



TO: Members of the Legislative Commission on Pensions and Retirement  
FROM: Ed Burek, Deputy Director *EB*  
RE: H.F. 889 (Murphy, M., by request); S.F.296 (Betzold): PERA Administrative Bill  
DATE: March 1, 2007

General Summary of H.F. 889 (Murphy, M., by request); S.F.296 (Betzold)

H.F. 889 (Murphy, M., by request); S.F.296 (Betzold) contains the following provisions related to the Public Employees Retirement Association (PERA):

1. Increases death while active survivor benefits when benefits are deferred;
2. Authorizes health insurance withholding for certain public safety retirees of various plans;
3. Revises receivables allocation procedures for various plans;
4. Clarifies the included employee provision and elected official requirements to commence annuity payments;
5. Clarifies the governmental subdivision status of charter schools and mental health cooperatives;
6. Removes the requirement that the executive director be approved by the Senate;
7. Specifies that no action for recovery of contributions will commence before the initial coverage date;
8. Clarifies death while active or deferred surviving spouse provisions;
9. Temporarily offers full actuarial value service credit purchases for Comprehensive Employment Training Act (CETA) service; and
10. Repeals obsolete or redundant provisions.

Section-by-Section Summary and Analysis

Section 1 amends Minnesota Statutes, Section 353.01, Subdivision 2a, the included employee provision, by clarifying that salaries from all positions held by a person within a governmental unit will be totaled for purposes of meeting the \$425 membership salary threshold, and by moving language from another section stating that elected officials retain plan membership for the duration of the person's employment in that position or incumbency in elected office.

PERA intends the changes in Section 1 as clarification rather than policy revision. The change regarding the elected official language is part of an effort to more clearly state PERA's policy on elected official terminations. In addition to the new language in this section of the bill, related new language regarding elected official terminations appears in Section 4 (7.34 and 8.1-8.6). Reading the various statements in combination, if an elected official with PERA defined benefit plan coverage filed a termination of elected employment following a successful reelection but before the new term begins, PERA would not consider this a valid termination for purposes of commencing receipt of an annuity. PERA would recognize the termination notice as being valid for pension purposes if the official resigned from office and remains completely separated from the office for at least 30 days prior to the next election date. The individual might subsequently decide to run for reelection, but at least there is uncertainty whether the individual will be reelected to the office.

Policy issues raised by Section 1 are:

1. Potential for Complaints from Local Elected Officials. Although the revised language may be consistent with current PERA policy and PERA's interpretation of its laws, the more explicit statement proposed for law will make that policy more apparent, which may create complaints from a local elected official who previously was not aware of the policy.
2. Possible Impact on Individuals Other Than Elected Officials. The issue is whether the proposed revision might harm certain seasonal employees who were allowed to retain PERA membership in 2001 under a grandfather provision. The Commission may wish to hear brief testimony as to how PERA intends to interpret this language. In 2001, PERA coverage provisions were revised to exclude certain seasonal employees, in addition to elected officials, from commencing General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) coverage after June 30, 2002. As part of that legislative package, the now-existing law language in paragraph (b) (2.4-2.11) was added to grandfather any existing PERA members who otherwise would be excluded from membership due to that change. The question is whether the new proposed language (2.8-2.10) may impact some seasonal employees who appeared to be grandfathered in under the 2001 changes. The

existing law language retains membership until the employee terminates public employment or terminates plan membership; while under the proposed language the individual would remain covered “for the duration of the person’s employment in that position...” While that seems more restrictive, if the individual were to move to another position which qualifies for PERA coverage, that individual would remain a PERA active member due to employment in that new position. The Commission may wish to explore through testimony if there is a circumstance under which the existing law continues coverage that the new language, in conjunction with other law, would not also cover, and whether any legislative remedy in the form of an amendment should be offered.

- **Amendment H0889-1A** retains the current membership retention for employees other than elected officials language to avoid an unintended impact on seasonal employees.

Section 2 amends Minnesota Statutes, Section 353.01, Subdivision 2b, PERA’s excluded employee provision, by striking language to be moved to Section 1.

Section 3 amends Minnesota Statutes, Section 353.01, Subdivision 6, PERA’s definition of governmental subdivision by:

- 1) Including units or instrumentalities of local governments;
- 2) Clarifying that a public body is a government subdivision if it is established under state or local government authority that has a governmental purpose, is under public control, is responsible for the employment and payment of the salaries of the entity’s employees, and which receives a major portion of its revenues from taxation, fee assessment, or from other public purposes, rather than whose revenues are derived from those sources;
- 3) Including charter schools; service cooperatives exercising retirement plan participation under Section 123A.21; various joint powers boards, family service collaboratives, and children’s mental health collaboratives, if the creating entities are governmental units that otherwise qualify for retirement plan membership;
- 4) Stating that family service collaboratives or children’s mental health collaboratives are not governmental subdivisions if the board is not totally composed of representatives of governmental units;
- 5) Adding a paragraph stating that a 501(c)(3) nonprofit corporation or a nonprofit under Minnesota Statutes, Section 317A, is not a government subdivision unless the entity has obtained a written advisory opinion from the federal Department of Labor or an Internal Revenue Service (IRS) ruling declaring the entity to be an instrumentality of the state, and if its inclusion in PERA would be consistent with government plan qualification requirements in federal code; and
- 6) Adding a paragraph stating that if PERA determines that an organization is a government subdivision, it shall be subject to the PERA coverage for its eligible employees on a prospective basis.

Policy issues raised by Section 3 are:

1. Proper Date to Commence Coverage. Under proposed new language in paragraph (f), if PERA determines that an employing unit, which previously had not participated in the plan, meets the definition of a governmental subdivision under PERA law, coverage for the applicable employees is “on a prospective basis upon receipt of a written notice of eligibility from the association.” PERA will not commence action to recover any omitted employee or employer contributions for any period prior to the initial plan coverage date of the governmental subdivision (13.1-13.3). This treatment is appropriate if the employing unit met the definition of a governmental subdivision on the day that PERA made the determination. It raises questions if the employing unit met the definition of a governmental subdivision months or even years before the PERA review and determination letter. As drafted, PERA will neither require nor permit any past contributions or service credit purchases to cover this past service.
2. Equitable Treatment of Employees. The issue is whether the proposed treatment is fair to the employees if these employees were providing public-like service prior to the date of PERA’s determination letter. Not allowing contributions or service credit purchases for periods when the individual was providing service that was equivalent to public employment or quasi-public employment seems inconsistent with general policy.
3. Likely Requests for Service Credit Purchases. This proposed treatment may lead to future special legislative requests to purchase this uncovered public or quasi-public service. However, any remedy, if the Commission deems it appropriate, may need to consider whether the individuals had some form of pension coverage during the period in question in order to avoid creating double coverage.

Potential Amendments. If the Commission concludes that coverage should be retroactive if PERA determines that an entity met the definition of a governmental subdivision before the date of PERA's determination letter, the Commission may wish to consider an amendment requiring contributions from the date that PERA concludes that an organization became a governmental subdivision. The plan's omitted deduction provision (which permits contributions to be required up to three years retroactively and places most of the payment obligation on the employer) could be used, at least in part, to address this situation. Several amendments for Commission consideration are:

- **Amendment H0889-2A** states that if the entity met the definition of a governmental subdivision prior to PERA's determination letter, PERA's omitted contribution provision would apply from the date that the organization first met the definition of a governmental subdivision. If the period exceeds three years, the individual could purchase that portion of the total period at full actuarial value. These procedures do not apply if the employment was covered by any public or private defined benefit or defined contribution plan, other than a volunteer fire plan.
- **Amendment H0889-3A** is comparable to H0889-2A, except that the procedures do not apply if the employment was covered by any Minnesota defined benefit plan, other than a volunteer fire plan.
- **Amendment H0889-4A** is also comparable to H0889-2A, except that rather than the individual purchasing service credit for any period in excess of three years, the employer would be required to make that purchase on behalf of the employee.
- **Amendment H0889-5A** is comparable to H0889-3A, except that the procedures do not apply if the employment was covered by any Minnesota defined benefit plan, other than a volunteer fire plan.
- **Amendment H0889-6A** is substantively different than the prior amendments. This amendment would simply delete all new language specifying treatment when an entity receives notice from PERA indicating that the organization is a governmental subdivision under PERA law and its members must be covered by PERA. By not including this language, the issue of whether coverage should be retroactive, if the entity met the definition of government subdivision prior to PERA's determination letter, is left unspecified. This would allow the Commission to further review the matter, and to decide on a policy next year rather than this year.

Section 4 amends Minnesota Statutes, Section 353.01, Subdivision 28, PERA's definition of retirement, by removing language that prohibited individuals from receiving a coordinated plan annuity if the individuals were PERA-General Basic Plan members or PERA Police and Fire Plan members who, after brief termination, commence PERA-General coordinated employment but provide less than six months of coordinated service prior to again terminating; by permitting a PERA defined benefit plan retirement annuity to commence although an individual becomes an elected official within 30 days of separation from employment covered by one of PERA's defined benefit plans; and by permitting elected officials who were covered by PERA-General for that elected official employment to commence drawing an annuity if the individual resigns from office before filing for reelection and by remaining completely and continuously separated from that office for at least 30 days prior to the election date. The revisions to clarify elected official policy were discussed under Section 1, above.

PERA has indicated that it seeks the deletion of the provision relating to PERA-General Basic Plan members or Public Employees Police and Fire Plan (PERA-P&F) members who become coordinated members due to revisions in Social Security government pension offset law. An explanation of the government pension offset provision and an explanation of the motivation behind the provision, downloaded from the Social Security website, is attached. That provision considerably reduces the Social Security surviving spouse benefit that would be paid to a surviving spouse if that surviving spouse had coverage by a basic rather than coordinated retirement program. In the past, these Social Security offsets or reductions would not apply if the surviving spouse was covered by a coordinated retirement program, rather than a basic program, on the last day of employment. A change in Social Security law a few years ago made it much harder to avoid that offset. For those who terminate employment on or after July 1, 2004, they must have been covered by a coordinated program for at least five years, rather than one day, prior to termination.

Given the change in Social Security law from the one-day to five-year requirement, PERA contends that individuals seeking to shift from a basic plan to a coordinated plan for a brief period prior to actual retirement is no longer a factor, and that the applicable language can be stricken. The Commission may wish to hear testimony from PERA to determine the appropriateness of the proposed deletion.

