State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO: Legislative Commission on Pensions and Retirement

FROM: Jim Heidelberg, Asst. Exec. Dir.

RE: Summaries of Legislation Enacted in 1985 Regular and Special Sessions

DATE: July, 1985

I. Provisions Applicable to All Public Employee Plan Members or All Public Employee Plan Retirees

A. Change in Pension Income Exclusion for State Income Tax

Laws 1985, First Special Session, Chapter 14, Art. I

The provision is in the tax bill and was not a Commission bill.

Section 31 rewrites the pension exclusion. The new provisions, which replace provisions enacted in 1984 that were to have taken effect in 1985, include the following:

1. A recipient must be age 65 or disabled except that public safety officers (police, fire, highway patrol, correctional plan members) are exempt from the age requirement.

2. The maximum exclusion is $11,000.

3. The income limitation is set at $17,000 federal adjusted gross income (FAGI) above which there is a dollar for dollar offset reducing the $11,000 exclusion. The $17,000 limitation includes the recipient's and spouse's income.

   a. Including a spouse's income in the limitation greatly reduces the usefullness of the exclusion.

   b. The exclusion is zero for recipients with FAGI of $28,000 or more.

4. The income limitation of $17,000 includes Social Security and railroad retirement income to the extent they are included in FAGI.

   a. Social Security is taxed at the state level to the same extent it is taxed at the federal level.

5. The $23,000 alternative calculation is eliminated.

B. Employee Pension Contributions Deductible on State Income Tax

Laws 1985, First Special Session, Chapter 14, Art. I.

Section 9 makes employee contributions to a qualified pension plan tax deductible for state income tax purposes. Public employees have been able to deduct employee contributions on federal taxes since 1983.

C. Individual Retirement Accounts Deductible on State Income Tax

Laws 1985, First Special Session, Chapter 14, Art. I.

Section 9 makes contributions to an individual retirement account tax deductible for state income tax purposes. I.R.A. contributions have been tax deductible for federal income tax purposes.

II. Provisions Applicable to the Commission and Provisions Prescribing Fund Reporting Requirements

A. Commission Provisions

1) Laws 1985, Chapter 259 (HF 98)

Section 1 allows the Commission to pay The Wyatt Company for actuarial services performed prior to July 1, 1985. The services that can be paid from the fiscal year 1986 appropriations are those required as prerequisites to performing the June 30, 1985 valuations.

2) Laws 1985, First Special Session, Chapter 7 (SS HF 2)

Sections 1 and 2 change the name of the "Rules for Pension Valuations and Cost Estimates" to "Standards for Pension Valuations and Cost Estimates", make minor language changes clarifying the period of the contract between the Commission and an actuarial firm, and deletes appropriation language from the Commission's statute.

3) Laws 1985, First Special Session, Chapter 13 (SS HF 16)

This bill is the state departments bill and the provision was not heard by the Commission.

Section 49 requires the Commission to have its actuary review "all the assumptions used by actuary for (MERF) for 1985 and recalculate the amount of the state payment to the fund for the fiscal year ending June 30, 1987". The provision stipulates that the appropriation for fiscal year 1987 will be reduced to the recalculated amount.

B. Pension Fund Reporting Requirements

Laws 1985, First Special Session, Chapter 7

Sections 26 and 27 make fund financial reporting requirements consistent with fund actuarial reporting requirements. The sections do the following:

1) Expand the list of assets in the actuarial balance sheet to include real estate investments and an "other" category and require this statement of actuarial value of current assets to be shown in the financial report along with the financial itemization of actual assets;

2) Add to the actuarial reporting requirements the measure of unfunded accrued liability that the funds have traditionally reported and require that the three measures of unfunded liability in the actuarial report also be reported in the financial report;

3) Make investment in bonds be listed at cost rather than at amortized cost in the financial report to be consistent with the definition of current assets used and to reflect the 1984 repeal of the deferred yield adjustment account;

4) Place the results of the new actuarial balance sheet in the financial report;

5) Clarify the definition of current assets.

In addition, Section 27 specifies interest and salary assumptions for the first class city teachers funds which do not have separate post retirement funds. The teacher funds use the 8 percent interest assumption for valuation purposes and use the 5 percent assumption for payment of post retirement bonuses. When they earn at least

6 percent, each of the funds now has the authority to pay out in bonuses to their retirees 1 percent of assets. (See VII A.) Six minus one leaves 5 percent to cover the 5 percent post retirement assumption. Section 27 also subdivides 356.215, subdivision 4, into smaller subdivisions.

