplied by the percent specified in section 356.315,
11 subdivision 2, for each year of service rendered prior to July
12 1, 2005, and by the percent specified in section 356.315,
13 subdivision 2a, for each year of service rendered on or after
14 July 1, 2005, shall determine the amount of the retirement
15 annuity to which the coordinated member is entitled.

16 (e) This paragraph applies to a person who has become at
17 least 55 years old and first becomes a member of the association
18 after June 30, 1989, and to any other member who has become at
19 least 55 years old and whose annuity is higher when calculated
20 under paragraph (d) in conjunction with this paragraph than when
21 calculated under paragraph (b), in conjunction with paragraph
22 (c). An employee who retires under the formula annuity before
23 the normal retirement age shall be paid the normal annuity
24 provided in paragraph (d) reduced so that the reduced annuity is
25 the actuarial equivalent of the annuity that would be payable to
26 the employee if the employee deferred receipt of the annuity and
27 the annuity amount were augmented at an annual rate of three
28 percent compounded annually from the day the annuity begins to
29 accrue until the normal retirement age.

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

1 and 35a.

2 Sec. 9. [354.70] [CONSOLIDATION OF THE MINNEAPOLIS
3 TEACHERS RETIREMENT FUND ASSOCIATION.]

4 Subdivision 1. [MEMBERSHIP TRANSFER.] All active,
5 inactive, and retired members of the Minneapolis Teachers
6 Retirement Fund Association are transferred to the Teachers
7 Retirement Association and are no longer members of the
8 Minneapolis Teachers Retirement Fund Association as of the
9 effective date of this section.

10 Subd. 2. [TRA MEMBERSHIP.] A person first hired as a
11 teacher by Special School District No. 1, Minneapolis, after the
12 effective date of this section and who is a teacher as defined
13 in section 354.05, subdivision 2, is a member of the Teachers
14 Retirement Association for the person's teaching service.

15 Subd. 3. [SERVICE CREDIT AND LIABILITY TRANSFER.] All
16 allowable service and salary credit of the members and other
17 individuals transferred under subdivision 1 as specified in the
18 records of the Minneapolis Teachers Retirement Fund Association
19 on the transfer date is allowable service credit under section
20 354.05, subdivision 13, formula service credit under section
21 354.05, subdivision 25, and salary credit under section 354.05,
22 subdivision 35, for the Teachers Retirement Association.

23 Subd. 4. [TRANSFER OF RECORDS.] On the effective date of
24 this section, the chief administrative officer of the
25 Minneapolis Teachers Retirement Fund Association shall effect a
26 transfer of all records and documents relating to the funds and
27 the benefit plans of the association to the executive director
28 of the Teachers Retirement Association. To the extent possible,
29 original copies of all records and documents must be
30 transferred. The chief administrative officer of the
31 Minneapolis Teachers Retirement Fund Association shall certify
32 the accuracy of all records and documents for which the transfer
33 of original copies was not possible.

34 Subd. 5. [TRANSFER OF ASSETS.] (a) On the effective date
35 of this section, the chief administrative officer of the
36 Minneapolis Teachers Retirement Fund Association shall transfer

1 to the Teachers Retirement Association the entire assets of the
2 Minneapolis Teachers Retirement Fund Association. The transfer
3 of the assets of the Minneapolis Teachers Retirement Fund
4 Association must include any accounts receivable that are
5 determined by the executive director of the State Board of
6 Investment as reasonably capable of being collected. Legal
7 title to account receivables that are determined by the
8 executive director of the State Board of Investment as not
9 reasonably capable of being collected transfers to Special
10 School District No. 1, Minneapolis, as of the date of the
11 determination of the executive director of the State Board of
12 Investment. If the account receivables transferred to Special
13 School District No. 1, Minneapolis, are subsequently recovered
14 by the school district, the superintendent of Special School
15 District No. 1, Minneapolis, shall transfer the recovered amount
16 to the executive director of the Teachers Retirement
17 Association, in cash, for deposit in the teachers retirement
18 fund, less the reasonable expenses of the school district
19 related to the recovery.

20 (b) As of the effective date of this section, subject to
21 the authority of the State Board of Investment, the board of
22 directors of the Teachers Retirement Association has legal title
23 to and management responsibility for any transferred assets
24 under this subdivision as trustees for any person having a
25 beneficial interest in the Minneapolis Teachers Retirement Fund
26 Association. The Teachers Retirement Association is the
27 successor in interest for all claims for and against the former
28 coordinated program of the Minneapolis Teachers Retirement Fund
29 Association with respect to the retirement fund association,
30 except a claim against the Minneapolis Teachers Retirement Fund
31 Association or any person connected with the fund association in
32 a fiduciary capacity, based on any act or acts by that person
33 which were not done in good faith and which constituted a breach
34 of the obligation of the person as a fiduciary. As the
35 successor in interest, the Teachers Retirement Association may
36 assert any applicable defense in any judicial proceeding which

1 the board of the Minneapolis Teachers Retirement Fund
2 Association would have otherwise been entitled to assert
3 relating to the coordinated program.

4 (c) From the assets of the Minneapolis Teachers Retirement
5 Fund Association transferred to the Teachers Retirement
6 Association, an amount equal to the percentage figure that
7 represents the ratio between the market value of the Minnesota
8 postretirement investment fund as of June 30, 2005, and the
9 required reserves of the Minnesota postretirement investment
10 fund as of June 30, 2005, applied to the present value of future
11 benefits payable to annuitants of the former Minneapolis
12 Teachers Retirement Fund Association as of June 30, 2005,
13 including any postretirement adjustment from the Minnesota
14 postretirement investment fund expected to be payable on January
15 1, 2006, must be transferred to the Minnesota postretirement
16 investment fund. The executive director of the State Board of
17 Investment shall estimate this ratio at the time of the
18 transfer. By January 1, 2006, after all necessary financial
19 information becomes available to determine the actual funded
20 ratio of the Minnesota postretirement investment fund, the
21 postretirement fund must refund to the Teachers Retirement
22 Association any excess assets or the Teachers Retirement
23 Association must contribute any deficiency to the Minnesota
24 postretirement investment fund with interest under section
25 11A.18, subdivision 6. The balance of the assets of the former
26 Minneapolis Teachers Retirement Fund Association after the
27 transfer to the Minnesota postretirement investment fund must be
28 credited to the Teachers Retirement Association.

29 If the assets transferred by the Minneapolis Teachers
30 Retirement Fund Association to the Teachers Retirement
31 Association are insufficient to meet its obligation to the
32 Minnesota postretirement investment fund, additional assets must
33 be transferred by the executive director of the Teachers
34 Retirement Association to meet the amount required.

35 Subd. 6. [BENEFIT CALCULATION.] (a) For every deferred,
36 inactive, disabled, and retired member of the Minneapolis

1 Teachers Retirement Fund Association transferred under
2 subdivision 1, and the survivors of these members, annuities or
3 benefits earned before the date of the transfer, other than
4 future postretirement adjustments, must be calculated and paid
5 by the Teachers Retirement Association under the laws, articles
6 of incorporation, and bylaws of the former Minneapolis Teachers
7 Retirement Fund Association that were in effect relative to the
8 person on the date of the person's termination of active service
9 covered by the former Minneapolis Teachers Retirement Fund
10 Association.

11 (b) Former Minneapolis Teachers Retirement Fund Association
12 members who retired before July 1, 2005, must receive
13 postretirement adjustments after January 1, 2006, only as
14 provided in section 11A.18. All other benefit recipients of the
15 former Minneapolis Teachers Retirement Fund Association must
16 receive postretirement adjustments after January 1, 2006, only
17 as provided in section 356.41.

18 Subd. 7. [TERMINATION OF THE MINNEAPOLIS TEACHERS
19 RETIREMENT FUND ASSOCIATION.] As of the effective date of this
20 section and upon the transfer of administration, records,
21 assets, and liabilities from the Minneapolis Teachers Retirement
22 Fund Association to the Teachers Retirement Association, the
23 Minneapolis Teachers Retirement Fund Association ceases to exist
24 as a Minnesota public pension plan.

25 Sec. 10. [354.75] [MINNEAPOLIS EMPLOYEES RETIREMENT FUND
26 STATE AID REDEDICATED.]

27 Subdivision 1. [APPROPRIATION.] The positive difference,
28 if any, between the actual state aid paid to the Minneapolis
29 Employees Retirement Fund under section 422A.101, subdivision 3,
30 and \$8,065,000 annually is appropriated from the general fund to
31 the commissioner of finance for deposit in the Teachers
32 Retirement Association to offset all or a portion of the current
33 and future unfunded actuarial accrued liability of the
34 Minneapolis Teachers Retirement Fund Association.

35 Subd. 2. [FINANCIAL REQUIREMENTS.] The appropriation in
36 subdivision 1 is available to the extent that financial

1 requirements of the Minneapolis Employees Retirement Fund under
2 section 422A.101, subdivision 3, have been satisfied.

3 Sec. 11. Minnesota Statutes 2004, section 354A.011,
4 subdivision 15a, is amended to read:

5 Subd. 15a. [NORMAL RETIREMENT AGE.] "Normal retirement
6 age" means age 65 for a person who first became a member of the
7 coordinated program of the ~~Minneapolis-er~~ St. Paul Teachers
8 Retirement Fund Association or the new law coordinated program
9 of the Duluth Teachers Retirement Fund Association or a member
10 of a pension fund listed in section 356.30, subdivision 3,
11 before July 1, 1989. For a person who first became a member of
12 the coordinated program of the ~~Minneapolis-er~~ St. Paul Teachers
13 Retirement Fund Association or the new law coordinated program
14 of the Duluth Teachers Retirement Fund Association after June
15 30, 1989, normal retirement age means the higher of age 65 or
16 retirement age, as defined in United States Code, title 42,
17 section 416(1), as amended, but not to exceed age 66. For a
18 person who is a member of the basic program of the ~~Minneapolis~~
19 ~~er~~ St. Paul Teachers Retirement Fund Association or the old law
20 coordinated program of the Duluth Teachers Retirement Fund
21 Association, normal retirement age means the age at which a
22 teacher becomes eligible for a normal retirement annuity
23 computed upon meeting the age and service requirements specified
24 in the applicable provisions of the articles of incorporation or
25 bylaws of the respective teachers retirement fund association.

26 Sec. 12. Minnesota Statutes 2004, section 354A.011,
27 subdivision 27, is amended to read:

28 Subd. 27. [TEACHER.] (a) "Teacher" means any person who
29 renders service for a public school district, other than a
30 charter school, located in the corporate limits of ~~one-of~~ the
31 cities of ~~the-first-class-which-was-so-classified-on-January-1,~~
32 ~~1979~~ Duluth and St. Paul, as any of the following:

33 (1) a full-time employee in a position for which a valid
34 license from the state Department of Education is required;

35 (2) an employee of the teachers retirement fund association
36 located in the city of the first class unless the employee has

1 exercised the option pursuant to Laws 1955, chapter 10, section
2 1, to retain membership in the Minneapolis Employees Retirement
3 Fund established pursuant to chapter 422A;

4 (3) a part-time employee in a position for which a valid
5 license from the state Department of Education is required; or

6 (4) a part-time employee in a position for which a valid
7 license from the state Department of Education is required who
8 also renders other nonteaching services for the school district,
9 unless the board of trustees of the teachers retirement fund
10 association determines that the combined employment is on the
11 whole so substantially dissimilar to teaching service that the
12 service may not be covered by the association.

13 (b) The term does not mean any person who renders service
14 in the school district as any of the following:

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

17 (2) an employee who is a full-time teacher covered by the
18 Teachers Retirement Association or by another teachers
19 retirement fund association established pursuant to this chapter
20 or chapter 354;

21 (3) an employee exempt from licensure pursuant to section
22 122A.30;

23 (4) an employee who is a teacher in a technical college
24 located in a city of the first class unless the person elects
25 coverage by the applicable first class city teacher retirement
26 fund association under section 354B.21, subdivision 2;

27 (5) a teacher employed by a charter school, irrespective of
28 the location of the school; or

29 (6) an employee who is a part-time teacher in a technical
30 college in a city of the first class and who has elected
31 coverage by the applicable first class city teacher retirement
32 fund association under section 354B.21, subdivision 2, but (i)
33 the teaching service is incidental to the regular nonteaching
34 occupation of the person; (ii) the applicable technical college
35 stipulates annually in advance that the part-time teaching
36 service will not exceed 300 hours in a fiscal year; and (iii)

1 the part-time teaching actually does not exceed 300 hours in the
2 fiscal year to which the certification applies.

3 Sec. 13. Minnesota Statutes 2004, section 354A.021,
4 subdivision 1, is amended to read:

5 Subdivision 1. [ESTABLISHMENT.] There is established a
6 teachers retirement fund association in each of the cities of
7 ~~the first class which were so classified on January 17~~
8 ~~1979~~ Duluth and St. Paul. The associations shall be known
9 respectively as the "Duluth Teachers Retirement Fund
10 Association," ~~the "Minneapolis Teachers Retirement Fund~~
11 ~~Association"~~ and the "St. Paul Teachers Retirement Fund
12 Association." Each association shall be a continuation of the
13 teachers retirement fund association with the same corporate
14 name established pursuant to the authorization contained in Laws
15 1909, chapter 343, section 1.

16 Sec. 14. Minnesota Statutes 2004, section 354A.092, is
17 amended to read:

18 354A.092 [SABBATICAL LEAVE.]

19 Any teacher in the coordinated program of ~~either the~~
20 ~~Minneapolis Teachers Retirement Fund Association or the St.~~
21 Paul Teachers Retirement Fund Association or any teacher in the
22 new law coordinated program of the Duluth Teachers Retirement
23 Fund Association who is granted a sabbatical leave shall be
24 entitled to receive allowable service credit in the applicable
25 association for periods of sabbatical leave. To obtain the
26 service credit, the teacher on sabbatical leave shall make an
27 employee contribution to the applicable association. No teacher
28 shall be entitled to receive more than three years of allowable
29 service credit pursuant to this section for a period or periods
30 of sabbatical leave during any ten consecutive fiscal or
31 calendar years, whichever is the applicable plan year for the
32 teachers retirement fund association. If the teacher granted a
33 sabbatical leave makes the employee contribution for a period of
34 sabbatical leave pursuant to this section, the employing unit
35 shall make an employer contribution on behalf of the teacher to
36 the applicable association for that period of sabbatical leave

1 in the manner described in section 354A.12, subdivision 2a. The
2 employee and employer contributions shall be in an amount equal
3 to the employee and employer contribution rates in effect for
4 other active members of the association covered by the same
5 program applied to a salary figure equal to the teacher's actual
6 covered salary for the plan year immediately preceding the
7 sabbatical leave period. Payment of the employee contribution
8 authorized pursuant to this section shall be made by the teacher
9 on or before June 30 of year next following the year in which
10 the sabbatical leave terminated and shall be made without
11 interest. For sabbatical leaves taken after June 30, 1986, the
12 required employer contributions shall be paid by the employing
13 unit within 30 days after notification by the association of the
14 amount due. If the employee contributions for the sabbatical
15 leave period are less than an amount equal to the applicable
16 contribution rate applied to a salary figure equal to the
17 teacher's actual covered salary for the plan year immediately
18 preceding the sabbatical leave period, service credit shall be
19 prorated. The prorated service credit shall be determined by
20 the ratio between the amount of the actual payment which was
21 made and the full contribution amount payable pursuant to this
22 section.

23 Sec. 15. Minnesota Statutes 2004, section 354A.093,
24 subdivision 1, is amended to read:

25 Subdivision 1. [ELIGIBILITY.] Any teacher in the
26 coordinated program of ~~either-the-Minneapolis-Teachers~~
27 ~~Retirement-Fund-Association-or~~ the St. Paul Teachers Retirement
28 Fund Association or any teacher in the new law coordinated
29 program of the Duluth Teachers Retirement Fund Association who
30 is absent from employment by reason of service in the uniformed
31 services as defined in United States Code, title 38, section
32 4303(13) and who returns to the employer providing active
33 teaching service upon discharge from uniformed service within
34 the time frames required under United States Code, title 38,
35 section 4312(e), may receive allowable service credit in the
36 applicable association for all or a portion of the period of

1 uniformed service, provided that the teacher did not separate
2 from uniformed service with a dishonorable or bad conduct
3 discharge or under other than honorable conditions.

4 Sec. 16. Minnesota Statutes 2004, section 354A.095, is
5 amended to read:

6 354A.095 [PARENTAL AND MATERNITY LEAVE.]

7 Basic or coordinated members of the St. Paul Teachers
8 Retirement Fund Association~~7-the-Minneapolis-Teachers-Retirement~~
9 ~~Fund-Association7~~ and new coordinated members of the Duluth
10 Teachers Retirement Fund Association, who are granted parental
11 or maternity leave of absence by the employing authority, are
12 entitled to obtain service credit not to exceed one year for the
13 period of leave upon payment to the applicable fund by the end
14 of the fiscal year following the fiscal year in which the leave
15 of absence terminated. The amount of the payment must include
16 the total required employee and employer contributions for the
17 period of leave prescribed in section 354A.12. Payment must be
18 based on the member's average monthly salary rate upon return to
19 teaching service, and is payable without interest. Payment must
20 be accompanied by a certified or otherwise adequate copy of the
21 resolution or action of the employing authority granting or
22 approving the leave.

23 Sec. 17. Minnesota Statutes 2004, section 354A.096, is
24 amended to read:

25 354A.096 [MEDICAL LEAVE.]

26 Any teacher in the coordinated program of ~~either-the~~
27 ~~Minneapolis-Teachers-Retirement-Fund-Association-or~~ the St. Paul
28 Teachers Retirement Fund Association or the new law coordinated
29 program of the Duluth Teachers Retirement Fund Association who
30 is on an authorized medical leave of absence and subsequently
31 returns to teaching service is entitled to receive allowable
32 service credit, not to exceed one year, for the period of leave,
33 upon making the prescribed payment to the fund. This payment
34 must include the required employee and employer contributions at
35 the rates specified in section 354A.12, subdivisions 1 and 2, as
36 applied to the member's average full-time monthly salary rate on

1 the date the leave of absence commenced plus annual interest at
 2 the rate of 8.5 percent per year from the end of the fiscal year
 3 during which the leave terminates to the end of the month during
 4 which payment is made. The member must pay the total amount
 5 required unless the employing unit, at its option, pays the
 6 employer contributions. The total amount required must be paid
 7 by the end of the fiscal year following the fiscal year in which
 8 the leave of absence terminated or before the member retires,
 9 whichever is earlier. Payment must be accompanied by a copy of
 10 the resolution or action of the employing authority granting the
 11 leave and the employing authority, upon granting the leave, must
 12 certify the leave to the association in a manner specified by
 13 the executive director. A member may not receive more than one
 14 year of allowable service credit during any fiscal year by
 15 making payment under this section. A member may not receive
 16 disability benefits under section 354A.36 and receive allowable
 17 service credit under this section for the same period of time.