- **Amendment H0889-7A** reinstates the "basic member shift to coordinated plan" language.

Section 5 amends Minnesota Statutes, Section 353.03, Subdivision 3, PERA's board powers provision, by revising the provision for style, and by authorizing PERA to adopt rules necessary to comply with IRS and federal Department of Labor requirements.

Section 6 amends Section 353.03, Subdivision 3a, the PERA executive director appointment provision, by striking the requirement that the appointment be made with the advice and consent of the Senate; and by stating that two unspecified positions may, rather than shall, serve in the unclassified service.

The requirement that an individual cannot become the executive director of PERA unless the Senate gives its approval is one of several changes made to PERA law in 1985, as the Legislature responded to PERA administrative problems and allegations of corruption.

In the 1970s and early 1980s, PERA had a 15-member board dominated by employee representatives. A report from Senate hearings in 1984 on PERA indicates that beginning in the mid-1970s, John Allers, then the president of School Service Employees Local #284, began using his influence to take control of the PERA board. Mr. Allers gained the loyalty of the elected board members, in part by using the resources he controlled to pay for mailings to promote certain candidates for the elected member board positions. By the late 1970s, Mr. Allers had effective control of the board, and his dominance extended to PERA staff and operations. Testimony and written documents provided to the 1984 Senate Government Operations Committee investigating PERA indicated that the PERA staff was intimidated by Mr. Allers' influence. PERA's executive director from 1979 through part of 1984, Michael McLaren, described Mr. Allers' extraordinary influence over the board and the entire PERA organization. When Mr. McLaren was asked what he thought would happen if he disagreed or failed to implement any request by Mr. Allers, Mr. McLaren responded, "I guess I was not sure, and I guess I probably didn't want to find out."

The Senate report also documented questionable favorable treatment provided to John Allers' son, Shane Allers. According to the report, in 1981 Shane Allers was hired by PERA in a position created for him at the insistence of John Allers and Mr. McLaren after Shane Allers failed to be hired for two open PERA positions because other candidates were more qualified. Initially, staff was directed to fire one of the two successful candidates, to be replaced by Shane Allers. When staff refused to do so, staff was then directed to create a third position, which was given to Shane Allers. After Shane Allers was hired, PERA administrators contended they were pressured to promote Shane Allers and to ignore normal promotion practices and other qualified candidates. Shane Allers progressed rapidly within PERA; within four years of starting at PERA, Shane Allers received 17 salary increases.

In addition to these management/staffing issues, a report by the Legislative Auditor (*PERA Financial and Compliance Audit for Fiscal Year 1984*) was sharply critical of questionable or clearly improper expenditures by the PERA board and executive director and of poor financial controls in general. Board members may have been reimbursed multiple times for the same expenses or received payments intended as reimbursement when the expenses had actually been covered by other parties. Decisions to attend out-of-state conferences seemed to be at the discretion of the individual board member, with no prior authorization needed from the board as a whole. In some cases, PERA paid for airline tickets and other expenses for business that did not appear to be related to PERA duties. PERA used pension assets to pay for a fishing trip for various legislators, lobbyists, PERA staff, and board members. PERA created a term life insurance program for PERA members without legislative authorization to do so. PERA made payments on contracts that were unsigned or otherwise not properly executed. PERA made payments to John Allers totaling \$788, apparently for consulting services, although no written contract existed.

The audit report contended that the PERA board reimbursed Executive Director Michael McLaren for certain moving expenses which were inappropriate, and recommended that the board seek repayment of more than \$9,000. In addition, the Legislative Auditor concluded that the board overpaid Mr. McLaren by \$6,000 for education expense reimbursement, paying the tuition cost of an MBA program even though Mr. McLaren dropped out of the program. The report also suggested that PERA's executive director may have improperly increased the annuities of two influential individuals. The executive director personally revised those pension benefit computations, overriding the computations of his staff. According to Mr. McLaren, he made those changes based on his interpretation of the applicable statutes. However, in questioning those actions, the audit report noted that the executive director did not seek any input from the Office of the Attorney General regarding his interpretations, and the report claims that comparable changes were not made in the annuities of similarly situated individuals. During 1984, Mr. McLaren left PERA to take a similar position with the California Teachers Retirement System. The audit questioned the severance pay provided to Mr. McLaren relating to unused vacation and other matters, and recommended that the board seek reimbursement from Mr. McLaren for a week he was in California on personal business and for which he failed to use vacation time. Soon after Mr. McLaren started his new position in California, it became publicly known that

he had a consulting contract with the California system in addition to his salary and position as executive director of the California pension plan. A California newspaper speculated that the combination of the executive director salary and the consulting contract was an effort to circumvent maximum salary limitations that applied to the executive director position. Questions also arose about the nature of his expenses and expense reimbursement while employed by the California fund. About two months after starting the California position, he was terminated by the California Teachers Retirement System.

John Allers served for a while as PERA's executive director. After Mr. McLaren's dismissal from the California executive director position, there was speculation that Mr. McLaren might return as PERA's executive director, but that did not occur given the 1985 legislation.

To address the many problems at PERA, the 1985 Legislature removed PERA's board and replaced it with a smaller board, with the composition revised to reduce the influence of employee representatives. The 15-member board was replaced with an 11-member board, the State Auditor or designee was added, and five of the remaining ten positions are appointed by the Governor. As a further check on hiring decisions of the board, the PERA executive director was required to be confirmed by the Senate. A requirement was added that the executive director must have a minimum of five years experience in a pension fund and have demonstrated management ability. PERA was required to follow personnel policies generally applicable to state employees. State law, which previously set a maximum salary for the executive directors of the Minnesota State Retirement System (MSRS) and Teachers Retirement Association (TRA), was revised to also include the PERA executive director (previously, the salary had been set by PERA's board, and the PERA executive director's salary had been considerably in excess of that paid to the TRA and MSRS executive directors, although the duties were comparable). The PERA executive director also had more generous expense account provisions, including a car allowance.

The policy issue raised by Section 6 is:

1. Continuing Need for Safeguard. The issue is whether there is a continuing need to require Senate approval of the PERA executive director. The requirement was placed in PERA law in the mid-1980s as part of a package to address problems with PERA's board and the administration of PERA pension funds. The Commission might conclude that the safeguard should remain; or conclude that the situation that necessitated this provision has passed and the requirement can be removed. The MSRS and TRA executive directors are not required to be approved by the Senate.
- **Amendment H0889-8A** would reinstate the requirement that the PERA executive director be approved by the Senate.

Section 7 revises Minnesota Statutes, Section 353.03, Subdivision 4, a provision regarding PERA office space in the State Capitol or other state government buildings, to remove obsolete language since PERA is now located in the public pension plan building.

Section 8 amends Section 353.27, Subdivision 12, PERA's omitted salary deduction provision, by adding a paragraph stating that the association will not commence action for any omitted employee or employer deductions for any period prior to the initial plan coverage date of the governmental subdivision. This change is part of the change discussed above under Section 3, and policy issues and potential amendments are discussed there.

Section 9 amends Section 353.28, Subdivision 6, a collection provision which allows PERA to tap aid or appropriations to a government entity to cover obligations to PERA which are at least 60 days overdue, by adding language specifying how collected amounts will be prorated if the amount is insufficient to meet the full obligation, and by specifying that if the applicable government subdivision has been dissolved or closed, the 60-day waiting period is waived and amounts can be immediately certified for collection.

Policy issues raised by Section 9 are:

1. Appropriateness of the Prorating Procedure. The issue is whether any prorating procedure is needed and, if it is, whether the proposed prorating procedure is appropriate. Under the drafting, if the amount collected is not sufficient to cover the full obligation, the amount will be applied first to unpaid employee deductions, second to unpaid employer contributions, and third to unpaid interest on the employee and employer amounts.
2. Effectiveness of the Procedure if the Governmental Unit is Closed. The Commission may wish to hear brief testimony from PERA on whether it is practical to collect amounts from a governmental subdivision that has been dissolved or closed. PERA contends that appropriations or aid amounts are

sometimes made shortly after a unit has been dissolved, and that these amounts could be tapped to meet PERA or other public pension plan obligations. However, due to the requirement in existing law that the plan must wait at least 60 days after amounts have become due before taking any collection action, any available amounts have already been seized by other creditors. Hence, PERA is proposing in the draft to waive the 60-day requirement if the employing unit has been closed.

- **Amendment H0889-9A** removes the proposed procedure for closed or dissolved employing units by deleting paragraph (c) (13.29-13.32).

Section 10 amends Minnesota Statutes, Section 353.29, Subdivision 3, a PERA retirement annuity formula provision, by removing obsolete cross-references and revising for style.

Section 11 amends Section 353.30, Subdivision 1a, PERA's "Rule of 90" provision, by correcting cross-references and by clarifying that the individual must terminate from service before the annuity can commence.

Section 12 amends Section 353.30, Subdivision 1b, a PERA pre-1989, 30 years of service provision, is revised by correcting cross-references, clarifying language, including clarifying that the individual must terminate from service before the annuity can commence.

Section 13 amends Section 353.30, Subdivision 1c, by clarifying that the individual must terminate from service before the annuity can commence, by correcting cross-references, and by removing redundant 30 years of service language (which also is found in section 12 above).

Section 14 amends Section 353.32, Subdivision 1a, a PERA death while active or deferred surviving spouse benefit provision, by clarifying which benefit computation procedures apply to survivors of pre-July 1, 1989, hires rather than survivors of employees hired on or after that date; by generally clarifying language; and by stating that the payment is to be based on the allowable service on the date of death, and the age of the survivor and the age the member would have been on the date that the benefit commences, rather than upon their ages on the date of death.

Section 14 increases survivor benefits in cases where the survivor delays receipt of the survivor annuity. Existing law bases the annuity amount on the age of deceased and the age of the survivor on the date of the member or former member's death. Under the proposed drafting, the survivor annuity would be based on the survivor's age and the age that the member would have been on the date payment begins. This increases the survivor annuity amount compared to current law whenever the survivor delays receipt of the annuity, because the ages used in the calculation will be older (thus, any reduction due to receipt of an annuity before normal retirement age will be reduced). Except for this change, all other revisions in this section are intended as clarification, and if the PERA executive director determines that any of these other changes have the effect of revising annuity amounts, the executive director is required to propose corrective legislation (this requirement is found in the effective date section, 20.23-20.32 and 21.1-21.2).

