

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Executive Director

RE: Summary of 1993 Pension Legislation

DATE: August 16, 1993

The following is a summary of 1993 legislative session pension-related provisions. The first major section summarizes legislation for individual plans or plans of a certain type, such as the first class city teacher plans, local police and paid fire plans, and volunteer fire plans. The second major section summarized general pension legislation applying to all public plans or to miscellaneous groupings of plans. The third section summarizes early retirement incentive provisions.

I. Fund Specific Legislation

A. Minnesota State Retirement System (MSRS)

1. MSRS General

a. MSRS General coverage continuation for University of Minnesota heating plant personnel. MSRS General coverage continues for University of Minnesota heating plant personnel employed on June 30, 1992, whose employment transfers to an employer assuming operation of the heating plant facilities, providing the person remains in that employment and employee and employer contributions are made in a timely manner. (MN Laws 1993, Chapter 307, Article 1, Sections 3 and 6.)

b. MSRS excluded employee provision revisions. The MSRS General excluded employee provision is revised by raising the threshold for exclusion of secretary, secretary-treasurer, and treasurer of state boards and commissions from those earning less than \$500 to those earning less than \$5,000; by excluding those who are required by law to serve less than three years rather than less than ten years; by eliminating age restrictions on coverage; and by excluding foreign citizens from coverage if on a work permit of less than three years. (MN Laws 1993, Chapter 307, Article 1, Section 4.)

c. Change in frequency of budget reports. The executive director of MSRS is required to submit annual rather than quarterly budgets to the MSRS board. (MN Laws 1993, Chapter 307, Article 1, Section 5.)

d. Correcting plan coverage. The MSRS erroneous deduction provision is revised to permit transfer of employee and employer deductions to the proper plan, in cases where an individual is originally placed in the wrong plan. (MN Laws 1993, Chapter 307, Article 1, Section 7.)

e. Broadening of disability filing authority and disability benefit retroactivity. The MSRS disability application provision is revised to permit individuals with authority to act on behalf of a member to file a disability application on the member's behalf; permits disability benefit retroactivity for 180 days rather than 60 days. (MN Laws 1993, Chapter 307, Article 1, Section 8.)

f. Disability filing changes and employer certification. The MSRS General disability medical examination provision is revised to require the employer to certify whether employment has ceased; permits individuals who are terminated due to permanent disability to file for disability benefits within 180 days of the occurrence. (MN Laws 1993, Chapter 307, Article 1, Section 9.)

g. Income floor on partial reemployment disability provision. The disability benefit payable to supplement partial reemployment earnings cannot be reduced if the salary declines for a position similar to that held by the disabilitant at the time of disability. (MN Laws 1993, Chapter 307, Article 1, Section 10.)

h. Annuity retroactivity prior to filing. Permits individuals to file for retirement annuity up to 90 days, rather than 60 days, prior to the date the minimum age and service requirements are met; the annuity can begin to accrue no more than 180 days, rather than 60 days prior to filing. (MN Laws 1993, Chapter 307, Article 1, Section 11.)

i. Interest on refund after death; certain disability situations. The MSRS General refund after death provision is revised to permit interest on the account balance to a deceased disabilitant's beneficiary or estate if death occurred before any disability payments are received. (MN Laws 1993, Chapter 307, Article 1, Section 12.)

j. Increase permitted in maximum refund to next of kin. MSRS General refund after death provision is revised to permit, if no living beneficiary is designated, the fund to refund to the next of kin if the refund is less than \$3,000, rather than less than \$1,500. (MN Laws 1993, Chapter 307, Article 1, Section 13.)

k. Increase permitted in maximum refund to guardian of a minor. If named beneficiary is a minor at time of member's death, refund can be made to guardian of the minor if refund is less than \$3,000, rather than less than \$1,500. (MN Laws 1993, Chapter 307, Article 1, Section 14.)

l. Clarification of refund upon death provision. Clarifies that a refund of contributions above the value of benefits received, to be paid to surviving spouse or beneficiaries, will include the value of the final benefit check if that check was not cashed. (MN Laws 1993, Chapter 307, Article 1, Section 15.)

m. Increase in maximum refund to estate if beneficiary dies before receiving refund. MSRS General's death of beneficiary before refund provision is revised to permit refund to estate if less than \$3,000, rather than less than \$1,500. (MN Laws 1993, Chapter 307, Article 1, Section 16.)

n. Increase in refund cancellation authority. MSRS General refund cancellation, deceased beneficiary provision is revised to permit cancellation of refund warrants in possession of former employee at time of death if amount does not exceed \$1,000 rather than \$500. (MN Laws 1993, Chapter 307, Article 1, Section 17.)

o. Joint account automatic deposit authority liberalization. Automatic deposit of benefit checks to joint accounts is authorized rather than only to joint accounts with the spouse. (MN Laws 1993, Chapter 307, Article 1, Section 18.)

p. Elimination of 30 day waiting requirement on refunds. MSRS General refund provision is revised to eliminate the requirement that the terminating member must wait 30 days before receiving a refund. (MN Laws 1993, Chapter 307, Article 2, Section 3.)

q. Refund of interest paid on prior refund. MSRS will include, with the refund to the terminating member, any interest paid as part of repayment by the individual of a prior refund, plus six percent interest from the date of repayment. (MN Laws 1993, Chapter 307, Article 2, Section 4.)

r. Changes in refund repayment provisions. Changes in MSRS General's termination of rights provision permit returning employees to repay refunds previously taken and reestablish rights in the plan after six months, rather than one year; permit refund repayments up to six months after terminating service; and permit repayment of refunds to reestablish service credit for periods of disability under workers compensation provisions but prior to receipt of disability payments from the fund. (MN Laws 1993, Chapter 307, Article 2, Section 5.)

s. Contributions while receiving workers compensation. Permits members, receiving temporary workers compensation payments and a reduced salary or no salary and who are entitled to allowable service credit for the period of absence, to make employee and employer contributions based on the difference between salary received and normal salary. Payments must be made within one year of the return from the leave with 8.5 percent annual interest. (MN Laws 1993, Chapter 307, Article 3, Section 1.)

t. Health insurance premium deductions. The MSRS board is authorized to deduct a retiree's health insurance premiums and transfer the amounts to a health insurance carrier covering state employees. The insurance carrier must reimburse MSRS for the administrative cost. (MN Laws 1993, Chapter 307, Article 3, Section 3.)

u. Transfers to individual retirement accounts. Refund amounts can be directly transferred to individual retirement accounts (IRA's) or qualified retirement plans. (MN Laws 1993, Chapter 307, Article 3, Section 4.)

v. Improved survivor benefits. If an employee or former employee dies at any age, rather than at age 50 or older or with 30 years of service regardless of age, in lieu of a refund the surviving

spouse may elect a 100 percent joint and survivor annuity or an actuarially equivalent term certain annuity:

--100 percent joint and survivor annuity. If the deceased member had 30 or more years of service, the joint and survivor annuity is reduced by one quarter of one percent per month from age 62 to age 55, and half this reduction from age 55 to the age that payment begins. If the member had less than 30 years service, the joint and survivor annuity is reduced by one quarter of one percent per month or an actuarial reduction, whichever is less, from age 65 to age 55 and half this reduction from age 55 to the age that payment begins. If the annuity is deferred, annuity augmentation applies.

