

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director

RE: Prior Service Credit Purchases and Procedure for Estimating Full Actuarial Value:
Background (First Consideration)

DATE: August 13, 2003

Introduction

As an Interim topic, the Legislative Commission on Pensions and Retirement chose to review service credit purchase provisions added to statutes in 1999, 2000, and 2001 and the procedure in law to compute the purchase prices to receive service credit under these provisions. The pricing procedure in law is an attempt to estimate the full actuarial value of the service credit purchase. These statutory service credit purchase provisions were viewed as temporary measures and expiration dates were included when the provisions were enacted. As these expiration dates came near, supporters of these provisions urged an extension of the provisions or legislative action to make the provisions permanent. The Commission and the Legislature, lacking sufficient time for a detailed study of the impact of these provisions on the purchasers and pension funds, extended the dates on two occasions but did not make the provisions permanent. The provisions were most recently set to expire in 2003, generally in May, but the 2003 Legislature extended the provisions for one more year to 2004. The issue that will face the 2004 Legislature is whether to again extend these provisions, to let them expire, or to make them permanent.

Several of these service credit purchase provisions were added to Teacher Retirement Association (TRA) law and first class city teacher plan law in the late 1990s. More recently, authority was added in statute to permit individuals currently covered by the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA) and various other plans to purchase service credit in the applicable plan for periods of military service for which service credit has not been received. Another provision permits individuals to purchase service credit in the public plan for periods of family leave or family-related breaks in service for which the individual did not previously receive service credit. This family leave provision applies to MSRS plans, PERA plans, TRA, the first class city teacher plans, the Minneapolis Employees Retirement Fund (MERF), the Minneapolis Firefighters Relief Association (MFRA), and the Minneapolis Police Relief Association (MPRA).

The current study will enable the Commission to recommend to the full Legislature appropriate action regarding these service credit purchase provisions and the full actuarial value estimation procedure in law to estimate the service credit purchase prices. This Commission meeting is the first consideration of the topic by the Commission. The Commission staff expects that full Commission consideration on the topic will require three meetings in total.

This Commission memo provides initial background, reviews the Commission's service credit purchase policy as developed over recent decades and stated in the Commission's policy statement, and describes the general law service credit purchase provisions added to statutes in recent years and the method in law (Minnesota Statutes, Section 356.55) used to compute the purchase price of the service credit. The second and third Commission staff memos will note conflicts between these service credit purchase provisions and the Commission's policy document, and will draw conclusions about the accuracy of the current full actuarial value estimation method.

Service Credit Purchase Policy

Prior service credit purchases are a phenomenon of defined benefit pension plans. Defined benefit plans specify the pension benefit amount, typically through the use of a formula based on the amount of compensation and on the length of service. This leaves as a variable the pension funding cost, which is estimated through the actuarial valuation process. In contrast, defined contribution plans such as the Unclassified State Employees Retirement Program of the Minnesota State Retirement System (MSRS-Unclassified) and the Higher Education Individual Retirement Account Plan (IRAP) define the contributions to be made to the person's account within the plan. The retirement benefit is unspecified. The amount of the retirement benefit that can be provided is determined by the total value of the account at the time of retirement. This terminal value depends upon the total contributions made over time and the returns provided by the investment markets on those assets.

Prior service credit purchases are opportunities for pension plan members to obtain allowable service credit and, if applicable, covered salary credit in a defined benefit pension plan for a period that was not otherwise credited through normal pension plan membership. A process is followed in obtaining credit for a prior service credit purchase period, usually involving the payment of some amount to defray all or a portion of the actuarial cost attributable to the purchase and the provision of documentation relating to the service period.

Pension plan members seek prior service credit purchases for a variety of reasons, including a desire to gain defined benefit pension plan portability, a desire to obtain a larger pension benefit, or a desire to qualify for a special early retirement provision. Public pension service credit purchases also are permitted by pension plan sponsors for a variety of reasons, including a desire to allow some otherwise unobtainable portability, a desire to correct for some service crediting deficiency, or a desire to cover service rendered prior to the creation of the pension plan.

When service credit purchases should be permitted and the payment terms of the purchase are issues that the Commission has struggled with for several decades. The purchase of service credit provision in the Commission's policy document reflects evolution of policy during the 1950s through the 1980s. Principle II.C.10 of the Commission's Principles of Pension Policy, last revised in 1996, covers purchases of service credit and reads as follows:

10. Purchases of Prior Service Credit

Purchases of public pension plan credit for periods of prior service should be permitted only if, on a case-by-case basis, it is determined that the period to be purchased is public employment or substantially akin to public employment, that the prior service period must have a significant connection to Minnesota, that the purchase payment from the member or from a combination of the member and the employer must equal the actuarial liability to be incurred by the pension plan for the benefit associated with the purchase, appropriately calculated, without the provision of a subsidy from the pension plan, and that the purchase must not violate notions of equity.

This principle has the following elements:

1. Individual Review. The Commission considers each service credit purchase request separately, whether the request is proposed legislation for a single person or is proposed legislation relating to a group of similarly situated individuals.
2. Public Employment. The period requested for purchase should be a period of public employment or service that is substantially akin to public employment. This is consistent with the notion that public pension plans should be providing coverage for public employees for periods of time when they were serving the public through public employment or through quasi-public employment. Coverage for a period when an individual provided private sector employment is not consistent with this statement.
3. Minnesota Connection. The employment period to be purchased should have a significant Minnesota connection. This is consistent with the notion that Minnesota taxpayers support these public pension plans and bear the investment risk in amassing plan assets. Given the support that taxpayers provide, it is appropriate that the service have a Minnesota connection, reflecting services provided to the people in the state.
4. Presumption of Active Member Status at the Time of Purchase. The principle states that contributions should be made by the member or in combination by the member and by the employer. It is presumed that the individual covered by the service purchase request is an active employee, because retirees generally are not considered to be "members" of a plan and these individuals no longer have a public employer. If there are unresolved issues of whether an individual should have service credit for a given period, those issues should be resolved before the individual terminates from public service, and certainly before the individual retires. The act of retiring undermines a claim that there is sufficient need for the Legislature to consider the coverage issue. If there were considerable hardship caused by the lack of service credit, presumably the individual would not have retired. Entering retirement suggests that the associated pension benefit is adequate without any further increase in the benefit level due to a purchase. Only on rare occasions has the Commission and the Legislature authorized service credit purchases by retirees.
5. Presumption of Purchase in a Defined Benefit Plan. The prior service credit purchase contributions in total should match the associated actuarial liability. The specific procedures in Minnesota Statutes and law for computing service credit purchase amounts, Minnesota Statutes, Sections 356.55 and 356.551, presume that the purchase is in a defined benefit plan with a benefit based on the individual's high-five

average salary. There is no process in law specifying a procedure for computing a “full actuarial value” purchase in a defined contribution plan, or even defining what that concept means in the context of a service purchase or service credit purchase in a defined contribution plan.

6. Full Actuarial Value Purchase. Within the context of a defined benefit plan, the pension fund should receive a payment from the employee, or from the employee and employer in combination, which equals the additional liability placed on the fund due to the purchase. This amount is referred to as the full actuarial value of the service credit purchase. The procedure used to compute this full actuarial value should be a methodology that accurately estimates the proper amounts. When clear evidence indicates that the employing unit committed an error that caused the individual to not receive pension plan coverage, the Commission has permitted the employee to make the employee contribution for the relevant time period, plus 8.5 percent interest, and the employer has been mandated to cover the remainder of the computed full actuarial value payment. If the employer does not directly make the payment following notification that the employee has made his or her portion of the full payment, the Commission has required that a sufficient amount to cover the remainder of the full actuarial value be deducted from any state aids that would otherwise be transmitted to the employer.

The Commission has purposely departed from the full actuarial value requirement when there is evidence that the pension plan administration created the lack of service credit coverage due to pension plan administration error. In situations of pension plan error, the employee may be required to pay the contributions that would have been required for the relevant time period, plus 8.5 percent interest to adjust for the time value of money, leaving any difference between that payment and the full actuarial value to be absorbed by the pension fund.

7. No Violation of Equity Considerations. Purchases of service credit should not violate equity considerations. Equity is a resort to general principles of fairness and justice whenever the existing law is inadequate. In general, any issue or factor associated with a service credit purchase request which can be viewed as lacking fairness or being less than impartial can be a basis for rejecting a request. Requests by existing retirees to purchase additional service credit and have their annuities recomputed could be viewed as being a situation that violated equity considerations. New requests on behalf of individuals who were covered by purchase of service credit authorizations passed by earlier Legislatures but who are dissatisfied with the purchase of service credit terms that were provided can be considered as violating equity considerations. Individuals requesting service credit purchases for periods specifically excluded from plan coverage under the applicable law could be considered as violating equity considerations, among other policy concerns relating to those considerations. Requests to purchase service credit for periods covered by another pension plan may raise equity concerns. Generally, a service credit purchase is intended to fill a gap in coverage, not to create double coverage. Long delays in seeking remedial action can also be considered a violation of equity considerations. Individuals tend to wait until late in their career before seeking any remedial action for lost service credit. Prompt action, closer to the time period when the service credit problem occurred, would often result in a solution at a lower cost and would avoid efforts by the Commission to try to determine the factual situation many years, or even decades, after the event occurred.

The general purchase of service credit legislation enacted in 1999, 2000, and 2001 conflicted with the Commission policy as stated in the 1995-1996 Commission Statement of Pension Principles. Perhaps the 1999-2001 service credit purchase legislation should be viewed as reflecting evolution and permanent change in Commission policy. The 1999-2001 legislation also may be viewed as temporary provisions to address a short-term labor shortage situation, warranting a temporary waiver of the standard Commission purchase of service credit policy.

Background Information on the Post-1998 Prior Service Credit Purchase Legislation

The 1999 Legislature enacted numerous general law purchase of service credit provisions for purchases of service credit in Teachers Retirement Association (TRA) and in the first class city teacher plans. Under all of these provisions, the purchase price is determined under Minnesota Statutes, Section 356.55, the revised procedure to estimate full actuarial value that was enacted in 1998. Provisions to expand full actuarial value service credit purchase authority and to add full actuarial value military service credit purchase authority in MSRS and PERA plans, and to add full actuarial value family leave provisions to many plans were enacted in 2000 and 2001.