Policy issues raised by Section 14 are:

1. Appropriateness of Benefit Improvement in Administrative Legislation. The issue is whether a benefit improvement, although modest, should be included in an administrative bill. In the past, the Commission has often removed benefit enhancement provisions from administrative bills. In some instances, however, the Commission has decided that provisions impacting benefits may be included, provided that the Commission has had adequate information about the changes and adequate time to consider them.
2. Inconsistencies Between Comparable Plans. The Commission and the Legislature have generally tried to keep benefit plans for similar employees comparable. Prior to 2004, the death while active or deferred surviving spouse provisions of the major general plans (MSRS-General, PERA-General, TRA, and the first class city teacher plans) all based the annuities on the ages of the survivor and the deceased on the date of death. In 2004, the Legislature revised the TRA procedure to base death while active or deferred survivor annuities on the age of the deceased at the time of death and the age of the survivor when the benefit commences. PERA is now proposing a third variation, to base the survivor annuity on the age of the survivor when benefit commences and the age the deceased would have been on that date.

The three procedures should produce comparable results in comparable situations if the survivor benefit commences immediately following the death of the active or deferred member. (In addition to assuming that the deceased individuals from the various plans all had the same salary and length of service, we must also assume the same accrual rates are used. This latter assumption will not hold exactly for TRA going forward, because the 2006 legislation merging the Minneapolis Teachers Retirement Fund Association into TRA also increased the TRA accrual rate for post-July 1, 2006,



service.) If receipt is delayed, the TRA procedure will produce a higher annuity amount than the current-law versions of MSRS, PERA, and first class city teacher law. If the PERA proposal is adopted as drafted, in delayed-receipt situations the PERA procedure should produce a result somewhat higher than that produced by TRA, leaving MSRS and the first class city teacher plans providing the least generous benefit, TRA the next most generous, and PERA the most generous.

The Commission may wish to hear testimony from PERA why it believes using the age of the survivor when the benefit commences and the age the deceased would have been on that date is the best approach, rather than the current PERA procedure or that of TRA. The Commission may wish to also consider the extent to which it should allow differences in these benefits rather than to maintain uniformity across plans.

3. Demonstration of the Benefit Improvement. PERA should provide the Commission with sample death while active or deferred survivor benefit computations for various combinations of ages and periods of deferral under its current law, the proposed law, and the TRA procedure (but using accrual rates applicable to PERA). This would provide the Commission with a better understanding of the extent of the benefit change and how these systems differ.
4. Cost of the Benefit Improvement. The issue is the cost of the benefit improvement, which PERA should be able to provide. Although there is some cost, that cost is likely to be very modest because deaths of active or deferred members are relatively rare, not all active or deferred members who die will have surviving spouses, and not all surviving spouses will delay receipt of the benefit. While the cost may seem trivial, the Commission may choose to consider that when various minor changes are made to a plan over the course of several years, those changes collectively may have a noticeable impact on plan cost, although each change considered in isolation may seem immaterial.
5. Actuarial Condition of PERA. The issue is the actuarial impact of the benefit improvement and the lack of any revision in contribution requirements to offset that increased cost. The following sets forth the July 1, 2006, actuarial valuation results:

PERA-General 2006		
<u>Membership</u>		
Active Members		144,244
Service Retirees		50,320
Disabilitants		1,940
Survivors		6,818
Deferred Retirees		37,476
Nonvested Former Members		<u>105,590</u>
Total Membership		346,388
<u>Funded Status</u>		
Accrued Liability		\$16,737,756,758
Current Assets		<u>\$12,495,207,148</u>
Unfunded Accrued Liability		\$4,242,549,610
Funding Ratio	74.65%	
<u>Financing Requirements</u>		
Covered Payroll		\$4,703,895,104
Benefits Payable		\$748,390,506
Normal Cost	7.78%	\$366,059,040
Administrative Expenses	<u>0.20%</u>	<u>\$9,407,790</u>
Normal Cost & Expense	7.98%	\$375,466,830
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Amortization	<u>4.92%</u>	<u>\$231,431,639</u>
Total Requirements	12.90%	\$606,898,469
Employee Contributions	5.63%	\$264,931,649
Employer Contributions	6.13%	\$288,515,428
Employer Add'l Cont.	0.00%	\$0
Direct State Funding	0.00%	\$0
Other Govt. Funding	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>
Total Contributions	11.76%	\$553,447,077
Total Requirements	12.90%	\$606,898,469
Total Contributions	<u>11.76%</u>	<u>\$553,447,077</u>
Deficiency (Surplus)	1.14%	\$53,451,392

Potential Amendments. Because the executive directors of the various major plans are not in agreement on the preferred policy regarding ages to be used in death while active or deferred survivor benefit computations, the Commission may wish to avoid further change until the Commission has time to decide on a policy to be followed by all, or at least most, of the applicable plans.

- **Amendment H0889-10A** retains all of the technical clarifications proposed in this section, but removes the benefit change from the bill.
- **Amendment H0889-11A** would have PERA conform to the TRA procedure adopted in 2004.

Section 15 amends Minnesota Statutes, Section 353.32, Subdivision 1b, a PERA survivor term-certain provision, by clarifying that the benefit terminates at the end of the term-certain period.

Section 16 amends Section 353.34, Subdivision 3, a PERA deferred annuity computation provision, by clarifying that the law in effect upon termination of service or termination of membership, whichever is earlier, will apply to the annuity computation and by correcting cross-references and removing obsolete cross-references.

Section 17 revises Section 356.87, a Public Employees Insurance Program withholding provision, by creating a new subdivision to allow Minnesota public pension plans to withhold health, accident, and long-term care insurance premiums from the annuities of certain retired and disabled public safety officers, and to transmit these premiums directly to the insurance provider, to allow the applicable individuals to have those premiums, not to exceed \$3,000 annually, be deducted from gross income for federal income tax purposes.

The proposed new subdivision to Minnesota Statutes, Section 356.87, is an effort to allow certain disabled and retired public safety officers to receive the benefit of a change in federal law which allows an exclusion from income for federal tax purposes of up to \$3,000 annually for amounts paid to health, accident, and long-term care insurance providers, if the amount is withheld from the person's annuity checks and transmitted directly by the pension fund administration to the insurance provider. The federal provision that created this tax benefit is Section 845 of the Pension Protection Act of 2006. The revision in Minnesota pension law, applicable to public pension plans in general, is being sought because currently Minnesota pension plans are not authorized to withhold these insurance premiums.

The scope of retirees potentially covered is very broad and not precisely defined in the federal law. Disagreements could arise regarding who is eligible for the treatment. Also, the policy justification for the scope of the eligible group is not apparent. The first eligibility requirement that must be met is that the individual must be a disabled public safety officer, or a retired public safety officer who retired at normal retirement age. It is my understanding that MSRS and PERA administrators also interpret the federal law as requiring that there be no delay or deferral period prior to receipt of the annuity. Thus, an individual who retired from a public safety plan but initially deferred the benefit is not eligible for the favorable tax treatment, and neither is the public safety retiree who retired under early retirement provisions. But it appears that a public safety plan annuitant with a non-duty disability would be eligible. The second requirement is that the individual, while working, met the definition of "public safety officer" as specified in the federal law. This definition is broad. In the provision a "public safety officer" is defined as "an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, as a firefighter, as a chaplain, or as a member of a rescue squad or ambulance crew." In turn, "law enforcement officer" is defined as "an individual involved in crime and juvenile delinquency control or reduction, or enforcement of the laws, including, but not limited to, police, corrections, probation, parole, and judicial officers." Thus, individuals from a wide range of Minnesota public plans could be impacted, including some disabilitants and retirees from state and local plans covering police officers, ambulance personnel, firefighters (paid fire plans, and volunteer fire plans that pay monthly benefits), and MSRS-Correctional and PERA-Correctional. The plan executive directors might also interpret this federal law as providing this preferred treatment to some members of general plans, including probation and parole officers and correctional employees not covered by correctional plans (including some teachers), and plans covering judges and other court employees.

The public purpose served by requiring withholding and direct transmission of these amounts is unclear, but seems to be based on procedures required for transfers of retirement plan assets to avoid constructive receipt. For example, if an individual is leaving an employer's plan and wished to roll amounts to another plan or to an Individual Retirement Account (IRA), the transfer must be made by direct transfer. If the individual obtains direct receipt, the amount would be subject to immediate taxation and possibly further penalty, even if the individual later placed the distribution into the IRA. The likely intent behind those requirements is to strongly encourage retaining retirement assets for retirement. In the case of insurance premiums, however, the motivation behind the direct transfer requirement is less clear.



It seems likely that this federal law provision will be revised in future years, both the provision's scope of coverage and the transfer requirements.

The provisions in Section 17 have also been introduced as part (Section 3) of H.F. 31 (Mullery): Conforming to Federal Tax Rules of Public Safety Pensions; Authorizing Pension Funds to Withhold and Pay Insurance Premiums. The remaining sections of that bill revise state law to allow the applicable public safety retirees to have a deduction under state income taxes in addition to the deduction in federal taxes. As of this writing, H.F. 31 has been referred to the House Committee on Taxes.

Policy issues raised by Section 17 are:

1. Need for Change. The issue is whether there is sufficient need to revise pension law to allow this insurance withholding. As described above, the change is being requested to allow various individuals to have access to a federal tax deduction.
2. Pension Plan Cost and Expenses, and Question of Reimbursement. The pension amount is unchanged by this proposal. However, there will be some administrative expenses borne by the pension fund. Plan administrators must identify individuals who can qualify under this provision, notify the individuals, procedures must be altered to make the deductions and transmit them to applicable insurance companies, and there is a need to keep data current. Records must be revised when individuals change insurance providers. The MSRS and PERA plan administrators contend that these costs are immaterial, and they did not want any language included to authorize or require insurance companies to reimburse the plan for its cost. The Commission may wish to hear testimony on this matter, and may wish to consider that many plan administrations other than PERA and MSRS would be impacted by the proposed legislation, including local paid plans and possibly volunteer fire plans. The existing law provision covers only the Public Employees Insurance Program (PEIP) and does include language requiring the PEIP to reimburse public pension funds for the cost of withholding and transmitting amounts to the PEIP (18.11-18.13). As drafted, the new withholding proposed for certain public safety retirees will not have a similar reimbursement requirement.
3. Insurance Provider Issues. The issue is whether approved insurance provider language should be more restrictive. As drafted, virtually any insurance provider can be eligible. There is no requirement that the company be licensed to do business in Minnesota or be subject to Minnesota state regulation. The MSRS and PERA administrators support the broad requirements as drafted because the retiree may not live in Minnesota or even in this country. This is consistent with an intention solely to create a withholding provision which enables the applicable public safety retirees to qualify for the federal tax treatment, and that the retiree should be allowed to select insurance providers without any filtering of options by the state. If the Commission concludes that some further restriction would be appropriate, to reduce the chance of retirees selecting inferior insurance products or products of less reputable companies, then the Commission may wish to consider an amendment to require that eligible companies must be regulated by the state and licensed to do business here.
4. Procedural Issue. The issue is whether this provision should remain in this bill, since the provision is also included in H.F. 31 (Mullery).