18 Sec. 18. Minnesota Statutes 2004, section 354A.12,
 19 subdivision 1, is amended to read:

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

25 Association and Program	26 Percentage of Total Salary
27 Duluth Teachers Retirement	
28 Association	
29 old law and new law	
30 coordinated programs	5.5 percent
31 Minneapolis-Teachers-Retirement	
32 Association	
33 basic-program	8.5-percent
34 coordinated-program	5.5-percent
35 St. Paul Teachers Retirement	
36 Association	

1 basic program 8 percent

2 coordinated program 5.5 percent

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

6 Sec. 19. Minnesota Statutes 2004, section 354A.12,
7 subdivision 2, is amended to read:

8 Subd. 2. [RETIREMENT CONTRIBUTION LEVY DISALLOWED.] Except
9 as provided in ~~subdivision-3b-and-in-section-423A.02,~~
10 ~~subdivision-3,-with-respect-to-the-city-of-Minneapolis-and~~
11 ~~special-school-district-No.-1-and-in~~ section 423A.02,
12 subdivision 3, with respect to independent school district No.
13 625, notwithstanding any law to the contrary, levies for
14 teachers retirement fund associations in the cities of ~~the-first~~
15 ~~class~~ Duluth and St. Paul, including levies for any employer
16 Social Security taxes for teachers covered by the Duluth
17 Teachers Retirement Fund Association or the ~~Minneapolis-Teachers~~
18 ~~Retirement-Fund-Association-or-the~~ St. Paul Teachers Retirement
19 Fund Association, are disallowed.

20 Sec. 20. Minnesota Statutes 2004, section 354A.12,
21 subdivision 2a, is amended to read:

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

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

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

35 Duluth Teachers Retirement
36 Fund Association 4.50 percent

1 Fund-Asseociation

2 July-1,-1993---June-30,-1994 0.50-percent

3 July-1,-1994,-and-thereafter 3.64-percent

4 St. Paul Teachers Retirement

5 Fund Association

6 July 1, 1993 - June 30, 1994 0.50 percent

7 July 1, 1994 - June 30, 1995 1.50 percent

8 July 1, 1997, and thereafter 3.84 percent.

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

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

17 Sec. 21. Minnesota Statutes 2004, section 354A.12,
18 subdivision 3a, is amended to read:

19 Subd. 3a. [SPECIAL DIRECT STATE AID TO FIRST CLASS CITY
20 TEACHERS RETIREMENT FUND ASSOCIATIONS.] (a) In fiscal year 1998,
21 the state shall pay \$4,827,000 to the St. Paul Teachers
22 Retirement Fund Association, \$17,954,000 to the Minneapolis
23 Teachers Retirement Fund Association, and \$486,000 to the Duluth
24 Teachers Retirement Fund Association. In each subsequent fiscal
25 year after fiscal year 2005, these payments to the first class
26 city teachers retirement fund associations must be \$2,827,000
27 for St. Paul, \$12,954,000 to the Teachers Retirement Association
28 for the former Minneapolis Teachers Retirement Fund Association,
29 and \$486,000 for Duluth.

30 (b) The direct state aids under this subdivision are
31 payable October 1 annually. The commissioner of finance shall
32 pay the direct state aid. The amount required under this
33 subdivision is appropriated annually from the general fund to
4 the commissioner of finance.

35 Sec. 22. Minnesota Statutes 2004, section 354A.12,
36 subdivision 3b, is amended to read:

1 Subd. 3b. [SPECIAL DIRECT STATE MATCHING AID TO THE
 2 MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.] (a) Special
 3 School District No. 1 may must make an additional employer
 4 contribution to the Minneapolis Teachers Retirement Fund
 5 Association. The city of Minneapolis may must make a
 6 contribution to the Minneapolis Teachers Retirement Fund
 7 Association. This contribution may must be made by a levy of
 8 the board of estimate and taxation of the city of Minneapolis
 9 and the levy, if made, is classified as that of a special taxing
 10 district for purposes of sections 275.065 and 276.04, and for
 11 all other property tax purposes.

12 (b) ~~For every \$17,000~~ \$1,125,000 must be contributed in
 13 ~~equal proportion~~ by Special School District No. 1 and \$1,125,000
 14 must be contributed by the city of Minneapolis to
 15 the Minneapolis Teachers Retirement Fund Association under
 16 paragraph (a), and the state shall pay to the Minneapolis
 17 Teachers Retirement Fund Association ~~\$17,000, but not to~~
 18 ~~exceed~~ \$2,500,000 ~~in total in~~ each fiscal year ~~1994~~. The
 19 superintendent of Special School District No. 1, the mayor of
 20 the city of Minneapolis, and the executive director of
 21 the Minneapolis Teachers Retirement Fund Association shall
 22 jointly certify to the commissioner of finance the total amount
 23 that has been contributed by Special School District No. 1 and
 24 by the city of Minneapolis to the Minneapolis Teachers
 25 Retirement Fund Association. Any certification to the
 26 commissioner of education must be made quarterly. If the total
 27 certifications for a fiscal year exceed the maximum annual
 28 direct state matching aid amount in any quarter, the amount of
 29 direct state matching aid payable to the Minneapolis Teachers
 30 Retirement Fund Association must be limited to the balance of
 31 the maximum annual direct state matching aid amount available.
 32 The amount required under this paragraph, subject to the maximum
 33 direct state matching aid amount, is appropriated annually to
 34 the commissioner of finance.

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

1 Sec. 23. Minnesota Statutes 2004, section 354A.12,
2 subdivision 3c, is amended to read:

3 Subd. 3c. [TERMINATION OF SUPPLEMENTAL CONTRIBUTIONS AND
4 DIRECT MATCHING AND STATE AID.] (a) The supplemental
5 contributions payable to the ~~Minneapolis-Teachers-Retirement~~
6 ~~Fund-Association-by-special-school-district-No--1-and-the-city~~
7 ~~of-Minneapolis-under-section-423A.027-subdivision-37-or-to-the~~
8 St. Paul Teachers Retirement Fund Association by Independent
9 School District No. 625 under section 423A.02, subdivision 3, or
10 the direct state aids under subdivision 3a to the ~~first-class~~
11 ~~city St. Paul Teachers Retirement associations,--and-the-direct~~
12 ~~matching-and-state-aid-under-subdivision-3b-to-the-Minneapolis~~
13 ~~Teachers-Retirement Fund Association terminate for-the~~
14 ~~respective-fund~~ at the end of the fiscal year in which the
15 accrued liability funding ratio for that fund, as determined in
16 the most recent actuarial report for that fund by the actuary
17 retained by the Legislative Commission on Pensions and
18 Retirement, equals or exceeds the accrued liability funding
19 ratio for the teachers retirement association, as determined in
20 the most recent actuarial report for the Teachers Retirement
21 Association by the actuary retained by the Legislative
22 Commission on Pensions and Retirement.

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

27 (c) If ~~either-the-Minneapolis-Teachers-Retirement-Fund~~
28 ~~Association, the St. Paul Teachers Retirement Fund Association,~~
29 ~~or-the-Duluth-Teachers-Retirement-Fund-Association-remain is~~
30 funded at ~~less-than~~ the funding ratio applicable to the teachers
31 retirement association when the provisions of paragraph (b)
32 become effective, then any state aid ~~not~~ previously distributed
33 to that association must be immediately transferred to the ~~other~~
34 ~~associations-in-proportion-to-the-relative-sizes-of-their~~
35 ~~unfunded-actuarial-accrued-liabilities~~ Teachers Retirement
36 Association.

1 Sec. 24. Minnesota Statutes 2004, section 354A.12,
2 subdivision 3d, is amended to read:

3 Subd. 3d. [SUPPLEMENTAL ADMINISTRATIVE EXPENSE
4 ASSESSMENT.] (a) The active and retired membership of the
5 ~~Minneapolis-Teachers-Retirement-Fund-Association-and-of-the~~ St.
6 Paul Teachers Retirement Fund Association is responsible for
7 defraying supplemental administrative expenses other than
8 investment expenses of the respective teacher retirement fund
9 association.

10 (b) Investment expenses of the teachers retirement fund
11 association are those expenses incurred by or on behalf of the
12 retirement fund in connection with the investment of the assets
13 of the retirement fund other than investment security
14 transaction costs. Other administrative expenses are all
15 expenses incurred by or on behalf of the retirement fund for all
16 other retirement fund functions other than the investment of
17 retirement fund assets. Investment and other administrative
18 expenses must be accounted for using generally accepted
19 accounting principles and in a manner consistent with the
20 comprehensive annual financial report of the teachers retirement
21 fund association for the immediately previous fiscal year under
22 section 356.20.

23 (c) Supplemental administrative expenses other than
24 investment expenses of ~~a-first-class-city-teacher~~ the St. Paul
25 Teachers Retirement Fund Association are those expenses for the
26 fiscal year that:

27 (1) exceed, for the St. Paul Teachers Retirement Fund
28 Association, ~~\$443,7457-or-for-the-Minneapolis-Teacher-Retirement~~
29 ~~Fund-Association-\$671,75137~~ plus, ~~in-each-case,~~ an additional
30 amount derived by applying the percentage increase in the
31 Consumer Price Index for Urban Wage Earners and Clerical Workers
32 All Items Index published by the Bureau of Labor Statistics of
33 the United States Department of Labor since July 1, 2001, to the
34 ~~applicable~~ dollar amount; and

35 (2) exceed the amount computed by applying the most recent
36 percentage of pay administrative expense amount, other than

1 investment expenses, for the teachers retirement association
 2 governed by chapter 354 to the covered payroll of the respective
 3 teachers retirement fund association for the fiscal year.

4 (d) The board of trustees of ~~each-first-class-city~~ the St.
 5 Paul Teachers Retirement Fund Association shall allocate the
 6 total dollar amount of supplemental administrative expenses
 7 other than investment expenses determined under paragraph (c),
 8 clause (2), among the various active and retired membership
 9 groups of the teachers retirement fund association and shall
 10 assess the various membership groups their respective share of
 11 the supplemental administrative expenses other than investment
 12 expenses, in amounts determined by the board of trustees. The
 13 supplemental administrative expense assessments must be paid by
 14 the membership group in a manner determined by the board of
 15 trustees of the respective teachers retirement association.
 16 Supplemental administrative expenses payable by the active
 17 members of the pension plan must be picked up by the employer in
 18 accordance with section 356.62.

19 (e) With respect to the St. Paul Teachers Retirement Fund
 20 Association, the supplemental administrative expense assessment
 21 must be fully disclosed to the various active and retired
 22 membership groups of the teachers retirement fund association.
 23 The chief administrative officer of the St. Paul Teachers
 24 Retirement Fund Association shall prepare a supplemental
 25 administrative expense assessment disclosure notice, which must
 26 include the following:

27 (1) the total amount of administrative expenses of the St.
 28 Paul Teachers Retirement Fund Association, the amount of the
 29 investment expenses of the St. Paul Teachers Retirement Fund
 30 Association, and the net remaining amount of administrative
 31 expenses of the St. Paul Teachers Retirement Fund Association;

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

36 (3) the total amount of supplemental administrative

1 expenses required for assessment calculated under paragraph (c);

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

5 (5) the manner of collecting the supplemental
6 administrative expense assessment from each membership group,
7 the number of assessment payments required during the year, and
8 the amount of each payment or the procedure used to determine
9 each payment; and

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

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

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

19 (h) Any omitted active membership group assessments that
20 remain undeducted and unpaid to the teachers retirement fund
21 association for 90 days must be paid by the respective school
22 district. The school district may recover any omitted active
23 membership group assessment amounts that it has previously
24 paid. The teachers retirement fund association shall deduct any
25 omitted retired membership group assessment amounts from the
26 benefits next payable after the discovery of the omitted amounts.

27 Sec. 25. Minnesota Statutes 2004, section 354A.30, is
28 amended to read:

29 354A.30 [~~MINNEAPOLIS-AND~~ ST. PAUL TEACHERS RETIREMENT
30 FUND ASSOCIATIONS ASSOCIATION; COORDINATED PROGRAM.]

31 There is established a coordinated program within the
32 ~~Minneapolis-Teachers-Retirement-Fund-Association-and-a~~
33 ~~coordinated-program-within-the~~ St. Paul Teachers Retirement Fund
34 Association to provide retirement coverage for teachers who are
35 covered by an agreement or modification made between the state
36 and the secretary of health, education and welfare making the

1 provisions of the federal Old Age, Survivors and Disability
 2 Insurance Act applicable to certain teachers covered by the
 3 teachers retirement fund association. The provisions governing
 4 the coordinated program shall be sections 354A.31 to 354A.41 and
 5 any other applicable provisions of this chapter.

6 Sec. 26. Minnesota Statutes 2004, section 354A.31,
 7 subdivision 4, is amended to read:

8 Subd. 4. [COMPUTATION OF THE NORMAL COORDINATED RETIREMENT
 9 ANNUITY; MINNEAPOLIS-AND ST. PAUL FUNDS.] (a) This subdivision
 10 applies to the coordinated ~~programs~~ program of the ~~Minneapolis~~
 11 ~~Teachers-Retirement-Fund-Association-and-the~~ St. Paul Teachers
 12 Retirement Fund Association.

13 (b) The normal coordinated retirement annuity shall be an
 14 amount equal to a retiring coordinated member's average salary
 15 multiplied by the retirement annuity formula percentage.
 16 Average salary for purposes of this section shall mean an amount
 17 equal to the average salary upon which contributions were made
 18 for the highest five successive years of service credit, but
 19 which shall not in any event include any more than the
 20 equivalent of 60 monthly salary payments. Average salary must
 21 be based upon all years of service credit if this service credit
 22 is less than five years.

23 (c) This paragraph, in conjunction with subdivision 6,
 24 applies to a person who first became a member or a member in a
 25 pension fund listed in section 356.30, subdivision 3, before
 26 July 1, 1989, unless paragraph (d), in conjunction with
 27 subdivision 7, produces a higher annuity amount, in which case
 28 paragraph (d) will apply. The retirement annuity formula
 29 percentage for purposes of this paragraph is the percent
 30 specified in section 356.315, subdivision 1, per year for each
 31 year of coordinated service for the first ten years and the
 32 percent specified in section 356.315, subdivision 2, for each
 33 year of coordinated service thereafter.

4 (d) This paragraph applies to a person who has become at
 35 least 55 years old and who first becomes a member after June 30,
 36 1989, and to any other member who has become at least 55 years

1 old and whose annuity amount, when calculated under this
 2 paragraph and in conjunction with subdivision 7 is higher than
 3 it is when calculated under paragraph (c), in conjunction with
 4 the provisions of subdivision 6. The retirement annuity formula
 5 percentage for purposes of this paragraph is the percent
 6 specified in section 356.315, subdivision 2, for each year of
 7 coordinated service.

8 Sec. 27. Minnesota Statutes 2004, section 354A.32,
 9 subdivision 1, is amended to read:

10 Subdivision 1. [OPTIONAL FORMS GENERALLY.] The ~~boards~~
 11 board of the ~~Minneapolis-and-the~~ St. Paul Teachers Retirement
 12 Fund ~~Asseiations~~ Association shall each establish for the
 13 coordinated program and the board of the Duluth Teachers
 14 Retirement Fund Association shall establish for the new law
 15 coordinated program an optional retirement annuity which shall
 16 take the form of a joint and survivor annuity. Each board may
 17 also in its discretion establish an optional annuity which shall
 18 take the form of an annuity payable for a period certain and for
 19 life thereafter. Each board shall also establish an optional
 20 retirement annuity that guarantees payment of the balance of the
 21 annuity recipient's accumulated deductions to a designated
 22 beneficiary upon the death of the annuity recipient. Except as
 23 provided in subdivision 1a, optional annuity forms shall be the
 24 actuarial equivalent of the normal forms provided in section
 25 354A.31. In establishing these optional annuity forms, the
 26 board shall obtain the written recommendation of the
 27 commission-retained actuary. The recommendation shall be a part
 28 of the permanent records of the board.

29 Sec. 28. Minnesota Statutes 2004, section 354A.39, is
 30 amended to read:

31 354A.39 [SERVICE IN OTHER PUBLIC RETIREMENT FUNDS;
 32 ANNUITY.]

33 Any person who has been a member of the Minnesota State
 34 Retirement System, the Public Employees Retirement Association
 35 including the Public Employees Retirement Association Police and
 36 Fire Fund, the Teachers Retirement Association, the Minnesota

1 State Patrol Retirement Association, the legislators retirement
 2 plan, the constitutional officers retirement plan, the
 3 Minneapolis Employees Retirement Fund, the Duluth Teachers
 4 Retirement Fund Association new law coordinated program, ~~the~~
 5 ~~Minneapolis-Teachers-Retirement-Fund-Association-coordinated~~
 6 ~~program~~, the St. Paul Teachers Retirement Fund Association
 7 coordinated program, or any other public employee retirement
 8 system in the state of Minnesota having a like provision but
 9 excluding all other funds providing retirement benefits for
 10 police officers or firefighters shall be entitled when qualified
 11 to an annuity from each fund if the person's total allowable
 12 service in all of the funds or in any two or more of the funds
 13 totals three or more years, provided that no portion of the
 14 allowable service upon which the retirement annuity from one
 15 fund is based is used again in the computation for a retirement
 16 annuity from another fund and provided further that the person
 17 has not taken a refund from any of funds or associations since
 18 the person's membership in the fund or association has
 19 terminated. The annuity from each fund or association shall be
 20 determined by the appropriate provisions of the law governing
 21 each fund or association, except that the requirement that a
 22 person must have at least three years of allowable service in
 23 the respective fund or association shall not apply for the
 24 purposes of this section, provided that the aggregate service in
 25 two or more of these funds equals three or more years.

