H.F. 1628
(Murphy, M.)

S.F. xxxx
(xxx)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s):	Duluth Teachers Retirement Fund Association (DTRFA)
Relevant Provisions of Law:	Minnesota Statutes, Chapter 354A
General Nature of Proposal:	Revising Vesting for Various Plan Provisions
Date of Summary:	April 12, 2011

Specific Proposed Changes

- Revises vesting from three years to five years for purposes of DTRFA early retirement provisions, survivor benefits, disability benefits, and for the qualified part-time teacher provision as it applies to DTRFA teachers.

Policy Issues Raised by the Proposed Legislation

1. Whether there is sufficient justification or need for the change. The DTRFA executive director has indicated that these changes should have occurred last year, and he views the changes as technical cleanup. This proposal will create more consistency within the plan.
2. TRA and SPTRFA still use three-year vesting for all their provisions, so the DTRFA change last session and the current proposal cause the DTRFA to differ from similar teacher plans. (However, MSRS and PERA did revise vesting in their plans to five years.)
3. Whether the membership supports these changes.
4. Whether the qualified part-time teacher program revision, requiring five years of service rather than three to qualify for the program, should remain in the bill.
5. Effective date implications.
6. DTRFA's actuarial condition.

Potential Amendments

H1628-1A removes the qualified part-time teaching program from the bill. If that section is removed, the minimum service requirement for being in that program would remain at three years.

H1628-2A is an alternative to H1628-1A and transforms the bill to a proposal to remove the vesting changes passed for DTRFA last session.

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director EB

RE: H.F. 1628 (Murphy, M.); S.F. xxxx: DTRFA; Revising Vesting for Various Plan Provisions

DATE: April 12, 2011

Summary of H.F. 1628 (Murphy, M.); S.F. xxxx

H.F. 1628 (Murphy, M.); S.F. xxxx revises vesting from three years to five years for purposes of Duluth Teachers Retirement Fund Association (DTRFA) early retirement provisions, survivor benefits, disability benefits, and for the qualified part-time teacher provision as it applies to DTRFA teachers.

Relevant Background Information

- Background information on the 2010 DTRFA financial sustainability provisions is contained in **Attachment A**.
- Background information on the full-time retirement credit for part-time teaching provisions is contained in **Attachment B**.

Discussion and Analysis

H.F. 1628 (Murphy, M.); S.F. xxxx revises DTRFA vesting requirements. The minimum number of years of covered service needed to qualify for a benefit from a plan, other than a refund of employee contributions and interest, is referred to as the plan's vesting requirement. Typically, the vesting requirement in Minnesota's general public employee plans was three years. However, legislation enacted last year (Laws 2010, Ch. 359, Art. 1) revised the vesting requirements in several plans from three-year vesting to five-year vesting.

Whether the vesting requirement is three years or five years makes very little difference in plan liabilities. The reason is that although a short-service terminating employee may be vested and thus be able to draw an annuity when retirement age is reached, that annuity has little value since it is computed on only a few years of service. In Minnesota defined benefit paid employee pension plans (other than local police and paid fire plans) a plan annuity is a fraction of the employee's high-five average salary. In Minnesota general employee plans, the annuity is 1.7% of the high-five average salary per year of service. So if an employee had three years of service, the annuity would be 5.1% (3 x 1.7% = 5.1%) of the high-five average salary. For a relatively young terminating employee, a refund often has more value than an eventual annuity. In general, it is not until the person nears ten years of service that an annuity has higher value than taking a refund. Taking a refund eliminates all further rights under the plan.

In 2010, the DTRFA requested changes to improve the condition of the plan, given the decrease in plan asset value that occurred when investment markets plummeted in 2008 and early 2009. Those changes, which were enacted into law (Laws 2010, Ch. 359, Art. 1, Sec. 57-58, & 60-67), included an increase in employee and employer contribution rates, eliminating any post-retirement increases until the plan funding ratio (based on market value) reaches at least 80%, lowering the interest rate paid on refunds from 6% to 4%, reducing the deferred annuity augmentation rate to 2% annually (rather than current 3% per year until age 55 and 5% per year thereafter), and eliminating interest on reemployed annuitant savings accounts. A somewhat more detailed description of last year's changes for DTRFA and the other plans is contained in **Attachment A**.