The actuarial and financial reporting requirements described above do not apply specifically to the local police and fire funds or to the volunteer firefighter funds. The local police and salaried firefighter relief associations may satisfy the reporting requirements of Chapter 356 through their state aid applications and through the former actuarial balance sheet requirement which was reinstated for those groups in Section 28 of Laws 1985, First Special Session, Chapter 7. (See VIII B. below)

III. Provisions Applicable to the Statewide Funds

A. Laws 1985, Chapter 259

Sections 7 and 8 provide lump sum post retirement payments to "pre-73" retirees of the following funds:

1) PERA
2) PERA P&F
3) TRA
4) Highway Patrol
5) MSRS
6) MERF

For the first time, retirees under MERF's formula plan receive bonuses in addition to the MERF "$2 bill and annuity" retirees.

Each retiree will receive on December 1, 1985, $18 for each full year of allowable service credit and on December 1, 1986, $19 for each full year of allowable service credit.

A correction appears in the revisor's bill, Laws 1985, First Special Session, Chapter 16, for the MERF appropriation. The appropriation was left out of Chapter 259.

B. Laws 1985, First Special Session, Chapter 7

Section 29 clarifies the language of the Rule of 85, removes the responsibility of the Rule of 85 reports from the pension funds and places it with the department of finance. The pension funds must cooperate with finance to help the department gather necessary data. The provision applies to the three statewide funds and to MERF and the first class city teacher funds.

Section 9 allows a member of the unclassified plan within MSRS who has service credit in MSRS, PERA, TRA, MERF, or a first class city teacher fund to transfer employee and equal employer contributions plus interest at 6 percent a year from the respective formula plan to his or her individual account in the unclassified plan, or to repay a refund previously taken from one of the formula plans and transfer employee and equal employer contributions to the unclassified plan.

C. Laws 1985, Chapter 224 (SF 319)

The State Board of Investment bill gives the board greater flexibility in investing the funds under its control, including TRA, PERA, and MSRS assets, and makes some technical changes in the language governing allowable investments.

This bill was not a Commission bill.

IV. Provisions Applicable to MSRS

A. General Plan Provisions

Laws 1985, First Special Session, Chapter 7

Sections 3 and 36 reverse the offset for workers compensation benefits so that the workers compensation benefit amount will be reduced by the amount of the disability benefit received from the retirement fund. Currently, MSRS must deduct workers compensation benefit amounts from disability benefit payments when workers compensation awards are made. The new provisions require workers compensation to deduct disability retirement benefits from any workers compensation award. The change will increase slightly the total benefits paid by MSRS and will decrease administrative expenses of MSRS. Section 3 amends the workers compensation statutory provisions; Section 36 repeals the subdivision in MSRS law specifying the workers compensation offset

Section 4 makes several changes to MSRS law which specifies the crediting of allowable service. These changes are:

a. Proration of service credit for part-time workers who work less than 50 percent time. The change from 80 percent time will bring the MSRS provision in line with federal law provisions governing private pension plans;

b. When part-time service is duplicated service with another pension fund as specified in the Combined Service Annuity law, section 356.30, the provisions of that law will apply;

c. Clarification that part-time service is prorated for benefit calculation purposes but not for vesting determinations;

d. Allows an employee on a leave without pay, such as maternity leave or educational leave, to acquire credit for the leave by paying the required retirement contributions. PERA and TRA have similar provisions.

Section 5 allows state employees who are on leave of absence without pay and working for a labor organization representing state employees to retain MSRS coverage. Previously, only former state employees who had severed their employment relationship with the state to work for a state employees' union was eligible under this provision.

Section 6 eliminates a waiting period before a member may receive a deferred annuity. This change should have been made in 1984 legislation when other waiting periods for the major funds were eliminated.

B. Correctional Plan Provisions

Laws 1985, First Special Session, Chapter 7

Section 7 increases the in-line-of-duty disability formula to equal the non-duty disability formula and the retirement formula. Without the change, a correctional officer disabled while on duty would receive a lower disability benefit than if he or she were disabled, for example, while playing softball on the weekend.

C. Highway Patrol Plan Provisions

Laws 1985, First Special Session, Chapter 7

Section 8 increases the in-line-of-duty disability formula to equal the non-duty disability formula and the retirement formula. The change is the same as the one made for correctional plan members.