26 Sec. 29. Minnesota Statutes 2004, section 354A.40,
 27 subdivision 1, is amended to read:

28 Subdivision 1. [RETIREMENT ANNUITY.] Any coordinated
 29 member of ~~either-the-Minneapolis-Teachers-Retirement-Fund~~
 30 ~~Association-or-of~~ the St. Paul Teachers Retirement Fund
 31 Association who has credited service prior to July 1, 1978 shall
 32 be entitled to receive a retirement annuity when otherwise
 33 qualified, the calculation of which shall utilize the applicable
 34 retirement annuity formula specified in articles of
 35 incorporation and bylaws of the teachers retirement fund
 36 association governing the basic program for that portion of

1 credited service which was served prior to July 1, 1978, and the
 2 retirement annuity formula specified in section 354A.31 for the
 3 remainder of the member's credited service, both applied to the
 4 member's average salary as specified in section 354A.31,
 5 subdivision 4. The formula percentages to be used in
 6 calculating the coordinated portion of the retirement annuity or
 7 coordinated service under this section shall recognize the
 8 coordinated service as a continuation of any service prior to
 9 July 1, 1978.

10 Sec. 30. Minnesota Statutes 2004, section 354A.41, is
 11 amended to read:

12 354A.41 [ADMINISTRATION OF COORDINATED PROGRAM.]

13 Subdivision 1. [ADMINISTRATIVE PROVISIONS.] The provisions
 14 of the articles of incorporation and bylaws of the ~~Minneapolis~~
 15 ~~or the~~ St. Paul Teachers Retirement Fund Association, ~~whichever~~
 16 ~~is applicable,~~ relating to the administration of the fund shall
 17 govern the administration of the coordinated program and the
 18 provisions of the articles of incorporation and bylaws of the
 19 Duluth Teachers Retirement Fund Association relating to the
 20 administration of the fund shall govern the administration of
 21 the new law coordinated program in instances where the
 22 administrative provisions are not inconsistent with the
 23 provisions of sections 354A.31 to 354A.41, including but not
 24 limited to provisions relating to the composition and function
 25 of the board of trustees, the investment of assets of the
 26 teachers retirement fund association, and the definition of the
 27 plan year.

28 Subd. 2. [ACTUARIAL VALUATIONS.] In any actuarial
 29 valuation of the ~~Minneapolis-Teachers-Retirement-Fund~~
 30 ~~Association,~~ the St. Paul Teachers Retirement Fund Association,
 31 or the Duluth Teachers Retirement Fund Association under section
 32 356.215 prepared by the commission-retained actuary or
 33 supplemental actuarial valuation prepared by an approved actuary
 34 retained by the teachers retirement fund association, there
 35 shall be included a finding of the condition of the fund showing
 36 separately the basic and coordinated programs or the old law

1 coordinated and new law coordinated programs, as appropriate.
 2 The finding shall include the level normal cost and the
 3 applicable employee and employer contribution rates for each
 4 program.

5 Sec. 31. Minnesota Statutes 2004, section 356.20,
 6 subdivision 2, is amended to read:

7 Subd. 2. [COVERED PUBLIC PENSION PLANS AND FUNDS.] This
 8 section applies to the following public pension plans:

- 9 (1) the general state employees retirement plan of the
 10 Minnesota State Retirement System;
- 11 (2) the general employees retirement plan of the Public
 12 Employees Retirement Association;
- 13 (3) the Teachers Retirement Association;
- 14 (4) the State Patrol retirement plan;
- 15 ~~(5) the Minneapolis-Teachers-Retirement-Fund-Association;~~
 16 ~~(6)-the St. Paul Teachers Retirement Fund Association;~~
 17 ~~(7) (6) the Duluth Teachers Retirement Fund Association;~~
 18 ~~(8) (7) the Minneapolis Employees Retirement Fund;~~
 19 ~~(9) (8) the University of Minnesota faculty retirement~~
 20 plan;
- 21 ~~(10) (9) the University of Minnesota faculty supplemental~~
 22 retirement plan;
- 23 ~~(11) (10) the judges retirement fund;~~
- 24 ~~(12) (11) a police or firefighter's relief association~~
 25 specified or described in section 69.77, subdivision 1a, or
 26 69.771, subdivision 1;
- 27 ~~(13) (12) the public employees police and fire plan of the~~
 28 Public Employees Retirement Association;
- 29 ~~(14) (13) the correctional state employees retirement plan~~
 30 of the Minnesota State Retirement System; and
- 31 ~~(15) (14) the local government correctional service~~
 32 retirement plan of the Public Employees Retirement Association.

33 Sec. 32. Minnesota Statutes 2004, section 356.214,
 4 subdivision 1, is amended to read:

35 Subdivision 1. [JOINT RETENTION.] (a) The chief
 36 administrative officers of the Minnesota State Retirement

1 System, the Public Employees Retirement Association, the
 2 Teachers Retirement Association, the Duluth Teachers Retirement
 3 Fund Association, ~~the-Minneapolis-Teachers-Retirement-Fund~~
 4 ~~Association~~, the Minneapolis Employees Retirement Fund, and the
 5 St. Paul Teachers Retirement Fund Association, jointly, on
 6 behalf of the state, its employees, its taxpayers, and its
 7 various public pension plans, shall contract with an established
 8 actuarial consulting firm to conduct annual actuarial valuations
 9 and related services for the retirement plans named in paragraph
 10 (b). The principal from the actuarial consulting firm on the
 11 contract must be an approved actuary under section 356.215,
 12 subdivision 1, paragraph (c). Prior to becoming effective, the
 13 contract under this section is subject to a review and approval
 14 by the Legislative Commission on Pensions and Retirement.

15 (b) The contract for actuarial services must include the
 16 preparation of actuarial valuations and related actuarial work
 17 for the following retirement plans:

18 (1) the teachers retirement plan, Teachers Retirement
 19 Association;

20 (2) the general state employees retirement plan, Minnesota
 21 State Retirement System;

22 (3) the correctional employees retirement plan, Minnesota
 23 State Retirement System;

24 (4) the State Patrol retirement plan, Minnesota State
 25 Retirement System;

26 (5) the judges retirement plan, Minnesota State Retirement
 27 System;

28 (6) the Minneapolis employees retirement plan, Minneapolis
 29 Employees Retirement Fund;

30 (7) the public employees retirement plan, Public Employees
 31 Retirement Association;

32 (8) the public employees police and fire plan, Public
 33 Employees Retirement Association;

34 (9) the Duluth teachers retirement plan, Duluth Teachers
 35 Retirement Fund Association;

36 (10) the ~~Minneapolis-teachers-retirement-plan~~, ~~Minneapolis~~

1 ~~Teachers-Retirement-Fund-Association;~~

2 ~~{11}-the~~ St. Paul teachers retirement plan, St. Paul

3 Teachers Retirement Fund Association;

4 ~~{12}~~ (11) the legislators retirement plan, Minnesota State
5 Retirement System;

6 ~~{13}~~ (12) the elective state officers retirement plan,
7 Minnesota State Retirement System; and

8 ~~{14}~~ (13) local government correctional service retirement
9 plan, Public Employees Retirement Association.

10 (c) The contract must require completion of the annual
11 actuarial valuation calculations on a fiscal year basis, with
12 the contents of the actuarial valuation calculations as
13 specified in section 356.215, and in conformity with the
14 standards for actuarial work adopted by the Legislative
15 Commission on Pensions and Retirement.

16 The contract must require completion of annual experience
17 data collection and processing and a quadrennial published
18 experience study for the plans listed in paragraph (b), clauses
19 (1), (2), and (7), as provided for in the standards for
20 actuarial work adopted by the commission. The experience data
21 collection, processing, and analysis must evaluate the following:

22 (1) individual salary progression;

23 (2) the rate of return on investments based on the current
24 asset value;

25 (3) payroll growth;

26 (4) mortality;

27 (5) retirement age;

28 (6) withdrawal; and

29 (7) disablement.

30 The contract must include provisions for the preparation of
31 cost analyses by the jointly retained actuary for proposed
32 legislation that include changes in benefit provisions or
33 funding policies prior to their consideration by the Legislative
4 Commission on Pensions and Retirement.

35 (d) The actuary retained by the joint retirement systems
36 shall annually prepare a report to the legislature, including a

1 commentary on the actuarial valuation calculations for the plans
2 named in paragraph (b) and summarizing the results of the
3 actuarial valuation calculations. The actuary shall include
4 with the report the actuary's recommendations to the legislature
5 concerning the appropriateness of the support rates to achieve
6 proper funding of the retirement plans by the required funding
7 dates. The actuary shall, as part of the quadrennial experience
8 study, include recommendations to the legislature on the
9 appropriateness of the actuarial valuation assumptions required
10 for evaluation in the study.

11 (e) If the actuarial gain and loss analysis in the
12 actuarial valuation calculations indicates a persistent pattern
13 of sizable gains or losses, as directed by the joint retirement
14 systems or as requested by the chair of the Legislative
15 Commission on Pensions and Retirement, the actuary shall prepare
16 a special experience study for a plan listed in paragraph (b),
17 clause (3), (4), (5), (6), (8), (9), (10), (11), (12), ~~(13)~~ or
18 ~~(14)~~ (13), in the manner provided for in the standards for
19 actuarial work adopted by the commission.

20 (f) The term of the contract between the joint retirement
21 systems and the actuary retained may not exceed five years. The
22 joint retirement system administrative officers shall establish
23 procedures for the consideration and selection of contract
24 bidders and the requirements for the contents of an actuarial
25 services contract under this section. The procedures and
26 requirements must be submitted to the Legislative Commission on
27 Pensions and Retirement for review and comment prior to final
28 approval by the joint administrators. The contract is subject
29 to the procurement procedures under chapter 16C. The
30 consideration of bids and the selection of a consulting
31 actuarial firm by the chief administrative officers must occur
32 at a meeting that is open to the public and reasonable timely
33 public notice of the date and the time of the meeting and its
34 subject matter must be given.

35 (g) The actuarial services contract may not limit the
36 ability of the Minnesota legislature and its standing committees

1 and commissions to rely on the actuarial results of the work
2 prepared under the contract.

3 (h) The joint retirement systems shall designate one of the
4 retirement system executive directors as the actuarial services
5 contract manager.

6 Sec. 33. Minnesota Statutes 2004, section 356.215,
7 subdivision 8, is amended to read:

8 Subd. 8. [INTEREST AND SALARY ASSUMPTIONS.] (a) The
9 actuarial valuation must use the applicable following
10 preretirement interest assumption and the applicable following
11 postretirement interest assumption:

12		preretirement	postretirement
13		interest rate	interest rate
14	plan	assumption	assumption
15	general state employees		
16	retirement plan	8.5%	6.0%
17	correctional state employees		
18	retirement plan	8.5	6.0
19	State Patrol retirement plan	8.5	6.0
20	legislators retirement plan	8.5	6.0
21	elective state officers		
22	retirement plan	8.5	6.0
23	judges retirement plan	8.5	6.0
24	general public employees		
25	retirement plan	8.5	6.0
26	public employees police and fire		
27	retirement plan	8.5	6.0
28	local government correctional		
29	service retirement plan	8.5	6.0
30	teachers retirement plan	8.5	6.0
31	Minneapolis employees		
32	retirement plan	6.0	5.0
33	Duluth teachers retirement plan	8.5	8.5
34	Minneapolis-teachers-retirement		
35	plan	8.5	8.5
36	St. Paul teachers retirement		
37	plan	8.5	8.5
38	Minneapolis Police Relief		
39	Association	6.0	6.0
40	Fairmont Police Relief		
41	Association	5.0	5.0
42	Minneapolis Fire Department		
43	Relief Association	6.0	6.0
44	Virginia Fire Department		
45	Relief Association	5.0	5.0
46	local monthly benefit volunteer		
47	firefighters relief associations	5.0	5.0

48 (b) The actuarial valuation must use the applicable
49 following single rate future salary increase assumption, the
50 applicable following modified single rate future salary increase
51 assumption, or the applicable following graded rate future
52 salary increase assumption:

53 (1) single rate future salary increase assumption

1		future salary
2	plan	increase assumption
3	legislators retirement plan	5.0%
4	elective state officers retirement	
5	plan	5.0
6	judges retirement plan	5.0
7	Minneapolis Police Relief Association	4.0
8	Fairmont Police Relief	
9	Association	3.5
10	Minneapolis Fire Department Relief	
11	Association	4.0
12	Virginia Fire Department	
13	Relief Association	3.5

14 (2) modified single rate future salary increase assumption

15		future salary
16	plan	increase assumption
17	Minneapolis employees	the prior calendar year
18	retirement plan	amount increased first by
19		1.0198 percent to prior
20		fiscal year date and
21		then increased by 4.0
22		percent annually for
23		each future year

24 (3) select and ultimate future salary increase assumption

25 or graded rate future salary increase assumption

26		future salary
27	plan	increase assumption
28	general state employees	select calculation and
29	retirement plan	assumption A
30	correctional state employees	
31	retirement plan	assumption H <u>G</u>
32	State Patrol retirement plan	assumption H <u>G</u>
33	general public employees	select calculation and
34	retirement plan	assumption B
35	public employees police and fire	
36	fund retirement plan	assumption C
37	local government correctional service	
38	retirement plan	assumption H <u>G</u>
39	teachers retirement plan	assumption D
40	Duluth teachers retirement plan	assumption E
41	Minneapolis-teachers-retirement-plan	assumption-F
42	St. Paul teachers retirement plan	assumption <u>G</u> <u>F</u>

43
 44 The select calculation is:
 45 during the ten-year select period, a designated percent
 46 is multiplied by the result of ten minus T, where T is
 47 the number of completed years of service, and is added
 48 to the applicable future salary increase assumption. The
 49 designated percent is 0.2 percent for the correctional state
 50 employees retirement plan, the State Patrol retirement
 51 plan, the public employees police and fire plan, and the
 52 local government correctional service plan; 0.3 percent
 53 for the general state employees retirement plan, the
 54 general public employees retirement plan, the teachers
 55 retirement plan, the Duluth Teachers Retirement Fund
 56 Association, and the St. Paul Teachers Retirement Fund
 57 Association; and 0.4 percent for the Minneapolis Teachers
 58 Retirement Fund Association.

59
 60 The ultimate future salary increase assumption is:

61									
62	age	A	B	C	D	E	F	<u>G</u> <u>F</u>	H <u>G</u>
63	16	6.95%	6.95%	11.50%	8.20%	8.00%	6-50%	6.90%	7.7500
64	17	6.90	6.90	11.50	8.15	8.00	6-50	6.90	7.7500
65	18	6.85	6.85	11.50	8.10	8.00	6-50	6.90	7.7500
66	19	6.80	6.80	11.50	8.05	8.00	6-50	6.90	7.7500

1	20	6.75	6.40	11.50	6.00	6.90	6.50	6.90	7.7500
2	21	6.75	6.40	11.50	6.00	6.90	6.50	6.90	7.1454
3	22	6.75	6.40	11.00	6.00	6.90	6.50	6.90	7.0725
4	23	6.75	6.40	10.50	6.00	6.85	6.50	6.85	7.0544
5	24	6.75	6.40	10.00	6.00	6.80	6.50	6.80	7.0363
6	25	6.75	6.40	9.50	6.00	6.75	6.50	6.75	7.0000
7	26	6.75	6.36	9.20	6.00	6.70	6.50	6.70	7.0000
8	27	6.75	6.32	8.90	6.00	6.65	6.50	6.65	7.0000
9	28	6.75	6.28	8.60	6.00	6.60	6.50	6.60	7.0000
10	29	6.75	6.24	8.30	6.00	6.55	6.50	6.55	7.0000
11	30	6.75	6.20	8.00	6.00	6.50	6.50	6.50	7.0000
12	31	6.75	6.16	7.80	6.00	6.45	6.50	6.45	7.0000
13	32	6.75	6.12	7.60	6.00	6.40	6.50	6.40	7.0000
14	33	6.75	6.08	7.40	6.00	6.35	6.50	6.35	7.0000
15	34	6.75	6.04	7.20	6.00	6.30	6.50	6.30	7.0000
16	35	6.75	6.00	7.00	6.00	6.25	6.50	6.25	7.0000
17	36	6.75	5.96	6.80	6.00	6.20	6.50	6.20	6.9019
18	37	6.75	5.92	6.60	6.00	6.15	6.50	6.15	6.8074
19	38	6.75	5.88	6.40	5.90	6.10	6.50	6.10	6.7125
20	39	6.75	5.84	6.20	5.80	6.05	6.50	6.05	6.6054
21	40	6.75	5.80	6.00	5.70	6.00	6.50	6.00	6.5000
22	41	6.75	5.76	5.90	5.60	5.90	6.50	5.95	6.3540
23	42	6.75	5.72	5.80	5.50	5.80	6.50	5.90	6.2087
24	43	6.65	5.68	5.70	5.40	5.70	6.50	5.85	6.0622
25	44	6.55	5.64	5.60	5.30	5.60	6.50	5.80	5.9048
26	45	6.45	5.60	5.50	5.20	5.50	6.50	5.75	5.7500
27	46	6.35	5.56	5.45	5.10	5.40	6.40	5.70	5.6940
28	47	6.25	5.52	5.40	5.00	5.30	6.30	5.65	5.6375
29	48	6.15	5.48	5.35	5.00	5.20	6.20	5.60	5.5822
30	49	6.05	5.44	5.30	5.00	5.10	6.10	5.55	5.5404
31	50	5.95	5.40	5.25	5.00	5.00	6.00	5.50	5.5000
32	51	5.85	5.36	5.25	5.00	5.00	5.90	5.45	5.4384
33	52	5.75	5.32	5.25	5.00	5.00	5.80	5.40	5.3776
34	53	5.65	5.28	5.25	5.00	5.00	5.70	5.35	5.3167
35	54	5.55	5.24	5.25	5.00	5.00	5.60	5.30	5.2826
36	55	5.45	5.20	5.25	5.00	5.00	5.50	5.25	5.2500
37	56	5.35	5.16	5.25	5.00	5.00	5.40	5.20	5.2500
38	57	5.25	5.12	5.25	5.00	5.00	5.30	5.15	5.2500
39	58	5.25	5.08	5.25	5.10	5.00	5.20	5.10	5.2500
40	59	5.25	5.04	5.25	5.20	5.00	5.10	5.05	5.2500
41	60	5.25	5.00	5.25	5.30	5.00	5.00	5.00	5.2500
42	61	5.25	5.00	5.25	5.40	5.00	5.00	5.00	5.2500
43	62	5.25	5.00	5.25	5.50	5.00	5.00	5.00	5.2500
44	63	5.25	5.00	5.25	5.60	5.00	5.00	5.00	5.2500
45	64	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
46	65	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
47	66	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
48	67	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
49	68	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
50	69	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
51	70	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
52	71	5.25	5.00		5.70				

53 (c) The actuarial valuation must use the applicable
 54 following payroll growth assumption for calculating the
 55 amortization requirement for the unfunded actuarial accrued
 56 liability where the amortization retirement is calculated as a
 57 level percentage of an increasing payroll:

58		payroll growth
59	plan	assumption
60	general state employees retirement plan	5.00%
61	correctional state employees retirement plan	5.00
62	State Patrol retirement plan	5.00
63	legislators retirement plan	5.00
64	elective state officers retirement plan	5.00
65	judges retirement plan	5.00

1	general public employees retirement plan	6.00
2	public employees police and fire	
3	retirement plan	6.00
4	local government correctional service	
5	retirement plan	6.00
6	teachers retirement plan	5.00
7	Duluth teachers retirement plan	5.00
8	Minneapolis-teachers-retirement-plan	5.00
9	St. Paul teachers retirement plan	5.00

10 Sec. 34. Minnesota Statutes 2004, section 356.30,
 11 subdivision 3, is amended to read:

12 Subd. 3. [COVERED PLANS.] This section applies to the
 13 following retirement plans:

14 (1) the general state employees retirement plan of the
 15 Minnesota State Retirement System, established under chapter
 16 352;

17 (2) the correctional state employees retirement plan of the
 18 Minnesota State Retirement System, established under chapter
 19 352;

20 (3) the unclassified employees retirement program,
 21 established under chapter 352D;

22 (4) the State Patrol retirement plan, established under
 23 chapter 352B;

24 (5) the legislators retirement plan, established under
 25 chapter 3A;

26 (6) the elective state officers' retirement plan,
 27 established under chapter 352C;

28 (7) the general employees retirement plan of the Public
 29 Employees Retirement Association, established under chapter 353;

30 (8) the public employees police and fire retirement plan of
 31 the Public Employees Retirement Association, established under
 32 chapter 353;

33 (9) the local government correctional service retirement
 34 plan of the Public Employees Retirement Association, established
 35 under chapter 353E;

36 (10) the Teachers Retirement Association, established under
 37 chapter 354;

38 (11) the Minneapolis Employees Retirement Fund, established
 39 under chapter 422A;

40 (12) the ~~Minneapolis-Teachers-Retirement-Fund-Association,~~

1 ~~established under chapter 354A;~~

2 ~~{13}~~ the St. Paul Teachers Retirement Fund Association,
3 established under chapter 354A;

4 ~~{14}~~ (13) the Duluth Teachers Retirement Fund Association,
5 established under chapter 354A; and

6 ~~{15}~~ (14) the judges' retirement fund, established by
7 sections 490.121 to 490.132.