--term certain annuity. In lieu of a refund or the joint and survivor annuity, the surviving spouse may elect an actuarially equivalent 5, 10, 15, or 20 year term certain annuity, providing that monthly payments do not exceed 75 percent of the average high five monthly salary of the deceased employee. Upon the surviving spouse's death, the remaining value of term certain payments, if any, must be paid to the survivor's estate.

If there is no surviving spouse, the dependent children are entitled to benefits to age 20. If a child is 15 years or older on the date of the member's death, the payment must be made for five years. The payment to dependent children is actuarially equivalent to a surviving spouse 100 percent joint and survivor annuity computed as above, using the age of the child rather than the age of the spouse. The actuarial value is to be proportionally divided among the surviving children. A dependent child means a deceased employee's biological or adopted child below age 20 and dependent for more than half of his or her support. (MN Laws 1993, Chapter 307, Article 6, Section 1, and Chapter 336, Article 6, Sections 1 to 4.)

w. Repealers. The following sections are repealed:

--Minnesota Statutes, Section 352.01, subdivision 7, an obsolete MSRS provision regarding service prior to July 1, 1929;

--Minnesota Statutes, Section 352.12, subdivision 5, which permits MSRS beneficiaries or surviving spouses of a deceased employee to receive a refund in installments;

--Minnesota Statutes, Section 352.22, subdivision 9, which permits MSRS refunds under \$300 for persons committed to state hospitals to be refunded to the superintendent of the hospital; and

--Minnesota Statutes, Section 352.73, a redundant MSRS provision providing a supplemental benefit to certain annuitants receiving a benefit on June 30, 1967. (MN Laws 1993, Chapter 307, Article 7.)

The following is an MSRS General special law:

x. Right to an annuity, former grain inspector. A person who was employed by the state's grain inspection division from June 1960 to June 1967 and from April 1978 to October 9, 1981, and who was employed by the Duluth board of trade weighing department from June 1967 until April 1978 will be considered eligible to receive a retirement annuity upon reaching normal retirement age despite vesting requirements when the person terminated service. The person may repay any refund taken without resuming state employment. Payment must include six percent interest if paid before May 1, 1994, or 8.5 percent interest if repaid after that date. (MN Laws 1993, Chapter 89.)

2. MSRS Military Affairs, Transportation Pilots

a. Applicability of Minnesota Statutes, Chapter 352. Unless otherwise noted, provisions of Minnesota Statutes, Chapter 352 governing MSRS General also apply to the MSRS military affairs plan and MSRS transportation pilots. (MN Laws 1993, Chapter 307, Article 1, Section 23.)

b. Longer period to elect coverage. Individuals eligible for the military affairs plan may elect military affairs plan coverage within 90 days of first eligible employment, rather than within 30 days. (MN Laws 1993, Chapter 307, Article 1, Section 19.)

3. MSRS Correctional Plan

a. Early retirement provision clarification. MSRS Correctional early retirement provision also applies to former employees who terminated after June 30, 1989. (MN Laws 1993, Chapter 307, Article 1, Section 20.)

b. Deferred annuity augmentation for transferring employees. Deferred annuity augmentation is permitted for correctional plan employees who transfer to a position with MSRS General coverage. (MN Laws 1993, Chapter 307, Article 1, Section 21.)

c. Increasing in potential retroactive benefit accrual. The MSRS Correctional disability provision is revised to permit benefits to accrue for up to 180 days, rather than 60 days, prior to application for the benefit. (MN Laws 1993, Chapter 307, Article 1, Section 22.)

The following two provisions are revisions to eliminate age discrimination.

d. Disability eligibility extended to post-age 55. The MSRS Correctional disability provisions are revised to eliminate the requirement that the member must be less than age 55 to qualify for job-related or non-job-related disability benefits. (MN Laws 1993, Chapter 307, Article 2, Sections 6 and 7.)

e. Change in timing of disabilitant selection of optional annuities. The MSRS Correctional disability provision is revised to permit disabilitants who did not elect optional annuities at the time of disability to elect an optional annuity within 90 days of attaining age 65 or within 90 days of reaching the five year anniversary date of the disability benefit, whichever is later. (MN Laws 1993, Chapter 307, Article 2, Section 8.)

4. Elected State Officers Plan

a. Obsolete "commissioner" references removed. Obsolete references to "commissioner" are eliminated from the Elected State Officers Plan legislative intent section, definition section, retirement allowance section, deferred annuities augmentation section, survivor benefit section, coverage in more than one fund section, and the plan contribution section. (MN Laws 1993, Chapter 307, Article 1, Sections 27, 28, 29, 30, 31, 32, and 33.)

b. Coverage in more than one fund service requirement reduced. In the coverage in more than one fund provision, the combined service needed to qualify is reduced from ten years to eight years. (MN Laws 1993, Chapter 307, Article 1, Section 32.)

c. Garnishment exemption, automatic deposit language added, and correction of contribution language. The Elected State Officer Plan contribution provision is revised by eliminating obsolete contribution amount language; by adding exemption from garnishment language; by providing automatic deposit of benefit checks; and by permitting correction of contributions when errors in salary occur. (MN Laws 1993, Chapter 307, Article 1, Section 33.)

5. Legislators Retirement Plan

a. Clarification of minimum retirement age and additional retroactivity on benefit accrual. The Legislators Plan retirement allowance provision is revised by clarifying that retirement benefits cannot accrue before age 60; and by permitting annuities to be retroactive for up to 180 days prior to the retirement application date. (MN Laws 1993, Chapter 307, Article 1, Section 1.)

b. Garnishment exemption, automatic deposit language added, and correction of contribution language. A provision is added to the Legislators Plan which protects benefits from garnishment; permits payments to be automatically deposited in a bank, savings and loan, credit union, or similar institution; and permits correction of contributions due to salary payment errors. (MN Laws 1993, Chapter 307, Article 1, Section 2.)

c. Optional annuity for short term legislators. For legislators retiring with a combined service annuity (under Minnesota Statutes, Section 356.30) with less than six years of service in the Legislators Plan (legislators without adequate service to vest separately in the plan) an optional joint and survivor annuity and a period certain and life thereafter optional annuity are established. These are to be actuarially equivalent to a normal annuity except that the optional joint and survivor annuity has a bounce-back feature. (MN Laws 1993, Chapter 307, Article 2, Section 1.)

d. Repealer. Minnesota Statutes, Section 3A.06, which permitted legislators who are members of MSRS, PERA, TRA, or other Minnesota public retirement fund to resign from those organizations and receive a refund of contributions, is repealed. (MN Laws 1993, Chapter 307, Article 7.)