D. Unclassified Employees Plan

Laws 1985, First Special Session, Chapter 7

Section 9 allows an employee who is a participant in the unclassified plan to transfer prior service credit or repay a refund and transfer prior service credit from MSRS General Plan, TRA, PERA, first class city teachers funds, and MERF. The eligible employee may transfer employee contributions, equal employer contributions plus six percent interest a year compounded annually on fiscal year balances to the unclassified plan.

Section 10 makes retroactive a provision adopted in Laws 1984, Chapter 574, that allowed legislative employees with prior state service to transfer employee and equal employer contributions to the unclassified plan. Section 10 applies retroactively for any employee who was employed with the legislature on April 26, 1984, which was the effective date of the 1984 provision.

V. Provisions Applicable to TRA

A. Laws 1985, First Special Session, Chapter 7

Section 17 clarifies the definition of "income from teaching service" regarding earnings of retired teachers. A retired teacher receiving a retirement annuity may resume teaching and earn up to the dollar limit set in statute without taking a reduction in the annuity amount. The new language specifies that earnings as a consultant or independent contractor for a school district will be included in the earnings test.

Section 18 corrects an error in language adopted inadvertently in Laws 1984, Chapter 564.

Section 19 modifies the computation of variable annuity disability benefits by making them comparable to formula program disability benefits. The section also deletes obsolete language.

Sections 20 and 21 clarifies the law with regard to termination of disability benefits for recipients who are re-employed by clarifying that the partial re-employment clause does not prohibit the Board from determining that the disabilitant is no longer totally and permanently disabled. The attorney general's office recommended the new language to TRA.

Section 22 clarifies language regarding the computation of refunds to terminating members.

Section 23 clarifies language regarding the determination of the period eligible for deferred annuity augmentation. The section also specifies that the deferred annuity augmentation is not applicable to periods in which a person is on an approved leave of absence from an employer unit.

Section 24 allows approximately 100 current members who in 1978 elected to continue their participation in the variable annuity plan to choose regular plan coverage for all of their future service.

Section 32 allows TRA members to purchase up to 10 years service credit for time employed by bargaining organizations or school administrator organizations. Members have until July 1, 1986 to make the purchases.

B. Laws 1985, First Special Session, Chapter 12 (SS, SF 3)

This bill is the school aids bill and the provisions were not heard by the Commission.

Article 11, Sections 1 to 23 provide that the school districts not the state will be the employer for pension purposes, and the school districts will make required contributions to TRA and Social Security. The overall level of school aid for fiscal 1987 will be increased to 116 percent of the district's 1985 TRA and Social Security costs in order to provide revenue for the school districts to meet their added costs when the change is made. The change is effective July 1, 1986.

The sections amend teacher fund law provisions in Chapters 354 and 354A and Social Security provisions applicable to teacher funds in Chapter 355. Section 22 repeals appropriate sections of the same chapters.

VI. Provisions Applicable to PERA

A. General Plan Provisions

1. Laws 1985, Chapter 261

Sections 3 and 24 include employees of county historical societies in PERA membership. Membership begins July 1, 1985, but eligible members under this provision cannot purchase service credit prior to July 1.

Section 4 allows certain former municipal court judges to receive a deferred early retirement annuity under the pension laws in effect at the time of termination. The judges eligible for the benefit are non-lawyers who were forced off the bench as a result of a 1971 law restricting non-lawyers from being judges. In general, the pension laws that apply are those that were in effect at the time of an individual's termination. This provision is a limited departure from that policy.

Section 21 allows employees of Stevens County Hospital who were employed at the time the hospital was taken over by a private corporation to receive a refund of their employee and employer contributions plus interest at 6 percent per year. Those with 5 years service can elect a deferred annuity, and those who already received a refund of their employee contributions may repay the refund and elect a deferred annuity.

Section 22 allows employees of the St. Paul model cities program the same options as provided in Section 21 to the Stevens County hospital employees. Employees of the St. Paul model cities' program were PERA members until the program was taken over by a private organization.

Section 23 changes the period during which employees of the formerly public Owatonna City Hospital may receive refunds of PERA contributions, which was a provision enacted in 1984 legislation.

2. Laws 1985, First Special Session, Chapter 7

Section 12 reinstates full disability and survivors coverage for state employees whose pension coverage was transferred from MSRS to PERA by the Community Corrections Act. Under the combined services annuity law only retirement annuity credit may be combined across funds; it does not cover survivor and disability benefits. The provisions provide full survivor and disability benefits to those individuals who changes pension funds by law not by choice.