A. 1999 Session Provisions

General Law TRA Service Credit Purchase Provisions

- ? Full Actuarial Value Military Service Credit Purchase. A vested member who performed service in the armed forces before becoming a TRA member, or who did not make contributions for service credit while on a TRA military leave of absence, is entitled to purchase service credit for the initial period of enlistment, induction, or call to active duty not including any voluntary extension. To receive the service credit, the member must pay the full actuarial value. The purchase is not permitted if the individual is eligible for a military pension or if the individual has service credit in another plan due to this military service. (Laws 1999, Chapter 222, Article 16, Section 1. Coded as Minnesota Statutes, Section 354.533.)
- ? Out-of-State Teaching Service Credit Purchase. A vested member may purchase up to ten years of service credit in TRA for out-of-state teaching in an educational institution established and operated by another state, a governmental subdivision of another state, or the federal government, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 2. Coded as Minnesota Statutes, Section 354.534.)
- ? Maternity Leave of Absence or Maternity Break in Service Purchase of Service Credit. A vested member may purchase up to five years of service credit in TRA for maternity leaves for which service credit was not received, or for a maternity break in teaching service, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 3. Coded as Minnesota Statutes, Section 354.535.)
- ? Parochial or Private School Teaching Purchase of Service Credit. A vested member may purchase up to ten years of service credit in TRA for private or parochial school teaching service, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 4. Coded as Minnesota Statutes, Section 354.536.)
- ? Peace Corps or VISTA (Volunteers in Service to America) Service Credit Purchase. A vested member may purchase up to ten years of service credit in TRA for Peace Corps or VISTA service providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 5. Coded as Minnesota Statutes, Section 354.537.)
- ? Charter School Teaching, Purchase of Service Credit. A vested member may purchase up to ten years of service credit in TRA for charter school teaching service providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 6. Coded as Minnesota Statutes, Section 354.538.)
- ? Repealer. All TRA service credit purchase provisions noted above were set to be repealed May 16, 2002. (Laws 1999, Chapter 222, Article 16, Sections 16 and 18.)

General Law First Class City Teacher Plan Service Credit Purchase Provisions

- ? Military Service Credit Purchase. A first class city teacher plan vested member who performed service in the armed forces before becoming a first class city teacher plan member, or who failed to make contributions for service credit while on a first class city teacher plan military leave of absence, is entitled to purchase service credit for the initial period of enlistment, induction, or call to active duty not including any voluntary extension. To receive the service credit, the member must pay the full actuarial value. The purchase is not permitted if the individual is eligible for a military pension or if the individual has service credit in another plan due to this military service. (Laws 1999, Chapter 222, Article 16, Section 7. Coded as Minnesota Statutes, Section 354A.097.)
- ? Out-of-State Teaching Service Credit Purchase. A vested member may purchase up to ten years of service credit in the applicable first class city teacher plan for out-of-state teaching in an educational institution established and operated by another state, a governmental subdivision of

another state, or the federal government, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 8. Coded as Minnesota Statutes, Section 354A.098.)

- ? Maternity Leave of Absence or Maternity Break in Service Purchase of Service Credit. A vested member may purchase up to five years of service credit in the applicable first class city teacher plan for maternity leaves for which service credit was not received, or for a maternity break in teaching service, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 9. Coded as Minnesota Statutes, Section 354A.099.)
- ? Parochial or Private School Teaching Purchase of service Credit. A vested member may purchase up to ten years of service credit in the applicable first class city teacher plan for private or parochial school teaching service, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 10. Coded as Minnesota Statutes, Section 354A.101.)
- ? Peace Corps or VISTA (Volunteers in Service to America) Service Credit Purchase. A vested member may purchase up to ten years of service credit in the applicable first class city teacher plan for Peace Corps or VISTA service providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 11. Coded as Minnesota Statutes, Section 354A.102.)
- ? Charter School Teaching, Purchase of Service Credit. A vested member may purchase up to ten years of service credit in the applicable first class city teacher plan for charter school teaching service providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 12. Coded as Minnesota Statutes, Section 354A.103.)
- ? Previously Uncredited Part-Time Teacher Service, Purchase of Service Credit. A vested member with previously uncredited part-time teaching service may purchase service credit in the applicable first class city teacher plan for that teaching service providing the individual was not previously eligible for credit for that service. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 13. Coded as Minnesota Statutes, Section 354A.104.)
- ? Repealer. The first class city teacher plan service credit purchase authorizations noted above were set to be repealed May 16, 2002. (Laws 1999, Chapter 222, Article 16, Sections 16 and 18.)

B. 2000 Session Provisions

A full actuarial value military service credit purchase provision, similar to that passed in 1999 for TRA and first class city teacher plan members, was enacted for MSRS, applying to the MSRS-General, MSRS-Correctional, and State Patrol Plans.

- ? Military Service Credit Purchase. A vested member of MSRS-General, MSRS-Correctional, or the State Patrol Plan who performed service in the armed forces before becoming an MSRS member or who failed to make contributions to obtain service credit while on a military leave of absence is entitled to purchase service credit for the initial period of enlistment, induction, or call to active duty, not including any voluntary extension. To receive the service credit, the member must pay the full actuarial value. The purchase is not permitted if the individual is eligible for a military pension or if the individual has service credit in another plan due to this military service. (Laws 2000, Chapter 461, Article 4, Sections 1 and 2. Coded as Minnesota Statutes, Sections 352.275 for MSRS-General and MSRS-Correctional, and 352B.01, Subdivision 3a for the State Patrol Plan.)

A comparable provision was enacted for PERA and PERA-P&F:

- ? Military Service Credit Purchase. Vested members who performed service in the armed forces before becoming a PERA-General or PERA-P&F plan member, or who failed to make contributions to obtain service credit while on a military leave of absence, are entitled to

purchase service credit for the initial period of enlistment, induction, or call to active duty, but not including any voluntary extension. To receive the service credit, the member must pay the full actuarial value. The purchase is not permitted if the individual is eligible for a military pension or if the individual has service credit in another plan due to the military service. (Laws 2000, Chapter 461, Article 4, Sections 3 and 4. Coded as Minnesota Statutes, Section 353.01, Subdivision 16a.)

- ? Repealer. The MSRS-General, MSRS-Correctional, State Patrol Plan, PERA-General, and PERA-P&F full actuarial value military service credit provisions enacted in 2000 were set to sunset on May 16, 2003. (Laws 2000, Chapter 461, Article 4, Section 4.)

In 2000, the full actuarial value service credit purchase provisions in TRA and first class city teacher plan law permitting service credit purchases for private and parochial school teaching were revised to also include nonprofit community-based corporation teaching service:

- ? TRA Service Credit Purchase for Nonprofit Community-Based Corporation Service. The TRA and first class city teacher plan provisions authorizing service credit purchases at full actuarial value for private or parochial school teaching service are revised to also authorize purchases of nonprofit community-based corporation teaching service. (Laws 2000, Chapter 461, Article 11, Sections 3 and 5.)

Provisions were also enacted in 2000 to permit MnSCU teachers who are TRA or first class city teacher plan members to use Higher Education Supplemental Plan assets to make service credit purchases under the various full actuarial value service credit purchase provisions enacted for those plans in 1999 and 2000:

- ? MnSCU Teachers; Use of Supplement Plan Account to Purchase TRA or First Class City Teacher Plan Service Credit. Supplemental plan participants may use supplemental plan account assets to purchase service credit in TRA or a first class city teacher plan (whichever is providing the primary coverage) under the full actuarial cost service credit purchase provisions in those plans for previously uncredited military service, out-of-state teaching service, maternity leaves and breaks in service, parochial, private, nonprofit community-based corporation teaching service, Peace Corps service, VISTA service, and charter school teaching service. (Laws 2000, Chapter 461, Article 12, Sections 5, 11, and 14. These provisions were coded as Minnesota Statutes, Sections 354.539, 354A.106, and by revising Section 354C.165.
- ? Repealer. The above MnSCU provisions were set to expire on May 16, 2002. (Laws 2000, Chapter 461, Article 12, Section 20.)

The above Supplemental Plan use-of-assets provision for MnSCU teachers were set to expire on the same date as the TRA and First class city teacher plan full actuarial value service credit purchase provisions, as enacted in 1999.

C. 2001 Session Provisions

In 2001, existing TRA and first class city teacher plan service credit purchase provisions were expanded as follows:

- ? Out-of-Country Teaching Service and Tribal Teaching Service Credit Purchase. The TRA and first class city teacher plan out-of-state teaching service credit purchase provisions were expanded to include teaching service provided in another country or teaching service where the employing unit is a federally recognized American Indian tribe. (Laws 2001, First Special Session, Chapter 10, Article 6, Sections 5 and 11.)
- ? Developmental Achievement Center Service Credit Purchase. The TRA and first class city teacher plan service credit purchase provisions permitting service credit purchase for teaching in a nonprofit community-based corporation, private school, or parochial school, were expanded to include teaching at a developmental achievement center. (Laws 2001, First Special Session, Chapter 10, Article 6, Sections 6 and 12.)

Also in 2001, the Legislature enacted a full actuarial value service credit purchase provision in TRA and first class city teacher plan law to enable members who taught at the University of Minnesota but who were not covered by a pension plan for that service to purchase service credit in TRA or the applicable first class city teacher plan. The TRA and first class city teacher plan provisions are:

- ? Purchase of Service Credit for Uncovered Prior Teaching at the University of Minnesota. TRA or first class city teacher plan members who are vested and who provided University of Minnesota teaching service but who are not entitled to a current or deferred age and service retirement annuity or disability benefit related to that service may purchase service credit in TRA or a first class city teacher plan, as applicable, at full actuarial value reflecting that university service, not to exceed ten years. (Laws 2001, First Special Session, Chapter 10, Article 6, Sections 8 and 14. The TRA provision is coded as Minnesota Statutes, Section 354.541, and the first class city teacher plan provision is coded as 354A.109.)

Although substantively similar to the various full actuarial value service credit purchase provisions that had been placed in TRA and first class city teacher plan law in 1999 and 2000, due to error these University of Minnesota teaching service provisions did not have a sunset date. This was corrected in 2003, when the Legislature passed a provision adding a May 16, 2004, sunset date.

During 2001, the following provision was enacted for MnSCU teachers who are now covered by IRAP but who are also vested in TRA or in a first class city teacher plan:

- ? Individual Retirement Account Plan (IRAP) Members Vested in TRA or a First Class City Teacher Plan Eligible to Purchase Service Credit. Higher Education IRAP-covered employees who are vested in TRA or in a first class city teacher retirement plan are permitted to purchase service credit under the various TRA or first class city teacher plan temporary full actuarial value service credit purchase provisions. (Laws 2001, First Special Session, Chapter 10, Article 6, Sections 9 and 15. Coded as Minnesota Statutes, Sections 354.542 and 354A.1095.)
- ? Repealer. The authority provided by the above provisions for IRAP members was set to expire on May 16, 2002. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 21.)

During the 2001 First Special Session, a full actuarial value parental/family leave provision was enacted. The provision applies to MSRS-General, MSRS-Correctional, PERA-General, PERA-P&F, TRA, the first class city teacher plans, MERF, the Minneapolis Police Relief Association (MPRA), and the Minneapolis Fire Relief Association (MFRA).

- ? Parental/Family Leave or Break-in-Service Service Credit Purchase Provision. A member of an applicable plan, as described above, who had or has a family leave of absence, a parental leave, or a break in service from the same employer due to parental or family-related matters (due to birth of a child, adoption, or care of a near relative or in-law), may purchase service credit for the period of the leave or break in service, not to exceed five years, by paying the full actuarial value of the service credit purchase. (Laws 2001, First Special Session, Chapter 10, Article 6, Sections 1 to 4, 10, 12, 16 to 20. The provision is coded as Minnesota Statutes, Section 356.555.)
- ? Repealer. The above family leave/break-in-service provision, and all related amendments to plan laws to implement that provision, was set to expire on May 16, 2003.

D. 2002 Session Provisions

The 2002 Legislature passed no new general law service credit purchase provisions, but extended for an additional year all of the earlier TRA and first class city teacher plan provisions that had been set to expire in 2002 and the various provisions enhancing MnSCU faculty's use of those provisions.