8 Sec. 35. Minnesota Statutes 2004, section 356.302,
9 subdivision 7, is amended to read:

10 Subd. 7. [COVERED RETIREMENT PLANS.] This section applies
11 to the following retirement plans:

12 (1) the general state employees retirement plan of the
13 Minnesota State Retirement System, established by chapter 352;

14 (2) the unclassified state employees retirement program of
15 the Minnesota State Retirement System, established by chapter
16 352D;

17 (3) the general employees retirement plan of the Public
18 Employees Retirement Association, established by chapter 353;

19 (4) the Teachers Retirement Association, established by
20 chapter 354;

21 (5) the Duluth Teachers Retirement Fund Association,
22 established by chapter 354A;

23 ~~(6) the Minneapolis-Teachers-Retirement-Fund-Association,~~
24 ~~established by chapter 354A;~~

25 ~~{7}~~ the St. Paul Teachers Retirement Fund Association,
26 established by chapter 354A;

27 ~~{8}~~ (7) the Minneapolis Employees Retirement Fund,
28 established by chapter 422A;

29 ~~{9}~~ (8) the state correctional employees retirement plan of
30 the Minnesota State Retirement System, established by chapter
31 352;

32 ~~{10}~~ (9) the State Patrol retirement plan, established by
33 chapter 352B;

34 ~~{11}~~ (10) the public employees police and fire plan of the
35 Public Employees Retirement Association, established by chapter
36 353;

1 ~~(12)~~ (11) the local government correctional service
2 retirement plan of the Public Employees Retirement Association,
3 established by chapter 353E; and

4 ~~(13)~~ (12) the judges' retirement plan, established by
5 sections 490.121 to 490.132.

6 Sec. 36. Minnesota Statutes 2004, section 356.303,
7 subdivision 4, is amended to read:

8 Subd. 4. [COVERED RETIREMENT PLANS.] This section applies
9 to the following retirement plans:

10 (1) the legislators retirement plan, established by chapter
11 3A;

12 (2) the general state employees retirement plan of the
13 Minnesota State Retirement System, established by chapter 352;

14 (3) the correctional state employees retirement plan of the
15 Minnesota State Retirement System, established by chapter 352;

16 (4) the State Patrol retirement plan, established by
17 chapter 352B;

18 (5) the elective state officers retirement plan,
19 established by chapter 352C;

20 (6) the unclassified state employees retirement program,
21 established by chapter 352D;

22 (7) the general employees retirement plan of the Public
23 Employees Retirement Association, established by chapter 353;

24 (8) the public employees police and fire plan of the Public
25 Employees Retirement Association, established by chapter 353;

26 (9) the local government correctional service retirement
27 plan of the Public Employees Retirement Association, established
28 by chapter 353E;

29 (10) the Teachers Retirement Association, established by
30 chapter 354;

31 (11) the Duluth Teachers Retirement Fund Association,
32 established by chapter 354A;

33 ~~(12) the Minneapolis-Teachers-Retirement-Fund-Association,~~
34 ~~established-by-chapter-354A;~~

35 ~~(13)-the~~ St. Paul Teachers Retirement Fund Association,
36 established by chapter 354A;

1 ~~{14}~~ (13) the Minneapolis Employees Retirement Fund,
2 established by chapter 422A; and

3 ~~{15}~~ (14) the judges' retirement fund, established by
4 sections 490.121 to 490.132.

5 Sec. 37. Minnesota Statutes 2004, section 356.315, is
6 amended by adding a subdivision to read:

7 Subd. 1a. [COORDINATED PLAN MEMBERS.] The applicable
8 benefit accrual rate is 1.5 percent.

9 Sec. 38. Minnesota Statutes 2004, section 356.42,
10 subdivision 3, is amended to read:

11 Subd. 3. [COVERED RETIREMENT PLANS.] The postretirement
12 adjustment provided in this section applies to the following
13 retirement funds:

14 (1) the general employees retirement plans of the Public
15 Employees Retirement Association;

16 (2) the public employees police and fire plan of the Public
17 Employees Retirement Association;

18 (3) the teachers retirement association;

19 (4) the State Patrol retirement plan;

20 (5) the state employees retirement plan of the Minnesota
21 State Retirement System;

22 (6) ~~the Minneapolis-Teachers-Retirement-Fund-Association~~
23 ~~established under chapter 354A;~~

24 ~~{7}~~ ~~the~~ St. Paul Teachers Retirement Fund Association
25 established under chapter 354A; and

26 ~~{8}~~ (7) the Duluth Teachers Retirement Fund Association
27 established under chapter 354A.

28 Sec. 39. Minnesota Statutes 2004, section 356.465,
29 subdivision 3, is amended to read:

30 Subd. 3. [COVERED RETIREMENT PLANS.] The provisions of
31 this section apply to the following retirement plans:

32 (1) the general state employees retirement plan of the
33 Minnesota State Retirement System established under chapter 352;

34 (2) the correctional state employees retirement plan of the
35 Minnesota State Retirement System established under chapter 352;

36 (3) the State Patrol retirement plan established under

1 chapter 352B;

2 (4) the legislators retirement plan established under
3 chapter 3A;

4 (5) the judges retirement plan established under chapter
5 490;

6 (6) the general employees retirement plan of the Public
7 Employees Retirement Association established under chapter 353;

8 (7) the public employees police and fire plan of the Public
9 Employees Retirement Association established under chapter 353;

10 (8) the teachers retirement plan established under chapter
11 354;

12 (9) the Duluth Teachers Retirement Fund Association
13 established under chapter 354A;

14 (10) the St. Paul Teachers Retirement Fund Association
15 established under chapter 354A;

16 (11) the ~~Minneapolis-Teachers-Retirement-Fund-Association~~
17 ~~established-under-chapter-354A;~~

18 ~~{12}~~-the Minneapolis employees retirement plan established
19 under chapter 422A;

20 ~~{13}~~ (12) the Minneapolis Firefighters Relief Association
21 established under chapter 423C;

22 ~~{14}~~ (13) the Minneapolis Police Relief Association
23 established under chapter 423B; and

24 ~~{15}~~ (14) the local government correctional service
25 retirement plan of the Public Employees Retirement Association
26 established under chapter 353E.

27 Sec. 40. Minnesota Statutes 2004, section 423A.02,
28 subdivision 1b, is amended to read:

29 Subd. 1b. [ADDITIONAL AMORTIZATION STATE AID.] (a)
30 Annually, on October 1, the commissioner of revenue shall
31 allocate the additional amortization state aid transferred under
32 section 69.021, subdivision 11, to:

33 (1) all police or salaried firefighters relief associations
34 governed by and in full compliance with the requirements of
35 section 69.77, that had an unfunded actuarial accrued liability
36 in the actuarial valuation prepared under sections 356.215 and

1 356.216 as of the preceding December 31;

2 (2) all local police or salaried firefighter consolidation
3 accounts governed by chapter 353A that are certified by the
4 executive director of the public employees retirement
5 association as having for the current fiscal year an additional
6 municipal contribution amount under section 353A.09, subdivision
7 5, paragraph (b), and that have implemented section 353A.083,
8 subdivision 1, if the effective date of the consolidation
9 preceded May 24, 1993, and that have implemented section
10 353A.083, subdivision 2, if the effective date of the
11 consolidation preceded June 1, 1995; and

12 (3) the municipalities that are required to make an
13 additional municipal contribution under section 353.665,
14 subdivision 8, for the duration of the required additional
15 contribution.

16 (b) The commissioner shall allocate the state aid on the
17 basis of the proportional share of the relief association or
18 consolidation account of the total unfunded actuarial accrued
19 liability of all recipient relief associations and consolidation
20 accounts as of December 31, 1993, for relief associations, and
21 as of June 30, 1994, for consolidation accounts.

22 (c) Beginning October 1, 2000, and annually thereafter, the
23 commissioner shall allocate the state aid, including any state
24 aid in excess of the limitation in subdivision 4, on the
25 following basis:

26 (1) 64.5 percent to the municipalities to which section
27 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision
28 5, paragraph (b), apply for distribution in accordance with
29 paragraph (b) and subject to the limitation in subdivision 4;

30 (2) 34.2 percent to the city of Minneapolis to fund any
31 unfunded actuarial accrued liability in the actuarial valuation
32 prepared under sections 356.215 and 356.216 as of the preceding
33 December 31 for the Minneapolis Police Relief Association or the
34 Minneapolis Fire Department Relief Association; and

35 (3) 1.3 percent to the city of Virginia to fund any
36 unfunded actuarial accrued liability in the actuarial valuation

1 prepared under sections 356.215 and 356.216 as of the preceding
2 December 31 for the Virginia Fire Department Relief Association.

3 If there is no unfunded actuarial accrued liability in both
4 the Minneapolis Police Relief Association and the Minneapolis
5 Fire Department Relief Association as disclosed in the most
6 recent actuarial valuations for the relief associations prepared
7 under sections 356.215 and 356.216, the commissioner shall
8 allocate that 34.2 percent of the aid as follows: 49 percent to
9 the ~~Minneapolis~~ Teachers Retirement Fund Association, 21 percent
10 to the St. Paul Teachers Retirement Fund Association, and 30
11 percent as additional funding to support minimum fire state aid
12 for volunteer firefighters relief associations. If there is no
13 unfunded actuarial accrued liability in the Virginia Fire
14 Department Relief Association as disclosed in the most recent
15 actuarial valuation for the relief association prepared under
16 sections 356.215 and 356.216, the commissioner shall allocate
17 that 1.3 percent of the aid as follows: 49 percent to the
18 ~~Minneapolis~~ Teachers Retirement Fund Association, 21 percent to
19 the St. Paul Teachers Retirement Fund Association, and 30
20 percent as additional funding to support minimum fire state aid
21 for volunteer firefighters relief associations. The allocation
22 must be made by the commissioner at the same time and under the
23 same procedures as specified in subdivision 3. With respect to
24 ~~the Minneapolis-Teachers-Retirement-Fund-Association-or-the~~ St.
25 Paul Teachers Retirement Fund Association, annually, beginning
26 on July 1, 2005, if the applicable teacher's association
27 five-year average time-weighted rate of investment return does
28 not equal or exceed the performance of a composite portfolio
29 assumed passively managed (indexed) invested ten percent in cash
30 equivalents, 60 percent in bonds and similar debt securities,
31 and 30 percent in domestic stock calculated using the formula
32 under section 11A.04, clause (11), the aid allocation to that
33 retirement fund under this section ceases until the five-year
34 annual rate of investment return equals or exceeds the
35 performance of that composite portfolio.

36 (d) The amounts required under this subdivision are

1 annually appropriated to the commissioner of revenue.

2 Sec. 41. [FULL FUNDING DATE.]

3 Notwithstanding any other law to the contrary, for the
4 Teachers Retirement Association, the established date for full
5 funding is 2035.

6 Sec. 42. [MTRFA EMPLOYEE JOB PREFERENCE.]

7 An employee of the Minneapolis Teachers Retirement Fund
8 Association on the date of enactment has an employment
9 preference for subsequent employment by the Teachers Retirement
10 Association, the Minnesota State Retirement System, or the
11 Public Employees Retirement Association equivalent to the
12 preference provided to armed forces veterans under state law and
13 Department of Employee Relations practice.

14 Sec. 43. [MTRFA ARTICLES AND BYLAWS; REPEAL;
15 APPLICABILITY.]

16 (a) The articles of incorporation and bylaws of the
17 Minneapolis Teachers Retirement Fund Association are repealed
18 and have application only as provided in section 6, subdivision
19 6, and paragraph (b).

20 (b) The articles of incorporation and bylaws of the
21 Minneapolis Teachers Retirement Fund Association only apply to
22 members of the former Minneapolis Teachers Retirement Fund
23 Association with service credit in the plan on or before June
24 30, 2005, and apply solely for purposes of determining the
25 retirement annuity for or benefit on behalf of a member of the
26 basic program of that retirement plan.

27 (c) No annuity adjustment or increase under article 30 of
28 the articles of incorporation of the Minneapolis Teachers
29 Retirement Fund Association is applicable or payable after June
30 30, 2005.

31 Sec. 44. [APPROPRIATION.]

32 \$2,500,000 is appropriated from the education reserve
33 account in the special revenue fund to the commissioner of
4 finance for transfer to the teachers retirement fund as required
35 by section 7. \$1,250,000 is for the fiscal year ending June 30,
36 2006, and \$1,250,000 is for the fiscal year ending June 30, 2007.

1 annually appropriated to the commissioner of revenue.

2 Sec. 41. [FULL FUNDING DATE.]

3 Notwithstanding any other law to the contrary, for the
4 Teachers Retirement Association, the established date for full
5 funding is 2035.

6 Sec. 42. [MTRFA EMPLOYEE JOB PREFERENCE.]

7 An employee of the Minneapolis Teachers Retirement Fund
8 Association on the date of enactment has an employment
9 preference for subsequent employment by the Teachers Retirement
10 Association, the Minnesota State Retirement System, or the
11 Public Employees Retirement Association equivalent to the
12 preference provided to armed forces veterans under state law and
13 Department of Employee Relations practice.

14 Sec. 43. [MTRFA ARTICLES AND BYLAWS; REPEAL;
15 APPLICABILITY.]

16 (a) The articles of incorporation and bylaws of the
17 Minneapolis Teachers Retirement Fund Association are repealed
18 and have application only as provided in section 6, subdivision
19 6, and paragraph (b).

20 (b) The articles of incorporation and bylaws of the
21 Minneapolis Teachers Retirement Fund Association only apply to
22 members of the former Minneapolis Teachers Retirement Fund
23 Association with service credit in the plan on or before June
24 30, 2005, and apply solely for purposes of determining the
25 retirement annuity for or benefit on behalf of a member of the
26 basic program of that retirement plan.

27 (c) No annuity adjustment or increase under article 30 of
28 the articles of incorporation of the Minneapolis Teachers
29 Retirement Fund Association is applicable or payable after June
30 30, 2005.

31 Sec. 44. [APPROPRIATION.]

32 \$2,500,000 is appropriated from the education reserve
33 account in the special revenue fund to the commissioner of
34 finance for transfer to the teachers retirement fund as required
35 by section 7. \$1,250,000 is for the fiscal year ending June 30,
36 2006, and \$1,250,000 is for the fiscal year ending June 30, 2007.

1 Sec. 45. [REPEALER.]
2 Minnesota Statutes 2004, sections 354A.051; 354A.105;
3 354A.23, subdivision 1; and 354A.28, are repealed.

4 Sec. 46. [EFFECTIVE DATE.]
5 (a) Sections 1, 2, 3, 21, and 22 are effective on the day
6 following final enactment.

7 (b) Sections 4 to 20 and 23 to 45 are effective on the day
8 following final enactment.

9 ARTICLE 3

10 PRE-1969 TEACHER SPECIAL POSTRETIREMENT

11 ADJUSTMENT

12 Section 1. [354.551] [ADDITIONAL BENEFIT FOR CERTAIN
13 TEACHERS.]

14 Subdivision 1. [ADDITIONAL BENEFIT ENTITLEMENT.] If there
15 is an appropriation for this purpose and to the extent of that
16 appropriation, eligible retired teachers as defined in
17 subdivision 2 are entitled to receive the additional benefit
18 amount determined under subdivision 3 unless the applicable
19 person files a written notification with the executive director
20 of the Teachers Retirement Association that the additional
21 benefit not be paid.

22 Subd. 2. [ELIGIBILITY.] An eligible person for purposes of
23 this section is a person who:

24 (1) was a teacher as defined in section 354.05, subdivision
25 2;

26 (2) rendered teaching service as defined in section 354.05,
27 subdivision 3, either during the 1968-1969 school year, but was
28 not covered by the improved money purchase program savings
29 clause in section 354.55, subdivision 17, or before the
30 1968-1969 school year, did not take a refund of member
31 contributions upon the termination of teacher service, and was
32 eligible to make an election under Minnesota Statutes 1971,
33 section 354.55, subdivision 8.