6. MSRS State Patrol Plan

a. Revisions to benefit eligibility provision. The MSRS State Patrol benefit eligibility provision is revised by specifying the minimum age of benefit eligibility as age 50 rather than 55; by permitting benefit applications to be filed 90 days, rather than 60 days, before the eligibility date; and by permitting benefit accrual up to 180 days prior to application rather than 90 days. (MN Laws 1993, Chapter 307, Article 1, Section 24.)

b. Early retirement clarification. The MSRS State Patrol early retirement provision also applies to former members if they terminated after June 30, 1989. (MN Laws 1993, Chapter 307, Article 1, Section 25.)

c. Increase in disability benefit accrual. The MSRS State Patrol application for disability benefit provision is revised to permit accrual of benefits up to 180 days prior to filing, rather than 90 days. (MN Laws 1993, Chapter 307, Article 1, Section 26.)

d. Contributions while receiving workers compensation. Members, receiving temporary workers compensation payments and a reduced salary or no salary and who are entitled to allowable service credit for the period of absence, can make employee and employer contributions based on the difference between salary received and normal salary. Payments must be made within one year of the return from the leave with 8.5 percent annual interest. (MN Laws 1993, Chapter 307, Article 3, Section 5.)

Items (e) through (h) are revisions to eliminate age discrimination.

e. Elimination of age 60 service accrual cap. The MSRS State Patrol Plan allowable service provision is revised to eliminate the age 60 cap on service credit accrual for conservation officers and crime bureau officers. Any retired members who retired after December 31, 1987 and whose annuity was limited by the age 60 cap on service accrual shall have the annuity and post retirement adjustments recomputed to include all years and months of service. The increase is retroactive to September 1, 1989 or the date the annuity began to accrue, whichever is later. (MN Laws 1993, Chapter 307, Article 2, Section 11 and 19.)

f. Extension of disability benefit eligibility to post-age 55. The MSRS State Patrol Plan disability benefit provision is revised to eliminate the age 55 maximum on eligibility for duty-related and non-duty related disability benefits. (MN Laws 1993, Chapter 307, Article 2, Sections 12 and 13.)

g. Changes in timing of optional annuity selection by disabilitants. Disabilitants who do not elect an optional annuity at the time of the disability may elect an optional annuity within 90 days of the start of the fifth year of disability payments or within 90 days of attaining age 65, whichever is later. (MN Laws 1993, Chapter 307, Article 2, Section 14 and 15.)

h. Extension for disabilitants on eligibility for automatic survivor and dependent benefits. If the disabilitant does not elect an optional annuity, survivor and dependent benefits after the death of a disabled member will be received only if the disabilitant dies before attaining age 65 or reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. (MN Laws 1993, Chapter 307, Article 2, Section 16.)

i. Repealers. The following sections are repealed:

--Minnesota Statutes, Section 352B.01, subdivision 2a, an obsolete State Patrol Plan provision regarding CETA members;

--Minnesota Statutes, Section 352B.131, a State Patrol Plan provision regarding obsolete prior options in the State Patrol plan;

--Minnesota Statutes, Section 352B.14, an obsolete State Patrol Plan provision governing benefits;

--Minnesota Statutes, Section 352B.261, an obsolete State Patrol Plan provision regarding post-retirement increase determination in 1973;

--Minnesota Statutes, Section 352B.262, an obsolete State Patrol Plan provision regarding disability increases in 1973;

--Section 352B.28, obsolete surviving spouse benefit provision regarding spouses of State Patrol members who retired or separated prior to July 1, 1965. (MN Laws 1993, Chapter 307, Article 7.)

7. MSRS Unclassified Plan

a. Removal of limitations on frequency of investment option selections. All restrictions are removed on the frequency of changes in investment options. (MN Laws 1993, Chapter 307, Article 1, Section 35.)

b. Elimination of language requiring 30 day separation for refund. The MSRS Unclassified Plan withdrawal option provision is revised to eliminate language requiring a thirty day wait after separation before amounts can be withdrawn. (MN Laws 1993, Chapter 307, Article 1, Section 37.)

c. Cancellation of small, inactive accounts. MSRS can cancel accounts if an ex-employee contributed less than \$100 to the Unclassified Plan and the individual can not be located for five or more years. The account is reestablished if the individual later reestablishes contact. (MN Laws 1993, Chapter 307, Article 1, Section 39.)

d. Recapturing excess administrative charge deductions. MSRS Unclassified Plan administrative charges that were in excess of administrative expenses between July 1, 1973 and June 30, 1992, together with any investment gains or losses based on fiscal year balances, must be recovered from MSRS General and held in the Unclassified Plan to pay administrative expenses. Deductions taken from investment earnings (under Minnesota Statutes, Section 11A.17, Subdivision 10a) due to contributions before July 1, 1992 must be credited back to the MSRS Unclassified Plan participant. (MN Laws 1993, Chapter 307, Article 1, Section 40.)

e. Revised refund procedures to reestablish rights. To reestablish rights within the MSRS Unclassified Plan, the individual must repay the amount refunded plus 8.5 percent interest, rather than the greater of this quantity or an amount equal to the employee and employer shares, less the administrative fee, plus 8.5 percent interest from the beginning of the forfeited period until the refund is repaid. (MN Laws 1993, Chapter 307, Article 2, Section 17.)

f. Revised transfer of coverage procedures. On transfers of coverage from MSRS Unclassified to MSRS General, employee contributions paid to the Unclassified Plan in excess of that required by MSRS General for the comparable period will continue to be refunded, but if employee contributions to the Unclassified Plan were less than those required in the General Plan, the difference must be paid by the employee within six months of electing General Plan coverage or before the effective date of the annuity, whichever is sooner. (MN Laws 1993, Chapter 307, Article 3, Section 6.)

g. Omitted salary deduction provision added to the plan. An omitted salary deduction provision is added to the plan (by requiring the same procedure as used in MSRS General). (MN Laws 1993, Chapter 307, Article 3, Section 7.)

h. Coverage for higher education board employees. Employees hired or appointed by the higher education board are eligible for coverage by the MSRS Unclassified Plan, unless the person elects Individual Retirement Account Plan (IRAP) coverage. (MN Laws 1993, Chapter 239, Article 1, Section 1.)

i. Acting, temporary, or interim employees not eligible for coverage. Acting, temporary, or interim employees will retain coverage by their current plan rather than by the MSRS Unclassified Plan. If appointment becomes permanent, the employees then would be eligible for MSRS Unclassified Plan or IRAP coverage. (MN Laws 1993, Chapter 239, Article 1, Sections 2 and 4.)

j. Repealer. Minnesota Statutes, Section 352D.05, subdivision 5 is repealed. This provision, which disallowed withdrawals from the MSRS Unclassified Plan while remaining employed, was redundant, since the same prohibition is contained in 352D.05, subdivision 1. (MN Laws 1993, Chapter 307, Article 7.)