#### Potential Amendments

- **Amendment H0889-12A** deletes Section 17.
- **Amendment H0889-13A** retains Section 17 and requires that the insurance providers reimburse the pension funds for the cost of the withholding.
- **Amendment H0889-14A**, an alternative to H0889-13A, would require the executive director to deduct additional amounts from those who participate in this program, sufficient to recover the plan's administrative cost for this program. The Commission might conclude that this approach is more practical and more direct than billing the insurance companies.
- **Amendment H0889-15A** could be used in conjunction with H0889-13A or H0889-14A, and would require the insurance companies to be licensed to do business in Minnesota and be regulated by the state.

Section 18, proposed Section 356.95, purchase of Comprehensive Employment and Training Act (CETA) service, would allow individuals, who were in subsidized CETA programs without pension coverage and who later became employed in unsubsidized employment covered by a public pension plan, to purchase service credit for the CETA time in the plan that provided that later coverage. The purchase is at full actuarial value. The purchased service credit cannot be used to entitle the individual to benefit provisions applicable only to pre-July 1, 1989, hires. The provision expires in 2009.

The federal CETA legislation prohibited using any CETA funding for retirement plan contributions. To conform to these requirements, the 1978 Legislature passed conforming legislation (Laws 1978, Chapter 720) excluding CETA trainees from Minnesota pension plan coverage unless the employer was willing and able to finance the required employer contributions from a source other than CETA funding. That same legislation included a provision, coded as Minnesota Statutes, Section 356.453, which allowed individuals excluded from coverage to later purchase service credit for the CETA subsidized employment period if the individual later became a member of a public pension plan due to unsubsidized employment. The provision required the individual to pay employee and employer contributions plus interest. Section 356.453 was repealed during a recodification of Chapter 356 in 2002 (Laws 2002, Chapter 392, Article 11) because the provision was deemed to be obsolete and potentially harmful to the pension funds since the provision did not require full actuarial value payments. The purchase authority had existed for 24 years (from 1978 to 2002), providing individuals with an extended period to take advantage of the opportunity. The purchase terms of that earlier provision are no longer consistent with Commission policy as it evolved after 1978.

PERA has been contacted by a few individuals who would like to purchase service credit for CETA time. The proposal is to temporarily reinstate a provision comparable to the repealed provision (Section 356.453), but requiring full actuarial value payment, with the provision expiring in 2009.

Policy issues raised by Section 18 are:

1. Need. The issue is whether there is sufficient need to include this section in the bill, given that individuals had an extended period of opportunity (from 1978 to 2002) to purchase service credit for these periods under the favorable terms of the now repealed Section 356.453. The Commission might decide that given the failure of individuals to purchase service credit under that earlier provision, another opportunity, even at full actuarial value, is not warranted. The Commission may also wish to consider that pension funds may be exposed to risk of some additional unfunded liability if the current mechanism to determine the full actuarial value purchase price is imperfect, or if the individuals who might purchase service credit do not fit the assumptions used in the computation. Their future salary progression might be higher than assumed in the calculations, or they may come from particularly long-lived families.
2. Scope. The provision would impact many plans in addition to PERA. It applies to all Combined Service Annuity plans (except the MSRS Unclassified Program), covering basically every Minnesota public plan that provides annuities based on high-five average salary. The Commission may wish to consider whether it is comfortable with this scope. An argument for the proposed scope is that the provision which was repealed in 2002 had a broad coverage, actually broader than is proposed here. The earlier provision included purchasing service credit in local police or paid fire plans, most of which no longer exist.
3. Terminated Plan Issue. The issue is whether someone who would have been covered by a local police or fire plan may contend that they also should be allowed to purchase service credit. They are not given an option under this provision to purchase service credit. However, it is not possible to simply revise the language of the provision to allow purchases in local plans, because most of those local relief associations no longer exist due to consolidations into the Public Employees Police and Fire Plan (PERA-P&F). Revising the proposed provision to allow individuals to purchase service credit in PERA-P&F is likely to raise considerable concern by PERA administrators, and expanding the scope to allow those purchases would conflict with existing law which prohibits service credit purchases related to consolidated plans.
4. Appropriate Expiration Period. The issue is whether the expiration period (from the effective date to the proposed July 1, 2009, effective date) is the proper length.

Potential Amendments. The Commission might wish to consider the following amendments:

- **Amendment H0889-16A** deletes Section 18.
- **Amendment H0889-17A** an alternative to H0889-16a, would revise this provision to an uncoded provision applicable only to PERA plans.
- **Expiration Date Revision**. The expiration date could be revised by verbal amendment to the bill on page 20, line 4, or to the comparable language in Amendment H0889-17A if that amendment is adopted.

Section 19 is proposed Section 356.98, allocation of receivables. This section, applicable to pension plans in general, would provide a way to allocate amounts owed to pension funds from closed or dissolved employing units when more than one pension fund has amounts owed to it and the available assets are insufficient to cover the full amounts due. Available amounts are to be applied first to employee contributions, second to employer contributions, and third to interest due. If at any stage in the allocation process the available

amount is insufficient to fully cover the obligations, the remaining available payment amount must be prorated among the applicable plans based on each plan's share of combined covered payroll. Although the section may have broad applicability, it is being proposed due to concerns about closing charter schools, where some employees might be covered by PERA-General while others are covered by TRA.

Policy issues raised by Section 19 are:

1. Basis for the Allocation. The proposed allocation is based on each plan's share on the combined covered payroll. Other alternatives might be considered, such as prorating among the applicable pension plans based the share of the total amounts owed to all plans on the date the entity closed.
2. Option of Sponsor Responsibility. An alternative to allocation, at least in the charter school situation, is to make the school or other organization which sponsored the charter school responsible for covering any unpaid pension contribution obligations of the closed charter school.

Section 20, Repealer. The following provisions are repealed:

- 1) Minnesota Statutes, Section 353.30, Subdivision 1, an obsolete PERA annuity provision;
- 2) Minnesota Statutes, Section 353.34, Subdivision 7, a PERA provision requiring individuals who were on a sick leave, who did not return to covered employment following that sick leave, to wait 120 days after the end of the sick leave before filing for a refund; and
- 3) Minnesota Statutes, Section 353.69, a PERA provision allowing individuals to retain active PERA membership if they become elected officials not normally covered by PERA, or if they become employees of a municipality not covered by PERA.

Section 21, Effective Date.

- 1) Sections 1-13, and 15-16, and 18-20 are effective the day following enactment.
- 2) Section 3, paragraphs (e) and (f), and Section 8 apply to initial plan coverage dates occurring on or after the effective date of the applicable section.
- 3) Section 14 is effective for survivor benefits based on a date of death occurring on or after July 1, 2007, and Section 14, other than paragraph (j), is not intended to alter benefits; if any other changes in the section alter benefits, the PERA executive director must recommend remedial legislation.
- 4) Section 17 is effective January 1, 2007.

## Government Pension Offset

SSA Publication No. 05-10007, January, 2007 (*Prior edition may be used*), ICN

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### A law that affects spouses and widows or widowers

If you receive a pension from a federal, state or local government based on work where you did not pay Social Security taxes, your Social Security spouse's or widow's or widower's benefits may be reduced. This fact sheet provides answers to questions you may have about the reduction.

### How much will my Social Security benefits be reduced?

Your Social Security benefits will be reduced by two-thirds of your government pension. In other words, if you get a monthly civil service pension of \$600, two-thirds of that, or \$400, must be deducted from your Social Security benefits. For example, if you are eligible for a \$500 spouse's, widow's or widower's benefit from Social Security, you will receive \$100 per month from Social Security ( $\$500 - \$400 = \$100$ ).

If you take your government pension annuity in a lump sum, Social Security still will calculate the reduction as if you chose to get monthly benefit payments from your government work.

### Why will my Social Security benefits be reduced?

Benefits we pay to wives, husbands, widows and widowers are "dependent's" benefits. These benefits were established in the 1930s to compensate spouses who stayed home to raise a family and who were financially dependent on the working spouse. But as it has become more common for both spouses in a married couple to work, each earned his or her own Social Security retirement benefit. The law has always required that a person's benefit as a spouse, widow, or widower be offset dollar for dollar by the amount of his or her own retirement benefit.

In other words, if a woman worked and earned her own \$800 monthly Social Security retirement benefit, but she was also due a \$500 wife's benefit on her husband's Social Security record, we could not pay that wife's benefit because her own Social Security benefit offset it. But, before enactment of the Government Pension Offset provision if that same woman was a government employee who did not pay into Social Security, and who earned an \$800 government pension, there was no offset and we were required to pay her a full wife's benefit in addition to her government pension.

If this government employee's work had instead been subject to Social Security taxes, any Social Security benefit payable as a spouse, widow or widower would have been reduced by the person's own Social Security retirement benefit. In enacting the Government Pension Offset provision, Congress intended to ensure that when determining the amount of spousal benefit, government employees who do not pay Social Security taxes would be treated in a similar manner to those who work in the private sector and do pay Social Security taxes.

### When won't my Social Security benefits be reduced?

Generally, your Social Security benefits as a spouse, widow or widower will not be reduced if you:

- Are receiving a government pension that is not based on your earnings;
- Are a state or local employee whose government pension is based on a job where you were paying Social Security taxes
  - on the last day of employment and your last day was before July 1, 2004;
  - during the last five years of employment and your last day of employment was July 1, 2004, or later (Under certain conditions, fewer than five years may be required for people whose last day of employment falls between July 1, 2004, and March 2, 2009.);
- Are a federal employee, including Civil Service Offset employee, who pays Social Security taxes on your earnings (A Civil Service Offset employee is a federal employee who was rehired after December 31, 1983, following a break in service of more than 365 days and had five years of prior civil service retirement system coverage.);
- Are a federal employee who elected to switch from the Civil Service Retirement System to the Federal Employees' Retirement System (FERS) on or before June 30, 1988. If you switched after that date, including during the open season from July 1, 1998, through December 31, 1998, you need five years under FERS to be exempt from the Government Pension Offset;
- Received or were eligible to receive a government pension before December 1982 **and** meet all the requirements for Social Security spouse's benefits in effect in January 1977; or

- Received or were eligible to receive a federal, state or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

### **What about Medicare?**

Even if you do not receive cash benefits based on your spouse's work, you still can get Medicare at age 65 on your spouse's record if you are not eligible for it on your own record.