- ? Expiration Date Extension, Various Service Credit Purchase Provisions Applicable to Teachers. The expiration date on various generalized service credit purchase provisions enacted in 1999 was extended from May 16, 2002, to May 16, 2003. The provisions, applicable to teachers covered by TRA or first class city teacher plans, permit service credit purchases for prior or uncredited military service, prior out-of-state-teaching service, maternity leaves and related breaks in service, private or parochial school teaching service, Peace Corps or VISTA service, uncredited charter school teaching service (and for first class city teacher plans only, previously uncredited part-time teaching service). (Laws 2002, Chapter 392, Article 7, Section 1.)
- ? Expiration Date Extension, Authority for Higher Education Teachers to Use Pre-Tax Assets to Purchase Service Credit. The expiration date on provisions enacted in 2000 which permit participants in the higher education supplemental retirement plan to use that supplemental account to purchase service credit in TRA or a first class city teacher plan, if applicable, under

the various service credit purchase provisions enacted in 1999 and 2000, was extended from May 16, 2002, to May 16, 2003. (Laws 2002, Chapter 392, Article 7, Section 2.)

- ? Expiration Date Extension, Authority for Higher Education Teachers to Use Pre-Tax Assets to Purchase Service Credit for Family Leaves. Authority for participants in the higher education supplemental retirement plan to use that account to purchase service credit in TRA or a first class city teacher plan for family leave was extended from May 16, 2002, to May 16, 2003. (Laws 2002, Chapter 392, Article 7, Section 3.)

E. 2003 Session Provisions

Bills were introduced during the 2003 Session to remove all sunset dates on the general law full actuarial value service credit provisions enacted over the prior few years, which would make the provisions permanent. Lacking sufficient time to adequately study the impact that the various general law service credit provisions were having on the pension plans, the Commission recommended that the expiration dates be extended another year, to permit the impact of these provision to be studied over the interim. (Laws 2003, First Special Session, Chapter 12, Article 6, Sections 1 to 5, and 7.)

- ? Extension, Full Actuarial Value Service Credit Purchase Methodology. The revised full actuarial value methodology, found in Section 356.55, was extended to July 1, 2004.
- ? Extension, Various Full Actuarial Value Purchase Provisions. TRA and first class city teacher fund law full actuarial value service credit purchase provisions covering military service, prior out-of-state teaching service, maternity leaves and maternity-related breaks in service, private, parochial, and quasi-public teaching periods, Peace Corps and VISTA service, charter school teaching periods, uncredited part-time teaching section of law (found only in first class city teacher plan law), and authority to use college supplemental fund assets to purchase service credit under all of these provisions were extended to May 16, 2004, rather than expiring on May 16, 2003.
- ? Extension, Full Actuarial Value Military Service Provisions. The full actuarial value military service purchase provisions enacted in 2000 for various MSRS and PERA plans were extended to May 16, 2004, rather than expiring on May 16, 2003.
- ? Extension, Parental and Family Leave Provision. The parental and family leave full actuarial value service credit purchase provision (Section 356.55) was extended to May 16, 2004, rather than expiring on May 16, 2003. The pension plans covered by this provision are MSRS-General, MSRS-Correctional, PERA-General, PERA-P&F, TRA, the first class city teacher plans, MERF, the Minneapolis Police Relief Association (MPRA), and the Minneapolis Fire Relief Association (MFRA).
- ? Expiration Date Extension, Authority for Higher Education Teachers to Use Pre-Tax Assets to Purchase Service Credit. The expiration date on provisions enacted in 2000 which permit participants in the higher education supplemental retirement plan to use that supplemental account to purchase service credit in TRA or a first class city teacher plan, if applicable, under the various service credit purchase provisions enacted in 1999 was extended from May 16, 2003, to May 16, 2004.
- ? Expiration Date Extension, Authority for Higher Education Teachers to Use Pre-Tax Assets to Purchase Service Credit for Family Leaves. Authority for participants in the higher education supplemental retirement plan to use that account to purchase service credit in TRA or a first class city teacher plan for family leave was extended from May 16, 2003, to May 16, 2004.

As mentioned earlier, an expiration date was omitted from the University of Minnesota teaching service full actuarial value service credit provisions when enacted in 2001. A repealer was added, so these provisions will be handled like similar provisions:

- ? Repealer: University of Minnesota Teacher Service Credit Purchase Provisions. Sections 354.541 and 354A.109, which permit teachers to purchase service credit in TRA or a first class city teacher plan, whichever provides the current coverage, at full actuarial value if the teacher had prior service teaching at the University of Minnesota without any retirement plan coverage, is repealed on May 16, 2004. (Laws 2003, First Special Session, Chapter 12, Article 6, Section 7.)

Current Method to Estimate Full Actuarial Value

To establish the full actuarial value service credit purchase price, a method is needed to compute that estimate. The method currently used is stated in Section 356.55, Prior Service Credit Purchase Payment Amount Determination Procedure (copy attached). The coded method was enacted in 1998. The actuary retained by the Commission developed the procedure, but did so under contract with the various pension fund administrators rather than through a Commission directive. Pension fund directors, particularly those from teacher plans, had complained that the way the full actuarial value price was determined under the prior method led to estimates that were too high, at least in some cases, such as when an individual was very close to qualifying for the Rule-of-90 and sought to purchase service credit to qualify immediately. The revised method was in response to those concerns. After the revised methodology was enacted in 1998, the teacher plan administrators and teacher union representatives urged passage of a wide array of general law full actuarial value service credit purchase provisions, which were enacted in 1999 and later. A summary of the full actuarial value computation process stated in Section 356.55 follows:

- ? Revised Prior Service Credit Purchase Payment Procedure. The payment required to purchase service credit is whichever of the following is larger:
- (1) An amount equal to the sum of employee, employer, and employer additional contributions for the length of service being purchased, based on current salary and current contribution rates for the applicable plan; or
 - (2) The difference between the present value of the annuity with the purchase of service credit and the present value of the annuity without the purchase assuming the individual works until becoming eligible for an unreduced annuity, with an additional correction for the expected decrease in the length of time that the plan will receive employee and employer contributions from pay if the purchase occurs.

The employee is responsible for paying the full service purchase amount unless the general or special law authorizing the purchase specifies different treatment. However, the employer may, at its option, pay the portion of the full purchase payment amount that exceeds the employee contribution equivalent payment (employee contributions plus 8.5 percent interest).

To better enable the Commission to decide if can be confident in the revised methodology, the enacting legislation included the following requirement:

- ? Data for Study. To facilitate Commission review of the new method, as part of the regular annual information reported to the Commission actuary, the administrators for each pension plan that had a purchase of prior service credit during the year will report the following information for each purchase: the employer, the employee and that purchaser's age, the period purchased, the service credit before and after the purchase, the purchase payment (including any amount that may have been paid by the employer), and the amount of the additional benefit received due to the purchase. The actuary will use the information to provide an exhibit in the actuarial report showing the total payment received for each purchase and the increased public pension plan actuarial accrued liability resulting from the purchase. (Laws 1998, Chapter 390, Article 4, Section 1, Subdivision 6.)

A large increase in full actuarial value service credit purchases occurred following the enactment of the various general law service credit purchases in TRA and the first class city teacher plans in 1999, and for various other plans in later years. The results of these general law purchase provisions first appear in the July 1, 2000, actuarial reporting. Data has now been provided from the July 1, 2000, 2001, and 2002 actuarial reports. No reporting for 2003 or later will occur. As part of budget cutting actions, the Commission recently recommended an end to this reporting by the funds and actuary.

Repealer of Current Methodology. When Section 356.55 was enacted in 1998, it was scheduled to be repealed in 2001. This was to allow the Commission time to study the results of Section 356.55. The provision was extended without detailed review and is currently scheduled for repeal on July 1, 2004. If no action is taken to revise this, the full actuarial value method used by the Legislature during 1997 and earlier will again be used to compute service credit purchase amounts after July 1, 2004. That procedure is specified in Section 356.551.

Preliminary Observations on Full Actuarial Value Methodology. Two assumptions used in the calculation of full actuarial value under the current methodology are contained in Section 356.55. These assumptions, which may impact the calculation's accuracy, are the 5.0 percent salary increase assumption and the 8.5 percent investment return/discount rate used in these calculations. Those specific assumptions used in

these full actuarial value computations conflict with other general pension law specifying salary and investment return assumptions to be used in actuarial valuations.

1. Salary Increase Assumption. In computing the present value of the two annuities, one assuming the service credit is purchased and the other without, it is necessary to estimate the high-five average salary at a future date, when these annuities are assumed to commence. The provision specifies that for any plan in which service credit would be purchased, five percent salary increases will be assumed in these calculations from the current date until the annuity is assumed to commence. That assumption conflicts with experience studies performed by the actuary and with Minnesota Statutes, Section 356.215, Subdivision 8. In part, that provision specifies salary increase assumptions to be used in actuarial valuations to determine contribution requirements and liabilities. Those salary increase assumptions follow from the actuary's recommendations based on the Milliman USA experience studies. Under Section 356.215, rather than a fixed five percent salary increase assumption, salary increase assumptions vary by plan. Under Section 356.215, salary increases are a function of two factors, length of service (the "select" assumption) and age (the "ultimate" assumption). During the first few years of service, the select assumption presumes salary increases are large as the new employee gains experience. After ten years, however, that effect ends, leaving only the ultimate assumption, the age-based salary assumption. The trends resulting from the select and ultimate salary increase assumptions very rarely predict a five percent yearly increase.
2. 8.5 Percent Investment Return Assumption Used in the Full Actuarial Value Calculation. An 8.5 percent factor is used to discount the two annuities, to determine the price on the date of purchase of the annuity increase that the individual will receive in the future if the service is purchased. The 8.5 percent factor agrees with the investment return/discount rate assumption assumed within actuarial work for most plans, but not all. Section 356.215, Subdivision 8, specifies that a 6.0 percent pre-retirement investment return assumption applies to MERF. The Legislature has authorized several MERF member service credit purchases in recent years. Under the Section 356.55, the full actuarial value service credit purchase provision, an 8.5 percent discount rate is used in those computations while a 6.0 percent pre-retirement discount rate/investment return assumption is used in the plan's actuarial reports.

Attachments A through D

Attachment A. Attachment A lists all service credit purchase provisions currently found in statutes, not just those enacted since 1998. This list, which is quite extensive, indicates the applicable plan or plans, the statutory citation, the nature of the provision, and the payment terms. Many of the provisions listed are leave-of-absence provisions. These permit individuals on leave, often for short time periods not to exceed a year, to receive service credit for the leave period by paying contributions, typically with interest, to the applicable pension plan. This approach works satisfactorily when the leave period is fairly short and the contributions are received during the leave or shortly after the leave ends. Other provisions permit purchases of service credit for a period which could have occurred many years earlier. In these cases, provisions enacted in recent decades tend to require full actuarial value payments. Provisions enacted many years ago often did not, permitting the service credit to be purchased for contributions plus interest. This reflects earlier policy.