8. Judges Retirement Plan

a. Clarification of disability payment date. Minnesota Statutes, Section 490.124, subdivision 1, the Judges Plan retirement annuity provision, is revised to make the annuity payable one year from the date of disability rather than two years (making the provision consistent with changes made in

prior years to subdivision 4, disability retirement provisions). (MN Laws 1993, Chapter 307, Article 1, Section 41.)

b. Clarification of deductions and service credit accrual in year following disability. The Judge's Plan disability provision is revised to specify that in the year following a disability a disabled judge will earn service credit in the plan, deductions will be taken, and the salary may be used in computing the high five average salary. (MN Laws 1993, Chapter 307, Article 1, Section 42.)

9. MSRS Deferred Compensation Program

a. MSRS board role in program administration. The executive director of MSRS must administer the deferred compensation program and establish rules with the advice and consent of the board. (MN Laws 1993, Chapter 307, Article 2, Sections 2, 9, and 10.)

B. Public Employees Retirement Association

1. PERA General

a. PERA public employee definition provision revised. The public employee definition is revised to indicate that independent contractors and their employees are not public employees (and therefore are not eligible for membership in the association). (MN Laws 1993, Chapter 307, Article 4, Section 1.)

b. Revisions to PERA covered employees provision. Clarifies that to be eligible for coverage, all individuals satisfying the definition of public employee must meet the \$425 per month salary threshold. Moves language which permitted PERA coverage to certain quasi-governmental employees to later government subdivision section. See (d) below. (MN Laws 1993, Chapter 307, Article 4, Section 2.)

c. Revisions to PERA excluded employees provision. Deletes language which specifically excluded several groups or categories of individuals (PERA will rely on the \$425 monthly threshold to determine exclusion or eligibility, or on language elsewhere excluding independent contractors). Groups deleted from the exclusion include persons providing professional services where the service is incidental to regular professional duties, members of boards and commissions who serve a governmental unit intermittently. Language added to exclude from PERA coverage pharmacist interns serving in a degree or residency program. Language added to exclude from coverage foreign citizens working for a governmental subdivision if the work permit does not exceed three years (the minimum time required to vest), and to exclude from coverage public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988 to October 1, 1988. (MN Laws 1993, Chapter 307, Article 4, Section 3.)

d. PERA governmental subdivision provision revisions. The Minneapolis community development agency is specifically excluded from PERA coverage. Other organizations are defined as governmental subdivisions, causing their employees to retain eligibility for PERA. These include the Public Employees Retirement Association, the League of Minnesota Cities, the Association of Metropolitan Municipalities, public hospitals owned and operated by a governmental subdivision, the Association of Minnesota Counties, the Metropolitan Intercounty Association, the Minnesota Municipal Utilities Association, the Metropolitan Airports Commission, and the Minneapolis Employees Retirement Fund for employment begun after June 30, 1979, the Range Association of Municipalities and Schools, soil and water conservation districts, and certain economic development authorities. (MN Laws 1993, Chapter 307, Article 4, Section 4.)

e. Former member definition added. Former member means a member who resigns, is dismissed, or after an authorized leave does not within 30 days return to a non-temporary position within the same governmental subdivision. (MN Laws 1993, Chapter 307, Article 4, Section 6.)

f. Definition of salary revised. The PERA definition of salary is revised to exclude reimbursement of expenses, lump-sum settlements, employer-paid flexible spending accounts, cafeteria plans, health care expense accounts, and day care expenses. Permits PERA to include all disability payments in the definition of salary. (MN Laws 1993, Chapter 307, Article 4, Section 7.)

g. Termination of service definition revised. Termination is when a member resigns or is dismissed. (MN Laws 1993, Chapter 307, Article 4, Section 8.)

h. PERA termination of membership definition added. Termination of membership occurs when an individual terminates service or is dismissed, when a part-time employee becomes a full-

time student, upon failing to return to work within 30 days of the end of a layoff or authorized leave of absence, when a person is determined to have become a member based on erroneous deductions after January 1, 1990, or when a person who became a member due to erroneous deductions before January 1, 1990 elects to terminate membership. (MN Laws 1993, Chapter 307, Article 4, Section 9.)

i. PERA temporary layoff definition clarification. Clarifies that for PERA purposes, temporary layoff means a temporary layoff authorized by the employing unit. (MN Laws 1993, Chapter 307, Article 4, Section 10.)

j. Temporary position defined. Temporary position is public employment of six months or less. Probationary periods are not to be considered as a temporary position. (MN Laws 1993, Chapter 307, Article 4, Section 11.)

k. Revisions to leave of absence provisions. If an individual returning from a generalized leave of absence is terminated within one year of returning, he or she can make required payments to receive service credit for the leave period within 20 days after termination. Individuals returning from a generalized leave of absence must return to public service for a minimum of 90 days to be eligible to purchase service credit for a subsequent leave. On periodic repetitive leaves, interest is due from the end of the normal cycle, rather than from the date the contributions were first payable. If a member is on an authorized sick leave of absence, the employee must return to service for at least 90 days to receive allowable service for a subsequent sick leave. Service credit granted for authorized temporary layoffs is limited to three months per calendar year, and the employee must return to covered employment for at least 90 days to be eligible for service credit under a subsequent authorized leave. Maternity, paternity, or adoption leave is renamed "parental leave," and it is specified that service credit can only be granted if the leave occurs within six months of the birth or adoption. (MN Laws 1993, Chapter 307, Article 4, Section 12.)

l. PERA definition of retirement revised. Retirement means the commencement of paying an annuity, and it follows termination of public service and termination of membership. (MN Laws 1993, Chapter 307, Article 4, Section 13.)

n. PERA definition of leave of absence clarified. Leave of absence provisions apply to authorized leaves only. (MN Laws 1993, Chapter 307, Article 4, Section 14.)

o. Elimination of Social Security spousal offsets, certain returning basic members. The definition of coordinated member is expanded to include a basic member who terminates public service for at least 30 days, reenters public service in a non-temporary position, and meets PERA membership eligibility criteria. (MN Laws 1993, Chapter 307, Article 4, Section 15.)

p. PERA coordinated plan coverage of members on leave, labor organization work. Permits current coordinated PERA members on an authorized leave of absence, who are employees of a labor organization representing public employees, to elect to be a PERA coordinated member with respect to service with the labor organization. Extends provision for electing coverage by PERA under the provision from 30 days to six months, or within six months of July 1, 1993, whichever is applicable. (MN Laws 1993, Chapter 307, Article 4, Section 16.)

q. Termination of membership if due to erroneous contributions. PERA is authorized to terminate membership if membership is due to contributions received by PERA in error on or after January 1, 1990. If membership is due to erroneous contributions before January 1, 1990, the individual may elect to terminate coverage. (MN Laws 1993, Chapter 307, Article 4, Section 17.)

r. Clarification of separation from service provision. Eligibility for an annuity is dependent upon termination of membership, not separation from service. (MN Laws 1993, Chapter 307, Article 4, Section 18.)

s. PERA disability repayment of refund date revisions. Permits a member who is receiving disability benefits to repay a refund within six months after the effective date of the disability benefit or within six months after the date of the filing of the application, whichever is later, rather than whichever is sooner. (MN Laws 1993, Chapter 307, Article 4, Section 19.)