Section 13 changes PERA administrative procedures to permit PERA to collect omitted contributions after a three year period provided that PERA had begun collection proceedings within the three year period.

Section 14 makes a technical language change in PERA's law regarding the post retirement interest assumption.

Section 30 exempts participants in the St. Louis County emergency jobs program from PERA coverage.

Section 31 allows a member to reestablish service credit by paying voluntary assessments for a period of illness during which the member had not contributed to the fund. The member will pay employee contributions plus six percent interest and the employer will pay employer contributions plus six percent interest.

Section 34 recomputes under the provisions of PERA law the retirement benefits of two retirees from the St. Paul Bureau of Health.

3. Laws 1985, First Special Session, Chapter 13

This bill is the state departments bill and the provisions were not heard by the Commission.

Section 5, subdivision 4 states that current state employees (and members of MSRS) in judicial districts five and eight who must transfer to county employment, and to PERA coverage, shall have all their pension rights transferred with them. However, under the combined service law only retirement benefits, not disability and survivor benefits are portable. Language may need to be added to PERA's law to correct the deficiency for these employees in the same manner language was added in Laws 1985, First Special Session, Chapter 7, for those shifted to county employment by the Community Corrections Act. See the discussion in VI, A. 2., Section 12.

B. PERA Police and Fire Provisions

1. Laws 1985, First Special Session, Chapter 7

Section 15 increases the in-line-of-duty disability formula to equal the non-duty disability formula and the retirement formula. Without the change, a police and fire member disabled while on duty would receive a lower disability benefit than if he or she were disabled, for example, while playing softball on the weekend. The same change was made for Correctional plan and Highway Patrol plan members in MSRS.

Section 16 increases the death-while-eligible benefit in the same amount as provided to other funds in 1984. The change should have been made in the 1984 legislation.

2. Laws 1985, Chapter 261

Sections 25 to 31 consolidate Moorhead police and salaried firefighter relief associations into PERA police and fire. See IX B, sections 25 to 31, for a complete discussion.

VII. Provisions Applicable to First Class City Funds

A. Provisions Applicable to First Class City Teacher Funds

Laws 1985, Chapter 259

Section 2 allows Duluth Teachers to pay annually an ad hoc post retirement bonus to its retirees from excess earnings. The Duluth Teachers board may pay out up to 1 percent of fund assets when earnings equal at least 6 percent. The 6 percent threshold is set to reflect the five percent post retirement interest assumption for TRA, PERA, MSRS, and MERF. Duluth Teachers does not have a separate post retirement fund. To be able to pay out 1 percent of assets and to meet the five percent interest assumption for asset accumulation, Duluth Teachers must earn at least a 6 percent return on its assets.

Duluth Teachers will distribute the post retirement bonus money differently than St. Paul Teachers and Minneapolis Teachers have. Duluth Teachers will distribute it based on years of service and years in retirement. Including years in retirement will allow Duluth Teachers to skew the bonuses more toward retirees who have been retired longer and have faced more inflation. The fund is the last of the three first class city teachers funds to be given authorization to pay the post retirement bonuses.

Section 3 allows St. Paul Teachers to increase from one-half percent to one percent of assets the amount of post retirement bonuses it pays out annually. St. Paul Teachers has had the authority to pay out the bonuses for several years. In addition to authorizing an increase in the amount of bonus money distributed, the provision allows St. Paul Teachers to include years in retirement when distributing the bonus.

Section 4 removes the 30 year cap for benefit accruals within Minneapolis Teachers. Minneapolis Teachers had been the only fund with a 30 year cap on retirement service credit.

B. Provisions Applicable to MERF

1. Laws 1985, Chapter 259

Sections 7 and 8 provide lump sum post retirement payments to "pre-73 retirees" in PERA, TRA, MSRS, and MERF. For the first time, retirees under MERF's formula plan receive bonuses in addition to the MERF "$2 bill and annuity" retirees. See the discussion in III A above. Section 7 of the revisor's bill, Special Session Laws, Chap. 16, specify the appropriation to MERF. The line with MERF's appropriation was mistakenly left off Section 8 of Chapter 259.

2. Laws 1985, First Special Session, Chapter 14

This bill is the tax bill and the provisions were not heard by the Commission.