A few sections may now be obsolete, which are noted below. The MSRS and TRA administrators may wish to review these provisions to ensure that no harm would occur if these provisions were repealed. Repealers could be added to the legislative drafts that the Subcommittee on Administrative Legislation is currently compiling. Specific sections that the Commission may wish to consider recommending for repeal are:

- ? Section 3A.02, Subdivision 2. Legislators' Plan service credit purchase for pre-July 1, 1965, service. A Legislators Plan member may purchase service credit for pre-1965 service as a legislator by paying nine percent of the salary received during the pre-July 1, 1965, period.
- ? Section 354.51, Subdivision 4. TRA pre-July 1, 1953, out-of-state teaching service credit purchase. Individuals who had out-of-state teaching service prior to July 1, 1953, and who became TRA members before June 30, 1957, may purchase service credit by making a salary-based contribution.

Attachment B. This attachment lists all special law purchases of service credit and repayment of refund provisions back to 1957. The vast majority of these special law purchases in recent years have required full actuarial value payments. Two provisions enacted in 2003, one for a DTRFA-covered teacher and the

other for an MTRFA-covered teacher to gain access to the qualified part-time teacher program, did not follow that policy, passing with a contributions plus interest requirement.

Attachment C. This attachment provides a copy of the current versions of all of the coded full actuarial value provisions set to expire in 2004, in the order in which they are mentioned in the text.

Attachment D. This attachment provides a copy of the full actuarial value method in current statute, Section 356.55, and Section 356.551, which is the prior law version of the full actuarial methodology and which will again become effective if the sunset date on Section 356.55 is not removed or revised.

Attachment A

Statutory Provisions Authorizing Purchases of Prior Service Credit

Plan	Statutory Provisions	Prior Service Period	Terms
Legislators Plan	Sec. 3A.02, Subd. 2	Pre-July 1, 1965, legislative service	Contributions, typically with interest
MSRS-General	Sec. 352.01, Subd. 11, Clause (9)	One year authorized leave of absence purchase	Contributions, typically with interest
	Sec. 352.01, Subd. 11, Clause (11)	Strike period, not to exceed one year	Contributions, typically with interest
	Sec. 352.27	On-leave military service purchase	Contributions, typically with interest
	Sec. 352.271	Metropolitan Transit on-leave military service purchase	Contributions, typically with interest
	Sec. 352.275	Prior military service	Full actuarial value
State Patrol Plan	Sec. 352B.01, Subd. 3a	Prior military service	Full actuarial value
MSRS-Unclassified	Sec. 352D.11	Prior service purchase in MSRS-General or MSRS-Unclassified	Full actuarial value
PERA, PERA-P&F	Sec. 353.01, Subd. 16, Para. (a), Clause (4)	One year authorized leave of absence without pay purchase	Contributions, typically with interest
	Sec. 353.01, Subd. 16, Para. (a), Clause (5)	Periodic repetitive leave purchase	Contributions, typically with interest
	Sec. 353.01, Subd. 16, Para. (a), Clause (7)	On-leave military service purchase	Contributions, typically with interest
	Sec. 353.01, Subd. 16, Para. (a), Clause (8)	Strike period, not to exceed one year	Contributions, typically with interest
	Sec. 353.01, Subd. 16a	Prior military service	Full actuarial value
	Sec. 353.36, Subd. 2	Pre-July 1, 1982, terminating employee prior service credit purchase	Contributions, typically with interest
PERA-P&F	Sec. 353.64, Subd. 9	Minnesota Sheriff's Assoc. coverage provision, prior service credit purchase	Contributions, typically with interest
PERA Police and Fire Consolidation	Sec. 353A.08, Subd. 6a	On-leave military service purchase	Free service credit in some situations, contributions plus interest in other situations
PERA Defined Contribution Plan	Sec. 353D.12	Prior elected official service purchase	Free service credit in some situations, contributions plus interest in other situations
TRA	Sec. 354.05, Subd. 13, Clause (9)	Strike period, not to exceed one year	Contributions, typically with interest
	Sec. 354.092	Sabbatical leave purchase	Contributions, typically with interest
	Sec. 354.093	Parental or maternity leave purchase	Contributions, typically with interest
	Sec. 354.094	Extended leaves of absence purchase	Contributions, typically with interest
	Sec. 354.095	Medical leave purchase	Contributions, typically with interest
	Sec. 354.096	Family leave purchase	Contributions, typically with interest
	Sec. 354.51, Subd. 4	Pre-July 1, 1953, out-of-state teaching service credit purchase	Contributions, typically with interest
	Sec. 354.53	On-leave military service credit purchase	Contributions, typically with interest
	Sec. 354.533	Prior military service	Full actuarial value
	Sec. 354.534	Out-of-state, out-of-county, and tribal teaching service	Full actuarial value
	Sec. 354.535	Maternity breaks in service	Full actuarial value
	Sec. 354.536	Parochial/private school teaching	Full actuarial value
	Sec. 354.537	Peace Corps, VISTA service	Full actuarial value

Plan	Statutory Provisions	Prior Service Period	Terms
First Class City Teacher Plans	Sec. 354.538	Charter school teaching service	Full actuarial value
	Sec. 354.541	Uncovered University of Minnesota teaching service	Full actuarial value
	Sec. 354.542	IRAP members vested in TRA authorized to purchase service credit under Sec. 354.533 to 354.538	Full actuarial value
	Sec. 354.66	Qualified part-time teacher service purchase	Contributions, typically with interest
	Sec. 354A.091	Extended leave of absence purchase	Contributions, typically with interest
	Sec. 354A.092	Sabbatical leave purchase	Contributions, typically with interest
	Sec. 354A.093	On-leave military service credit purchase	Contributions, typically with interest
	Sec. 354A.094	Qualified part-time teacher service purchase	Contributions, typically with interest
	Sec. 354A.095	Parental or maternity leave purchase	Contributions, typically with interest
	Sec. 354A.096	Medical leave purchase	Contributions, typically with interest
	Sec. 354A.097	Prior military service	Full actuarial value
	Sec. 354A.098	Out-of-state, out-of-country, and tribal teaching service	Full actuarial value
	Sec. 354A.099	Maternity breaks in service	Full actuarial value
	Sec. 354A.101	Parochial/private school teaching	Full actuarial value
	Sec. 354A.102	Peace Corps, VISTA service	Full actuarial value
MTRFA	Sec. 354A.103	Charter school teaching	Full actuarial value
	Sec. 354A.104	Previously uncredited part-time teaching service	Full actuarial value
First Class City Teacher Plans	Sec. 354A.105	Purchase of public school teaching service rendered outside of Minnesota	Full actuarial value
	Sec. 354A.109	Uncovered University of Minnesota teaching service	Full actuarial value
IRAP	Sec. 354A.1095	IRAP members vested in a first class city teacher plan authorized to purchase service credit under Sections 354A.097 to 354A.104	Full actuarial value
	Sec. 354B.21, Subd. 5	Prior uncovered service purchase	Contributions, typically with interest
Retirement Systems, Generally	Sec. 356.55	Uncredited family leave or family-related break in service	Full actuarial value
MERF	Sec. 422A.08, Subd. 5 and 5a	Prior public corporation service credit purchase	Full actuarial value
	Sec. 422A.09, Subd. 3 Para. (5)	Exempt service credit purchase	Contributions, typically with interest
	Sec. 422A.11	On-leave military service credit purchase	Free service credit in some situations, contributions plus interest in other situations
	Sec. 422A.15, Subd. 4	Legislative leave purchase	Contributions, typically with interest
Minneapolis Police	Sec. 423B.09, Subd. 3	On-leave military service credit purchase	Free service credit
Judges Plan	Sec. 490.12, Subd. 3	Military service credit purchase	Free service credit
	Sec. 490.124, Subd. 6	Part-time judicial service credit purchase	Contributions, typically with interest

Attachment B

Special Law Provisions Authorizing Purchases of Prior Service or Repayments of Refunds

The following table contains the various special law provisions authorizing purchases of prior service, repayments of refunds, or related service credit procedures for the various Minnesota public pension plans, organized chronologically in descending order:

Citation	Nature of Provision
Laws 2003, 1 st Special Session, Chap. 12, Art. 4, Sec. 7	Purchase of PERA-General service credit by St. Paul Port Authority employees
Laws 2003, 1 st Special Session, Chap. 12, Art. 6, Sec. 6	Purchase of PERA service credit, various St. Louis Park city council members
Laws 2003, 1 st Special Session, Chap. 12, Art. 14, Sec. 2	Purchase of TRA service credit for sabbatical leave periods, Burnsville-Eagan-Savage teachers
Laws 2003, 1 st Special Session, Chap. 12, Art. 14, Sec. 3	MTRFA teacher permitted to apply retroactively in the qualified part-time teaching program
Laws 2003, 1 st Special Session, Chap. 12, Art. 15, Sec. 1	DTRFA teacher permitted to have qualified part-time teacher program coverage
Laws 2003, Chap. 127, Art. 12, Sec. 31 and 34	Purchase of PERA-General service credit by Minneapolis Community Development employees
Laws 2002, Chap. 392, Art. 14, Sec. 5	Purchase of PERA service credit for prior out-of-state teaching
Laws 2002, Chap. 392, Art. 14, Sec. 7	Purchase of MSRS and PERA service credit, former Hubbard County legislator
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 1	Purchase of TRA Service Credit for sabbatical leave, Anoka-Hennepin teacher
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 2	Purchase of TRA service credit for extended leave, Hutchinson teacher
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 3	Purchase of PERA service, White Bear Lake public school clerical service
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 4	Purchase of MTRFA service credit for previously uncredited service, former Robbinsdale teacher
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 5	Purchase of PERA Service Lac Qui Parle County employee
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 6	Purchase of service credit in PERA, Minneapolis Park Board employees
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 7	Purchase of PERA service credit by MERF employee for University of Minnesota teaching service
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 8 and 11	Purchase of PERA-P&F service credit for employment as a Brainerd police officer
Laws 2001, 1 st Special Session, Chap. 10, Art. 17, Sec. 9	Purchase of PERA service credit by former St. Paul city council member
Laws 2001, Chap. 169, Sec. 5	Appropriation to PERA for PERA-P&F salary credit for Assistant Commissioner of Public Safety employment
Laws 2000, Chap. 461, Art. 7, Sec. 6	Purchase of service credit, Spring Lake Park Fire Department employees
Laws 2000, Chap. 461, Art. 11, Sec. 7	Inclusion of certain Anoka-Hennepin teacher in qualified part-time teacher program
Laws 2000, Chap. 461, Art. 19, Sec. 2	Purchase of uncredited Hennepin County parole officer service
Laws 2000, Chap. 461, Art. 19, Sec. 3	Purchase of service, Dakota County part-time maintenance employee
Laws 2000, Chap. 461, Art. 19, Sec. 6	Purchase of MTRFA service credit by current Hennepin County employee
Laws 2000, Chap. 461, Art. 19, Sec. 7	Purchase of MTRFA service credit by adult basic education English and Social Studies teacher
Laws 2000, Chap. 461, Art. 19, Sec. 8	Purchase of MTRFA service credit for hourly rate teaching