### **Can I still get Social Security benefits from my own work?**

The offset applies only to Social Security benefits as a spouse or widow or widower. However, your own benefits may be reduced because of another provision of the law. For more information, ask for *Windfall Elimination Provision* (Publication No. 05-10045).

### **Contacting Social Security**

For more information and to find copies of our publications, visit our website at [www.socialsecurity.gov](http://www.socialsecurity.gov) or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day.

We treat all calls confidentially. We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

- 1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:
- 1.2 Page 2, lines 8 and 9, delete the new language
- 1.3 Page 2, line 10, delete "shall participate as a member"
- 1.4 Page 2, line 11, after "11b" insert ", except as provided in subdivision 28"



1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 7, line 2, delete "on a prospective basis"

1.3 Page 13, delete lines 1 to 3 and insert:

1.4 "Sec. 9. Minnesota Statutes 2006, section 353.27, is amended by adding a subdivision  
1.5 to read:

1.6 Subd. 14. Treatment of periods before initial coverage date. (a) If an entity is  
1.7 determined to be a governmental subdivision due to receipt of a written notice of eligibility  
1.8 from the association, that employer and employees are subject to the requirements of  
1.9 subdivision 12 retroactive to the date that the executive director of the association  
1.10 determines that the entity first met the definition of a governmental subdivision, if that  
1.11 date predates the notice of eligibility.

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

1.16 (c) This subdivision does not apply if the applicable employment under paragraph  
1.17 (a) included coverage by any public or private defined benefit or defined contribution plan,  
1.18 other than a volunteer fire plan. If this paragraph applies, an individual is prohibited from  
1.19 purchasing service credit for any period or periods specified in paragraph (a)."

1.20 Renummer the sections in sequence and correct the internal references

1.21 Amend the title accordingly

1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 7, line 2, delete "on a prospective basis"

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1.13 employee is authorized to purchase service credit in the applicable Public Employees  
1.14 Retirement Association plan for the portion of the period in excess of three years, by  
1.15 making payment under section 356.551.

1.16 (c) This subdivision does not apply if the applicable employment under paragraph  
1.17 (a) included coverage by any public pension plan specified in section 356.20, subdivision  
1.18 1, other than a volunteer fire plan. If this paragraph applies, an individual is prohibited  
1.19 from purchasing service credit for any period or periods specified in paragraph (a)."

1.20 Renumber the sections in sequence and correct the internal references

1.21 Amend the title accordingly

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1.10 determines that the entity first met the definition of a governmental subdivision, if that  
1.11 date predates the notice of eligibility.

1.12 (b) If the retroactive time period under paragraph (a) exceeds three years, the  
1.13 employer must, on behalf of the applicable employee, purchase service credit in the  
1.14 applicable Public Employees Retirement Association plan for the portion of the period  
1.15 in excess of three years, by making payment of the full amount required under section  
1.16 356.551.

1.17 (c) This subdivision does not apply if the applicable employment under paragraph  
1.18 (a) included coverage by any public or private defined benefit or defined contribution plan,  
1.19 other than a volunteer fire plan. If this paragraph applies, an individual is prohibited from  
1.20 purchasing service credit for any period or periods specified in paragraph (a)."

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1.14 applicable Public Employees Retirement Association plan for the portion of the period  
1.15 in excess of three years, by making payment of the full amount required under section  
1.16 356.551.

1.17 (c) This subdivision does not apply if the applicable employment under paragraph  
1.18 (a) included coverage by any public pension plan specified in section 356.20, subdivision  
1.19 2, other than a volunteer fire plan. If this paragraph applies, an individual is prohibited  
1.20 from purchasing service credit for any period or periods specified in paragraph (a)."

1.21 Renumber the sections in sequence and correct the internal references

1.22 Amend the title accordingly

- 1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:
- 1.2 Page 7, delete lines 1 to 3
- 1.3 Page 13, delete lines 1 to 3

- 1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:
- 1.2 Page 7, lines 15 to 29, reinstate the stricken language
- 1.3 Page 7, line 30, reinstate "~~(d)~~" and delete "(c)"
- 1.4 Page 8, line 3, delete "(d)" and insert "(e)"



1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 9, lines 25 and 26, reinstate the stricken language

1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 13, delete lines 29 to 32

- 1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:
- 1.2 Page 17, line 7, delete ", " and insert "and the age of the member and surviving
- 1.3 spouse on that date."
- 1.4 Page 17, delete lines 8 and 9

1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 17, line 7, delete "," and insert "and the member's age on that date, and the age  
1.3 of the surviving spouse on the date the benefit accrues."

1.4 Page 17, delete lines 8 and 9

- 1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:
- 1.2 Page 18, delete section 17
- 1.3 Page 21, delete line 3
- 1.4 Renumber the sections in sequence and correct the internal references
- 1.5 Amend the title accordingly

1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 19, after line 10, insert:

1.3 "(g) The chief administrative officer of the applicable plan must bill the insurance  
1.4 providers to recover the cost of administering this program."



1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 19, after line 10, insert:

1.3 "(g) The chief administrative officer of the applicable plan must deduct, from the  
1.4 annuity or benefit payment of each individual who elects withholding under paragraph (e),  
1.5 additional amounts sufficient to recover the cost of administering the program."

1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 18, line 35, delete "regulated, licensed" and before ";" insert "regulated by the  
1.3 state of Minnesota and licensed to do business in this state"

- 1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:
- 1.2 Page 19, delete lines 11 to 12
- 1.3 Page 19, delete section 18
- 1.4 Renumber the sections in sequence and correct the internal references
- 1.5 Amend the title accordingly

1.1 ..... moves to amend H.F. No. 889; S.F. No. 296; as follows:

1.2 Page 19, delete lines 11 to 12

1.3 Page 19, delete section 18

1.4 Page 20, after line 14, insert:

1.5 "Sec. 20. **PURCHASE OF PRIOR COMPREHENSIVE EMPLOYMENT**  
1.6 **TRAINING ACT SERVICE.**

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

1.8 (1) is currently an active plan member in a plan governed by Minnesota statutes,  
1.9 chapters 353 or 353E;

1.10 (2) was excluded from pension coverage under the provisions of Laws 1978, chapter  
1.11 720; and

1.12 (3) subsequently became employed in unsubsidized public employment covered by  
1.13 a pension plan included under clause (1), with the same public employer which provided  
1.14 the subsidized employment or other public employer.

1.15 Subd. 2. **Authorization.** An eligible person under subdivision 1 is authorized to  
1.16 purchase service credit for that period of uncovered prior subsidized public employment,  
1.17 other than a period of prior subsidized public employment for which a repayment of a  
1.18 refund was made, with a public pension plan specified in clause (1).

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

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

2.1 (b) Service credit may not be purchased for any period for which the individual  
2.2 has service credit in a covered pension plan, as defined in section 356A.01, subdivision  
2.3 8, other than a volunteer firefighter plan.

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

2.5 Renumber the sections in sequence and correct the internal references

2.6 Amend the title accordingly

This Document can be made available in alternative formats upon request

State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **889**

February 12, 2007

Authored by Murphy, M., by request,

The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

1.1 A bill for an act  
1.2 relating to retirement; Public Employees Retirement Association; making  
1.3 changes primarily of an administrative nature; increasing deferred death while  
1.4 active survivor benefits; authorizing health insurance withholding for certain  
1.5 public safety retirees of various plans; revising receivables allocation procedures  
1.6 for various plans; amending Minnesota Statutes 2006, sections 353.01,  
1.7 subdivisions 2a, 2b, 6, 28; 353.03, subdivisions 3, 3a, 4; 353.27, subdivision 12;  
1.8 353.28, subdivision 6; 353.29, subdivision 3; 353.30, subdivisions 1a, 1b, 1c;  
1.9 353.32, subdivisions 1a, 1b; 353.34, subdivision 3; 356.87; proposing coding for  
1.10 new law in Minnesota Statutes, chapter 356; repealing Minnesota Statutes 2006,  
1.11 sections 353.30, subdivision 1; 353.34, subdivision 7; 353.69.

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

1.13 Section 1. Minnesota Statutes 2006, section 353.01, subdivision 2a, is amended to read:

1.14 Subd. 2a. **Included employees.** (a) Public employees whose salary from  
1.15 employment in one or more positions within one governmental subdivision exceeds \$425  
1.16 in any month shall participate as members of the association. If the salary is less than  
1.17 \$425 in a subsequent month, the employee retains membership eligibility. Eligible public  
1.18 employees shall participate as members of the association with retirement coverage by  
1.19 the public employees retirement plan or the public employees police and fire retirement  
1.20 plan under this chapter, or the local government correctional employees retirement plan  
1.21 under chapter 353E, whichever applies, as a condition of their employment on the first  
1.22 day of employment unless they:

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

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



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

2.4 (b) A public employee who was a member of the association on June 30, 2002,  
 2.5 based on employment that qualified for membership coverage by the public employees  
 2.6 retirement plan or the public employees police and fire plan under this chapter, or the  
 2.7 local government correctional employees retirement plan under chapter 353E as of June  
 2.8 30, 2002, retains that membership for the duration of the person's employment in that  
 2.9 position or incumbency in elected office. Except as provided in subdivision 28, the person  
 2.10 shall participate as a member until the employee or elected official terminates public  
 2.11 employment under subdivision 11a or terminates membership under subdivision 11b.