Items (t) and (u) are provisions to eliminate age discrimination.

t. Revised PERA basic member disability supplemental benefit amount. PERA will pay a supplemental monthly benefit to disabled basic members of \$25 to age 65 or the five year anniversary of the effective date of the disability benefit, whichever is later, rather than the currently

authorized supplemental benefit which decreases with the age at which disability occurs. (MN Laws 1993, Chapter 307, Article 4, Section 21.)

u. Revised joint and survivor options for basic member disabilitants. If a basic member disabilitant dies within five years of the disability or before age 65, whichever is later, the surviving spouse can receive a refund or a survivor benefit. The children are entitled to dependent child benefits under Minnesota Statutes, Section 353.31, Subdivision 1b, Paragraph (b). The total family benefit can not exceed 70 percent of the member's salary. At age 65 or five years after the disability, whichever is later, a surviving disabilitant may continue to receive a normal disability benefit or elect a joint and survivor option. (MN Laws 1993, Chapter 307, Article 4, Sections 25 and 26.)

v. Release of medical information to PERA, disability cases. Applicants must release to PERA all medical records and relevant information to support the initial application for total and permanent disability, and for continuation of disability benefits. Disability benefits can be discontinued if all medical evidence is not released. (MN Laws 1993, Chapter 307, Article 4, Sections 22, 23, and 24.)

w. PERA refund or deferred annuity eligibility upon termination of membership. Refunds are available to former members upon termination of membership. (MN Laws 1993, Chapter 307, Article 4, Section 27.)

x. PERA deferred annuity eligibility. Termination of membership will permit a vested member to be eligible for a deferred annuity. (MN Laws 1993, Chapter 307, Article 4, Section 28.)

y. PERA refund "cooling-off period." If a person took a refund from any of the PERA plans, allowable service credit will be restored by repaying all amounts received within 30 days without returning to covered employment. (MN Laws 1993, Chapter 307, Article 4, Section 29.)

z. Repaying refunds, returning employees. Permits individuals repaying refunds to do so after returning to covered employment for at least six months, rather than at least 18 months. If more than one refund had been taken from a particular fund, all refunds must be repaid to that fund to reestablish service credit. Repayment must occur within six months of termination from service. (MN Laws 1993, Chapter 307, Article 4, Section 29.)

aa. Options for handling reemployed annuitants. If the salary earnings of a reemployed annuitant exceed the amount permitted under the federal social security program, as an alternative to reduction in annuity requirements in current PERA statute, PERA may suspend the annuity on the first of the month after the month in which the salary exceeds the maximum permitted. PERA must use whichever option results in the higher annuity amount. Payment of the full annuity must resume at the start of the next year. (MN Laws 1993, Chapter 307, Article 4, Section 30.)

The following provision applies to survivors of PERA coordinated members. It also applies to survivors of basic members if the basic member survivor waives survivor benefits otherwise payable under Minnesota Statutes, Section 353.31, Subdivision 1.

bb. Improved survivor benefits. If an employee or former employee dies at any age, rather than at age 50 or older or with 30 years of service regardless of age, in lieu of a refund the surviving spouse may elect a 100 percent joint and survivor annuity or an actuarially equivalent term certain annuity:

--100 percent joint and survivor annuity. If the deceased member had 30 or more years of service, the joint and survivor annuity is reduced by one quarter of one percent per month from age 62 to age 55, and half this reduction from age 55 to the age that payment begins. If the member had less than 30 years service, the joint and survivor annuity is reduced by one quarter of one percent per month or an actuarial reduction, whichever is less, from age 65 to age 55 and half this reduction from age 55 to the age that payment begins. If the annuity is deferred, annuity augmentation applies.

--term certain annuity. In lieu of a refund or the joint and survivor annuity, the surviving spouse may elect an actuarially equivalent 5, 10, 15, or 20 year term certain annuity, providing that monthly payments do not exceed 75 percent of the average high five monthly salary of the deceased employee. Upon the surviving spouse's death, the remaining value of term certain payments, if any, must be paid to the survivor's estate.

If there is no surviving spouse, the dependent children are entitled to benefits to age 20. If a child is 15 years or older on the date of the member's death, the payment must be made for five years. The payment to dependent children is actuarially equivalent to a surviving spouse 100 percent joint and

survivor annuity computed as above, using the age of the child rather than the age of the spouse. The actuarial value is to be proportionally divided among the surviving children. A dependent child means a deceased employee's biological or adopted child below age 20 and dependent for more than half of his or her support. (MN Laws 1993, Chapter 307, Article 6, Section 2, and Chapter 336, Article 6, Sections 5 to 9.)

The following are special law provisions:

cc. Retention of coverage, transferees from the Minneapolis Community Action Council. Employees of the Minneapolis Community Action Council who were transferred from the Minneapolis Community Action Agency remain members of MERF or PERA, as applicable, for the duration of their employment. Employee contribution rates are those applicable to the respective plan. For the employer rates, the standard PERA rates apply for that plan. The employer contribution for those retaining MERF coverage is the same percentage, relative to payroll, as the contribution made by the city of Minneapolis. Requires local approval. (MN Laws 1993, Chapter 109.)

dd. Reduction in disability benefit offset due to coordination with worker's compensation, certain Worthington disabilitant. A former Worthington employee born on October 10, 1930 who began drawing disability benefits on May 8, 1991 due to a duty injury will have disability benefits reduced to the extent that the sum of the joint and survivor disability benefit selected plus worker's compensation payments exceed former salary or the current salary for identical or similar positions, rather than being reduced to the extent that the sum of a single life equivalent amount plus worker's compensation exceeds these salary levels. (MN Laws 1993, Chapter 189.)

ee. Purchase of service credit due to omitted contributions, Eveleth School district employee. An employee of independent school district No. 697 (Eveleth) who first became a PERA member in November 1983, but for whom no retirement deductions were made in December 1983, may purchase service credit in PERA Coordinated for the period of omitted contributions. The individual must make an employee equivalent contribution equal to four percent of the salary during the period of omitted contributions, plus six percent interest. If this contribution is made, the employer must contribute the remainder of the full actuarial value. Requires local approval. (MN Laws 1993, Chapter 202, Article 3.)

ff. Purchase of service credit for periods of leave without pay, Ramsey County employee. Notwithstanding the one-year time limit on contributions for periods of leave without pay, a Ramsey County employee born on October 13, 1941 may make contributions for authorized leave without pay from September 10, 1990 to October 29, 1990, and from February 12, 1991 to August 31, 1991. The employee is responsible for the employee and employer contributions, but the county, at its discretion, can agree to cover the employer contribution. (MN Laws 1993, Chapter 207, Section 1, and Chapter 366, Section 25.)