Citation	Nature of Provision
Laws 2000, Chap. 461, Art. 19, Sec. 9 and 10	Purchase of MERF service credit for period as a temporary employee
Laws 1999, Chap. 222, Art. 8, Sec. 2	Purchase of service credit by Rush City employee for military duty
Laws 1999, Chap. 222, Art. 8, Sec. 3	Bertha-Hewitt school district teacher authorized to purchase one year of uncovered leave
Laws 1999, Chap. 222, Art. 8, Sec. 4	Virginia school teacher service credit purchase for two-year unrequested leave
Laws 1999, Chap. 222, Art. 8, Sec. 5	Former St. Paul Bureau of Health employee authorized to purchase service credit in PERA for previously forfeited service
Laws 1999, Chap. 222, Art. 8, Sec. 6	Minnetonka teacher, purchase of service credit for two-year medical leave
Laws 1999, Chap. 222, Art. 8, Sec. 8	Spring Lake Park teacher purchase of uncredited portion of sabbatical leave
Laws 1999, Chap. 222, Art. 8, Sec. 9	Third judicial district public defense employee authorized to purchase PERA service credit for uncovered service
Laws 1999, Chap. 222, Art. 8, Sec. 10	Anoka-Hennepin teacher purchase of service credit for extended leave period
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 1	Mankato teacher allowed to purchase service credit for a misclassified leave
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 2	Inver Grove Heights teacher allowed to purchase service credit for medical leave due to failure to be notified of deadlines
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 3	TRA-covered teachers who rendered part-time teaching from 1993-94 to 1997-98 school years for which the school failed to notify TRA by Oct. 1 may purchase service credit
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 4	Middle Management Association employee permitted to purchase MSRS-General service credit back to date of hire
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 5	Columbia Heights teacher permitted to purchase service credit for extended leave
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 6	Winona State faculty member, service credit for an extended leave
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 7	Mounds View teacher service credit purchase for portion of sabbatical leave
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 8	Duluth teacher service credit purchase for maternity breaks in service
Laws 1998, Chap. 390, Art. 4, Sec. 3, Subd. 9	Hastings teacher service credit purchase for extended leave
Laws 1997, Chap. 241, Art. 5, Sec. 2	Former Minneapolis part-time teacher prior uncredited teaching service credit purchase from MTRFA
Laws 1997, Chap. 241, Art. 8, Sec. 7	Seasonal Revenue Department employee prior uncredited State service credit purchase from MSRS-General
Laws 1997, Chap. 241, Art. 12, Sec. 3	Former St. Paul Parks and Recreation Division employee prior uncredited service credit purchase from PERA
Laws 1996, Chap. 438, Art. 9, Sec. 1	St. Paul School District 1994-1995 school year part-time teacher full-time equivalent service credit StPTRFA purchase deadline extension
Laws 1996, Chap. 438, Art. 9, Sec. 3	New York Mills School District part-time teacher full-time equivalent service credit TRA purchase deadline extension
Laws 1996, Chap. 438, Art. 9, Sec. 4	Hastings School District part-time teacher full-time equivalent service credit TRA purchase eligibility expansion
Laws 1996, Chap. 438, Art. 9, Sec. 5	Minneapolis School District part-time teacher full-time equivalent service credit MTRFA purchase eligibility expansion
Laws 1996, Chap. 438, Art. 9, Sec. 6	Former Minneapolis teacher reserve teacher service credit purchase from MTRFA
Laws 1996, Chap. 408, Art. 8, Sec. 22	State Department of Corrections employees transferring to MSRS-Correctional retirement coverage purchase of prior service credit from MSRS-Correctional
Laws 1995, Chap. 141, Art. 2, Sec. 1	White Bear Lake teacher sabbatical leave purchase from TRA

Citation	Nature of Provision
Laws 1995, Chap. 141, Art. 2, Sec. 3	Mankato State University extended leave of absence purchase from TRA
Laws 1995, Chap. 141, Art. 2, Sec. 4	Swift County employee uncredited service period purchase from PERA
Laws 1995, Chap. 254, Art. 1, Sec. 92	Service credit for state employees who take voluntary unpaid leave of absence
Laws 1995, Chap. 262, Art. 1, Sec. 14	Authorization of partial refund repayment
Laws 1995, Chap. 262, Art. 1, Sec. 16	1994-1995 school year part-time teacher purchase of full time equivalent service credit
Laws 1995, Chap. 262, Art. 10, Sec. 2	Duluth Technical College service credit purchase from DTRFA as early retirement incentive
Laws 1994, Chap. 430	Minneapolis Park Board police service credit purchase from PERA-P&F
Laws 1994, Chap. 456	Soil and Water Conservation District service credit purchase from PERA
Laws 1994, Chap. 494	World War II Merchant Marine service credit purchase from TRA
Laws 1994, Chap. 428, Art. 3, Sec. 12	TRA family leave service credit provision
Laws 1994, Chap. 541, Sec. 3	South St. Paul police probationary employment service credit purchase
Laws 1994, Chap. 542, Sec. 2 and 4	MTRFA parental and maternal leave service credit provision
Laws 1994, Chap. 572, Sec. 3	Higher Education system early separation incentive service credit purchase
Laws 1994, Chap. 647, Art. 6, Sec. 7	Consolidating school district early retirement incentive service credit purchase
Laws 1993, Chap. 89	Former State grain inspector service credit purchase from MSRS
Laws 1993, Chap. 95	Minneapolis public works department employee service credit purchase from MERF
Laws 1993, Chap. 120	Minneapolis Park Board police service credit purchase from PERA-P&F
Laws 1993, Chap. 126, Art. 1, Sec. 2	Columbia Heights police non-contribution period service credit purchase
Laws 1993, Chap. 207	Extension of time period for Ramsey County employee to make equivalent contributions for a leave of absence
Laws 1993, Chap. 239, Art. 2, Sec. 4	IRAP sabbatical leave contribution payment authority
Laws 1993, Chap. 307, Art. 10, Sec. 3	Minneapolis city employee prior public corporation service credit purchase from MERF
Laws 1992, Chap. 432, Art. 2, Sec. 3	PERA periodic repetitive leave provision
Laws 1992, Chap. 432, Art. 2, Sec. 32	PERA-P&F Consolidation Account Law military service leave provision
Laws 1992, Chap. 598, Art. 4, Sec. 1, Subd. 1	Minneapolis construction equipment operator uncredited service credit purchase from PERA
Laws 1992, Chap. 598, Art. 4, Sec. 1, Subd. 6	Eveleth firefighter service credit purchase from PERA-P&F
Laws 1992, Chap. 598, Art. 4, Sec. 1, Subd. 7	Stillwater fire chief service credit purchase from PERA-P&F
Laws 1992, Chap. 598 Art. 4, Sec. 3	Pre-1982 20 years of service cap service credit purchase from Legislators Plan
Laws 1991, Chap. 29	Pre-May 9, 1990, appointed public officer purchase from PERA Defined Contribution Plan
Laws 1991, Chap. 66	Grant of service credit to certain pre-1957 St. Louis County employee forced to resign on account of pregnancy
Laws 1991, Chap. 89	Medical leave purchase by ISD No. 624 teacher from TRA

Citation	Nature of Provision
Laws 1991, Chap. 269, Art. 4, Sec. 7	Minneapolis construction equipment operator uncredited service credit purchase from PERA
Laws 1991, Chap. 273, Sec. 2	Involuntary military service extension purchase from TRA by certain teacher
Laws 1991, Chap. 345, Art. 1, Sec. 115	Voluntary unpaid leave of absence from state employment service credit
Laws 1990, Chap. 570, Art. 1, Sec. 5	Payment of State Patrol omitted contributions
Laws 1990, Chap. 570, Art. 6, Sec. 4	St. Paul Bureau of Health service credit purchase from PERA
Laws 1990, Chap. 570, Art. 7, Sec. 5	Medical leave service credit purchase from TRA
Laws 1990, Chap. 570, Art. 8, Sec. 14	Prior service purchase by elected officials from PERA Defined Contribution Plan
Laws 1990, Chap. 570, Art. 13, Sec. 1, Subd. 1	Military Affairs Department service credit purchase from MSRS-General
Laws 1990, Chap. 570, Art. 13, Sec. 1, Subd. 2	St. Cloud City Council service credit purchase from PERA
Laws 1990, Chap. 570, Art. 13, Sec. 1, Subd. 3	Aitkin County official service credit purchase from PERA
Laws 1990, Chap. 570, Art. 13, Sec. 1, Subd. 4	St. Louis Park city council service credit purchase from PERA
Laws 1990, Chap. 570, Art. 13, Sec. 1, Subd. 5	University of Michigan educational leave purchase from MSRS-General
Laws 1990, Chap. 570, Art. 13, Sec. 1, Subd. 6	Metropolitan Transit Commission salary credit purchase from PERA
Laws 1989, Chap. 319, Art. 4, Sec. 1, Subd. 1	Highland Golf Course employee purchase from PERA
Laws 1989, Chap. 319, Art. 4, Sec. 1, Subd. 2	Ramsey County Court Commissioner service purchase from PERA
Laws 1989, Chap. 319 Art. 4, Sec. 1, Subd. 3	Hennepin County employee omitted deduction service purchase from PERA
Laws 1989, Chap. 319 Art. 4, Sec. 1, Subd. 4	Dakota County Recorder service purchase from PERA
Laws 1989, Chap. 319 Art. 4, Sec. 1, Subd. 5	Bloomington City employee omitted deduction service purchase from PERA
Laws 1989, Chap. 319 Art. 4, Sec. 1, Subd. 6	Former Minneapolis Urban Corps intern service purchase from MERF
Laws 1989, Chap. 319 Art. 4, Sec. 1, Subd. 6a	White Bear Township elected supervisor service purchase from PERA
Laws 1989, Chap. 319 Art. 4, Sec. 1, Subd. 7	Crystal City Council member service purchase from PERA
Laws 1989, Chap. 319 Art. 4, Sec. 1, Subd. 8	Spring Lake Park City Council member purchase from PERA
Laws 1989, Chap. 319 Art. 4, Sec. 2 and 3	Modification of 1988 Metropolitan Sports Facility Commission service purchase employer obligation and purchase calculation
Laws 1989, Chap. 319, Art. 11, Sec. 1	Minnesota Sheriff's Association employee service purchase from PERA-P&F
Laws 1989, Chap. 319, Art. 16, Sec. 6	Purchase of pre-1989 per diem salary credit from Legislators Plan
Laws 1988, Chap. 709, Art. 3, Sec. 1, Subd. 1, Clause (1)	Hibbing City employee omitted deduction service purchase from PERA
Laws 1988, Chap. 709, Art. 3, Sec. 1, Subd. 1, Clause (2)	Fond du Lac reservation employee service purchase from PERA