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

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

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

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

2.27 (2) election officers or election judges;

2.28 (3) patient and inmate personnel who perform services for a governmental  
 2.29 subdivision;

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

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

3.1 (6) employees who by virtue of their employment in one governmental subdivision  
3.2 are required by law to be a member of and to contribute to any of the plans or funds  
3.3 administered by the Minnesota State Retirement System, the Teachers Retirement  
3.4 Association, the Duluth Teachers Retirement Fund Association, the Minneapolis Teachers  
3.5 Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, the  
3.6 Minneapolis Employees Retirement Fund, or any police or firefighters relief association  
3.7 governed by section 69.77 that has not consolidated with the Public Employees Retirement  
3.8 Association, or any local police or firefighters consolidation account who have not elected  
3.9 the type of benefit coverage provided by the public employees police and fire fund under  
3.10 sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4,  
3.11 5, or 6, who have not elected public employees police and fire plan benefit coverage. This  
3.12 clause must not be construed to prevent a person from being a member of and contributing  
3.13 to the Public Employees Retirement Association and also belonging to and contributing to  
3.14 another public pension plan or fund for other service occurring during the same period  
3.15 of time. A person who meets the definition of "public employee" in subdivision 2 by  
3.16 virtue of other service occurring during the same period of time becomes a member of the  
3.17 association unless contributions are made to another public retirement fund on the salary  
3.18 based on the other service or to the Teachers Retirement Association by a teacher as  
3.19 defined in section 354.05, subdivision 2;

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

3.25 (8) employees of a governmental subdivision who have not reached the age of  
3.26 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time  
3.27 basis at an accredited school, college, or university in an undergraduate, graduate, or  
3.28 professional-technical program, or a public or charter high school;

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

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

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

3.35 (12) except for employees of Hennepin County or Hennepin Healthcare System,  
3.36 Inc., foreign citizens working for a governmental subdivision with a work permit of less

4.1 than three years, or an H-1b visa valid for less than three years of employment. Upon  
4.2 notice to the association that the work permit or visa extends beyond the three-year period,  
4.3 the foreign citizens must be reported for membership from the date of the extension;

4.4 (13) public hospital employees who elected not to participate as members of the  
4.5 association before 1972 and who did not elect to participate from July 1, 1988, to October  
4.6 1, 1988;

4.7 (14) except as provided in section 353.86, volunteer ambulance service personnel,  
4.8 as defined in subdivision 35, but persons who serve as volunteer ambulance service  
4.9 personnel may still qualify as public employees under subdivision 2 and may be members  
4.10 of the Public Employees Retirement Association and participants in the public employees  
4.11 retirement fund or the public employees police and fire fund, whichever applies, on the  
4.12 basis of compensation received from public employment service other than service as  
4.13 volunteer ambulance service personnel;

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

4.21 (16) pipefitters and associated trades personnel employed by Independent School  
4.22 District No. 625, St. Paul, with coverage under a collective bargaining agreement by the  
4.23 pipefitters local 455 pension plan who were either first employed after May 1, 1997, or,  
4.24 if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter  
4.25 241, article 2, section 12;

4.26 (17) electrical workers, plumbers, carpenters, and associated trades personnel  
4.27 employed by Independent School District No. 625, St. Paul, or the city of St. Paul,  
4.28 who have retirement coverage under a collective bargaining agreement by the Electrical  
4.29 Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan,  
4.30 or the Carpenters Local 87 pension plan who were either first employed after May 1,  
4.31 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000,  
4.32 chapter 461, article 7, section 5;

4.33 (18) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers,  
4.34 painters, allied tradesworkers, and plasterers employed by the city of St. Paul or  
4.35 Independent School District No. 625, St. Paul, with coverage under a collective  
4.36 bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan,

5.1 the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324  
 5.2 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities  
 5.3 Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if  
 5.4 first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special  
 5.5 Session chapter 10, article 10, section 6;

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

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

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

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

5.21 (23) reemployed annuitants of the association during the course of that  
 5.22 reemployment.

5.23 Sec. 3. Minnesota Statutes 2006, section 353.01, subdivision 6, is amended to read:

5.24 Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means  
 5.25 a county, city, town, school district within this state, or a department ~~or~~, unit ~~or~~  
 5.26 instrumentality of state or local government, or any public body ~~whose revenues are~~  
 5.27 derived established under state or local authority that has a governmental purpose, is  
 5.28 under public control, is responsible for the employment and payment of the salaries of  
 5.29 employees of the entity, and receives a major portion of its revenues from taxation, fees,  
 5.30 assessments or from other public sources.

5.31 (b) Governmental subdivision also means the Public Employees Retirement  
 5.32 Association, the League of Minnesota Cities, the Association of Metropolitan  
 5.33 Municipalities, charter schools formed under section 124D.10, service cooperatives  
 5.34 exercising retirement plan participation under section 123A.21, subdivision 5, joint powers  
 5.35 boards organized under section 471.59, subdivision 11, paragraph (a), family service

6.1 collaboratives and children's mental health collaboratives organized under section 471.59,  
6.2 subdivision 11, paragraph (b) or (c), provided that the entities creating the collaboratives  
6.3 are governmental units that otherwise qualify for retirement plan membership, public  
6.4 hospitals owned or operated by, or an integral part of, a governmental subdivision or  
6.5 governmental subdivisions, the Association of Minnesota Counties, the Metropolitan  
6.6 Minnesota Intercounty Association, the Minnesota Municipal Utilities Association, the  
6.7 Metropolitan Airports Commission, the University of Minnesota with respect to police  
6.8 officers covered by the public employees police and fire retirement plan, the Minneapolis  
6.9 Employees Retirement Fund for employment initially commenced after June 30, 1979, the  
6.10 Range Association of Municipalities and Schools, soil and water conservation districts,  
6.11 economic development authorities created or operating under sections 469.090 to  
6.12 469.108, the Port Authority of the city of St. Paul, the Spring Lake Park Fire Department,  
6.13 incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing  
6.14 Environmental Learning Center, the Dakota County Agricultural Society, and Hennepin  
6.15 Healthcare System, Inc.

6.16 (c) Governmental subdivision does not mean any municipal housing and  
6.17 redevelopment authority organized under the provisions of sections 469.001 to 469.047;  
6.18 or any port authority organized under sections 469.048 to 469.089 other than the Port  
6.19 Authority of the city of St. Paul; or any hospital district organized or reorganized prior  
6.20 to July 1, 1975, under sections 447.31 to 447.37 or the successor of the district, ~~nor~~  
6.21 ~~the Minneapolis Community Development Agency;~~ or the board of a family service  
6.22 collaborative or children's mental health collaborative organized under sections 124D.23,  
6.23 245.491 to 245.495, or 471.59, if that board is not controlled by representatives of  
6.24 governmental units.

6.25 (d) A nonprofit corporation governed by chapter 317A or organized under Internal  
6.26 Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a  
6.27 governmental subdivision unless the entity has obtained a written advisory opinion from  
6.28 the United States Department of Labor or a ruling from the Internal Revenue Service  
6.29 declaring the entity to be an instrumentality of the state so as to provide that any future  
6.30 contributions by the entity on behalf of its employees are contributions to a governmental  
6.31 plan within the meaning of Internal Revenue Code, section 414(d).

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

7.1 (f) An entity determined to be a governmental subdivision shall be subject to the  
7.2 reporting requirements of this chapter on a prospective basis upon receipt of a written  
7.3 notice of eligibility from the association.

7.4 Sec. 4. Minnesota Statutes 2006, section 353.01, subdivision 28, is amended to read:

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

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

7.15 ~~(c) A former member of the basic or police and fire fund who becomes a coordinated~~  
7.16 ~~member upon returning to eligible, nontemporary public service, terminates employment~~  
7.17 ~~before obtaining six months' allowable service under subdivision 16, paragraph (a), in~~  
7.18 ~~the coordinated fund, and is eligible to receive an annuity the first day of the month after~~  
7.19 ~~the most recent termination date shall not accrue a right to a retirement annuity under the~~  
7.20 ~~coordinated fund. An annuity otherwise payable to the former member must be based on~~  
7.21 ~~the laws in effect on the date of termination of the most recent service under the basic or~~  
7.22 ~~police and fire fund and shall be retroactive to the first day of the month following that~~  
7.23 ~~termination date or one year preceding the filing of an application for retirement annuity~~  
7.24 ~~as provided by section 353.29, subdivision 7, whichever is later. The annuity payment~~  
7.25 ~~must be suspended under the provisions of section 353.37, if earned compensation for the~~  
7.26 ~~reemployment equals or exceeds the amounts indicated under that section. The association~~  
7.27 ~~will refund the employee deductions made to the coordinated fund, with interest under~~  
7.28 ~~section 353.34, subdivision 2, return the accompanying employer contributions, and~~  
7.29 ~~remove the allowable service credits covering the deductions refunded.~~

7.30 ~~(d)~~ (c) Notwithstanding the 30-day separation requirement under paragraph (a), a  
7.31 member of the a defined benefit plan under this chapter, who also participates in the public  
7.32 employees defined contribution plan under chapter 353D for other public service, may be  
7.33 paid, if eligible, a retirement annuity from the defined benefit plan while participating in the  
7.34 defined contribution plan. A retirement annuity is also payable from a defined benefit plan

8.1 under this chapter to an eligible member who terminates public service and who, within  
 8.2 30 days of separation, takes office as an elected official of a governmental subdivision.

8.3 (d) Elected officials included in association membership under subdivisions 2a and  
 8.4 2d meet the 30-day separation requirement under this section by resigning from office  
 8.5 prior to filing for a subsequent term in the same office and by remaining completely and  
 8.6 continuously separated from that office for 30 days prior to the date of the election.

8.7 Sec. 5. Minnesota Statutes 2006, section 353.03, subdivision 3, is amended to read:

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

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

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

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

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

8.20 (5) pass upon and allow or disallow all applications for membership in the fund  
 8.21 and shall allow or disallow claims for withdrawals, pensions, or benefits payable from  
 8.22 the fund. It shall;

8.23 (6) adopt an appropriate mortality table based on experience of the fund as  
 8.24 recommended by the association actuary and approved under section 356.215, subdivision  
 8.25 18, with interest set at the rate specified in section 356.215, subdivision 8. It shall;

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

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

8.31 ~~(c)~~ (b) In passing upon all applications and claims, the board may summon, swear,  
 8.32 hear, and examine witnesses and, in the case of claims for disability benefits, may require  
 8.33 the claimant to submit to a medical examination by a physician of the board's choice, at the  
 8.34 expense of the fund, as a condition precedent to the passing on the claim, and, in the case  
 8.35 of all applications and claims, may conduct investigations necessary to determine their

9.1 validity and merit. The board shall establish procedures to assure that a benefit applicant  
 9.2 and recipient may have a review of a benefit eligibility or benefit amount determination  
 9.3 affecting the applicant or recipient. The review procedure may afford the benefit applicant  
 9.4 or benefit recipient an opportunity to present views at any review proceeding conducted,  
 9.5 but is not a contested case under chapter 14.