34 Subd. 3. [DETERMINATION OF ADDITIONAL BENEFIT AMOUNT.] (a)
35 By July 1, annually, the executive director of the Teachers
36 Retirement Association shall determine which retired teachers

1 are eligible to receive an additional benefit amount under this
2 section and the amount of each person's additional benefit
3 amount.

4 If the applicable appropriation permits, as determined by
5 the executive director of the Teachers Retirement Association,
6 the increase amount is 45 percent of the difference, if a
7 positive number, obtained by subtracting the single life annuity
8 amount initially payable upon retirement under section 354.44,
9 subdivision 6, from a comparable single life annuity amount
10 computed as of the same date under section 354.44, subdivision
11 2. If the applicable appropriation does not permit the full
12 postretirement adjustment payment amount as determined by the
13 executive director of the Teachers Retirement Association, the
14 increase amount is that portion of the full increase amount that
15 bears the same relationship to the full increase amount that the
16 appropriation bears to the full required funding for the full
17 increase amount.

18 (b) The additional retirement benefit is payable beginning
19 July 1, 2005, for persons who were receiving a retirement
20 annuity on June 1, 2005, or with the initial retirement annuity
21 payment for persons who were active, deferred, or inactive
22 members on June 1, 2005.

23 Subd. 4. [DURATION OF ADDITIONAL BENEFIT.] If the
24 appropriations permit, the additional benefit amount is payable
25 for life or for the duration of the selected optional annuity
26 form, whichever applies.

27 Subd. 5. [NO PAYMENT TO ESTATE; NO RETROACTIVITY.] (a)
28 Nothing in this section authorizes the payment of an additional
29 benefit amount under this section to an estate or to a survivor
30 or beneficiary other than under an optional annuity form.

31 (b) Nothing in this section authorizes the payment of an
32 additional benefit amount for any period before July 1, 2005.

33 (c) Nothing in this section authorizes the payment of an
34 additional benefit amount to a person who was or is entitled to
35 have their retirement annuity calculated under section 354.44,
36 subdivision 2.

1 Sec. 2. [APPROPRIATION.]

2 There is appropriated from the education reserve account in
3 the special revenue fund to the executive director of the
4 Teachers Retirement Association for the purposes of the special
5 postretirement adjustment under section 1 \$11,000,000 for the
6 year ending June 30, 2006, and \$11,000,000 for the year ending
7 June 30, 2007.

8 Sec. 3. [EFFECTIVE DATE.]

9 Sections 1 and 2 are effective on July 1, 2005.

10 ARTICLE 4

11 PENSION DEFAULT INSURANCE POOL

12 Section 1. Minnesota Statutes 2004, section 352.04,
13 subdivision 12, is amended to read:

14 Subd. 12. [FUND DISBURSEMENT RESTRICTED.] (a) The state
15 employees retirement fund and the participation in the Minnesota
16 postretirement investment fund must be disbursed only for the
17 purposes provided by law.

18 (b) The expenses of the system, the pension default
19 insurance pool charge under section 356.95, and any benefits
20 provided by law, other than benefits payable from the Minnesota
21 postretirement investment fund, must be paid from the state
22 employees retirement fund.

23 (c) The retirement allowances, retirement annuities, and
24 disability benefits, as well as refunds of any sum remaining to
25 the credit of a deceased retired employee or a disabled employee
26 must be paid only from the state employees retirement fund after
27 the needs have been certified and the amounts withdrawn from the
28 participation in the Minnesota postretirement investment fund
29 under section 11A.18.

30 (d) The amounts necessary to make the payments from the
31 state employees retirement fund and the participation in the
32 Minnesota postretirement investment fund are annually
33 appropriated from these funds for those purposes.

34 Sec. 2. Minnesota Statutes 2004, section 352.911,
35 subdivision 5, is amended to read:

36 Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The

1 correctional employees retirement fund and its share of
2 participation in the Minnesota postretirement investment fund
3 shall be disbursed only for the purposes provided for in the
4 applicable provisions in this chapter.

5 (b) The proportional share of the expenses of the system,
6 the pension default insurance pool charge under section 356.95,
7 and any benefits provided in sections 352.90 to 352.951, other
8 than benefits payable from the Minnesota postretirement
9 investment fund, shall be paid from the correctional employees
10 retirement fund.

11 (c) The retirement allowances, retirement annuities, the
12 disability benefits, the survivorship benefits, and any refunds
13 of accumulated deductions shall be paid only from the
14 correctional employees retirement fund after those needs have
15 been certified by the executive director and the amounts
16 withdrawn from the share of participation in the Minnesota
17 postretirement fund under section 11A.18.

18 (d) The amounts necessary to make the payments from the
19 correctional employees retirement fund and the participation in
20 the Minnesota postretirement investment fund are annually
21 appropriated from those funds for those purposes.

22 Sec. 3. Minnesota Statutes 2004, section 352B.02,
23 subdivision 1d, is amended to read:

24 Subd. 1d. [FUND REVENUE AND EXPENSES.] The amounts
25 provided for in this section must be credited to the State
26 Patrol retirement fund. All money received must be deposited by
27 the commissioner of finance in the State Patrol retirement
28 fund. The fund must be used to pay the administrative expenses
29 of the retirement fund, the pension default insurance pool
30 charge under section 356.95, and the benefits and annuities
31 provided in this chapter. Appropriate amounts shall be
32 transferred to or withdrawn from the Minnesota postretirement
33 investment fund as provided in section 352B.26.

4 Sec. 4. Minnesota Statutes 2004, section 352D.09,
35 subdivision 7, is amended to read:

36 Subd. 7. [ADMINISTRATIVE FEES.] The board of directors

1 shall establish a budget and charge participants a fee to pay
2 the administrative expenses of the unclassified program and the
3 pension default insurance pool charge under section 356.95.

4 Fees cannot be charged on contributions and investment returns
5 attributable to contributions made before July 1, 1992. Annual
6 total fees charged for plan administration cannot exceed 10/100
7 of one percent of the contributions and investment returns
8 attributable to contributions made on or after July 1, 1992.

9 Sec. 5. Minnesota Statutes 2004, section 353.27,
10 subdivision 1, is amended to read:

11 Subdivision 1. [INCOME; DISBURSEMENTS.] There is a special
12 fund known as the "public employees retirement fund," the
13 "retirement fund," or the "fund," which shall include all the
14 assets of the association. This fund shall be credited with all
15 contributions, all interest and all other income authorized by
16 law. From this fund there is appropriated the payments
17 authorized by this chapter in the amounts and at such time
18 provided herein, including the expenses of administering the
19 fund, including the pension default insurance pool charge under
20 section 356.95, and including the proper share of the Minnesota
21 postretirement investment fund.

22 Sec. 6. Minnesota Statutes 2004, section 353.65,
23 subdivision 6, is amended to read:

24 Subd. 6. [FUND.] All contributions other than the excess
25 contribution established by section 69.031, subdivision 5,
26 paragraphs (2), clauses (b) and (c), and (3) shall be credited
27 to the fund and all interest and other income of the fund shall
28 be credited to said fund. The retirement fund shall be
29 disbursed only for the purposes herein provided. The expenses
30 of said fund, the pension default insurance pool charge, and the
31 annuities herein provided upon retirement shall be paid from
32 said fund.

33 Sec. 7. Minnesota Statutes 2004, section 353E.01,
34 subdivision 5, is amended to read:

35 Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The public
36 employees local government correctional service retirement fund

1 and its share of participation in the Minnesota postretirement
2 investment fund may be disbursed only for the purposes provided
3 for in this chapter.

4 (b) The proportional share of the necessary and reasonable
5 administrative expenses of the association, the pension default
6 insurance pool charge under section 356.95, and any benefits
7 provided in this chapter, other than benefits payable from the
8 Minnesota postretirement investment fund, must be paid from the
9 public employees local government correctional service
10 retirement fund. Retirement annuities, disability benefits,
11 survivorship benefits, and any refunds of accumulated deductions
12 may be paid only from the correctional service retirement fund
13 after those needs have been certified by the executive director
14 and any applicable amounts withdrawn from the share of
15 participation in the Minnesota postretirement fund under section
16 11A.18.

17 (c) The amounts necessary to make the payments from the
18 public employees local government correctional service
19 retirement fund and its participation in the Minnesota
20 postretirement investment fund are annually appropriated from
21 those funds for those purposes.

22 Sec. 8. Minnesota Statutes 2004, section 354.42, is
23 amended by adding a subdivision to read:

24 Subd. 8. [PENSION DEFAULT CHARGE.] The pension default
25 insurance pool charge under section 356.95 must be paid from the
26 Teachers Retirement Association.

27 Sec. 9. Minnesota Statutes 2004, section 354A.021,
28 subdivision 4, is amended to read:

29 Subd. 4. [FUND DISBURSEMENT RESTRICTED.] The assets of the
30 special retirement fund shall be disbursed only for the purposes
31 provided for in this chapter, the articles of incorporation or
32 bylaws in effect as of March 31, 1975, and the articles of
33 incorporation or bylaws adopted subsequent to March 31, 1975 in
34 accordance with the provisions of section 354A.12. The pension
35 default insurance pool charge under section 356.95 and all
36 appropriate expenses of and any authorized benefits provided by

1 the teachers retirement fund association shall be paid from the
2 special retirement fund. Amounts necessary to make payments
3 from the special retirement fund of a teachers retirement fund
4 association are hereby appropriated.

5 Sec 10. [356.95] [PENSION DEFAULT INSURANCE POOL.]

6 Subdivision 1. [DEFAULT INSURANCE; LEGISLATIVE
7 FINDINGS.] The legislature finds that some Minnesota public
8 pension plans have periodic funding difficulties and could
9 default on the payment of retirement benefits in the future.
10 The legislature further finds that a potential default may occur
11 at a time when timely corrective legislative responses may not
12 be possible, causing significant potential economic harm to
13 affected benefit recipients. To provide emergency funding
14 resources for a Minnesota public pension plan facing a default
15 in the payment of retirement benefits, the legislature is
16 establishing an insurance pool to have resources for a temporary
17 remedy for a defaulting pension plan.

18 Subd. 2. [DEFAULT INSURANCE CHARGE.] (a) In fiscal year
19 2006, the pension default insurance charge is \$0.10 per month
20 per active member and benefit recipient of a covered retirement
21 plan.

22 (b) The pension default insurance charge must be reassessed
23 by the commissioner of finance, who shall revise the charge
24 upward or downward based on an assessment of the potential risk
25 of a future retirement plan default. The consulting actuary
26 retained under section 356.214 shall provide an assessment of
27 the relative probability of future retirement plan defaults as
28 part of the actuarial valuation reports performed annually.

29 Subd. 3. [RECEIPT OF CHARGES; INVESTMENT.] The pension
30 default insurance charge is payable to the commissioner of
31 finance for deposit in a special pension default insurance pool
32 fund in the state treasury. The special default insurance pool
33 fund must be invested by the State Board of Investment in
34 investments authorized under section 11A.24.

35 Subd. 4. [DISBURSEMENTS.] (a) The chief administrative
36 officer of a covered retirement plan facing imminent default in

1 the payment of retirement annuities and benefits is authorized
2 to apply to the commissioner of finance for the transfer of
3 assets to forestall the default.

4 (b) If the commissioner of finance finds that a covered
5 retirement plan is facing an imminent default, the commissioner
6 may transfer the necessary amount of assets to avert the
7 expected default from the pension default insurance pool.

8 Subd. 5. [COVERED RETIREMENT PLANS.] The retirement plans
9 covered by the pension default insurance pool are:

10 (1) the general state employees retirement plan of the
11 Minnesota State Retirement System, established under chapter
12 352;

13 (2) the correctional state employees retirement plan of the
14 Minnesota State Retirement System, established under chapter
15 352;

16 (3) the unclassified employees retirement program,
17 established under chapter 352D;

18 (4) the State Patrol retirement plan, established under
19 chapter 352B;

20 (5) the legislators retirement plan, established under
21 chapter 3A;

22 (6) the elective state officers' retirement plan,
23 established under chapter 352C;

24 (7) the general employees retirement plan of the Public
25 Employees Retirement Association, established under chapter 353;

26 (8) the public employees police and fire retirement plan of
27 the Public Employees Retirement Association, established under
28 chapter 353;

29 (9) the local government correctional service retirement
30 plan of the Public Employees Retirement Association, established
31 under chapter 353E;

32 (10) the Teachers Retirement Association, established under
33 chapter 354;

4 (11) the Minneapolis Employees Retirement Fund, established
35 under chapter 422A;

36 (12) the Minneapolis Teachers Retirement Fund Association,

1 established under chapter 354A;

2 (13) the St. Paul Teachers Retirement Fund Association,
3 established under chapter 354A;

4 (14) the Duluth Teachers Retirement Fund Association,
5 established under chapter 354A; and

6 (15) the judges' retirement fund, established by sections
7 490.121 to 490.132.

8 Sec. 11. [EFFECTIVE DATE.]

9 Sections 1 to 10 are effective on the day following final
10 enactment.

11 ARTICLE 5

12 DEFERRED ANNUITIES AUGMENTATION

13 Section 1. Minnesota Statutes 2004, section 352.116,
14 subdivision 1a, is amended to read:

15 Subd. 1a. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This
16 subdivision applies to a person who has become at least 55 years
17 old and first became a covered employee after June 30, 1989, and
18 to any other covered employee who has become at least 55 years
19 old and whose annuity is higher when calculated under section
20 352.115, subdivision 3, paragraph (b), in conjunction with this
21 subdivision than when calculated under section 352.115,
22 subdivision 3, paragraph (a), in conjunction with subdivision 1.
23 A covered employee who retires before the normal retirement age
24 shall be paid the normal retirement annuity provided in section
25 352.115, subdivisions 2 and 3, paragraph (b), reduced so that
26 the reduced annuity is the actuarial equivalent of the annuity
27 that would be payable to the employee if the employee deferred
28 receipt of the annuity and the annuity amount were augmented at
29 an annual rate of three percent compounded annually from the day
30 the annuity begins to accrue until the normal retirement age, if
31 the employee became an employee before July 1, 2005, and is the
32 actuarial equivalent of this annuity that would be payable to
33 the employee if the employee deferred receipt of the annuity if
34 the employee initially became an employee after June 30, 2005.

35 Sec. 2. Minnesota Statutes 2004, section 352.72,
36 subdivision 2, is amended to read:

1 Subd. 2. [COMPUTATION OF DEFERRED ANNUITY.] (a) The
2 deferred annuity, if any, accruing under subdivision 1, or
3 section 352.22, subdivision 3, must be computed as provided in
4 section 352.22, subdivision 3, on the basis of allowable service
5 before termination of state service and augmented as provided
6 herein.

7 (b) If the employee became an employee before July 1, 2005,
8 the required reserves applicable to a deferred annuity or to an
9 annuity for which a former employee was eligible but had not
10 applied or to any deferred segment of an annuity must be
11 determined as of the date the benefit begins to accrue and
12 augmented by interest compounded annually from the first day of
13 the month following the month in which the employee ceased to be
14 a state employee, or July 1, 1971, whichever is later, to the
15 first day of the month in which the annuity begins to accrue.
16 The rates of interest used for this purpose must be five percent
17 compounded annually until January 1, 1981, and three percent
18 compounded annually thereafter until January 1 of the year
19 following the year in which the former employee attains age 55.
20 From that date to the effective date of retirement, the rate is
21 five percent compounded annually. If a person has more than one
22 period of uninterrupted service, the required reserves related
23 to each period must be augmented by interest under this
24 subdivision. The sum of the augmented required reserves so
25 determined is the present value of the annuity. "Uninterrupted
26 service" for the purpose of this subdivision means periods of
27 covered employment during which the employee has not been
28 separated from state service for more than two years. If a
29 person repays a refund, the service restored by the repayment
30 must be considered continuous with the next period of service
31 for which the employee has credit with this system. The formula
32 percentages used for each period of uninterrupted service must
33 be those applicable to a new employee. The mortality table and
34 interest assumption used to compute the annuity must be those in
35 effect when the employee files application for annuity. This
36 section does not reduce the annuity otherwise payable under this

1 chapter.

2 (c) If the employee initially became an employee after June
3 30, 2005, no augmentation is payable on a deferred annuity.

4 ~~(b)~~ (d) The retirement annuity or disability benefit of, or
5 the survivor benefit payable on behalf of, a former state
6 employee who terminated service before July 1, 1997, which is
7 not first payable until after June 30, 1997, must be increased
8 on an actuarial equivalent basis to reflect the change in the
9 postretirement interest rate actuarial assumption under section
10 356.215, subdivision 8, from five percent to six percent under a
11 calculation procedure and the tables adopted by the board and
12 approved by the actuary retained by the Legislative Commission
13 on Pensions and Retirement.

14 Sec. 3. Minnesota Statutes 2004, section 352B.30,
15 subdivision 2, is amended to read:

16 Subd. 2. [COMPUTATION OF DEFERRED ANNUITY.] (a) Deferred
17 annuities must be computed according to this chapter on the
18 basis of allowable service before termination of service and
19 augmented as provided in this chapter.

20 (b) If the member became a member before July 1, 2005, the
21 required reserves applicable to a deferred annuity must be
22 augmented by interest compounded annually from the first day of
23 the month following the month in which the member terminated
24 service, or July 1, 1971, whichever is later, to the first day
25 of the month in which the annuity begins to acerue. The rates
26 of interest used for this purpose shall be five percent per year
27 compounded annually until January 1, 1981, and after that date
28 three percent per year compounded annually. The mortality table
29 and interest assumption used to compute the annuity shall be
30 those in effect when the member files application for annuity.

31 (c) If the member initially became a member after June 30,
32 2005, no augmentation is payable on a deferred annuity.

33 Sec. 4. Minnesota Statutes 2004, section 353.30,
34 subdivision 5, is amended to read:

35 Subd. 5. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This
36 subdivision applies to a member who has become at least 55 years

1 old and first became a public employee after June 30, 1989, and
2 to any other member who has become at least 55 years old and
3 whose annuity is higher when calculated under section 353.29,
4 subdivision 3, paragraph (b), in conjunction with this
5 subdivision than when calculated under section 353.29,
6 subdivision 3, paragraph (a), in conjunction with subdivision 1,
7 1a, 1b, or 1c. An employee who retires before normal retirement
8 age shall be paid the retirement annuity provided in section
9 353.29, subdivision 3, paragraph (b), reduced so that the
10 reduced annuity is the actuarial equivalent of the annuity that
11 would be payable to the employee if the employee deferred
12 receipt of the annuity and the annuity amount were augmented at
13 an annual rate of three percent compounded annually from the day
14 the annuity begins to accrue until the normal retirement age if
15 the member became a member before July 1, 2005, and is the
16 actuarial equivalent of the annuity that would be payable to the
17 member if the member deferred receipt of the annuity if the
18 member initially became a member after June 30, 2005.