Citation	Nature of Provision
Laws 1988, Chap. 709, Art. 3, Sec. 1, Subd. 1, Clause (3)	Metropolitan Sports Facilities Commission employee service purchase from MSRS-General
Laws 1988, Chap. 709, Art. 3, Sec. 1, Subd. 1, Clause (4)	Pre-1957, pre-age 25 service purchase from TRA
Laws 1988, Chap. 709, Art. 3, Sec. 1, Subd. 1, Clause (5)	Certain public hospital employees previously exempt service purchase from PERA
Laws 1988, Chap. 709, Art. 3, Sec. 1, Subd. 1, Clause (6)	University of Minnesota - Southern School of Agriculture service purchase from TRA
Laws 1988, Chap. 709, Art. 3, Sec. 1, Subd. 1, Clause (7)	Fillmore County Court Clerk service purchase from PERA
Laws 1987, Chap. 372, Art. 4, Sec. 1, Subd. 1, Paragraph (a)	Roseau County Highway Department employee omitted deduction service purchase from PERA
Laws 1987, Chap. 372, Art. 4, Sec. 1, Subd. 1, Paragraph (b)	North St. Paul teacher unpaid medical leave service purchase from TRA
Laws 1987, Chap. 372, Art. 4, Sec. 2	University of Minnesota pharmacy department employee service purchase from MSRS-General
Laws 1986, Chap. 458, Sec. 27	Becker County Highway Department employee omitted deduction service purchase from PERA
Laws 1986, Chap. 458, Sec. 28 and 29	Former Suburban Hennepin county Public Health Nursing Service employee service purchase from PERA
Laws 1986, Chap. 458, Sec. 30	Hennepin County Medical Center employee omitted member contribution service purchase from PERA
Laws 1986, Chap. 458, Sec. 31 and 32	Post-age 45 State Department of Corrections employees service purchase from MSRS-Correctional
Laws 1986, Chap. 458, Sec. 34	Probationary police officer service purchase from the Mankato Police Relief Association
Laws 1986, Chap. 458, Sec. 35	Minneapolis Public Library temporary or part-time employment service purchase from PERA
First Special Session Laws 1985, Chap. 7, Sec. 31	Independent School District 281 employee omitted member contribution service purchase from PERA
First Special Session Laws 1985, Chap. 7, Sec. 32	Minnesota Federation of Teachers or Minnesota Education Association prior service purchase from TRA
Laws 1984, Chap. 574, Sec. 27	Ramsey County Sheriff's Department radio dispatcher service purchase from PERA-P&F
Laws 1984, Chap. 574, Sec. 28	Former Minnesota Senate employee service purchase from MSRS-General
Laws 1984, Chap. 574, Sec. 30	St. Paul Public Health employee prior military service leave purchase from PERA
Laws 1983, Chap. 84	Polk County deputy sheriff purchase of Crookston police service from PERA-P&F
Laws 1983, Chap. 286, Sec. 24	State agency employee unpaid leave of absence service purchase from MSRS-General
Laws 1982, Chap. 391	Current and former University of Minnesota - Duluth employee special refund repayment to MSRS-General and TRA
Laws 1982, Chap. 578, Art. I, Sec. 16	Moorhead State University faculty member omitted contribution purchase from State University-Community College Supplemental Retirement Plan
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 2	State labor service employee service purchase from MSRS-General
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 3	Initial military service duty period service purchase from TRA
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 4	Pre-age 25, pre-1957 limited or permanent exempt teaching service purchase from TRA
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 5	Lac Qui Parle County attorney service purchase from PERA
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 6	Pre-1953 St. Paul Bureau of Health employee service purchase from PERA
Laws 1982, Chap. 578, Art. II,	Initial military service duty period service purchase from MTRFA

Citation	Nature of Provision
Sec. 1, Subd. 7 and Sec. 3	
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 8	Probationary police duty service purchase from Buhl Police Relief Association
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 9	Pre-1957 teaching and military service purchase from TRA
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 10	Probationary state Tax Department employee service purchase from MSRS-General
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 11	West St. Paul City council member service purchase from PERA
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 12	Pre-1947 State Department of Employment Services service purchase from MSRS-General
Laws 1982, Chap. 578, Art. II, Sec. 1, Subd. 13	Part-time New Brighton City police service purchase from PERA
Laws 1982, Chap. 578, Art. II, Sec. 4	Intermittent legislative employee service purchase from MSRS-Unclassified
Laws 1982, Chap. 578, Art. II, Sec. 5, Subd. 3	Unclassified State employee service purchase from State Patrol Retirement Plan
Laws 1981, Chap. 68, Sec. 44	Suburban Public Health Nursing Services, Inc. employee prior service credit purchase from PERA
Laws 1981, Chap. 155, Sec. 2	Contribution transfer from PERA to St. Paul Public Housing Agency defined contribution plan
Laws 1981, Chap. 159, Sec. 1	Parental or maternity leave of absence purchase from MTRFA authorized
Laws 1981, Chap. 297, Sec. 1 and 2, Clause (f)	West St. Paul City police officer local relief association service credit transfer to and purchase from PERA-P&F
Laws 1981, Chap. 297, Sec. 2, Subd. 1, Clause (a)	Veterans Affairs Department service credit purchase from MSRS-General
Laws 1981, Chap. 297, Sec. 2, Subd. 1, Clause (b)	Former Minneapolis city municipal court reporter military leave service credit purchase from PERA
Laws 1981, Chap. 297, Sec. 2, Subd. 1, Clause (c)	Mille Lacs County commissioner service credit purchase from PERA
Laws 1981, Chap. 297, Sec. 2, Subd. 1, Clause (d)	Former St. Paul firefighter service purchase by Brainerd fire chief from PERA-P&F
Laws 1981, Chap. 297, Sec. 2, Subd. 1, Clause (e)	University of Minnesota-Duluth professor exempt teaching service credit purchase from TRA
Laws 1981, Chap. 297, Sec. 2, Subd. 1, Clause (g)	Camp Ripley military service credit purchase from MSRS-General
Laws 1981, Chap. 297, Sec. 2, Subd. 1, Clause (h)	Intermittent legislative employee service credit purchase from MSRS-General
Laws 1981, Chap. 297, Sec. 2, Subd. 1, Clause (i)	WW II federalized employment service employment period service credit purchase from MSRS-General
Laws 1981, Chap. 297, Sec. 4	Pre-1981 State Department of Corrections security guard service credit purchase from MSRS-Correctional
Laws 1981, Chap. 319, Sec. 3	Combined firefighter-public works department employee service credit purchase from PERA-P&F
Laws 1980, Chap. 341, Sec. 6	Bloomington police chief buyback in PERA-P&F
Laws 1980, Chap. 600, Sec. 16	Moorhead police chief buyback in PERA-P&F
Laws 1980, Chap. 600, Sec. 17	St. Louis Park police chief purchase into PERA-P&F
Laws 1980, Chap. 600, Sec. 19	MTC-TOD employee buyback in MSRS
Laws 1979, Chap. 40, Sec. 4	General law repayment of refund for all terminated at age 65
Laws 1979, Chap. 120, Sec. 2	Cottage Grove Fire purchase into PERA-P&F

Citation	Nature of Provision
Laws 1979, Chap. 217, Sec. 6	1st Class City Coordinated Teachers - sabbatical leave purchase
Laws 1979, Chap. 217, Sec. 7	1st Class City Coordinated Teachers - military leave purchase
Laws 1979, Chap. 217, Sec. 9	1st Class City Coordinated Teachers - full time purchase by part-time teachers
Laws 1979, Chap. 217, Sec. 23	1st Class City Coordinated Teachers - repayment of refund
Laws 1979, Chap. 336, Sec. 3	Communication Center for the Blind purchase into MSRS
Laws 1978, Chap. 615	U of M employee repay refund for combined service annuity
Laws 1978, Chap. 684	Brooklyn Center Police purchase into PERA-P&F; repayment of refunds
Laws 1978, Chap. 689	Thief River Falls Police purchase into PERA-P&F
Laws 1978, Chap. 690, Sec. 10	St. Cloud Firefighter buyback in PERA-P&F
Laws 1978, Chap. 720, Sec. 21	General law future authorization of buybacks for CETA employees
Laws 1978, Chap. 720, Sec. 23	Tax Court judges buyback in MSRS
Laws 1978, Chap. 774	U of M Peace Officers purchase into PERA-P&F
Laws 1978, Chap. 781, Sec. 11	City employee buyback in MERF
Laws 1978, Chap. 796, Sec. 19	Constitutional officers; repayment of refund
Laws 1977, Chap. 61, Sec. 3	Eveleth Police & Fire purchase into PERA-P&F
Laws 1977, Chap. 79	Judge's survivor account buyback
Laws 1977, Chap. 89, Sec. 7	Metro Sports Area Commission employee buyback from MSRS-General
Laws 1977, Chap. 429, Sec. 13	MSRS labor organization employee buyback
Laws 1977, Chap. 429, Sec. 53	Intermittent legislative service employee buyback
Laws 1977, Chap. 429, Sec. 57	Ramsey County Sheriff buyback in PERA-P&F
Laws 1977, Chap. 429, Sec. 58	Elected Official annuitant repayment of refund to the Elected State Officers Retirement Plan
Laws 1977, Chap. 429, Sec. 62	Winona Police chief buyback in PERA-P&F
Laws 1977, Chap. 447, Art. IX	TRA, 1st class city teachers purchase of service for extended leaves of absence and as qualified part-time teachers
Laws 1976, Chap. 247, Sec. 1	Albert Lea Police chief buyback in PERA-P&F
Laws 1976, Chap. 329, Sec. 16	Minnesota Municipal Utilities Association employee buyback in PERA
Laws 1976, Chap. 329, Sec. 29	TRA general law maternity leave purchase
Laws 1976, Chap. 329, Sec. 33	General law refund of refund by retirees under combined service annuity
Laws 1975, Chap. 99	Camp Ripley service buyback in MSRS-General
Laws 1975, Chap. 102, Sec. 4	PERA labor organization employee buyback
Laws 1975, Chap. 121	Bloomington police buyback
Laws 1975, Chap. 187	St. Paul Bureau of Health employee buyback in PERA
Laws 1975, Chap. 232	All funds general law repayment of refunds for combined service annuity
Laws 1975, Chap. 306	TRA labor organization employee buyback
Laws 1975, Chap. 368, Sec. 11	Former legislator refund repayment
Laws 1975, Chap. 368, Sec. 40	Highway Patrol service in more than one fund repayment
Laws 1975, Chap. 368, Sec. 52	Repayment of annuity by certain legislative employee to reinstate MSRS-General service credit
Laws 1975, Chap. 388, Sec. 1	Intermittent legislative service employee buyback in MSRS-General
Laws 1974, Chap. 76, Sec. 8	MERF military leave purchase for exempt class
Laws 1974, Chap. 229, Sec. 24	Association of Minnesota Counties employee buyback in PERA
Laws 1974, Chap. 289, Sec. 54	TRA sabbatical leave purchase (revision)
Laws 1974, Chap. 454	Highway Patrol employee purchase/transfer
Laws 1974, Chap. 551	Special School District No. 1 strike time buyback in MTRFA
Laws 1973, Chap. 563, Sec. 2	Cloquet Fire purchase into PERA-P&F