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

9.13 ~~(e)~~ (d) The board shall establish procedures governing reimbursement of expenses to  
 9.14 board members. These procedures shall define the types of activities and expenses that  
 9.15 qualify for reimbursement, shall provide that all out-of-state travel must be authorized  
 9.16 by the board, and shall provide for independent verification of claims for expense  
 9.17 reimbursement. The procedures must comply with applicable rules and policies of the  
 9.18 Department of Finance, the Department of Administration, and the Department of  
 9.19 Employee Relations.

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

9.24 Sec. 6. Minnesota Statutes 2006, section 353.03, subdivision 3a, is amended to read:

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

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



- 10.1 (1) attend all meetings of the board;
- 10.2 (2) prepare and recommend to the board appropriate rules to carry out the provisions  
10.3 of this chapter;
- 10.4 (3) establish and maintain an adequate system of records and accounts following  
10.5 recognized accounting principles and controls;
- 10.6 (4) designate, with the approval of the board, up to two persons who ~~shall~~ may serve  
10.7 in the unclassified service and whose ~~salary is~~ salaries are set in accordance with section  
10.8 43A.18, subdivision 3, appoint a confidential secretary in the unclassified service, and  
10.9 appoint employees to carry out this chapter, who are subject to chapters 43A and 179A  
10.10 in the same manner as are executive branch employees;
- 10.11 (5) organize the work of the association as the director deems necessary to fulfill  
10.12 the functions of the association, and define the duties of its employees and delegate to  
10.13 them any powers or duties, subject to the control of, and under such conditions as, the  
10.14 executive director may prescribe;
- 10.15 (6) with the approval of the board, contract for the services of an approved actuary,  
10.16 professional management services, and any other consulting services as necessary  
10.17 to fulfill the purposes of this chapter. All contracts are subject to chapter 16C. The  
10.18 commissioner of administration shall not approve, and the association shall not enter  
10.19 into, any contract to provide lobbying services or legislative advocacy of any kind.  
10.20 Any approved actuary retained by the executive director shall function as the actuarial  
10.21 advisor of the board and the executive director and may perform actuarial valuations and  
10.22 experience studies to supplement those performed by the actuary retained under section  
10.23 356.214. Any supplemental actuarial valuations or experience studies shall be filed with  
10.24 the executive director of the Legislative Commission on Pensions and Retirement. Copies  
10.25 of professional management survey reports shall be transmitted to the secretary of the  
10.26 senate, the chief clerk of the house of representatives, and the Legislative Reference  
10.27 Library as provided by section 3.195, and to the executive director of the commission at  
10.28 the same time as reports are furnished to the board. Only management firms experienced  
10.29 in conducting management surveys of federal, state, or local public retirement systems  
10.30 shall be qualified to contract with the director hereunder;
- 10.31 (7) with the approval of the board provide in-service training for the employees  
10.32 of the association;
- 10.33 (8) make refunds of accumulated contributions to former members and to the  
10.34 designated beneficiary, surviving spouse, legal representative or next of kin of deceased  
10.35 members or deceased former members, as provided in this chapter;

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

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

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

11.9 (12) prepare and submit biennial and annual budgets to the board for its approval  
 11.10 and submit the approved budgets to the Department of Finance for approval by the  
 11.11 commissioner;

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

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

11.20 Sec. 7. Minnesota Statutes 2006, section 353.03, subdivision 4, is amended to read:

11.21 Subd. 4. **Offices.** The commissioner of administration shall make provision for  
 11.22 suitable office space in the state capitol or other state office buildings, or at such other  
 11.23 location as is determined by the commissioner for the use of the board of trustees and its  
 11.24 executive director. ~~The commissioner shall give the board at least four months notice~~  
 11.25 ~~for any proposed removal from their present location. Any and all rental charges shall~~  
 11.26 ~~be paid by the trustees from the public employees retirement fund~~ public pension fund  
 11.27 facilities created under section 356B.10.

11.28 Sec. 8. Minnesota Statutes 2006, section 353.27, subdivision 12, is amended to read:

11.29 Subd. 12. **Omitted salary deductions; obligations.** (a) In the case of omission  
 11.30 of required deductions from the salary of an employee, the department head or designee  
 11.31 shall immediately, upon discovery, report the employee for membership and deduct the  
 11.32 employee deductions under subdivision 4 during the current pay period or during the pay  
 11.33 period immediately following the discovery of the omission. Payment for the omitted

12.1 obligations may only be made in accordance with reporting procedures and methods  
12.2 established by the executive director.

12.3 (b) When the entire omission period of an employee does not exceed 60 days, the  
12.4 governmental subdivision may report and submit payment of the omitted employee  
12.5 deductions and the omitted employer contributions through the reporting processes under  
12.6 subdivision 4.

12.7 (c) When the omission period of an employee exceeds 60 days, the governmental  
12.8 subdivision shall furnish to the association sufficient data and documentation upon which  
12.9 the obligation for omitted employee and employer contributions can be calculated. The  
12.10 omitted employee deductions must be deducted from the employee's subsequent salary  
12.11 payment or payments and remitted to the association. The employee shall pay omitted  
12.12 employee deductions due for the 60 days prior to the end of the last pay period in the  
12.13 omission period during which salary was earned. The employer shall pay any remaining  
12.14 omitted employee deductions and any omitted employer contributions, plus cumulative  
12.15 interest at an annual rate of 8.5 percent compounded annually, from the date or dates each  
12.16 omitted employee contribution was first payable.

12.17 (d) An employer shall not hold an employee liable for omitted employee deductions  
12.18 beyond the pay period dates under paragraph (c), nor attempt to recover from the employee  
12.19 those employee deductions paid by the employer on behalf of the employee. Omitted  
12.20 deductions due under paragraph (c) which are not paid by the employee constitute a  
12.21 liability of the employer that failed to deduct the omitted deductions from the employee's  
12.22 salary. The employer shall make payment with interest at an annual rate of 8.5 percent  
12.23 compounded annually. Omitted employee deductions are no longer due if an employee  
12.24 terminates public service before making payment of omitted employee deductions to  
12.25 the association, but the employer remains liable to pay omitted employer contributions  
12.26 plus interest at an annual rate of 8.5 percent compounded annually from the date the  
12.27 contributions were first payable.

12.28 (e) The association may not commence action for the recovery of omitted employee  
12.29 deductions and employer contributions after the expiration of three calendar years after  
12.30 the calendar year in which the contributions and deductions were omitted. Except as  
12.31 provided under paragraph (b), no payment may be made or accepted unless the association  
12.32 has already commenced action for recovery of omitted deductions. An action for recovery  
12.33 commences on the date of the mailing of any written correspondence from the association  
12.34 requesting information from the governmental subdivision upon which to determine  
12.35 whether or not omitted deductions occurred.

13.1           (f) The association shall not commence action for the recovery of omitted employer  
13.2           contributions or omitted employee deductions for any period prior to the initial plan  
13.3           coverage date of the governmental subdivision.

13.4           Sec. 9. Minnesota Statutes 2006, section 353.28, subdivision 6, is amended to read:

13.5           Subd. 6. **Collection of unpaid amounts.** (a) If a governmental subdivision which  
13.6           receives the direct proceeds of property taxation fails to pay an amount due under chapter  
13.7           353, 353A, 353B, 353C, or 353D, the executive director shall certify the amount to the  
13.8           governmental subdivision for payment. If the governmental subdivision fails to remit the  
13.9           sum so due in a timely fashion, the executive director shall certify the amount to the  
13.10           applicable county auditor for collection. The county auditor shall collect the amount  
13.11           out of the revenue of the governmental subdivision, or shall add the amount to the levy  
13.12           of the governmental subdivision and make payment directly to the association. This  
13.13           tax must be levied, collected, and apportioned in the manner that other taxes are levied,  
13.14           collected, and apportioned.

13.15           (b) If a governmental subdivision which is not funded directly from the proceeds  
13.16           of property taxation fails to pay an amount due under this chapter, the executive  
13.17           director shall certify the amount to the governmental subdivision for payment. If the  
13.18           governmental subdivision fails to pay the amount for a period of 60 days after the date  
13.19           of the certification, the executive director shall certify the amount to the commissioner  
13.20           of finance, who shall deduct the amount from any subsequent state-aid payment or state  
13.21           appropriation amount applicable to the governmental subdivision and make payment  
13.22           directly to the association. If the amount of the state-aid payment or state appropriation is  
13.23           not sufficient to pay the full sum due, the amounts paid to the association shall be applied  
13.24           first to the unpaid employee deductions withheld from the employees' wages and next to  
13.25           the unpaid employer contributions. Any remaining amount received by the association  
13.26           must be applied to the interest due on the employee and employer contribution amounts.  
13.27           If a government subdivision under this paragraph owes amounts to more than one public  
13.28           retirement plan, section 356.98 applies.

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

13.33           Sec. 10. Minnesota Statutes 2006, section 353.29, subdivision 3, is amended to read:

14.1 Subd. 3. **Retirement annuity formula.** (a) This paragraph, in conjunction with  
 14.2 section 353.30, subdivisions †, 1a, 1b, and 1c, applies to any member who first became a  
 14.3 public employee or a member of a pension fund listed in section 356.30, subdivision 3,  
 14.4 before July 1, 1989, unless paragraph (b), in conjunction with section 353.30, subdivision  
 14.5 5, produces a higher annuity amount, in which case paragraph (b) will apply. The average  
 14.6 salary as defined in section 353.01, subdivision 17a, multiplied by the percent specified in  
 14.7 section 356.315, subdivision 3, for each year of allowable service for the first ten years  
 14.8 and thereafter by the percent specified in section 356.315, subdivision 4, per year of  
 14.9 allowable service and completed months less than a full year for the "~~basic member,~~" a  
 14.10 basic member, and the percent specified in section 356.315, subdivision 1, for each year of  
 14.11 allowable service for the first ten years and thereafter by the percent specified in section  
 14.12 356.315, subdivision 2, per year of allowable service and completed months less than a  
 14.13 full year for the "~~coordinated member,~~" a coordinated member shall determine the amount  
 14.14 of the "~~normal~~" normal retirement annuity.