2. PERA Police and Fire (PERA P&F)

a. Increase in service accrual rate. Retirement annuities will be computed using 2.65 percent of high five average salary per year of service, rather than 2.5 percent per year. (MN Laws 1993, Chapter 352, Section 4.)

b. Increase in line of duty disability payments. Line of duty disability payments will be 53 percent of high five average salary, rather than 50 percent, plus an additional 2.65 percent per year, rather than 2.5 percent per year, for each year in excess of twenty. (MN Laws 1993, Chapter 352, Section 5.)

c. Contribution rate changes. The employee contribution rate is reduced from eight percent to 7.6 percent of total pay. The employer rate is reduced from 12 percent to 11.4 percent of pay. These rates may be adjusted in future years although the adjustments must retain the 40 percent/60 percent employee to employer contribution rate split. If for three consecutive years the actuarial valuation reveals a sufficiency in excess of .5 percent of payroll, the rates will be decreased to provide a .5 percent sufficiency based on the most recent valuation. If for three consecutive years the actuarial valuation reveals a deficiency in excess of .5 percent of payroll, the rates will be increased to eliminate the deficiency. For purposes of the valuation, assets in excess of accrued liabilities will be treated like a negative liability--the excess will be amortized over the same period as an unfunded liability, but will reduce the required contribution rather than increasing it. (MN Laws 1993, Chapter 352, Sections 1, 2, 3, and 7.)

d. Light duty positions eligible for coverage. The PERA P&F membership qualifications provision is revised to allow coverage of "light duty" police or fire positions under PERA P&F. (MN Laws 1993, Chapter 307, Article 4, Section 32.)

e. Inclusion of fulltime Metropolitan Transit Commission police officers in PERA P&F. Full-time Metropolitan Transit Commission police officers are covered by PERA P&F. (MN Laws 1993, Chapter 307, Article 4, Section 33.)

Items (f) and (g) are efforts to address age discrimination.

f. Disability eligibility extended beyond age 55. The PERA P&F duty disability provision is revised to permit members age 55 and above to retain eligibility for line-of-duty and non-line-of-duty disability benefits. (MN Laws 1993, Chapter 307, Article 4, Sections 34 and 36.)

g. Revised joint and survivor options for PERA P&F. Prior to receipt of the disability benefit; or within 90 days of age 65 or five years after the disability, whichever is later; a surviving disabilitant may elect a joint and survivor option. If a PERA P&F disabilitant who has not selected a joint and survivor option at the time of the disability dies within five years of the disability or before age 65, whichever is later, the surviving spouse can receive either a refund or a survivor benefit. The children are entitled to dependent child benefits under section 353.657, subdivision 3. The total family benefit can not exceed 70 percent of the member's salary. (MN Laws 1993, Chapter 307, Article 4, Sections 35 and 39.)

h. Release of medical records to PERA, disability cases. Members must release all medical records and information from any source to PERA when applying for disability benefits. (MN Laws 1993, Chapter 307, Article 4, Sections 37.)

i. Cessation of disability benefits upon return to service. Disability benefits will cease the first of the month following reinstatement to full-time or part-time employment covered by PERA P&F. (MN Laws 1993, Chapter 307, Article 4, Section 38.)

j. Repealer. Minnesota Statutes, Section 353.656, Subdivision 6 is repealed retroactive to October 16, 1992. The provision required disability benefits for PERA P&F police and firefighters to terminate at age 55 and the individual to be considered a retired member. (MN Laws 1993, Chapter 307, Article 4, Section 54.)

The following is a special law provision:

n. Purchase of service credit in PERA P&F, certain Minneapolis Park Board Employees. The following current Minneapolis Park Board employees who are current members of PERA P&F are eligible to purchase service credit in PERA P&F for relevant periods of time:

--an individual born on May 28, 1941 who became eligible for PERA P&F membership on January 1, 1981, and;

--an individual born on April 19, 1928 who became eligible for PERA P&F membership on January 1, 1980.

These individuals failed to become members when first eligible because employee and employer contributions were not made. To purchase service credit in PERA P&F, the individuals must make the employee contribution that would have been required at the time plus six percent interest. If these contributions are made, the employer must contribute the remainder of the full actuarial value. Requires local approval. (MN Laws 1993, Chapter 120, Sections 1 and 2.)

3. PERA Consolidation Accounts

The following two benefit improvements (items (a) and (b)) automatically apply to current active consolidation account members who select PERA P&F benefits if the local plan consolidates after July 1, 1993. These benefit improvements are granted to active members of prior consolidations if the member chooses PERA P&F benefits and if the municipality approves the extension of these benefit increases to account members.

a. Benefit improvement--increase in PERA P&F service accrual rate. Retirement annuities will be computed using 2.65 percent of high five average salary per year of service, rather than 2.5 percent per year. (MN Laws 1993, Chapter 352, Section 4.)

b. Benefit improvement--PERA P&F line of duty disability payments. Line of duty disability payments will be 53 percent of high five average salary, rather than 50 percent, plus an additional 2.65 percent per year, rather than 2.5 percent per year, for each year in excess of twenty. (MN Laws 1993, Chapter 352, Section 5.)

c. Recognition of mid-year plan escalations. In order to recognize mid-year local plan escalations, if PERA P&F post-retirement adjustments are elected the post retirement adjustments will be based on the benefit on December 31, if December 31 is the effective date of consolidation, or on the following December 1 following the effective date of consolidation if the effective date is other than December 31. (Currently the adjustment is always based on the December 31 amount.) (MN Laws 1992, Chapter 307, Article 4, Section 40.)

d. Specification of timing of PERA P&F election by deferred consolidation account members. The timing of election of PERA P&F benefit provision is amended by permitting terminating members 90 days to elect deferred PERA P&F benefits. (MN Laws 1992, Chapter 307, Article 4, Section 41.)

e. Exclusion from annuity reductions, certain reemployed annuitants. PERA P&F consolidation account retirees are excluded from reductions in annuities due to reemployment if the retiree selects (or is limited to) local plan benefits. (MN Laws 1993, Chapter 307, Article 4, Section 42.)

f. Refund of contributions upon plan selection. The PERA P&F consolidation account refund of certain excess member contribution provision is amended to permit a refund of excess contributions, if any, at the time that a member defers receipt of a local plan benefit. (MN Laws 1993, Chapter 307, Article 4, Section 43.)

g. Elimination of remarriage penalty, Albert Lea Police Consolidation Account. Permits surviving spouses under the Albert Lea police relief association to retain surviving spouse benefit upon remarriage. (MN Laws 1993, Chapter 307, Article 4, Section 44.)