Citation	Nature of Provision
Laws 1973, Chap. 594, Sec. 6	Fridley Fire buyback into PERA-P&F
Laws 1973, Chap. 753, Sec. 12	PERA General law military leave
Laws 1973, Chap. 753, Sec. 61	PERA General law prior service purchase
Laws 1973, Chap. 767, Sec. 2	St. Paul Bureau of Health employee purchase into PERA
Extra Session Laws 1971, Chap. 32, Sec. 25	Roseau County judge purchase
Laws 1971, Chap. 536	PERA repayment of refund to obtain survivor's benefit
Laws 1969, Chap. 888	PERA purchase of time during which no deductions made by employer
Laws 1969, Chap. 1102, Sec. 3	St. Paul Bureau of Health purchase into PERA
Laws 1967, Chap. 687, Sec. 1	PERA retroactive purchase on total salary
Laws 1965, Chap. 302	State Police employee transfer/purchase to SERA
Laws 1965, Chap. 498, Sec. 2	Bloomington police buyback
Laws 1965, Chap. 572	PERA school district employee buyback
Laws 1965, Chap. 715, Sec. 1-3	PERA General law purchase of prior service
Laws 1965, Chap. 821, Sec. 14	TRA General law purchase of post-1957 over \$4,800 salary credit
Laws 1963, Chap. 374, Sec. 4	MERF military service after repayment of refund
Laws 1963, Chap. 582	Highway Patrol - game warden buyback
Laws 1963, Chap. 641, Sec. 2	PERA General law repayment of refund for service in more than one fund annuity
Laws 1963, Chap. 641, Sec. 5	PERA General law leave of absence purchase
Laws 1963, Chap. 763	Former PERA member buyback
Laws 1963, Chap. 786	1st class city stenographic reporter repayment of refund and buyback
Extra Session Laws 1961, Chap. 17, Sec. 7	TRA general law leave of absence purchase
Extra Session Laws 1961, Chap. 17, Sec. 14	TRA general law repayment of refund
Extra Session Laws 1961, Chap. 67, Sec. 22	SERA General law repayment of refund for service in more than one fund annuity
Laws 1961, Chap. 461	PERA repayment of refund to obtain survivor's benefit
Laws 1961, Chap. 614	PERA repayment of refund to obtain retirement benefit
Extra Session Laws 1959, Chap. 6, Sec. 22	SERA General law repayment of refunds for forfeited military service and pre-1929 service
Extra Session Laws 1959, Chap. 6, Sec. 26	SERA General law repayment of refund to obtain survivor's benefit
Laws 1959, Chap. 484	Game Warden repayment of refund to obtain increased annuity
Laws 1959, Chap. 651	PERA General law repayment of refund to obtain increased annuity
Laws 1957, Chap. 935, Sec. 16	PERA General law authorization of payments in lieu of salary deductions (authorization ended 6/30/58)

Attachment C

354.533 PRIOR OR UNCREDITED MILITARY SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement association and who performed service in the United States armed forces before becoming a teacher as defined in section [354.05](#), subdivision 2, or who failed to obtain service credit for a military leave of absence under the provisions of section [354.53](#), is entitled to purchase allowable and formula service credit for the initial period of enlistment, induction, or call to active duty without any voluntary extension by making payment under section [356.55](#) provided the teacher is not entitled to receive a current or deferred retirement annuity from a United States armed forces pension plan and has not purchased service credit from any other defined benefit public employee pension plan for the same period of service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher upon receipt of the purchase payment amount. Payment must be made before the teacher's effective date of retirement.

354.534 PRIOR OUT-OF-STATE TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** (a) A teacher who has at least three years of allowable service credit with the teachers retirement association is entitled to purchase up to ten years of allowable and formula service credit for out-of-state teaching service by making payment under section [356.55](#), provided the out-of-state teaching service was performed for an educational institution established and operated by another governmental jurisdiction and the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit and has not purchased service credit from another defined benefit public employee pension plan for that out-of-state teaching service.

(b) For purposes of paragraph (a), "another governmental jurisdiction" means:

- (1) another state of the United States;
- (2) a governmental subdivision of another state of the United States;
- (3) the federal government;
- (4) a federally recognized American Indian tribe; or
- (5) a country other than the United States.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

354.535 MATERNITY LEAVE OF ABSENCE AND BREAK IN SERVICE PURCHASES.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement association and who was granted a maternity leave of absence by a school district or other employing unit covered by the teachers retirement association for which the teacher did not previously receive allowable and formula service credit, or who had a maternity break in teaching service for which the teacher did not receive or purchase service credit from another defined benefit public employee pension plan is entitled to purchase the actual period of the leave or of the break in teaching service, up to five years, of allowable and formula service credit for applicable maternity leaves of absence or applicable maternity break in teaching service periods by making payment under section [356.55](#).

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

354.536 PRIVATE OR PAROCHIAL TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement association is entitled to purchase up to ten years of allowable and formula service credit for developmental achievement center, nonprofit community-based corporation, private, or parochial school teaching service by making payment under section [356.55](#), provided that the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit from the applicable employer-sponsored pension plan and has not purchased service credit from the applicable defined benefit employer-sponsored pension plan for that service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

354.537 PEACE CORPS OR VISTA SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement association is entitled to purchase up to ten years of allowable and formula service credit for service rendered in the federal Peace Corps program or in the federal Volunteers in Service to America program by making payment under section [356.55](#), provided that the teacher has not purchased service credit from any defined benefit pension plan for that service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

354.538 CHARTER SCHOOL TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement association is entitled to purchase up to ten years of allowable and formula service credit for charter school teaching service by making payment under section [356.55](#), provided that the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit from the applicable employer-sponsored pension plan and has not purchased service credit from the applicable defined benefit employer-sponsored pension plan for that service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

354A.097 PRIOR OR UNCREDITED MILITARY SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement fund association and who performed service in the United States armed forces before becoming a teacher as defined in section [354A.011](#), subdivision 27, or who failed to obtain service credit for a military leave of absence period under section [354A.093](#), is entitled to purchase allowable service credit for the initial period of enlistment, induction, or call to active duty without any voluntary extension by making payment under section [356.55](#), provided the teacher is not entitled to receive a current or deferred retirement annuity from a United States armed forces pension plan and has not purchased service credit from another defined benefit public employee pension plan for the same period of service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director or secretary of the respective teachers retirement fund association to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director or secretary to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director or secretary may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the applicable teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

354A.098 PRIOR OUT-OF-STATE TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** (a) A teacher who has at least three years of allowable service credit with one of the retirement fund associations under this chapter and who rendered out-of-state teaching service for an educational institution established and operated by another governmental entity specified in paragraph (b) is entitled to purchase up to ten years of allowable service credit for that out-of-state service by making payment under section [356.55](#), provided the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit and has not purchased service credit from another defined benefit public employee pension plan for that out-of-state teaching service. Payment must be made before the teacher's effective date of retirement.

(b) An eligible governmental entity for purposes of paragraph (a) is:

(1) another state of the United States;

(2) a governmental subdivision of another state of the United States;

- (3) the federal government;
- (4) a federally recognized American Indian tribe; or
- (5) a public education institution in a foreign country.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director or secretary of the respective teachers retirement fund association to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director or secretary to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director or secretary may require.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the applicable teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

354A.099 MATERNITY BREAK IN SERVICE OR LEAVE SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement fund association and who was granted a maternity leave of absence by a school district or other employing unit covered by the teachers retirement association for which the teacher did not previously receive allowable service credit or who had a maternity break in teaching service for which the teacher did not receive or purchase service credit from another defined benefit public employee pension plan is entitled to purchase the actual period of the leave or of the break in teaching service, up to five years, of allowable service credit for applicable maternity leaves of absence or applicable maternity break in teaching service periods by making payment under section [356.55](#).

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director or secretary of the respective retirement fund association to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director or secretary to request and receive any necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director or secretary may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the applicable teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

354A.101 PRIVATE OR PAROCHIAL TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement fund association is entitled to purchase up to ten years of allowable service credit for developmental achievement center or nonprofit community-based corporation, private, or parochial school teaching service by making payment under section [356.55](#), provided that the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit from the applicable employer-sponsored pension plan and has not purchased service credit from the applicable defined benefit employer-sponsored pension plan for that service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

354A.102 PEACE CORPS OR VISTA SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement fund association is entitled to purchase up to ten years of allowable service credit for service rendered in the federal Peace Corps program or in the federal Volunteers in Service to America program by making payment under section [356.55](#), provided that the teacher has not purchased service credit from any defined benefit pension plan for that service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

354A.103 CHARTER SCHOOL TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement fund association is entitled to purchase up to ten years of allowable service credit for charter school teaching service by making payment under section [356.55](#), provided that the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit from the applicable employer-sponsored pension plan and has not purchased service credit from the applicable defined benefit employer-sponsored pension plan for that service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

354A.104 PREVIOUSLY UNCREDITED PART-TIME TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement fund association and who performed part-time teaching service in the applicable school district and was not eligible previously for service credit for that service is entitled to purchase the previously uncredited service by making payment under section [356.55](#).

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

352.275 UNCREDITED MILITARY SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A state employee who has at least three years of allowable service with the Minnesota state retirement system and who performed service in the United States armed forces before becoming a state employee, or who failed to obtain service credit for a military leave of absence under section [352.27](#), is entitled to purchase allowable service credit for the initial period of enlistment, induction, or call to active duty without any voluntary extension by making payment under section [356.55](#) if the employee is not entitled to receive a current or deferred retirement annuity from a United States armed forces pension plan and has not purchased service credit from any other defined benefit public employee pension plan for the same period of service.

Subd. 2. **Application and documentation.** An employee who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the employee's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the Minnesota state retirement system to the purchasing employee upon receipt of the purchase payment amount. Payment must be made before the employee's effective date of retirement.

352B.01 DEFINITIONS.

Subd. 3a. **Uncredited military service credit purchase.** (a) A member who has at least three years of allowable service with the state patrol retirement plan under subdivision 3 and who performed service in the United States armed forces before becoming a member is entitled to purchase allowable service credit for the initial period of enlistment, induction, or call to active duty without any voluntary extension by making payment under section [356.55](#), if the employee is not entitled to receive a current or deferred retirement annuity from a United States armed forces pension plan and has not purchased service credit from any other defined benefit public employee pension plan for the same period of service.

(b) A member who desires to purchase service credit under paragraph (a) must apply with the executive director to make the purchase. The application must include all necessary documentation of the member's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require.

(c) Allowable service credit for the purchase period must be granted by the state patrol retirement plan to the purchasing employee upon receipt of the purchase payment amount. Payment must be made before the effective date of retirement of the member.

353.01 DEFINITIONS.

Subd. 16a. **Uncredited military service credit purchase.** (a) A public employee who has at least three years of allowable service with the public employees retirement association or the public employees police and fire plan and who performed service in the United States armed forces before becoming a public employee, or who failed to obtain service credit for a military leave of absence under subdivision 16, paragraph (h), is entitled to purchase allowable service credit for the initial period of enlistment, induction, or call to active duty without any voluntary extension by making payment under section [356.55](#) if the public employee is not entitled to receive a current or deferred retirement annuity from a United States armed forces pension plan and has not purchased service credit from any other defined benefit public employee pension plan for the same period of service.

(b) A public employee who desires to purchase service credit under paragraph (a) must apply with the executive director to make the purchase. The application must include all necessary documentation of the public employee's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary

verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require.

(c) Allowable service credit for the purchase period must be granted by the public employees association or the public employees police and fire plan, whichever applies, to the purchasing public employee upon receipt of the purchase payment amount. Payment must be made before the effective date of retirement of the public employee.