19 Sec. 5. Minnesota Statutes 2004, section 353.71,
20 subdivision 2, is amended to read:

21 Subd. 2. [DEFERRED ANNUITY COMPUTATION; AUGMENTATION.] (a)
22 The deferred annuity accruing under subdivision 1, or under
23 sections 353.34, subdivision 3, and 353.68, subdivision 4, must
24 be computed on the basis of allowable service prior to the
25 termination of public service and augmented as provided in this
26 paragraph.

27 (b) The required reserves applicable to a deferred annuity,
28 or to any deferred segment of an annuity must be determined as
29 of the first day of the month following the month in which the
30 former member ceased to be a public employee, or July 1, 1971,
31 whichever is later. If the member became a member before July
32 1, 2005, these required reserves must be augmented at the rate
33 of five percent annually compounded annually until January 1,
34 1981, and at the rate of three percent thereafter until January
35 1 of the year following the year in which the former member
36 attains age 55. From that date to the effective date of

1 retirement, the rate is five percent compounded annually. If a
2 person has more than one period of uninterrupted service, the
3 required reserves related to each period must be augmented as
4 specified in this paragraph. The sum of the augmented required
5 reserves is the present value of the annuity. Uninterrupted
6 service for the purpose of this subdivision means periods of
7 covered employment during which the employee has not been
8 separated from public service for more than two years. If a
9 person repays a refund, the restored service must be considered
10 as continuous with the next period of service for which the
11 employee has credit with this association. This section must not
12 reduce the annuity otherwise payable under this chapter. This
13 paragraph applies to individuals who become deferred annuitants
14 on or after July 1, 1971. For a member who became a deferred
15 annuitant before July 1, 1971, the paragraph applies from July
16 1, 1971, if the former active member applies for an annuity
17 after July 1, 1973.

18 (c) If the member initially became a member after June 30,
19 2005, no augmentation is payable on a deferred annuity.

20 ~~(b)~~ (d) The retirement annuity or disability benefit of, or
21 the survivor benefit payable on behalf of, a former member who
22 terminated service before July 1, 1997, or the survivor benefit
23 payable on behalf of a basic or police and fire member who was
24 receiving disability benefits before July 1, 1997, which is
25 first payable after June 30, 1997, must be increased on an
26 actuarial equivalent basis to reflect the change in the
27 postretirement interest rate actuarial assumption under section
28 356.215, subdivision 8, from five percent to six percent under a
29 calculation procedure and tables adopted by the board and
30 approved by the actuary retained by the Legislative Commission
31 on Pensions and Retirement.

32 Sec. 6. Minnesota Statutes 2004, section 353E.05, is
33 amended to read:

34 353E.05 [AUGMENTATION IN CERTAIN CASES.]

35 Unless prior service has been transferred or unless a
36 combined service annuity under section 356.30 has been elected,

1 an employee who becomes a local government correctional employee
 2 after being a member of the Public Employees Retirement
 3 Association or the public employees police and fire fund is
 4 covered under section 353.71, subdivision 2, with respect to
 5 that prior service. An employee who became an employee before
 6 July 1, 2005, and who becomes a member of the Public Employees
 7 Retirement Association or the public employees police and fire
 8 plan after being a local government correctional employee is
 9 also covered under section 353.71, subdivision 2, with respect
 10 to that prior service, unless calculated under section 356.30.

11 Sec. 7. Minnesota Statutes 2004, section 354.44,
 12 subdivision 6, is amended to read:

13 Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT
 14 ANNUITY.] (a) The formula retirement annuity must be computed in
 15 accordance with the applicable provisions of the formulas stated
 16 in paragraph (b) or (d) on the basis of each member's average
 17 salary for the period of the member's formula service credit.

18 For all years of formula service credit, "average salary,"
 19 for the purpose of determining the member's retirement annuity,
 20 means the average salary upon which contributions were made and
 21 upon which payments were made to increase the salary limitation
 22 provided in Minnesota Statutes 1971, section 354.511, for the
 23 highest five successive years of formula service credit
 24 provided, however, that such "average salary" shall not include
 25 any more than the equivalent of 60 monthly salary payments.
 26 Average salary must be based upon all years of formula service
 27 credit if this service credit is less than five years.

28 (b) This paragraph, in conjunction with paragraph (c),
 29 applies to a person who first became a member of the association
 30 or a member of a pension fund listed in section 356.30,
 31 subdivision 3, before July 1, 1989, unless paragraph (d), in
 32 conjunction with paragraph (e), produces a higher annuity
 33 amount, in which case paragraph (d) applies. The average salary
 34 as defined in paragraph (a), multiplied by the following
 35 percentages per year of formula service credit shall determine
 36 the amount of the annuity to which the member qualifying

1 therefor is entitled:

	Coordinated Member	Basic Member
3 Each year of service	the percent	the percent
4 during first ten	specified in	specified in
5	section 356.315,	section 356.315,
6	subdivision 1,	subdivision 3,
7	per year	per year
8 Each year of service	the percent	the percent
9 thereafter	specified in	specified in
10	section 356.315,	section 356.315,
11	subdivision 2,	subdivision 4,
12	per year	per year

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

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

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

32 (d) This paragraph applies to a member who has become at
 33 least 55 years old and first became a member of the association
 34 after June 30, 1989, and to any other member who has become at
 35 least 55 years old and whose annuity amount when calculated
 36 under this paragraph and in conjunction with paragraph (e), is

1 higher than it is when calculated under paragraph (b), in
 2 conjunction with paragraph (c). The average salary, as defined
 3 in paragraph (a) multiplied by the percent specified by section
 4 356.315, subdivision 4, for each year of service for a basic
 5 member and by the percent specified in section 356.315,
 6 subdivision 2, for each year of service for a coordinated member
 7 shall determine the amount of the retirement annuity to which
 8 the member is entitled.

9 (e) This paragraph applies to a person who has become at
 10 least 55 years old and first becomes a member of the association
 11 after June 30, 1989, and to any other member who has become at
 12 least 55 years old and whose annuity is higher when calculated
 13 under paragraph (d) in conjunction with this paragraph than when
 14 calculated under paragraph (b), in conjunction with paragraph
 15 (c). An employee who retires under the formula annuity before
 16 the normal retirement age shall be paid the normal annuity
 17 provided in paragraph (d) reduced so that the reduced annuity is
 18 the actuarial equivalent of the annuity that would be payable to
 19 the employee if the employee deferred receipt of the annuity and
 20 the annuity amount were augmented at an annual rate of three
 21 percent compounded annually from the day the annuity begins to
 22 accrue until the normal retirement age if the employee became an
 23 employee before July 1, 2005, and is the actuarial equivalent of
 24 the annuity that would be payable to the employee if the
 25 employee initially became a member after June 30, 2005.

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

4 Sec. 8. Minnesota Statutes 2004, section 354.55,
 35 subdivision 11, is amended to read:

36 Subd. 11. [DEFERRED ANNUITY; AUGMENTATION.] (a) Any person

1 covered under section 354.44, subdivision 6, who ceases to
2 render teaching service, may leave the person's accumulated
3 deductions in the fund for the purpose of receiving a deferred
4 annuity at retirement. Eligibility for an annuity under this
5 subdivision is governed pursuant to section 354.44, subdivision
6 1, or 354.60.

7 (b) The amount of the deferred retirement annuity is
8 determined by section 354.44, subdivision 6, and augmented as
9 provided in this subdivision. The required reserves related to
10 that portion of the annuity which had accrued when the member
11 ceased to render teaching service must be augmented by interest
12 compounded annually from the first day of the month following
13 the month during which the member ceased to render teaching
14 service to the effective date of retirement. There shall be no
15 augmentation if this period is less than three months or if this
16 period commences prior to July 1, 1971. If the member became a
17 member before July 1, 2005, the rates of interest used for this
18 purpose must be five percent compounded annually commencing July
19 1, 1971, until January 1, 1981, and three percent compounded
20 annually thereafter until January 1 of the year following the
21 year in which the former member attains age 55. From that date
22 to the effective date of retirement, the rate is five percent
23 compounded annually. If a person has more than one period of
24 uninterrupted service, a separate average salary determined
25 under section 354.44, subdivision 6, must be used for each
26 period and the required reserves related to each period must be
27 augmented by interest pursuant to this subdivision. The sum of
28 the augmented required reserves so determined shall be the basis
29 for purchasing the deferred annuity. If a person repays a
30 refund, the service restored by the repayment must be considered
31 as continuous with the next period of service for which the
32 person has credit with this fund. If a person does not render
33 teaching service in any one fiscal year or more consecutive
34 fiscal years and then resumes teaching service, the formula
35 percentages used from the date of the resumption of teaching
36 service must be those applicable to new members. The mortality

1 table and interest assumption used to compute the annuity must
 2 be the applicable mortality table established by the board under
 3 section 354.07, subdivision 1, and the interest rate assumption
 4 under section 356.215 in effect when the member retires. A
 5 period of uninterrupted service for the purposes of this
 6 subdivision means a period of covered teaching service during
 7 which the member has not been separated from active service for
 8 more than one fiscal year.

9 (c) In no case shall the annuity payable under this
 10 subdivision be less than the amount of annuity payable pursuant
 11 to section 354.44, subdivision 6. If the member initially
 12 became a member after June 30, 2005, no augmentation is payable
 13 on a deferred annuity.

14 (d) The requirements and provisions for retirement before
 15 normal retirement age contained in section 354.44, subdivision
 16 6, clause (3) or (5), shall also apply to an employee fulfilling
 17 the requirements with a combination of service as provided in
 18 section 354.60.

19 (e) The augmentation provided by this subdivision applies
 20 to the benefit provided in section 354.46, subdivision 2.

21 (f) The augmentation provided by this subdivision shall not
 22 apply to any period in which a person is on an approved leave of
 23 absence from an employer unit covered by the provisions of this
 24 chapter.

25 (g) The retirement annuity or disability benefit of, or the
 26 survivor benefit payable on behalf of, a former teacher who
 27 terminated service before July 1, 1997, which is not first
 28 payable until after June 30, 1997, must be increased on an
 29 actuarial equivalent basis to reflect the change in the
 30 postretirement interest rate actuarial assumption under section
 31 356.215, subdivision 8, from five percent to six percent under a
 32 calculation procedure and tables adopted by the board as
 33 recommended by an approved actuary and approved by the actuary
 34 retained by the Legislative Commission on Pensions and
 35 Retirement.

36 Sec. 9. Minnesota Statutes 2004, section 354A.31,

1 subdivision 7, is amended to read:

2 Subd. 7. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This
3 subdivision applies to a person who has become at least 55 years
4 old and first becomes a coordinated member after June 30, 1989,
5 and to any other coordinated member who has become at least 55
6 years old and whose annuity is higher when calculated using the
7 retirement annuity formula percentage in subdivision 4,
8 paragraph (d), and subdivision 4a, paragraph (d), in conjunction
9 with this subdivision than when calculated under subdivision 4,
10 paragraph (c), or subdivision 4a, paragraph (c), in conjunction
11 with subdivision 6. A coordinated member who retires before the
12 full benefit age shall be paid the retirement annuity calculated
13 using the retirement annuity formula percentage in subdivision
14 4, paragraph (d), or subdivision 4a, paragraph (d), reduced so
15 that the reduced annuity is the actuarial equivalent of the
16 annuity that would be payable to the member if the member
17 deferred receipt of the annuity and the annuity amount were
18 augmented at an annual rate of three percent compounded annually
19 from the day the annuity begins to accrue until the normal
20 retirement age if the member became a member before July 1,
21 2005, and is the actuarial equivalent of the annuity that would
22 be payable to the member if the member initially became a member
23 after June 30, 2005.

24 Sec. 10. Minnesota Statutes 2004, section 354A.37,
25 subdivision 2, is amended to read:

26 Subd. 2. [ELIGIBILITY FOR DEFERRED RETIREMENT ANNUITY.]
27 (a) Any coordinated member who ceases to render teaching
28 services for the school district in which the teachers
29 retirement fund association is located, with sufficient
30 allowable service credit to meet the minimum service
31 requirements specified in section 354A.31, subdivision 1, shall
32 be entitled to a deferred retirement annuity in lieu of a refund
33 pursuant to subdivision 1. The deferred retirement annuity
34 shall be computed pursuant to section 354A.31 and shall be
35 augmented as provided in this subdivision. The deferred annuity
36 shall commence upon application after the person on deferred

1 status attains at least the minimum age specified in section
2 354A.31, subdivision 1.

3 (b) If the coordinated member became a member before July
4 1, 2005, the monthly annuity amount that had accrued when the
5 member ceased to render teaching service must be augmented from
6 the first day of the month following the month during which the
7 member ceased to render teaching service to the effective date
8 of retirement. There is no augmentation if this period is less
9 than three months. The rate of augmentation is three percent
10 compounded annually until January 1 of the year following the
11 year in which the former member attains age 55, and five percent
12 compounded annually after that date to the effective date of
13 retirement. If a person has more than one period of
14 uninterrupted service, a separate average salary determined
15 under section 354A.31 must be used for each period, and the
16 monthly annuity amount related to each period must be augmented
17 as provided in this subdivision. The sum of the augmented
18 monthly annuity amounts determines the total deferred annuity
19 payable. If a person repays a refund, the service restored by
20 the repayment must be considered as continuous with the next
21 period of service for which the person has credit with the
22 fund. If a person does not render teaching services in any one
23 fiscal year or more consecutive fiscal years and then resumes
24 teaching service, the formula percentages used from the date of
25 resumption of teaching service are those applicable to new
26 members. The mortality table and interest assumption used to
27 compute the annuity are the table established by the fund to
28 compute other annuities, and the interest assumption under
29 section 356.215 in effect when the member retires. A period of
30 uninterrupted service for the purpose of this subdivision means
31 a period of covered teaching service during which the member has
32 not been separated from active service for more than one fiscal
33 year. The augmentation provided by this subdivision applies to
34 the benefit provided in section 354A.35, subdivision 2. The
35 augmentation provided by this subdivision does not apply to any
36 period in which a person is on an approved leave of absence from

1 an employer unit.

2 (c) If the coordinated member initially became a member
3 after June 30, 2005, no augmentation is payable on a deferred
4 annuity.

5 Sec. 11. Minnesota Statutes 2004, section 356.30,
6 subdivision 1, is amended to read:

7 Subdivision 1. [ELIGIBILITY; COMPUTATION OF ANNUITY.] (a)
8 Notwithstanding any provisions of the laws governing the
9 retirement plans enumerated in subdivision 3, a person who has
10 met the qualifications of paragraph (b) may elect to receive a
11 retirement annuity from each enumerated retirement plan in which
12 the person has at least one-half year of allowable service,
13 based on the allowable service in each plan, subject to the
14 provisions of paragraph (c).

15 (b) A person may receive, upon retirement, a retirement
16 annuity from each enumerated retirement plan in which the person
17 has at least one-half year of allowable service, and, if the
18 person was a member of a covered retirement plan on or before
19 July 1, 2005, augmentation of a deferred annuity calculated
20 under the laws governing each public pension plan or fund named
21 in subdivision 3, from the date the person terminated all public
22 service if:

23 (1) the person has allowable service totaling an amount
24 that allows the person to receive an annuity in any two or more
25 of the enumerated plans; and

26 (2) the person has not begun to receive an annuity from any
27 enumerated plan or the person has made application for benefits
28 from each applicable plan and the effective dates of the
29 retirement annuity with each plan under which the person chooses
30 to receive an annuity are within a one-year period.

31 (c) The retirement annuity from each plan must be based
32 upon the allowable service, accrual rates, and average salary in
33 the applicable plan except as further specified or modified in
34 the following clauses:

35 (1) the laws governing annuities must be the law in effect
36 on the date of termination from the last period of public

1 service under a covered retirement plan with which the person
2 earned a minimum of one-half year of allowable service credit
3 during that employment;

4 (2) the "average salary" on which the annuity from each
5 covered plan in which the employee has credit in a formula plan
6 must be based on the employee's highest five successive years of
7 covered salary during the entire service in covered plans;

8 (3) the accrual rates to be used by each plan must be those
9 percentages prescribed by each plan's formula as continued for
10 the respective years of allowable service from one plan to the
11 next, recognizing all previous allowable service with the other
12 covered plans;

13 (4) the allowable service in all the plans must be combined
14 in determining eligibility for and the application of each
15 plan's provisions in respect to reduction in the annuity amount
16 for retirement prior to normal retirement age; and

17 (5) the annuity amount payable for any allowable service
18 under a nonformula plan of a covered plan must not be affected,
19 but such service and covered salary must be used in the above
20 calculation.

21 (d) This section does not apply to any person whose final
22 termination from the last public service under a covered plan
23 was before May 1, 1975.

24 (e) For the purpose of computing annuities under this
25 section, the accrual rates used by any covered plan, except the
26 public employees police and fire plan, the judges' retirement
27 fund, and the State Patrol retirement plan, must not exceed the
28 percent specified in section 356.315, subdivision 4, per year of
29 service for any year of service or fraction thereof. The
30 formula percentage used by the judges' retirement fund must not
31 exceed the percentage rate specified in section 356.315,
32 subdivision 8, per year of service for any year of service or
33 fraction thereof. The accrual rate used by the public employees
34 police and fire plan and the State Patrol retirement plan must
35 not exceed the percentage rate specified in section 356.315,
36 subdivision 6, per year of service for any year of service or

1 fraction thereof. The accrual rate or rates used by the
2 legislators retirement plan and the elective state officers
3 retirement plan must not exceed 2.5 percent, but this limit does
4 not apply to the adjustment provided under section 3A.02,
5 subdivision 1, paragraph (c), or 352C.031, paragraph (b).

6 (f) Any period of time for which a person has credit in
7 more than one of the covered plans must be used only once for
8 the purpose of determining total allowable service.