The following are special law provisions relating to certain consolidation accounts:

h. Refund of member contributions, certain deceased St. Paul firefighters. A net refund of member contributions plus five percent interest, in excess of any benefits received, may be paid to the estate of a previous member who died on April 24, 1990 at age 64, and to the estate of a previous member who died on June 1, 1987 at age 60. Requires local approval. (MN Laws 1993, Chapter 110.)

i. Authorizing full post-retirement adjustments, certain benefit recipients, Faribault Fire Consolidation Account. A firefighter who had a heart attack in January, 1990, and who was terminated from the Faribault fire department due to permanent disability in November 1990 after a short period of light duty; and an ex-Faribault firefighter on deferred status until March 17, 1991, are both entitled to a full January, 1992 post-retirement adjustment under the PERA P&F plan adjustment, rather than a partial adjustment. Requires local approval. (MN Laws 1993, Chapter 112, Sections 2 and 3.)

4. PERA Local Correctional Plan

The following is a provision to eliminate age discrimination.

a. Retention of disability eligibility, age 55 and above. Members age 55 and above retain eligibility for duty related and non-duty related disability benefits. (MN Laws 1993, Chapter 307, Article 4, Sections 45 and 46.)

5. PERA Public Employees Defined Contribution Plan

a. Right to withdraw from the plan. Elected local government officials and public and private ambulance services, and individuals providing those ambulance services, will be permitted to withdraw from the plan at any time. (MN Laws 1993, Chapter 307, Article 4, Section 47.)

b. PERA director to adopt refund amount policies. The PERA Defined Contribution Plan contributions and deductions taken in error provision is revised by deleting language specifying procedures for determining amounts to be refunded for total and partial refunds and replacing it with language authorizing the executive director of PERA to adopt policies for determining refund amounts. (MN Laws 1993, Chapter 307, Article 4, Section 48.)

c. PERA authorized to set charges to cover the full plan cost. The PERA Defined Contribution Plan administrative expenses provision is amended to permit PERA to make additional assessments to cover the full cost of plan operation. (MN Laws 1993, Chapter 307, Article 4, Section 49.)

d. Prohibition on asset withdrawal if membership revoked. Individuals are prohibited from withdrawing assets in the account if the individual revokes membership in the plan. (MN Laws 1993, Chapter 307, Article 4, Section 50.)

The following is a special law provision.

e. Transfer of coverage from PERA Coordinated to PERA Defined Contribution Plan; Deer River City employee. A current PERA coordinated member, born on March 3, 1939, who was an elected official of Blackberry township from March 1972 through March 1990 and who became an employee of the City of Deer River in March 1987 may elect to make member and employer contributions to the defined contribution plan for the period as an elected official of Blackberry Township. At its option, the township may make the employer contribution on behalf of the member. The individual is also eligible to elect defined contribution plan coverage for future service as a Deer River City employee after June 30, 1993. No refund from PERA Coordinated is payable. (MN Laws 1993, Chapter 307, Article 8.)

C. Teachers Retirement Association (TRA)

a. Additional accelerated annuity option. Retiring members will have the option of having their annuity accelerated up to age 62 or 65, rather than just age 65. (MN Laws 1993, Chapter 307, Article 5, Section 1.)

The following provision applies to TRA coordinated member survivors. It also applies to survivors of basic members if the basic member survivor waives survivor benefits otherwise payable under section 354.46, subdivision 1.

b. Improved survivor benefits. If an employee or former employee dies at any age, rather than at age 50 or older or with 30 years of service regardless of age, in lieu of a refund the surviving spouse may elect a 100 percent joint and survivor annuity or an actuarially equivalent term certain annuity.

--100 percent joint and survivor annuity. If the deceased member had 30 or more years of service, the joint and survivor annuity is reduced by one quarter of one percent per month from age 62 to age 55, and half this reduction from age 55 to the age that payment begins. If the member had less than 30 years service, the joint and survivor annuity is reduced by one quarter of one percent per month or an actuarial reduction, whichever is less, from age 65 to age 55 and half this reduction from age 55 to the age that payment begins. If the annuity is deferred, annuity augmentation applies.

--term certain annuity. In lieu of a refund or the joint and survivor annuity, the surviving spouse may elect an actuarially equivalent 5, 10, 15, or 20 year term certain annuity, providing that monthly payments do not exceed 75 percent of the average high five monthly salary of the deceased employee. Upon the surviving spouse's death, the remaining value of term certain payments, if any, must be paid to the survivor's estate.

If there is no surviving spouse, the dependent children are entitled to benefits to age 20. If a child is 15 years or older on the date of the member's death, the payment must be made for five years. The payment to dependent children is actuarially equivalent to a surviving spouse 100 percent joint and survivor annuity computed as above, using the age of the child rather than the age of the spouse. The actuarial value is to be proportionally divided among the surviving children. A dependent child means a deceased employee's biological or adopted child below age 20 and dependent for more than half of his or her support. ((MN Laws 1993, Chapter 307, Article 6, Section 3 and Chapter 336, Article 6, Sections 10 to 15.)

Items (c), (d), and (e) are provisions to eliminate age discrimination.

c. Revision of TRA basic plan death while active member or disabled provision. If a basic plan disabiltant dies before reaching the five year anniversary of the effective date of the disability, regardless of age, the surviving spouse and children are eligible for survivor benefits (or an optional annuity, if that was selected at the time of the disability). (MN Laws 1993, Chapter 307, Article 5, Section 2.)

d. TRA basic member debilitating supplemental benefit revised. Provides a supplementary monthly benefit of \$25 to basic disabled members, rather than a supplementary benefit depended upon the age at the time of disability, with higher ages receiving less. (MN Laws 1993, Chapter 307, Article 5, Section 3.)

e. Debilitating optional annuity selection at retirement age. An annuitant who remains totally and permanently disabled, and who did not select an optional annuity at the time of disability, may elect an optional annuity within 90 days of age 65 or within 90 days of the five year anniversary date of the disability benefit, whichever is later. (MN Laws 1993, Chapter 307, Article 5, Section 4.)

The following is a special law provision:

f. Second Medicare referendum, certain TRA basic member. A second Medicare coverage referendum is provided for a basic member of TRA born on May 19, 1928, first employed as a teacher in 1953, and currently teaching in Independent School District No. 77. (MN Laws 1993, Chapter 56, Sections 1 and 2.)