354.539 USE OF COLLEGE SUPPLEMENTAL RETIREMENT FUNDS TO PURCHASE SERVICE CREDIT.

(a) Unless prohibited by or subject to a penalty under federal law, a teacher who is a participant in the college supplemental retirement plan established under chapter 354C may utilize the teacher's supplemental plan account to purchase service credit under sections [354.53](#), [354.533](#), [354.534](#), [354.535](#), [354.536](#), [354.537](#), [354.538](#), [354.541](#), and [354.542](#) or to repay a refund under section [354.50](#).

(b) At the request of a member, if determined by the executive director to be eligible to purchase service credit, the executive director shall notify the board of the Minnesota state colleges and universities system of the cost of the purchase and shall request the transfer of funds from the member's college supplemental retirement account to the teachers retirement association. Upon receipt of the full prior service credit purchase payment amount, the teachers retirement association shall grant the requested allowable and formula service credit.

354A.106 USE OF COLLEGE SUPPLEMENTAL RETIREMENT FUNDS TO PURCHASE SERVICE CREDIT.

(a) Unless prohibited by or subject to a penalty under federal law, a teacher who is a participant in the college supplemental retirement plan established under chapter 354C may utilize the teacher's supplemental plan account to purchase service credit under sections [354A.097](#), [354A.098](#), [354A.099](#), [354A.101](#), [354A.102](#), [354A.103](#), [354A.104](#), [354A.109](#), and [354A.1095](#), or to repay a refund under section [354A.38](#).

(b) At the request of a member, if determined by the executive director of the applicable teachers retirement fund association to be eligible to purchase service credit, the executive director shall notify the board of the Minnesota state colleges and universities system of the cost of the purchase and shall request the transfer of funds from the member's college supplemental retirement account to the applicable teachers retirement fund association. Upon receipt of the full prior service credit purchase payment amount, the applicable teachers retirement fund association shall grant the requested allowable and formula service credit.

354C.165 PROHIBITION ON LOANS OR PRETERMINATION DISTRIBUTIONS.

(a) Except as provided in paragraph (c), no participant may obtain a loan or any distribution from the plan before the participant terminates the employment that gave rise to plan coverage.

(b) No amounts to the credit of the plan are assignable either in law or in equity, are subject to state estate tax, or are subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section [518.58](#), [518.581](#), or [518.6111](#).

(c) Unless prohibited by or subject to a penalty under federal law, a teacher who is a participant in the supplemental retirement plan may request, in writing, a transfer of all or a portion of the funds accumulated in the person's supplemental plan account to the teachers retirement association to purchase service credit under sections [354.53](#), [354.533](#), [354.534](#), [354.535](#), [354.536](#), [354.537](#), and [354.538](#) or to the teachers retirement fund association to purchase service credit under sections [354A.097](#), [354A.098](#), [354A.099](#), [354A.101](#), [354A.102](#), [354A.103](#), and [354A.104](#). Upon receipt of a valid request, the board shall execute the transfer. The transfer must be a fund-to-fund transfer, and in no event shall the participant directly receive any of the funds while still employed by the board. In no event may the board transfer more than the participant's account balance. The board, in cooperation with the executive director of the teachers retirement association, shall develop the forms for requesting a transfer and the procedures for executing the requested transfers.

354.541 PRIOR UNIVERSITY OF MINNESOTA TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement association is entitled to purchase up to ten years of allowable and formula service credit for University of Minnesota teaching service by making payment under section [356.55](#), provided the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit and has not purchased service credit from another defined benefit public employee pension plan for that University of Minnesota teaching service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

354A.109 PRIOR UNIVERSITY OF MINNESOTA TEACHING SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement fund association is entitled to purchase up to ten years of allowable service credit for University of Minnesota teaching service by making payment under section [356.55](#), provided the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit and has not purchased service credit from another defined benefit public employee pension plan for that University of Minnesota teaching service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

354.542 PRIOR TEACHING SERVICE CREDIT PURCHASE BY IRAP MEMBERS WITH DEFERRED TEACHERS RETIREMENT ASSOCIATION CREDIT.

A person in covered employment under section [354B.20](#), subdivision 4, who is a participant in the individual retirement account plan authorized by chapter 354B and who has at least three years of allowable service credit with the teachers retirement association may purchase service credit as provided in sections [354.533](#) to [354.538](#) and [354.541](#).

354A.1095 PRIOR TEACHING SERVICE CREDIT PURCHASE BY IRAP MEMBERS WITH DEFERRED TEACHERS RETIREMENT ASSOCIATION CREDIT.

A teacher who is a participant in the individual retirement account plan authorized by chapter 354B and who has at least three years of allowable service credit with a teachers retirement fund association may purchase service credit as provided in sections [354A.091](#) to [354A.099](#), [354A.101](#) to [354A.106](#), and [354A.109](#).

356.555 PARENTAL OR FAMILY LEAVE SERVICE CREDIT PURCHASE.

Subdivision 1. **Service credit purchase authorization.** (a) Notwithstanding any provision to the contrary of the laws governing a covered pension plan enumerated in subdivision 4, a member of the pension plan who has at least three years of allowable service covered by the applicable pension plan and who was granted by the employer a parental leave of absence as defined in paragraph (b), or who was granted by the employer a family leave of absence as defined in paragraph (c), or who had a parental or family-related break in employment, as defined in paragraph (d), for which the person did not previously receive service credit or for which the person did not receive or purchase service credit from another defined benefit public employee pension plan, is entitled to purchase the actual period of the leave or of the break in service, up to five years, of allowable service credit in the applicable retirement plan. The purchase payment amount is governed by section [356.55](#).

(b) For purposes of this section, a parental leave of absence is a temporary period of interruption of or separation from active employment for the purposes of handling maternity or paternity duties that has been approved by the employing unit and that includes the right of reinstatement to employment.

(c) For purposes of this section, a family leave of absence is a family leave under United States Code, title 42, section 12631, as amended.

(d) For purposes of this section, a parental or family-related break in employment is a period following a termination of active employment primarily for the purpose of the birth of a child, the adoption of a child, or the provision of care to a near relative or in-law, after which the person returned to the prior employing unit or to an employing unit covered by the same pension plan that provided retirement coverage immediately prior to the termination of employment.

Subd. 2. **Application and documentation.** (a) A person who desires to purchase service credit under subdivision 1 must apply for the service credit purchase with the chief administrative officer of the enumerated pension plan.

(b) The application must include all necessary documentation of the qualifications of the person to make the purchase, signed written permission to allow the chief administrative officer to request and receive necessary verification of all applicable facts and eligibility requirements, and any other relevant information that the chief administrative officer may require.

Subd. 3. **Service credit grant.** Allowable and formula service credit in the applicable enumerated pension plan for the purchase period must be granted to the purchaser upon receipt of the purchase payment amount calculated under section [356.55](#). Payment of the purchase amount must be made before the person retires.

Subd. 4. **Covered pension plans.** This section applies to the following pension plans:

- (1) the general state employees retirement plan governed by chapter 352;
- (2) the correctional state employees retirement plan governed by chapter 352;
- (3) the general employees retirement plan of the public employees retirement association governed by chapter 353;
- (4) the public employees police and fire plan governed by chapter 353;
- (5) the teachers retirement plan governed by chapter 354;
- (6) the Minneapolis teachers retirement fund association governed by chapter 354A;
- (7) the Saint Paul teachers retirement fund association governed by chapter 354A;
- (8) the Duluth teachers retirement fund association governed by chapter 354A;
- (9) the Minneapolis employees retirement plan governed by chapter 422A;
- (10) the Minneapolis police relief association governed by chapter 423B; and
- (11) the Minneapolis fire department relief association governed by chapter 423C.

Attachment D

356.55 PRIOR SERVICE CREDIT PURCHASE PAYMENT AMOUNT DETERMINATION PROCEDURE.

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

(b) The purchase payment amount determination procedure must recognize any service credit accrued to the purchaser in a pension plan enumerated in section [356.30](#), subdivision 3.

(c) Any service credit in a Minnesota defined benefit public employee pension plan available to be reinstated by the purchaser through the repayment of a refund of member or employee contributions previously received must be repaid in full before any purchase of prior service credit payment is made under this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subd. 3. **Source of determination.** The prior service credit purchase payment amounts under subdivision 2 must be calculated by the chief administrative officer of the public pension plan using a prior service credit purchase payment amount determination process that has been verified for accuracy and consistency under this section by the commission-retained

actuary. That verification must be in writing and must occur before the first prior service credit purchase for the plan under this section is accepted and every five years thereafter or whenever the preretirement interest rate, postretirement interest rate, payroll growth, or mortality actuarial assumption for the applicable pension plan is modified under section [356.215](#), whichever occurs first.

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

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

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

(b) As a supplemental report to the regular annual actuarial valuation for the applicable public pension plan prepared by the consulting actuary retained by the legislative commission on pensions and retirement, the actuary shall provide a comparison for each purchase showing the total prior service credit payment received from all sources and the increased public pension plan actuarial accrued liability resulting from each purchase.

Subd. 7. **Expiration of purchase payment determination procedure.** (a) This section expires and is repealed on July 1, 2003.

(b) Authority for any public pension plan to accept a prior service credit payment that is calculated in a timely fashion under this section expires on October 1, 2003.

356.551 POST JULY 1, 2003, PRIOR SERVICE CREDIT PURCHASE PAYMENT AMOUNT DETERMINATION PROCEDURE.

Subdivision 1. **Application.** Unless the prior service credit purchase authorization special law or general statute provision explicitly specifies a different purchase payment amount determination procedure, and if section [356.55](#) has expired, this section governs the determination of the prior service credit purchase payment amount of any prior service credit purchase.

Subd. 2. **Determination.** The prior service credit purchase amount is an amount equal to the actuarial present value, on the date of payment, as calculated by the chief administrative officer of the pension plan and reviewed by the actuary retained by the legislative commission on pensions and retirement, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section. Calculation of this amount must be made using the preretirement interest rate applicable to the public pension plan specified in section [356.215](#), subdivision 4d, and the mortality table adopted for the public pension plan. The calculation must assume continuous future service in the public pension plan until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including section [356.30](#), are met with the additional service credit purchased. The calculation must also assume a full-time equivalent salary, or actual salary, whichever is greater, and a future salary history that includes annual salary increases at the applicable salary increase rate for the plan specified in section [356.215](#), subdivision 4d. Payment must be made in one lump sum within one year of the prior service credit authorization. Payment of the amount calculated under this section must be made by the applicable eligible person. However, the current employer or the prior employer may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 8.5 percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this subdivision, the purchaser must make the employee payments required under this subdivision within 290 days of the prior service credit authorization. If that employee payment is made, the employer payment under this subdivision must be remitted to the chief administrative officer of the public pension plan within 60 days of receipt by the chief administrative officer of the employee payments specified under this subdivision.

Subd. 3. **Documentation.** The prospective purchaser must provide any relevant documentation required by the chief administrative officer of the public pension plan to determine eligibility for the prior service credit under this section.

Subd. 4. **Payment precondition for credit grant.** Service credit for the purchase period must be granted by the public pension plan to the purchaser upon receipt of the purchase payment amount specified in subdivision 2.