9 (g) If the period of duplicated service credit is more than
10 one-half year, or the person has credit for more than one-half
11 year, with each of the plans, each plan must apply its formula
12 to a prorated service credit for the period of duplicated
13 service based on a fraction of the salary on which deductions
14 were paid to that fund for the period divided by the total
15 salary on which deductions were paid to all plans for the period.

16 (h) If the period of duplicated service credit is less than
17 one-half year, or when added to other service credit with that
18 plan is less than one-half year, the service credit must be
19 ignored and a refund of contributions made to the person in
20 accord with that plan's refund provisions.

21 Sec. 12. [EFFECTIVE DATE.]

22 Sections 1 to 11 are effective on July 1, 2005.

23 ARTICLE 6

24 MAXIMUM RETIREMENT PLAN

25 COVERED SALARY

26 Section 1. Minnesota Statutes 2004, section 352.01,
27 subdivision 13, is amended to read:

28 Subd. 13. [SALARY.] (a) Subject to the limitations of
29 section 356.611, "salary" means wages, or other periodic
30 compensation, paid to an employee before deductions for deferred
31 compensation, supplemental retirement plans, or other voluntary
32 salary reduction programs.

33 (b) "Salary" does not include:

34 (1) lump sum sick leave payments;

35 (2) severance payments;

36 (3) lump sum annual leave payments and overtime payments

1 made at the time of separation from state service;

2 (4) payments in lieu of any employer-paid group insurance
3 coverage, including the difference between single and family
4 rates that may be paid to an employee with single coverage;

5 (5) payments made as an employer-paid fringe benefit;

6 (6) workers' compensation payments;

7 (7) employer contributions to a deferred compensation or
8 tax sheltered annuity program; and

9 (8) amounts contributed under a benevolent vacation and
10 sick leave donation program.

11 (c) Amounts provided to an employee by the employer through
12 a grievance proceeding or a legal settlement are salary only if
13 the settlement is reviewed by the executive director and the
14 amounts are determined by the executive director to be
15 consistent with paragraph (a) and prior determinations.

16 Sec. 2. Minnesota Statutes 2004, section 352B.01,
17 subdivision 11, is amended to read:

18 Subd. 11. [AVERAGE MONTHLY SALARY.] (a) Subject to the
19 limitations of section 356.611, "average monthly salary" means
20 the average of the highest monthly salaries for five years of
21 service as a member upon which contributions were deducted from
22 pay under section 352B.02, or upon which appropriate
23 contributions or payments were made to the fund to receive
24 allowable service and salary credit as specified under the
25 applicable law. Average monthly salary must be based upon all
26 allowable service if this service is less than five years.

27 (b) "Average monthly salary" means the salary of the member
28 as defined in section 352.01, subdivision 13. "Average monthly
29 salary" does not include any lump-sum annual leave payments and
30 overtime payments made at the time of separation from state
31 service, any amounts of severance pay, or any reduced salary
32 paid during the period the person is entitled to workers'
33 compensation benefit payments for temporary disability.

34 (c) A member on leave of absence receiving temporary
35 workers' compensation payments and a reduced salary or no salary
36 from the employer who is entitled to allowable service credit

1 for the period of absence may make payment to the fund for the
2 difference between salary received, if any, and the salary the
3 member would normally receive if not on leave of absence during
4 the period. The member shall pay an amount equal to the member
5 and employer contribution rate under section 352B.02,
6 subdivisions 1b and 1c, on the differential salary amount for
7 the period of the leave of absence. The employing department,
8 at its option, may pay the employer amount on behalf of the
9 member. Payment made under this subdivision must include
10 interest at the rate of 8.5 percent per year, and must be
11 completed within one year of the return from the leave of
12 absence.

13 Sec. 3. Minnesota Statutes 2004, section 353.01,
14 subdivision 10, is amended to read:

15 Subd. 10. [SALARY.] (a) Subject to the limitations of
16 section 356.611, "salary" means:

17 (1) the periodic compensation of a public employee, before
18 deductions for deferred compensation, supplemental retirement
19 plans, or other voluntary salary reduction programs, and also
20 means "wages" and includes net income from fees; and

21 (2) for a public employee who has prior service covered by
22 a local police or firefighters relief association that has
23 consolidated with the Public Employees Retirement Association or
24 to which section 353.665 applies and who has elected coverage
25 either under the public employees police and fire fund benefit
26 plan under section 353A.08 following the consolidation or under
27 section 353.665, subdivision 4, the rate of salary upon which
28 member contributions to the special fund of the relief
29 association were made prior to the effective date of the
30 consolidation as specified by law and by bylaw provisions
31 governing the relief association on the date of the initiation
32 of the consolidation procedure and the actual periodic
33 compensation of the public employee after the effective date of
34 consolidation.

35 (b) Salary does not mean:

36 (1) the fees paid to district court reporters, unused

1 annual vacation or sick leave payments, in lump-sum or periodic
2 payments, severance payments, reimbursement of expenses,
3 lump-sum settlements not attached to a specific earnings period,
4 or workers' compensation payments;

5 (2) employer-paid amounts used by an employee toward the
6 cost of insurance coverage, employer-paid fringe benefits,
7 flexible spending accounts, cafeteria plans, health care expense
8 accounts, day care expenses, or any payments in lieu of any
9 employer-paid group insurance coverage, including the difference
10 between single and family rates that may be paid to a member
11 with single coverage and certain amounts determined by the
12 executive director to be ineligible;

13 (3) the amount equal to that which the employing
14 governmental subdivision would otherwise pay toward single or
15 family insurance coverage for a covered employee when, through a
16 contract or agreement with some but not all employees, the
17 employer:

18 (i) discontinues, or for new hires does not provide,
19 payment toward the cost of the employee's selected insurance
20 coverages under a group plan offered by the employer;

21 (ii) makes the employee solely responsible for all
22 contributions toward the cost of the employee's selected
23 insurance coverages under a group plan offered by the employer,
24 including any amount the employer makes toward other employees'
25 selected insurance coverages under a group plan offered by the
26 employer; and

27 (iii) provides increased salary rates for employees who do
28 not have any employer-paid group insurance coverages;

29 (4) except as provided in section 353.86 or 353.87,
30 compensation of any kind paid to volunteer ambulance service
31 personnel or volunteer firefighters, as defined in subdivision
32 35 or 36; and

33 (5) the amount of compensation that exceeds the limitation
34 provided in section 356.611.

35 (c) Amounts provided to an employee by the employer through
36 a grievance proceeding or a legal settlement are salary only if

1 the settlement is reviewed by the executive director and the
2 amounts are determined by the executive director to be
3 consistent with paragraph (a) and prior determinations.

4 Sec. 4. Minnesota Statutes 2004, section 353B.02,
5 subdivision 10, is amended to read:

6 Subd. 10. [SALARY.] (a) "Salary" under this chapter is
7 subject to the limitations of section 356.611.

8 (b) "Salary" for benefit computation and contribution
9 purposes means the salary of a first class or first grade
10 firefighter or patrol officer, whichever applies, for the former
11 members of the following consolidating relief associations:

- 12 (1) Anoka Police Relief Association;
- 13 (2) Austin Firefighters Relief Association;
- 14 (3) Austin Police Relief Association;
- 15 (4) Columbia Heights Fire Department Relief Association,
- 16 Paid Division;
- 17 (5) Fairmont Police Benefit Association;
- 18 (6) Faribault Fire Department Relief Association;
- 19 (7) Mankato Fire Department Relief Association;
- 20 (8) Minneapolis Fire Department Relief Association;
- 21 (9) Minneapolis Police Relief Association;
- 22 (10) Richfield Fire Department Relief Association;
- 23 (11) Rochester Fire Department Relief Association;
- 24 (12) Rochester Police Relief Association;
- 25 (13) St. Cloud Fire Department Relief Association;
- 26 (14) St. Cloud Police Relief Association;
- 27 (15) St. Paul Fire Department Relief Association;
- 28 (16) South St. Paul Firefighters Relief Association;
- 29 (17) West St. Paul Firefighters Relief Association;
- 30 (18) West St. Paul Police Relief Association; and
- 31 (19) Winona Fire Department Relief Association.

32 ~~(b)~~ (c) "Salary" for benefit computation purposes means the
33 salary of a first grade patrol officer for the second month of
34 the previous fiscal year and for contribution purposes means the
35 current salary of a first grade patrol officer, for the former
36 members of the following consolidating relief associations:

- 1 (1) Bloomington Police Relief Association;
- 2 (2) Crystal Police Relief Association;
- 3 (3) Fridley Police Pension Association;
- 4 (4) Richfield Police Relief Association;
- 5 (5) St. Louis Park Police Relief Association; and
- 6 (6) Winona Police Relief Association.

7 ~~(e)~~ (d) "Salary" for benefit computation purposes means the
8 final salary and for contribution purposes means the current
9 salary for the former members of the following consolidating
10 relief associations:

- 11 (1) Albert Lea Firefighters Relief Association;
- 12 (2) Albert Lea Police Relief Association;
- 13 (3) Buhl Police Relief Association;
- 14 (4) Chisholm Firefighters Relief Association;
- 15 (5) Crookston Fire Department Relief Association;
- 16 (6) Crookston Police Relief Association;
- 17 (7) Faribault Police Benefit Association;
- 18 (8) Red Wing Police Relief Association; and
- 19 (9) Virginia Fire Department Relief Association.

20 ~~(d)~~ (e) "Salary" for benefit computation purposes means the
21 average earnings or salary for the final six months of
22 employment before retirement and for contribution purposes means
23 the current salary for the former members of the following
24 consolidating relief associations:

- 25 (1) Chisholm Police Relief Association;
- 26 (2) Hibbing Firefighters Relief Association; and
- 27 (3) Hibbing Police Relief Association.

28 ~~(e)~~ (f) "Salary" for benefit computation purposes means the
29 greater of the final salary at retirement or the highest salary
30 of a patrol officer and for contribution purposes means the
31 greater of the current salary or the current highest salary of a
32 patrol officer for the former members of the following
33 consolidating relief associations:

- 34 (1) Brainerd Police Benefit Association; and
- 35 (2) New Ulm Police Relief Association.

36 ~~(f)~~ (g) "Salary" for benefit computation and contribution

1 purposes means the following for the former members of the
2 consolidating relief associations as indicated:

3 (1) salary of a top grade patrol officer, including
4 longevity pay and education incentive pay in an amount not to
5 exceed \$235 per month, Columbia Heights Police Relief
6 Association;

7 (2) maximum pay of a firefighter, including overtime
8 payments for a regular workweek of a firefighter mandated by the
9 federal Fair Labor Standards Act of 1938, as amended, Duluth
10 Firefighters Relief Association;

11 (3) salary of a first class patrol officer with 16 years of
12 service, Duluth Police Pension Association;

13 (4) base salary for the rank currently held, plus longevity
14 pay, pay for eligibility for next higher rank and pay for first
15 aid care, Mankato Police Benefit Association;

16 (5) average annual salary for highest three paid years for
17 benefit computation purposes and current salary for contribution
18 purposes, Red Wing Fire Department Relief Association;

19 (6) pay of the highest grade full-time firefighter, St.
20 Louis Park Fire Department Relief Association;

21 (7) maximum monthly pay of a patrol officer, St. Paul
22 Police Relief Association;

23 (8) prevailing base pay of rank held at retirement for
24 benefit computation purposes and current salary for contribution
25 purposes, South St. Paul Police Relief Association; and

26 (9) prevailing pay for rank held for at least six months
27 before retirement for benefit computation purposes and current
28 salary for contribution purposes, Virginia Police Relief
29 Association.

30 Sec. 5. Minnesota Statutes 2004, section 354.05,
31 subdivision 35, is amended to read:

32 Subd. 35. [SALARY.] (a) Subject to the limitations of
33 section 356.611, "salary" means the periodic compensation, upon
34 which member contributions are required before deductions for
35 deferred compensation, supplemental retirement plans, or other
36 voluntary salary reduction programs.

1 (b) "Salary" does not mean:

2 (1) lump sum annual leave payments;

3 (2) lump sum wellness and sick leave payments;

4 (3) employer-paid amounts used by an employee toward the
5 cost of insurance coverage, employer-paid fringe benefits,
6 flexible spending accounts, cafeteria plans, health care expense
7 accounts, day care expenses, or any payments in lieu of any
8 employer-paid group insurance coverage, including the difference
9 between single and family rates that may be paid to a member
10 with single coverage and certain amounts determined by the
11 executive director to be ineligible;

12 (4) any form of payment made in lieu of any other
13 employer-paid fringe benefit or expense;

14 (5) any form of severance payments;

15 (6) workers' compensation payments;

16 (7) disability insurance payments, including self-insured
17 disability payments;

18 (8) payments to school principals and all other
19 administrators for services that are in addition to the normal
20 work year contract if these additional services are performed on
21 an extended duty day, Saturday, Sunday, holiday, annual leave
22 day, sick leave day, or any other nonduty day;

23 (9) payments under section 356.24, subdivision 1, clause
24 (4); and

25 (10) payments made under section 122A.40, subdivision 12,
26 except for payments for sick leave that are accumulated under
27 the provisions of a uniform school district policy that applies
28 equally to all similarly situated persons in the district.

29 (c) Amounts provided to an employee by the employer through
30 a grievance proceeding or a legal settlement are salary only if
31 the settlement is reviewed by the executive director and the
32 amounts are determined by the executive director to be
33 consistent with paragraph (a) and prior determinations.

4 Sec. 6. Minnesota Statutes 2004, section 354A.011,
35 subdivision 24, is amended to read:

36 Subd. 24. [SALARY; COVERED SALARY.] (a) Subject to the

1 limitations of section 356.611, "salary" or "covered salary"
2 means the entire compensation, upon which member contributions
3 are required and made, that is paid to a teacher before
4 deductions for deferred compensation, supplemental retirement
5 plans, or other voluntary salary reduction programs.

6 (b) "Salary" does not mean:

7 (1) lump sum annual leave payments;

8 (2) lump sum wellness and sick leave payments;

9 (3) employer-paid amounts used by an employee toward the
10 cost of insurance coverage, employer-paid fringe benefits,
11 flexible spending accounts, cafeteria plans, health care expense
12 accounts, day care expenses, or any payments in lieu of any
13 employer-paid group insurance coverage, including the difference
14 between single and family rates that may be paid to a member
15 with single coverage, and certain amounts determined by the
16 executive secretary or director to be ineligible;

17 (4) any form of payment that is made in lieu of any other
18 employer-paid fringe benefit or expense;

19 (5) any form of severance payments;

20 (6) workers' compensation payments;

21 (7) disability insurance payments, including self-insured
22 disability payments;

23 (8) payments to school principals and all other
24 administrators for services that are in addition to the normal
25 work year contract if these additional services are performed on
26 an extended duty day, Saturday, Sunday, holiday, annual leave
27 day, sick leave day, or any other nonduty day;

28 (9) payments under section 356.24, subdivision 1, clause
29 (4)(ii); and

30 (10) payments made under section 122A.40, subdivision 12,
31 except for payments for sick leave that are accumulated under
32 the provisions of a uniform school district policy that applies
33 equally to all similarly situated persons in the district.

34 (c) Amounts provided to an employee by the employer through
35 a grievance proceeding or a legal settlement are salary only if
36 the settlement is reviewed by the executive director and the

1 amounts are determined by the executive director to be
2 consistent with paragraph (a) and prior determinations.

3 Sec. 7. Minnesota Statutes 2004, section 356.611,
4 subdivision 1, is amended to read:

5 Subdivision 1. [STATE SALARY LIMITATIONS.] (a)
6 Notwithstanding any provision of law, bylaws, articles of
7 incorporation, retirement and disability allowance plan
8 agreements, or retirement plan contracts to the contrary, the
9 covered salary for pension purposes for a plan participant of a
10 covered retirement fund enumerated in section 356.30,
11 subdivision 3, may not exceed 95 110 percent of the salary
12 established for the governor under section 15A.082 at the time
13 the person received the salary.

14 (b) This section does not apply to a salary paid:

15 (1) to the governor or to a judge;

16 (2) to an employee or an elected official who is not
17 subject to the limit as specified under section 43A.17,
18 subdivision 9;

19 (3) to an employee of a political subdivision in a position
20 that is excluded from the limit as specified under section
21 43A.17, subdivision 9;

22 ~~(4)~~ (4) to a state employee as defined under section
23 43A.02, subdivision 21;

24 ~~(4)~~ (5) to an employee of Gillette Hospital who is covered
25 by the general state employees retirement plan of the Minnesota
26 State Retirement System;

27 ~~(5)~~ (6) to an employee of the Minnesota Crop Improvement
28 Council; ~~or~~

29 ~~(6)~~ (7) to an employee of the Minnesota Historical Society;

30 (8) to an employee of the Southern Minnesota Municipal
31 Power Association; or

32 (9) to the director of the Duluth Port Authority.

33 (c) The limited covered salary determined under this
34 section must be used in determining employee and employer
35 contributions and in determining retirement annuities and other
36 benefits under the respective covered retirement fund and under

1 this chapter.

2 Sec. 8. Minnesota Statutes 2002, section 422A.01, is
3 amended by adding a subdivision to read:

4 Subd. 13a. [COVERED SALARY.] "Salary" is subject to the
5 limitations of section 356.611.

6 Sec. 9. Minnesota Statutes 2002, section 423B.01, is
7 amended by adding a subdivision to read:

8 Subd. 22. [COVERED SALARY.] "Salary" is subject to the
9 limitations of section 356.611.

10 Sec. 10. Minnesota Statutes 2002, section 423C.01, is
11 amended by adding a subdivision to read:

12 Subd. 29. [COVERED SALARY.] "Salary" is subject to the
13 limitations of section 356.611.

14 Sec. 11. Minnesota Statutes 2002, section 490.121, is
15 amended by adding a subdivision to read:

16 Subd. 21a. [COVERED SALARY LIMITATION.] "Final average
17 compensation" is subject to the limitations of section 356.611.

18 Sec. 12. [EFFECTIVE DATE.]

19 This article is effective the day following final
20 enactment, except that section 7 applies retroactively to April
21 28, 1994.

22 ARTICLE 7

23 EARLY RETIREMENT INCENTIVES

24 Section 1. [EARLY RETIREMENT INCENTIVE.]

25 Subdivision 1. [ELIGIBILITY.] An appointing authority in
26 the executive or legislative branch of state government or the
27 Board of Public Defense or the Minnesota Historical Society or
28 any school district may offer the early retirement incentive in
29 this section to an employee who:

30 (1) has at least five years of allowable service in one or
31 more of the funds listed in Minnesota Statutes, section 356.30,
32 subdivision 3, or has at least five years of coverage by the
33 individual retirement account plan governed by Minnesota
34 Statutes, chapter 354b, and upon retirement is immediately
35 eligible for a retirement annuity or benefit from one or more of
36 these funds; and

1 (2) terminates state or teaching service after the
2 effective date of this section and before September 1, 2005.