Apparently, the DTRFA intended in its 2010 legislation to also revise vesting from three years to five years for all its benefit provisions, but the drafting did not fully achieve that. The only DTRFA vesting provision addressed last year was part of the revisions needed in its retirement annuity provisions. H.F. 1628 (Murphy, M.); S.F. xxxx, which is viewed by the DTRFA administration as cleanup of DTRFA provisions in last year's Omnibus Retirement Bill, is intended to revise vesting for all DTRFA provisions missed last session by requiring five-year rather than three-year vesting. The revised provisions in H.F. 1628 (Murphy, M.); S.F. xxxx are the plan's retirement provisions including early retirement provisions, survivor and disability benefit provisions, and the qualified part-time teacher provision. Background information on the full-time retirement credit for part-time teaching provisions is contained in **Attachment B**.

H.F. 1628 (Murphy, M.); S.F. xxxx revises vesting from three years to five years for purposes of DTRFA early retirement provisions, survivor benefits, disability benefits, and for the qualified part-time teacher provision as it applies to DTRFA teachers.

The proposed legislation raises several pension and related public policy issues, as follows:

1. Justification for Change. The issue is whether there is sufficient justification or need for the change. The DTRFA executive director has indicated that these changes should have occurred last year, and he views the changes as technical cleanup. This proposal will create more consistency within the plan. It does not make sense to have different vesting requirements for each plan benefit.

2. Savings. Technically, the proposed changes will reduce plan liabilities, but the reduction in liabilities will not be detectable. For last year's bill, the DTRFA actuary computed cost savings due to vesting changes of only 0.01% of payroll. The savings for the vesting changes in H.F. 1628 (Murphy, M.); S.F. xxxx would be a fraction of last year's estimate, if there is any new savings at all. It is quite possible that the actuary, in estimating the impact of last session's DTRFA changes, assumed that the vesting change applied to all forms of DTRFA benefits. If so, no savings beyond that already estimated last year can be expected.

3. Consistency with TRA and SPTRFA. The Teachers Retirement Association (TRA) and the St. Paul Teachers Retirement Fund Association (SPTRFA) still use three-year vesting for all their provisions. Thus, the DTRFA change last session and the current proposal cause the DTRFA to differ from similar teacher plans. (However, the Minnesota State Retirement System (MSRS) and the Public Employees Retirement Association (PERA) did revise vesting in their plans to five years.) Last session the SPTRFA requested minimal changes to address its funding condition compared to changes sought by other plans, but the SPTRFA is expected this session to pursue changes to trim liabilities; however, that proposal does not include any revision in SPTRFA vesting requirements, probably because the expected reduction in liabilities is so minimal.

4. Membership Support. The issue is whether the membership supports these changes.

5. Question of Inclusion of Part-Time Teacher Program. The issue is whether the qualified part-time teacher program revision, requiring five years of service rather than three years of service to qualify for the program, should remain in the bill. That is a program and not a benefit form, like a retirement, survivor, or disability annuity. It is unclear why qualifying for that program should require the same number of years of service as is used to qualify for annuities provided by the plan.

6. Effective Date Implications. All sections of the bill are effective the day following final enactment, without further clarification or qualification. This raises an issue of whether vesting changes could cause hardship and lead to requests by DTRFA teachers to revise effective dates, or to be allowed a benefit despite not meeting the revised vesting requirement. For example, a person with three or four years of service could be injured before the effective date, but not be declared disabled until after the effective date. Under the revision, the person would not qualify for a disability annuity because they lack five years of service. However, because disability benefits under the plan are computed like a retirement annuity, but without any penalty due to early retirement, this may not matter. An annuity computed on so few years of service would have been minimal. Also, Section 2 of the bill changes requirements for the qualified part-time teaching program by requiring five years of service rather than three years to take part in that program. If someone with three years of service is in that program, they will no longer qualify to remain in the program or to be renewed to stay in the program next year. However, the DTRFA executive director has contacted the district and determined that no one with three or four years of service is using that program.