Section 49 authorizes a municipality to issue bonds and use the proceeds to buy annuity contracts from an insurance company that would then pay off the fund's unfunded accrued liability. The financing arrangement allows a municipality to invest bond proceeds in higher yielding assets without losing the tax exampt status of the bonds. This legal artitrage is based on a private letter ruling received from the IRS by Multnomah County School District Number 1 in Portland, Oregon in 1984. The authorization in state law applies to MERF and the local police and salaried firefighter relief associations. It most likely does not apply to the first class teacher funds because it is doubtful that school districts are deemed to be municipalities.

3. Laws 1985, First Special Session, Chapter 13

This bill is the state departments bill and the provisions were not heard by the Commission.

Section 49 requires the Commission to have its actuary review "all the assumptions used by actuary for (MERF) for 1985 and recalculate the amount of the state payment to the fund for the fiscal year ending June 30, 1987". The provision stipulates that the appropriation for fiscal year 1987 will be reduced to the recalculated amount.

Sections 331 and 332 amend MERF law to require the Metropolitan Airport Commission and the Metropolitan Waste Control Commission to pay the additional support rate required for full amortization by 2017 of MERF's unfunded liability. The increased payments from these two commissions will reduce the amount of the state subsidy to MERF.

VIII. General Law Provisions Applicable to Local Police and Salaried Firefighter Relief Associations

A. Laws 1985, Chapter 261

Section 1 includes University of Minnesota police in the distribution of police state aid.

Section 2 allows firefighter relief associations in cities of the first class to place retirees on their boards of trustees.

Section 6 permits all local police and salaried firefighter relief associations to place retirees on their board of trustees.

Section 5 clarifies that municipalities whose local relief associations consolidate into PERA continue to receive amortization state aid and supplemental amortization state aid.

Section 17 amends the language of the supplemental amortization state aid provision to state that each future distribution will be sent to the municipality and be based on the December 31, 1983 valuations. The language changes ensure that each municipality whose relief associations consolidate into PERA police and fire will continue to receive this aid. The changes in language mean that the supplemental amortization aid checks will continue to be sent to the municipalities as they were in 1984 and that the dollar amounts received by municipalities in 1984, except for a slight decrease due to Faribault's inclusion in the supplemental amortization aid program, are the amounts that will be received in each future year under the supplemental amortization aid program. See discussion in IX A. concerning Faribault.

Section 7 permits disabilitants in police and fire relief associations to return to active duty and receive service credit for the period on disability. The change eliminated a March 24, 1982 date effectively making the provision applicable to any period of disability for a member of a relief association. The original provision and the current one are intended to reduce the incidence of disability.

B. Laws 1985, First Special Session, Chapter 14, Article 8

This bill is the tax bill and the provisions were not heard by the Commission.

Section 49 authorizes a municipality to issue bonds and use the proceeds to buy annuity contracts from an insurance company that would then pay off the fund's unfunded accrued liability. The financing arrangement allows a municipality to invest bond proceeds in higher yielding assets without losing the tax exampt status of the bonds. This legal artitrage is based on a private letter ruling received from the IRS by Multnomah County School District Number 1 in Portland, Oregon in 1984. The authorization in state law applies to MERF and the local police and salaried firefighter relief associations. It most likely does not apply to the first class teacher funds because it is doubtful that school districts are deemed to be municipalities.

C. Laws 1985, First Special Session, Chapter 7

Section 28 reinstates the former actuarial balance sheet as part of the reporting requirements for local police and salaried firefighter relief associations. The actuarial balance sheet that was enacted in Laws 1984, Chapter 564, was not appropriate for the local relief associations which are generally small and closed to new members.

IX. Special Law Provisions Applicable to Local Police and Salaried Firefighter Relief Associations

A. Laws 1985, Chapter 259

Section 5 ratifies the action taken by the Faribault city council to phase out its local police and salaried firefighter relief associations. Faribault rescinded a resolution that kept its relief associations open to new members. As a result of the state law provision, new police and firefighters hired on or after October 23, 1984 became members of PERA. The provision also makes Faribault eligible for amortization state aid. Faribault's participation in the amortization state aid program does not reduce the amount of amortization state aid received by other municipalities. The amount received by each municipality is based on the unfunded liability of each relief association as of December 31, 1978. Each municipality, in effect, has an appropriation earmarked, and Faribault's participation activates an unused account. (However, Faribault's participation in the supplemental amortization state aid progrm does reduce slightly the amount of other municipalities' supplemental amortization state aid. See the discussion in VIII.A., section 17.)