14.15 (b) This paragraph applies to a member who has become at least 55 years old and  
 14.16 first became a public employee after June 30, 1989, and to any other member whose  
 14.17 annuity amount, when calculated under this paragraph and in conjunction with section  
 14.18 353.30, subdivision 5, is higher than it is when calculated under paragraph (a), in  
 14.19 conjunction with section 353.30, subdivisions †, 1a, 1b, and 1c. The average salary, as  
 14.20 defined in section 353.01, subdivision 17a, multiplied by the percent specified in section  
 14.21 356.315, subdivision 4, for each year of allowable service and completed months less than  
 14.22 a full year for a basic member and the percent specified in section 356.315, subdivision 2,  
 14.23 per year of allowable service and completed months less than a full year for a coordinated  
 14.24 member, shall determine the amount of the normal retirement annuity.

14.25 Sec. 11. Minnesota Statutes 2006, section 353.30, subdivision 1a, is amended to read:

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

14.33 Sec. 12. Minnesota Statutes 2006, section 353.30, subdivision 1b, is amended to read:

15.1 Subd. 1b. **Pre-July 1, 1989 members: 30 years of service.** ~~Any~~ Upon termination  
 15.2 of public service under section 353.01, subdivision 11a, a person who first became a  
 15.3 public employee or a member of a pension fund listed in section 356.30, subdivision  
 15.4 3, before July 1, 1989, with 30 years or more of allowable service credit, who elects  
 15.5 ~~early retirement under subdivision 1~~ to retire prior to normal retirement age, shall receive  
 15.6 an annuity in an amount equal to the normal annuity provided under section 353.29,  
 15.7 ~~subdivisions 2 and subdivision 3,~~ paragraph (a), reduced by one-quarter of one percent for  
 15.8 each month that the member is under age 62 at the time of retirement.

15.9 Sec. 13. Minnesota Statutes 2006, section 353.30, subdivision 1c, is amended to read:

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

15.21 Sec. 14. Minnesota Statutes 2006, section 353.32, subdivision 1a, is amended to read:

15.22 Subd. 1a. **Surviving spouse optional annuity.** (a) If a member or former member  
 15.23 who has credit for not less than three years of allowable service and dies before the  
 15.24 annuity or disability benefit begins to accrue under section 353.29, subdivision 7, or  
 15.25 353.33, subdivision 2, notwithstanding any designation of beneficiary to the contrary, the  
 15.26 surviving spouse may elect to receive, instead of a refund with interest under subdivision  
 15.27 1, or surviving spouse benefits otherwise payable under section 353.31, an annuity equal  
 15.28 to ~~the~~ a 100 percent joint and survivor annuity that the member could have qualified for  
 15.29 ~~had the member terminated service on the date of death~~ computed consistent with section  
 15.30 353.30, subdivision 1a, 1c, or 5, whichever is applicable.

15.31 (b) If ~~the~~ a member was under age 55 first became a public employee or a member of  
 15.32 a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and has credit  
 15.33 for at least 30 years of allowable service on the date of death, the surviving spouse may  
 15.34 elect to receive a 100 percent joint and survivor annuity based on the age of the member

16.1 ~~and surviving spouse on the date of death. The annuity is payable using~~ computed using  
16.2 section 353.30, subdivision 1b, except that the full early retirement reduction under section  
16.3 ~~353.30, subdivisions 1b and 1c, to~~ that provision will be applied from age 62 back to age 55  
16.4 and one-half of the early retirement reduction from age 55 back to the age payment begins.

16.5 (c) If ~~the~~ a member who was under age 55 and has credit for at least three years of  
16.6 allowable service ~~on the date of death dies,~~ but did not qualify for retirement ~~on the date~~  
16.7 ~~of death,~~ the surviving spouse may elect to receive ~~the~~ a 100 percent joint and survivor  
16.8 annuity based on the age of the member and surviving spouse at the time of death. The  
16.9 ~~annuity is payable~~ computed using section 353.30, subdivision 1c or 5, as applicable,  
16.10 ~~except that the full early retirement reduction under section 353.30, subdivision 1, 1b, 1c,~~  
16.11 ~~or 5,~~ specified in the applicable subdivision will be applied to age 55 and one-half of the  
16.12 early retirement reduction from age 55 back to the age payment begins.

16.13 (d) Notwithstanding the definition of surviving spouse in section 353.01, subdivision  
16.14 20, a former spouse of the member, if any, is entitled to a portion of the monthly surviving  
16.15 spouse optional annuity if stipulated under the terms of a marriage dissolution decree filed  
16.16 with the association. If there is no surviving spouse or child or children, a former spouse  
16.17 may be entitled to a lump-sum refund payment under subdivision 1, if provided for in a  
16.18 marriage dissolution decree, but not a monthly surviving spouse optional annuity, despite  
16.19 the terms of a marriage dissolution decree filed with the association.

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

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

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

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

17.1 (i) If the deceased member or former member first became a public employee or a  
17.2 member of a public pension plan listed in section 356.30, subdivision 3, on or after July  
17.3 1, 1989, a survivor annuity computed under paragraph (a) or (c) must be computed as  
17.4 specified in section 353.30, subdivision 5, except for the revised early retirement reduction  
17.5 specified in paragraph (c), if paragraph (c) is the applicable provision.

17.6 (j) For any survivor annuity determined under this subdivision, the payment is to  
17.7 be based on the total allowable service the member had accrued as of the date of death,  
17.8 and, on the date payment begins, the age the member or former member would have  
17.9 been and the age of the surviving spouse.

17.10 Sec. 15. Minnesota Statutes 2006, section 353.32, subdivision 1b, is amended to read:

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

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

17.22 Sec. 16. Minnesota Statutes 2006, section 353.34, subdivision 3, is amended to read:

17.23 Subd. 3. **Deferred annuity; eligibility; computation.** A member with at least  
17.24 three years of allowable service when termination of public service or termination of  
17.25 membership occurs has the option of leaving the accumulated deductions in the fund and  
17.26 being entitled to a deferred retirement annuity commencing at normal retirement age  
17.27 or to a deferred early retirement annuity under section 353.30, subdivision ~~4~~, 1a, 1b,  
17.28 1c, or 5. The deferred annuity must be computed under section 353.29, ~~subdivisions 2~~  
17.29 ~~and subdivision 3~~, on the basis of the law in effect on the date of termination of public  
17.30 service or termination of membership, whichever is earlier, and must be augmented as  
17.31 provided in section 353.71, subdivision 2. A former member qualified to apply for a  
17.32 deferred retirement annuity may revoke this option at any time before the commencement  
17.33 of deferred annuity payments by making application for a refund. The person is entitled to



18.1 a refund of accumulated member contributions within 30 days following date of receipt of  
 18.2 the application by the executive director.

18.3 Sec. 17. Minnesota Statutes 2006, section 356.87, is amended to read:

18.4 **356.87 HEALTH INSURANCE WITHHOLDING.**

18.5 Subdivision 1. Public employees insurance program withholding. (a) Upon  
 18.6 authorization of a person entitled to receive a retirement annuity, disability benefit or  
 18.7 survivor benefit, the executive director of a public pension fund enumerated in section  
 18.8 356.20, subdivision 2, shall withhold health insurance premium amounts from the  
 18.9 retirement annuity, disability benefit or survivor benefit, and shall pay the premium  
 18.10 amounts to the public employees insurance program.

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

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

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

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

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

18.26 (2) was a public safety officer as defined in United States Code, title 42, section  
 18.27 3796b;

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

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

18.34 (d) An approved insurance provider is:

18.35 (1) any regulated, licensed insurance company;

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

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

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

19.8 (f) A pension fund and the plan fiduciaries which authorize or administer  
 19.9 withholding of insurance premiums under this subdivision shall not be held liable for  
 19.10 failure to properly withhold or transmit the premium amounts.

19.11 **COMPREHENSIVE EMPLOYMENT TRAINING ACT**  
 19.12 **SERVICE CREDIT PURCHASE**

19.13 **Sec. 18. [356.95] PURCHASE OF PRIOR COMPREHENSIVE EMPLOYMENT**  
 19.14 **TRAINING ACT SERVICE.**

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

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

19.18 (2) was excluded from pension coverage under the provisions of Laws 1978, chapter  
 19.19 720; and

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

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

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

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

20.1 (b) Service credit may not be purchased for any period for which the individual  
20.2 has service credit in a covered pension plan, as defined in section 356A.01, subdivision  
20.3 8, other than a volunteer firefighter plan.

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

20.5 **RECEIVABLES**

20.6 **Sec. 19. [356.98] ALLOCATION OF RECEIVABLES.**

20.7 If an employing unit is dissolved or closed and amounts are owed to more than one  
20.8 Minnesota public pension plan, any amounts available to cover payments to the plans  
20.9 shall be applied first to the employee contributions owed to the applicable plans, and  
20.10 next to the unpaid employer contributions, including any applicable employer additional  
20.11 contributions, and finally to the interest due on the employee and employer amounts. If, at  
20.12 any stage in this allocation process, the available amount is insufficient to fully cover the  
20.13 amount required, the remaining available payment amount must be prorated among the  
20.14 applicable plans based on each plan's share of combined covered payroll.

20.15 **Sec. 20. REPEALER.**

20.16 Minnesota Statutes 2006, sections 353.30, subdivision 1; 353.34, subdivision 7;  
20.17 and 353.69, are repealed.

20.18 **Sec. 21. EFFECTIVE DATE.**

20.19 (a) Sections 1 to 13 and 15, 16, 18, 19, and 20 are effective the day following  
20.20 enactment.

20.21 (b) Section 3, paragraphs (e) and (f), and section 8 apply to initial plan coverage  
20.22 dates occurring on or after the effective date of the applicable section.

20.23 (c) Section 14 is effective for survivor benefits based on a date of death occurring  
20.24 on or after July 1, 2007. Section 14, other than paragraph (j), is not intended to increase,  
20.25 modify, impair, or diminish the benefit entitlements specified in the subdivision within  
20.26 the Minnesota Statutes being amended. If the executive director of the Public Employees  
20.27 Retirement Association determines that any provision of section 14, other than paragraph  
20.28 (j), does increase, modify, impair, or diminish the benefit entitlements as reflected in  
20.29 applicable law just before the effective date of this section, the executive director shall  
20.30 certify that determination and a recommendation as to the required legislative correction  
20.31 to the chairs of the Legislative Commission on Pensions and Retirement, the house  
20.32 Governmental Operations and Veterans Affairs Policy Committee, the senate State and

- 21.1 Local Governmental Operations Committee, and the executive director of the Legislative
- 21.2 Commission on Pensions and Retirement.
- 21.3 (d) Section 17 is effective January 1, 2007.