7. Plan Actuarial Condition. The plan's actuarial condition according to the most recent actuarial valuation is summarized below. The plan's current funding ratio is 82% based on actuarial value, but it is only 62% funded based on market value, because the plan's market value is considerably below the actuarial value.

	DTRFA 2010
Membership	
Active Members	1,054
Service Retirees	1,171
Disabilitants	19
Survivors	105
Deferred Retirees	301
Nonvested Former Members	721
Total Membership	3,371

	DTRFA 2010	
Funding and Financing		
Covered Payroll		$56,152,078
Benefits Payable		$23,596,191
Normal Cost	5.85%	$3,287,998
Administrative Expenses	0.91%	$510,984
Normal Cost & Expense	6.76%	$3,798,982
Employee Contributions	5.50%	$3,088,365
Employer Contributions	5.79%	$3,251,205
Employer Add'l Cont.	0.00%	$0
Direct State Funding	1.19%	$666,361
Other Govt. Funding	0.00%	$0
Administrative Assessment	0.00%	$0
Total Contributions	12.48%	$7,005,931
Actuarial Value of Assets:	Actuarial Value of Assets (AVA)	
Accrued Liability		$312,649,572
Current Assets (AVA)		$255,308,913
Unfunded Accr. Liability (AVA)		$57,340,659
Funding Ratio (AVA)	81.66%	
Normal Cost & Expense	6.76%	$3,798,982
Amortization (AVA)	6.46%	$3,627,424
Total Requirements (AVA)	13.22%	$7,426,406
Total Requirements (AVA)	13.22%	$7,426,406
Total Contributions	12.48%	$7,005,931
Deficiency/(Surplus) (AVA)	0.74%	$420,475
Market Value of Assets:	Market Value of Assets (MVA)	
Accrued Liability		$312,649,572
Current Assets (MVA)		$192,402,546
Unfunded Accr. Liability (MVA)		$120,247,026
Funding Ratio (MVA)	61.54%	
Normal Cost & Expense	6.76%	$3,798,982
Amortization (MVA)	13.55%	$7,606,940
Total Requirements (MVA)	20.31%	$11,405,922
Total Requirements (MVA)	20.31%	$11,405,922
Total Contributions	12.48%	$7,005,931
Deficiency/(Surplus) (MVA)	7.83%	$4,399,991

Potential Amendments for Commission Consideration

H1628-1A removes the qualified part-time teaching program from the bill. If that section is removed, the minimum service requirement for being in that program would remain at three years. An argument for this amendment is that, while being in the qualified part-time teacher program does influence the amount of service and salary credit a teacher will receive while in the program, this is not a plan benefit like a retirement, disability, or survivor annuity, and there is no clear reason why the years of service needed to qualify for that program should match the plan's vesting requirement. Also, neither TRA nor SPTRFA have revised the years of service needed to qualify for the qualified part-time teacher program. Those plans use three years of service. Thus, the DTRFA proposal would put the DTRFA out of step with the other K-12 teacher plans in the state.

H1628-2A is an alternative to H1628-1A and transforms the bill to a proposal to remove the vesting changes passed for DTRFA last session. None of the other K-12 teacher plans revised their vesting last year, and none are proposing to do it this year, thus the DTRFA is out of step with the other teacher plans (although the DTRFA vesting changes enacted last year when combined with those proposed this year, will make DTRFA consistent with MSRS and PERA).

Background Information on DTRFA Provisions Enacted in 2010

The following is a summary of Duluth Teachers Retirement Fund Association (DTRFA) provisions passed in the Legislative Commission on Pensions and Retirement's 2010 Omnibus Pension Bill. The DTRFA provisions are found in Laws 2010, Chapter 359, Article 1, Sections 57, 58, and 60 to 67.