(The revisor's bill, Laws 1985, First Special Session, Chapter 16, section 6, corrects an erroneous citation in the amortization state aid section.)

B. Laws 1985, Chapter 261

Section 14 provides a benefit increase for surviving spouses in the Thief River Falls police trust fund.

Sections 15 and 16 provide benefit increases for the Virginia police relief association.

Section 18 provides a benefit increase for the Buhl police relief association.

Section 19 provides a benefit increase for Eveleth police and firefighter trust recipients.

Section 20 provides a benefit increase for New Ulm police relief association retirees between retirement and age 65.

Sections 32 to 35 provides 10 year vesting for the St. Louis Park firefighters relief association and updates its special laws to reflect the benefit increase chosen by the relief association as part of the 1980 phase out of the local relief associations.

Suite 36 allows Albert Lea police and salaried firefighter relief associations to reinstate survivor benefits upon the dissolution of a surviving spouse's subsequent marriage.

B. Laws 1985, Chapter 261 continued

Sections 25 to 31 consolidate Moorhead police and salaried firefighter relief associations into PERA police and fire. The provisions include:

1. Calculation of liabilities for active members and retirees. Active members' liabilities will be calculated as if they had always been members of PERA police and fire;

2. Financing requirements specifying that the city will pay PERA employer contributions for active members and amortize past service liability for all active members based on PERA police and fire's 91.2% funded ratio as of June 30, 1984, an 8 percent interest rate, and a 2010, target date;

3. Financing requirements of city also include amortizing the liability for relief association retirees at a 5 percent interest rate over a length of time equal to the expected lifetime of the retirees;

4. Authorization for the city to levy to pay the costs of the consolidation;

5. Termination of the relief associations;

6. Review of relief association portfolios by the State Board of Investment;

7. Savings clause ensuing that no Moorhead retiree will receive lower benefits due to the transfer to PERA police and fire;

8. Repeal of relief association special laws.

   (A correction in the special law repealer section is found in the revisor's bill, Laws 1985, First Special Session, Chapter 16, section 24.)

X. General Law Provisions Applicable to Volunteer Firefighter Relief Associations

Laws 1985, Chapter 261

Section 8 clarifies language in the volunteer firefighter general law, Chapter 424A, specifying that the method of calculating service pensions shall be applied uniformly for all years of active service.

Section 9 clarifies language in the volunteer firefighter general law specifying calculation of ancillary benefits. A permissive "may" was incorrectly changed to a "shall" and should be reinstated in future legislation.

Section 10 places new language into the volunteer firefighter general law providing for payment of service pensions from newly created relief associations following the transfer from disbanded fire departments and relief associations.

XI. Special Law Provisions Applicable to Volunteer Firefighter Relief Associations

Laws 1985, Chapter 261

Section 37 amends the special law governing survivors benefits for Edina volunteer firefighters to provide that the provisions of the general law Chapter 424A, also apply.

XII. Miscellaneous Provisions

A. Laws 1985, Chapter 261

Sections 11 to 13 accelerate the phase-out of the Hennepin County Supplemental Retirement Plan and includes language needed by the plan to avoid problems with the I.R.S.

B. Laws 1985, First Special Session, Chapter 7

Sections 10 and 11 amend Chapter 352E to clarify that firefighters who are members of independent nonprofit firefighting corporations are eligible for a special benefit paid to "peace officers killed in the line of duty".

C. State Paid Health Insurance for Agriculture Department Employees Who Retire Under Rule of 85

These provisions were not heard by the Pension Commission.

Laws 1985, Chapter 241 provides state paid health insurance for certain state employees who retire under the Rule of 85. The incentive is provided to employees of the livestock weighing and licensing division of the department of agriculture in order to reduce payroll costs as part of an effort to restore a dedicated fund to financial health. Employees may retire under the incentive within 30 days of becoming eligible for the Rule of 85, and the last date for using the incentive is June 30, 1986. The provision includes employees of the grain inspection division. However, these employees are taken out of the program under Laws 1985, First Special Session, Chapter 10, section 32 and sections 123 and 125.

Section 32 rewrites the language of Chapter 241 without the grain inspection employees and Section 123 repeals Chapter 241. Section 125 sets an effective date for Section 32 and, in effect, establishes about a month-long window during which the grain inspection employees could have retired. Their window closed the end of June, 1985. (The window was the appropriate action to take. To have repealed the incentive retroactively for the grain inspection employees would have been legally difficult to defend and would have set a poor legal precedent.)