3 Subd. 2. [INCENTIVE.] (a) For an employee eligible under
4 subdivision 1, the employer may provide an amount up to \$17,000,
5 to be used:

6 (1) for an employee who terminates state service after the
7 effective date of this section and on or before July 15, 2005,
8 for deposit in the employee's account in the health care savings
9 plan established by Minnesota Statutes, section 352.98; or

10 (2) for an employee who terminates state service after July
11 15, 2005, and before September 1, 2005:

12 (i) notwithstanding Minnesota Statutes, section 352.01,
13 subdivision 11, or 354.05, subdivision 13, whichever applies,
14 for purchase of service credit for unperformed service
15 sufficient to enable the employee to retire under Minnesota
16 Statutes, section 352.116, subdivision 1, paragraph (b); 353.30;
17 or 354.44, subdivision 6, paragraph (b), whichever applies; or

18 (ii) for purchase of a lifetime annuity or annuity for a
19 specific number of years from the state unclassified retirement
20 program to provide additional benefits under Minnesota Statutes,
21 section 352D.06, subdivision 1.

22 (b) An employee is eligible for the payment under paragraph
23 (a), clause (2), item (i), if the employee uses money from a
24 deferred compensation account that, combined with the payment
25 under paragraph (a), clause (2), item (i), would be sufficient
26 to purchase enough service credit to qualify for retirement
27 under Minnesota Statutes, section 352.116, subdivision 1,
28 paragraph (b); 353.30, subdivision 1a; or 354.44, subdivision 6,
29 paragraph (b), whichever applies.

30 Subd. 3. [DESIGNATION OF POSITIONS; EMPLOYER
31 DISCRETION.] Before offering an incentive under this section, an
32 appointing authority must designate the job classifications or
33 positions within job classifications that qualify for the
34 incentive. The appointing authority may modify this designation
35 at any time. Designation of positions eligible for the
36 incentive under this section, participation of individual

1 employees, and the amount of the payment under this section are
2 at the sole discretion of the appointing authority. Unilateral
3 implementation of this section by the employer is not an unfair
4 labor practice under Minnesota Statutes, chapter 179A.

5 Sec. 2. [POSTRETIREMENT EMPLOYMENT.]

6 (a) This section applies to a state employee who:

7 (1) on the effective date of this section is regularly
8 scheduled to work 1,044 or more hours a year in a position
9 covered by the Minnesota state retirement system general
10 employees retirement plan, correctional plan, or unclassified
11 plan;

12 (2) enters into an agreement with the appointing authority
13 to work a reduced schedule that is both (i) a reduction of at
14 least 25 percent from the number of regularly scheduled work
15 hours; and (ii) 1,044 hours or less in the covered position; and

16 (3) at the time of entering into the agreement under clause
17 (2), meets the age and service requirements necessary to receive
18 an unreduced retirement benefit from the plan.

19 (b) Notwithstanding any law to the contrary, for service
20 under an agreement entered into under paragraph (a), an employee:

21 (1) may receive a retirement annuity from the plan without
22 separating from state service; and

23 (2) is not subject to the cessation of annuity provisions
24 in Minnesota Statutes, section 352.115, subdivision 10.

25 (c) The amount of hours worked, the work schedule, and the
26 duration of the phased retirement employment must be mutually
27 agreed to by the employee and the appointing authority. The
28 appointing authority may not require a person to waive any
29 rights under a collective bargaining agreement as a condition of
30 participation under this section. The appointing authority has
31 sole discretion to determine if and the extent to which phased
32 retirement under this section is available to an employee. Upon
33 expiration of an agreement entered into under this section, the
34 appointing authority must restore the position to its status
35 prior to the agreement.

36 (d) Notwithstanding any law to the contrary, a person may

1 not earn service credit in the Minnesota state retirement system
2 for employment covered under this section, and employer
3 contributions and payroll deductions for the retirement fund
4 must not be made based on earnings of a person working under
5 this section. No change shall be made to a monthly annuity or
6 retirement allowance based on employment under this section.

7 (e) A person who works under this section is a member of
8 the appropriate bargaining unit; is covered by the appropriate
9 collective bargaining contract or compensation plan; and is
10 eligible for health care coverage as provided in the collective
11 bargaining contract or compensation plan.

12 (f) An agreement under this section may apply only to work
13 through June 30, 2007.

14 Sec. 3. [VOLUNTARY HOUR REDUCTION PLAN.]

15 (a) This section applies to a state employee who:

16 (1) on the effective date of this section is regularly
17 scheduled to work 1,044 or more hours a year in a position
18 covered by a pension plan administered by the Minnesota state
19 retirement system; and

20 (2) enters into an agreement with the appointing authority
21 to work a reduced schedule of 1,044 hours or less in the covered
22 position.

23 (b) Notwithstanding any law to the contrary, for service
24 under an agreement entered into under paragraph (a),
25 contributions may be made to the applicable plan of the
26 Minnesota state retirement system as if the employee had not
27 reduced hours. The employee must pay the additional employee
28 contributions and the employer must pay the additional employer
29 contributions necessary to bring the service credit and salary
30 up to the level prior to the voluntary reduction in hours.
31 Contributions must be made in a time and manner prescribed by
32 the executive director of the Minnesota state retirement system.

33 (c) The amount of hours worked, the work schedule, and the
34 duration of the voluntary hour reduction must be mutually agreed
35 to by the employee and the appointing authority. The appointing
36 authority may not require a person to waive any rights under a

1 collective bargaining agreement as a condition of participation
2 under this section. The appointing authority has sole
3 discretion to determine if and the extent to which voluntary
4 hour reduction under this section is available to an employee.

5 (d) A person who works under this section is a member of
6 the appropriate bargaining unit; is covered by the appropriate
7 collective bargaining contract or compensation plan; and is
8 eligible for health care coverage as provided in the collective
9 bargaining contract or compensation plan.

10 (e) An agreement under this section may apply only to work
11 through June 30, 2007.

12 Sec. 4. [VOLUNTARY UNPAID LEAVE OF ABSENCE.]

13 Appointing authorities in state government may allow each
14 employee to take unpaid leaves of absence for up to 1,044 hours
15 between June 1, 2005, and June 30, 2007. Each appointing
16 authority approving such a leave shall allow the employee to
17 continue accruing vacation and sick leave, be eligible for paid
18 holidays and insurance benefits, accrue seniority, and accrue
19 service credit and credited salary in the state retirement plans
20 as if the employee had actually been employed during the time of
21 leave. An employee covered by the unclassified plan may
22 voluntarily make both the employee and employer contributions to
23 the unclassified plan during the leave of absence. For
24 employees covered by another retirement plan administered by the
25 Minnesota State Retirement System, the employee must pay the
26 additional employee contributions and the employer must pay the
27 additional employer contributions necessary to bring the service
28 credit and salary credit up to the level prior to the voluntary
29 reduction in hours. Contributions must be made at a time and in
30 a manner prescribed by the executive director of the Minnesota
31 State Retirement System. If the leave of absence is for one
32 full pay period or longer, any holiday pay shall be included in
33 the first payroll warrant after return from the leave of
34 absence. The appointing authority shall attempt to grant
35 requests for the unpaid leaves of absence consistent with the
36 need to continue efficient operation of the agency. However,

1 each appointing authority shall retain discretion to grant or
2 refuse to grant requests for leaves of absence and to schedule
3 and cancel leaves, subject to the applicable provisions of
4 collective bargaining agreements and compensation plans.

5 Sec. 5. [RELATIONSHIP OF SECTIONS.]

6 (a) An employee covered by a phased retirement agreement
7 under section 2 may not be covered by the voluntary hour
8 reduction provisions of section 3 or by a voluntary unpaid leave
9 of absence agreement under section 4 during the same time period
10 or any later time period.

11 (b) An employee covered by the voluntary hour reduction
12 provisions of section 3:

13 (1) may not be covered by a phased retirement agreement
14 under section 2 during the same time period, but may be covered
15 by a phased retirement agreement under section 2 during a later
16 time period; and

17 (2) may be covered by the voluntary leave of absence
18 provision of section 4 during an earlier or later time period.

19 (c) An employee may receive the early retirement incentive
20 in section 1 after being covered under section 2, 3, or 4. An
21 employee who receives an incentive under section 1 may not later
22 be covered by section 2, 3, or 4.

23 Sec. 6. [EFFECTIVE DATE.]

24 Sections 1 to 5 are effective the day following final
25 enactment.

26 ARTICLE 8

27 STATEWIDE VOLUNTEER FIREFIGHTER TASK FORCE STUDY

28 Section 1. [STUDY OF STATEWIDE LUMP-SUM VOLUNTEER
29 FIREFIGHTER RETIREMENT PLAN; CREATION OF TASK FORCE.]

30 Subdivision 1. [TASK FORCE MEMBERSHIP.] (a) A statewide
31 Volunteer Firefighter Retirement Plan Study Task Force is
32 created.

33 (b) The task force members are:

34 (1) four members appointed by the president of the
35 Minnesota Area Relief Association coalition;

36 (2) four members appointed by the president of the

1 Minnesota State Fire Department Association;

2 (3) four members appointed by the president of the

3 Minnesota State Fire Chiefs Association;

4 (4) four members appointed by the board of directors of the

5 League of Minnesota Cities;

6 (5) two members appointed by the board of directors of the

7 Insurance Federation of Minnesota;

8 (6) two members appointed by the board of directors of the

9 Minnesota Association of Farm Mutual Insurance Companies; and

10 (7) the Minnesota state auditor or the auditor's designee.

11 (c) Appointments must be made on or before July 1, 2005.

12 If the appointment is not made in a timely manner, or if there

13 is a vacancy, the state auditor shall appoint the task force

14 member or the replacement member.

15 (d) The chair of the task force shall be selected by the

16 task force.

17 (e) Administrative services for the task force must be

18 provided by the Department of Public Safety.

19 Subd. 2. [TASK FORCE DUTIES.] (a) The task force shall

20 conduct fact finding regarding the creation of a statewide

21 volunteer firefighter retirement plan.

22 (b) The task force shall recommend the investment vehicle

23 or vehicles to be utilized by the plan, the administration and

24 corporate governance structure of the plan, the incentives

25 needed to formulate the plan, the limitations applicable to the

26 plan, and the state resources needed to be dedicated to the plan.

27 Subd. 3. [REPORT.] The task force shall prepare a report

28 detailing its findings about a potential statewide volunteer

29 firefighter retirement plan. The report is due January 15,

30 2006, and must be filed with the Legislative Reference Library;

31 the chair of the Legislative Commission on Pensions and

32 Retirement; the chair of the State and Local Government

33 Operations Committee of the senate; the chair of the State

34 Government Budget Division, Environment, Agriculture, and

35 Economic Development Budget Division, and Public Safety Budget

36 Division of the senate Finance Committee; the chair of the

1 Governmental Operations and Veterans Affairs Policy Committee of
2 the house of representatives; and the chair of the State
3 Government Finance Committee of the house of representatives.

4 Sec. 2. [APPROPRIATION.]

5 \$40,000 is appropriated from the general fund in fiscal
6 year 2006 to the commissioner of public safety to hire a
7 consultant to assist the statewide Volunteer Firefighter
8 Retirement Plan Study Task Force.


9 Sec. 3. [EFFECTIVE DATE.]

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

12 Delete the title and insert:

13 "A bill for an act relating to retirement; statewide and
14 major local retirement plans; providing for various member and
15 employer contribution rate increases; restructuring the
16 statewide Teachers Retirement Association fund and benefit plan;
17 providing a special postretirement adjustment to certain
18 pre-1969 teachers; changing deferred annuities augmentation for
19 new retirement plan members; creating a public pension plan
20 default insurance pool; increasing the maximum retirement plan
21 covered salary figure; providing certain early retirement
22 incentives; creating a task force to study creation of a
23 statewide volunteer firefighter retirement plan; appropriating
24 money; amending Minnesota Statutes 2004, sections 352.01,
25 subdivision 13; 352.04, subdivisions 2, 3, 12; 352.116,
26 subdivision 1a; 352.72, subdivision 2; 352.911, subdivision 5;
27 352.92, subdivisions 1, 2; 352B.01, subdivision 11; 352B.02,
28 subdivisions 1a, 1c, 1d; 352B.30, subdivision 2; 352D.04,
29 subdivision 2; 352D.09, subdivision 7; 353.01, subdivision 10;
30 353.27, subdivisions 1, 2, 3, 3a, by adding a subdivision;
31 353.30, subdivision 5; 353.65, subdivisions 2, 3, 6; 353.71,
32 subdivision 2; 353B.02, subdivision 10; 353E.01, subdivision 5;
33 353E.05; 354.05, subdivisions 2, 13, 35; 354.42, subdivisions 2,
34 3, by adding a subdivision; 354.44, subdivision 6; 354.55,
35 subdivision 11; 354A.011, subdivisions 15a, 24, 27; 354A.021,
36 subdivisions 1, 4; 354A.092; 354A.093, subdivision 1; 354A.095;
37 354A.096; 354A.12, subdivisions 1, 2, 2a, 3a, 3b, 3c, 3d;
38 354A.30; 354A.31, subdivisions 4, 7; 354A.32, subdivision 1;
39 354A.37, subdivision 2; 354A.39; 354A.40, subdivision 1;
40 354A.41; 356.20, subdivision 2; 356.214, subdivision 1; 356.215,
41 subdivision 8; 356.30, subdivisions 1, 3; 356.302, subdivision
42 7; 356.303, subdivision 4; 356.315, by adding a subdivision;
43 356.42, subdivision 3; 356.465, subdivision 3; 356.611,
44 subdivision 1; 422A.01, by adding a subdivision; 423A.02,
45 subdivision 1b; 423B.01, by adding a subdivision; 423C.01, by
46 adding a subdivision; 490.121, by adding a subdivision;
47 proposing coding for new law in Minnesota Statutes, chapters
48 126C; 128D; 354; 356; repealing Minnesota Statutes 2004,
49 sections 354A.051; 354A.105; 354A.23, subdivision 1; 354A.28."

50 And when so amended the bill do pass. Amendments adopted.
51 Report adopted.


.....
(Committee Chair)

May 16, 2005.....
(Date of Committee recommendation)

52
53
54
55
56

1 Senator moves to amend the delete-everything
2 amendment (SCS1057A-5) to S.F. No. 1057 as follows:

3 Page 93, line 15, delete the quotation mark

4 Page 93, after line 15, insert:

5 "ARTICLE 8

6 STATEWIDE VOLUNTEER FIREFIGHTER TASK FORCE STUDY

7 Section 1. [STUDY OF STATEWIDE LUMP-SUM VOLUNTEER

8 FIREFIGHTER RETIREMENT PLAN; CREATION OF TASK FORCE.]

9 Subdivision 1. [TASK FORCE MEMBERSHIP.] (a) A statewide
10 Volunteer Firefighter Retirement Plan Study Task Force is
11 created.

12 (b) The task force members are:

13 (1) four members appointed by the president of the
14 Minnesota Area Relief Association coalition;

15 (2) four members appointed by the president of the
16 Minnesota State Fire Department Association;

17 (3) four members appointed by the president of the
18 Minnesota State Fire Chiefs Association;

19 (4) four members appointed by the board of directors of the
20 League of Minnesota Cities;

21 (5) two members appointed by the board of directors of the
22 Insurance Federation of Minnesota;

23 (6) two members appointed by the board of directors of the
24 Minnesota Association of Farm Mutual Insurance Companies; and

25 (7) the Minnesota state auditor or the auditor's designee.

26 (c) Appointments must be made on or before July 1, 2005.

27 If the appointment is not made in a timely manner, or if there
28 is a vacancy, the state auditor shall appoint the task force
29 member or the replacement member.

30 (d) The chair of the task force shall be selected by the
31 task force.

32 (e) Administrative services for the task force must be
33 provided by the Department of Public Safety.

34 Subd. 2. [TASK FORCE DUTIES.] (a) The task force shall
35 conduct fact finding regarding the creation of a statewide
36 volunteer firefighter retirement plan.

1 (b) The task force shall recommend the investment vehicle
2 or vehicles to be utilized by the plan, the administration and
3 corporate governance structure of the plan, the incentives
4 needed to formulate the plan, the limitations applicable to the
5 plan, and the state resources needed to be dedicated to the plan.

6 Subd. 3. [REPORT.] The task force shall prepare a report
7 detailing its findings about a potential statewide volunteer
8 firefighter retirement plan. The report is due January 15,
9 2006, and must be filed with the Legislative Reference Library;
10 the chair of the Legislative Commission on Pensions and
11 Retirement; the chair of the State and Local Government
12 Operations Committee of the senate; the chair of the State
13 Government Budget Division, Environment, Agriculture, and
14 Economic Development Budget Division, and Public Safety Budget
15 Division of the senate Finance Committee; the chair of the
16 Governmental Operations and Veterans Affairs Policy Committee of
17 the house of representatives; and the chair of the State
18 Government Finance Committee of the house of representatives.

19 Sec. 2. [APPROPRIATION.]
20 \$40,000 is appropriated from the general fund in fiscal
21 year 2006 to the commissioner of public safety to hire a
22 consultant to assist the statewide Volunteer Firefighter
23 Retirement Plan Study Task Force.

24 Sec. 3. [EFFECTIVE DATE.]
25 Sections 1 and 2 are effective the day following final
26 enactment."

27 Amend the title amendment as follows:

28 Page 93, line 26, after the first semicolon, insert
29 "creating a task force to study creation of a statewide
30 volunteer firefighter retirement plan;"

1 Senator moves to amend the SCS1057A-5 amendment to
2 S.F. No. 1057 as follows:

3 Page 55, after line 26, insert:

4 "Sec. 44. [APPROPRIATION.]

5 \$2,500,000 is appropriated from the education reserve
6 account in the special revenue fund to the commissioner of
7 finance for transfer to the teachers retirement fund as required
8 by section 7. \$1,250,000 is for the fiscal year ending June 30,
9 2006, and \$1,250,000 is for the fiscal year ending June 30,
10 2007."

11 Renumber the sections in sequence and correct the internal
12 references

13 Amend the title accordingly