- <u>Contribution Rate Increases</u>. Effective July 1, 2011, the DTRFA employee contribution rate increases from 5.5 percent of salary to 6.0 percent, and on July 1, 2012, increases to 6.5 percent. The DTRFA employer additional contribution, 1.29 percent of pay, is merged into the employer regular contribution, currently 4.5 percent of pay, to create a single 5.79 percent contribution rate. That rate is then increased on July 1, 2011, to 6.29 percent, and on July 1, 1012, to 6.79 percent.

- <u>Revised Post-Retirement Increase Procedures</u>. The current system of an automatic two percent annual post-retirement increase, plus additional increases based on five-year annualized returns in excess of 8.5 percent, is replaced by a new approach, consisting of a transitional system followed by a move to an inflation match approach, matching inflation up to five percent, after funding ratios improve considerably. Under the transition method, no increase will be provided to DTRFA pensioners (retirees, disabilitants, and survivors) if the funding ratio, based on comparison of the market value of assets compared to accrued liability, is less than 80 percent. A one percent increase will be paid if the market-value funding ratio is at least 80 percent but less than 90 percent, and a two percent increase will be paid if the ratio is at least 90 percent. Also, when the funding ratio, when actuarial asset value rather than market is used, is at least 90 percent, the transition method ends and a new system is put in place which will match inflation up to five percent.

- <u>Revised Vesting, Normal Retirement Annuity</u>. Five years of service, rather than three years, will be needed to vest for a normal retirement benefit.

- <u>Reduced Refund Interest Rate</u>. The interest rate applicable for periods after July 1, 2010, used to compute death refunds, terminated employee refunds, and refunds in lieu of an annuity, will be four percent rather than six percent.

- <u>Reduced Deferred Annuity Augmentation</u>. The deferred annuities augmentation rate will be two percent per year in all cases for periods occurring after July, 1 2010, rather than the current three percent per year until age 55 and five percent per year thereafter.

- <u>Elimination of Interest on Reemployed Annuitant Savings Accounts</u>. Beginning July 1, 2010, reemployed annuitant savings accounts (created when a DTRFA annuitant is reemployed by t he school district and the person exceeds the permissible maximum in reemployment income, causing a portion of the annuity to be withheld and placed in a savings account for the individual, payable after terminating the reemployment) will provide no interest, rather than six percent interest.

- <u>Elimination of Obsolete Post-Retirement Adjustment Provision</u>. An unnecessary post-retirement adjustment authorization provision is repealed.

Background Information on
Full-Time Retirement Credit for Part-Time Teaching Provisions

The Teachers Retirement Association (TRA) and the first class city teacher retirement fund associations (the Duluth Teachers Retirement Fund Association (DTRFA) and the St. Paul Teachers Retirement Fund Association (SPTRFA)) have long had provisions permitting teachers who, by agreement with the employing district, are in the part-time teacher program. Teachers in the program can receive full-time retirement fund service and salary credit if the necessary contributions are made.

The relevant provisions are Minnesota Statutes, Section 354.66, for TRA and Minnesota Statutes, Section 354A.094, for first class city teacher retirement fund associations. To participate, the teacher is required to have three years of service to qualify for the part-time program. Under the program, the employee pays an employee contribution based on full-time equivalent salary. The law requires the employing unit to pay the employer contribution on the part-time salary. The difference between this amount and a full-time equivalent employer contribution also is to be contributed to the teacher pension plan, with the payment shared by the employee and employing unit as agreed to by the parties.

To qualify for the part-time teaching program, the position must constitute at least 50 full days of teaching service or its equivalent and must not be compensated in excess of 80 percent of the compensation of a full-time teacher with identical education and experience in the district. The qualified part-time teacher retirement fund participation is limited to a period of ten years. While utilizing the qualified part-time teacher retirement fund participation provision, the teacher is not allowed to:

- simultaneously be a member of, make contributions to, and receive service credit from another Minnesota public pension plan other than a volunteer firefighter relief association;
- utilize the qualified part-time teacher retirement fund participation provision in more than one employing unit simultaneously; and
- utilize the provision in one district during a year when the teacher also takes a full-time or a part-time teaching position in another employing unit other than that of a substitute teacher.

The agreement between a teacher and the teacher's school district or other eligible employer must be executed before October 1 of the year for which the teacher wishes to make the full-time equivalent contribution. A copy of the agreement must be filed with the teacher retirement plan. If filed with the teacher retirement plan after October 1 of the year for which the teacher wishes to make the full-time equivalent contribution, the school district is required to pay a $5-per-calendar-day fine for each late filing day. The retirement plan is not permitted to accept an executed agreement that is more than 15 months late.

.... moves to amend H.F. No. 1628; S.F. No. . as follows:

Page 1, delete section 2

Renumber the sections in sequence

Amend the title accordingly

.... moves to amend H.F. No. 1628; S.F. No. . as follows:

Page 1, delete sections 1 and 2

Page 2, lines 30 to 32, delete the new language and reinstate the stricken language

Page 3, delete sections 4 and 5

Page 4, delete section 6

Page 5, delete section 7

Renumber the sections in sequence

Amend the title accordingly

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

HOUSE FILE No. 1628

May 2, 2011
Authored by Murphy, M.
The bill was read for the first time and referred to the Committee on Government Operations and Elections

A bill for an act relating to retirement; first class city teacher retirement fund associations; adding a definition for vesting; modifying eligibility for leave of absence, retirement, survivor, and disability benefits; amending Minnesota Statutes 2010, sections 354A.011, by adding a subdivision; 354A.094, subdivision 3; 354A.31, subdivisions 1, 5, 6; 354A.35, subdivision 2; 354A.36, subdivision 1.

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

Section 1. Minnesota Statutes 2010, section 354A.011, is amended by adding a subdivision to read:

Subd. 29. **Vesting; vested.** (a) "Vesting" or "vested" means having entitlement to a nonforfeitable annuity or benefit from a coordinated member program administered by a teachers retirement fund association by having credit for sufficient allowable service under paragraph (b) or (c), whichever applies.

(b) For purposes of qualifying for an annuity or a benefit as a coordinated plan member of the St. Paul Teachers Retirement Fund Association, the teacher is vested when the teacher has accrued credit for at least three years of service.

(c) For purposes of qualifying for an annuity or a benefit as a coordinated plan member of the Duluth Teachers Retirement Fund Association:

(1) a teacher who first became a member of the plan before July 1, 2010, is vested when the teacher has accrued at least three years of service; and

(2) a teacher who first became a member of the plan after June 30, 2010, is vested when the teacher has accrued at least five years of service.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2010, section 354A.094, subdivision 3, is amended to read:

Subd. 3. **Qualified part-time teacher program participation requirements.** (a) A teacher in the public schools of a city of the first class who ~~has three years or more allowable service in the applicable retirement fund association~~ is vested, or ~~three~~ who has combined years ~~or more~~ of full-time teaching service in Minnesota public elementary schools, Minnesota secondary schools, and Minnesota State Colleges and Universities system at least equal to the number of years specified for vesting in the applicable first class city teacher plan, may, by agreement with the board of the employing district, be assigned to teaching service within the district in a part-time teaching position. The agreement must be executed before October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4. A copy of the executed agreement must be filed with the executive director of the retirement fund association. If the copy of the executed agreement is filed with the association after October 1 of the year for which the teacher requests to make retirement contributions under subdivision 4, the employing school district shall pay a fine of $5 for each calendar day that elapsed since the October 1 due date. The association may not accept an executed agreement that is received by the association more than 15 months late. The association may not waive the fine required by this section.

(b) Notwithstanding paragraph (a), if the teacher is also a legislator:

(1) the agreement in paragraph (a) must be executed before March 1 of the school year for which the teacher requests to make retirement contributions under subdivision 4; and

(2) the fines specified in paragraph (a) apply if the employing unit does not file the executed agreement with the executive director of the applicable Teachers Retirement Fund Association by March 1.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2010, section 354A.31, subdivision 1, is amended to read:

Subdivision 1. **Age and service requirements.** Any coordinated member or former coordinated member of the Duluth Teachers Retirement Fund Association or of the St. Paul Teachers Retirement Fund Association who has ceased to render teaching service for the school district in which the teachers retirement fund association exists, who is vested and who has either attained the age of at least 55 years ~~with not less than three years of allowable service credit~~ or received credit for not less than 30 years of allowable service regardless of age, shall be entitled upon written application to a retirement annuity. ~~Any coordinated member or former coordinated member of the Duluth Teachers Retirement Fund Association who has ceased to render teaching service for the school district in~~

~~which the teacher retirement fund association exists and who has either attained the age of at least 55 years with not less than three years of allowable service credit if the member became an employee before July 1, 2010, or not less than five years of allowable service credit if the member became an employee after June 30, 2010, or received service credit for not less than 30 years of allowable service regardless of age, shall be entitled upon written application to a retirement annuity.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2010, section 354A.31, subdivision 5, is amended to read:

Subd. 5. **Unreduced normal retirement annuity.** Upon retirement at normal retirement age ~~with at least three years of service credit~~, a vested coordinated member is entitled to a normal retirement annuity calculated under subdivision 4 or 4a, whichever applies.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2010, section 354A.31, subdivision 6, is amended to read:

Subd. 6. **Reduced retirement annuity.** This subdivision applies only to a person who first became a coordinated member or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with this subdivision than when calculated under subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), in conjunction with subdivision 7.

(a) Upon retirement at an age before normal retirement age ~~with three years of service credit~~ or prior to age 62 with at least 30 years of service credit, a vested coordinated member shall be entitled to a retirement annuity in an amount equal to the normal retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), reduced by one-quarter of one percent for each month that the coordinated member is under normal retirement age if the coordinated member has less than 30 years of service credit or is under the age of 62 if the coordinated member has at least 30 years of service credit.

(b) Any coordinated member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), without any reduction by reason of early retirement.

<u>EFFECTIVE DATE.</u> <u>This section is effective the day following final enactment.</u>

Sec. 6. Minnesota Statutes 2010, section 354A.35, subdivision 2, is amended to read:

Subd. 2. **Death while eligible to retire; surviving spouse optional annuity.** (a) The surviving spouse of a <u>vested</u> coordinated member who ~~has credit for at least three years of service and~~ dies prior to retirement may elect to receive, instead of a refund with interest under subdivision 1, an annuity equal to the 100 percent joint and survivor annuity the member could have qualified for had the member terminated service on the date of death. The surviving spouse eligible for a surviving spouse benefit under this paragraph may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. A surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity at any time after the member's death. The member's surviving spouse shall be paid a joint and survivor annuity under section 354A.32 and computed under section 354A.31.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If ~~the~~ <u>a vested</u> member was under age 55 ~~and has credit for at least three years of allowable service~~ on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the early retirement reduction from age 55 to the date payment begins.

<u>(d)</u> Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity or surviving spouse benefit payable under this section. The benefits are payable for the life of the surviving spouse, or upon expiration of the term certain benefit payment under subdivision 2b.

<u>EFFECTIVE DATE.</u> <u>This section is effective the day following final enactment.</u>

Sec. 7. Minnesota Statutes 2010, section 354A.36, subdivision 1, is amended to read:

Subdivision 1. **Minimum age, service, and salary requirements.** Any coordinated member who ~~has at least three years of allowable service credit~~ is vested, who has an average salary of at least $75 per month, and who has become totally and permanently disabled shall be entitled to a disability benefit. If the disabled coordinated member's allowable service credit has not been continuous, at least two years of the required allowable service shall be required to have been rendered subsequent to the last interruption in service.

EFFECTIVE DATE. This section is effective the day following final enactment.