D. State University and Community Colleges Individual Retirement Account Plan (IRAP)

a. SBI to select companies to offer investment products under IRAP, retention of consultants, and required periodic review. SBI, rather than the state and community college boards, will select two financial institutions to offer contracts (in addition to the SBI-managed supplemental investment fund). SBI must review the companies providing products at least every three years. SBI may obtain consulting services to assist in the periodic review, and it may charge the cost of the periodic reviews to companies under contract. The initial reviews must be with those companies currently under contract with the State University and Community College Boards. (Laws 1993, Chapter 192, Sections 88 and 89.)

b. Additional employees eligible for IRAP. Unclassified managerial employees of the higher education board, the higher education coordinating board, and the technical college system chancellor's office will be members of IRAP, unless they specifically elect other eligible retirement coverage. The higher education board employees may elect coverage by December 31, 1993, or within 120 days of employment, whichever is later. The higher education board employees are not eligible for the supplemental retirement plan. (MN Laws 1993, Chapter 239, Article 1, Sections 2, 3, and 6.)

c. Acting, temporary, or interim employees not eligible for coverage. Acting, temporary, or interim employees will retain coverage by their current plan rather than MSRS Unclassified coverage. If the appointment becomes permanent, the individual would then be eligible for IRAP or TRA, the MSRS Unclassified plan, or other plan coverage, as appropriate. (MN Laws 1993, Chapter 239, Article 1, Sections 2 and 4.)

d. IRAP is the default plan for unclassified state university system employees. State university system employees who would otherwise be covered by MSRS Unclassified will be covered by IRAP unless they elect MSRS Unclassified coverage within 120 days of the date of covered employment. (MN Laws 1993, Chapter 239 Article 1, Section 5.)

e. Coverage for higher education board employees. Employees hired or appointed by the higher education board are covered by the MSRS Unclassified Plan, unless the person elects IRAP coverage. These employees are not eligible for the State University and Community College Supplemental Retirement Plan. (MN Laws 1993, Chapter 239, Article 1, Sections 1 and 6.)

f. IRAP contributions. For IRAP members who would otherwise be eligible for TRA coverage, the member contribution is 4.5 percent. The corresponding employer contribution for those IRAP members is increased from 4.5 percent to six percent. (MN Laws 1993, Chapter 239, Article 2, Sections 1 and 2.)

g. Omitted contribution provision added to IRAP. If the state university board or community college board fails to deduct the employee contribution from pay, the deduction should be made by subsequent payroll deductions. If the required employee deductions are not made within 60 days, the employer contribution must be paid, along with 8.5 percent of the total amount in lieu of interest. The employee and employer may agree to an alternative deduction amount for the employee contribution. The omitted employee deduction must be made within one year of the date the contribution should have occurred. (MN Laws 1993, Chapter 239, Article 2, Section 3.)

h. Sabbatical leave provision added to IRAP. The employer must make contributions based on the salary paid to the individual during the leave. The employee has the option to make an employee contribution based on the difference between the salary received during the leave and the salary received during a comparable period during the prior year. If the employee makes the optional contribution based on the salary differential, the employer must make a corresponding employer contribution within 60 days. No employee or employer contributions may be made under the sabbatical leave provision if the individual does not retain the right to full reinstatement during and at the end of the sabbatical leave. (MN Laws 1993, Chapter 239, Article 2, Section 4.)

i. Administrative expense charges. For IRAP participants investing with SBI's Supplemental Investment Fund a charge for administrative expenses of .1 percent of assets may be made annually. For IRAP participants not investing through the Supplemental Investment Fund, a charge for administrative expenses of up to two percent of contributions may be made. Any amounts not needed for administrative expenses must be refunded to the member accounts. (MN Laws 1993, Chapter 239, Article 2, Section 5.)

j. IRAP benefits payable upon death or termination. Upon application, IRAP benefits are payable upon death or termination. (MN Laws 1993, Chapter 239, Article 2, Section 6.)

k. Inclusion of higher education managerial employees with MSRS Unclassified Plan coverage in state university-community college Supplemental Retirement Plan. Includes higher education managerial employees covered by the MSRS Unclassified Plan in the State University and Community College Supplemental Retirement Plan; corrects IRAP citation. (MN Laws 1993, Chapter 239, Article 3, Sections 1 and 2.)

l. Marital property-distribution of IRAP assets. Provides an exception to procedures in Minnesota Statutes, Section 518.58, Subdivision 4, dealing with distribution of pension plan assets in a marriage dissolution, authorizing IRAP administrators to develop an alternative procedure for the marital property division of IRAP assets. (MN Laws 1993, Chapter 239, Article 4, Sections 1 and 2.)

m. Repealer. Minnesota Statutes, Section 354B.02, subdivision 3, an obsolete provision, is repealed. The provision allowed coordinated TRA members with less than three years service, first employed in IRAP covered employment before July 1, 1989, to transfer coverage to IRAP. The election had to be made before July 1, 1992. (MN Laws 1993, Chapter 239, Article 2, Section 8.)

The following are special law provisions.

n. Transfer from TRA to IRAP. Laws 1990, Chapter 570, Article 3, Section 11 is amended to permit an individual or individuals first hired by the state university or community college boards after June 1988 and before July 1, 1989 to transfer employee and employer contributions from TRA to IRAP if the individual had less than one year of prior service (rather than no prior service before being hired during the June 1988 to July 1, 1989 period) and if the first appointment was for at least 25 percent of a full academic year, exclusive of summer sessions. (MN Laws 1993, Chapter 239, Article 2, Section 7.)

o. Transfer of coverage to MSRS-General, certain IRAP members with past MSRS General service. State university and community college employees hired between June 30, 1989 and May 9, 1990, who have past MSRS General covered service, may elect to have MSRS General coverage rather than IRAP. Assets in the IRAP accounts of these individuals transfer to MSRS General, and individuals earn service and salary credit in MSRS-General for the period of IRAP-covered service. (MN Laws 1993, Chapter 239, Article 5, Sections 1, 2, and 3.)

E. Minneapolis Employees Retirement Fund (MERF)

a. External asset management required. All MERF assets must be externally managed by professional investment or property management firms that are independent of the retirement fund. The board retains responsibility for establishing asset mix, setting objectives, hiring and firing managers, and related oversight functions. (MN Laws 1993, Chapter 307, Article 10, Section 1.)

b. Investment management fiduciary standard. MERF investment managers are held to the prudent expert standard. (MN Laws 1993, Chapter 307, Article 10, Section 2.)

c. Certain purchases of service credit for past service. No longer permits retired employees to purchase MERF service credit for certain past service in a public corporation prior to covered MERF employment; for active employees in a similar situation, authorizes purchase of service credit

if not eligible for credit under another Minnesota public fund, at full actuarial value rather than contributions plus interest. (MN Laws 1993, Chapter 307, Article 10, Sections 3 and 4.)

d. Change in date of financial requirements statement; latitude in estimating administrative expenses. The statement of the financial requirements of the fund must be submitted by July 31 rather than September 15, and MERF is given flexibility to estimate administrative expenses rather than using an estimate of last year's expenses escalated by 3.5 percent. (MN Laws 1993, Chapter 307, Article 10, Section 5.)

The following are special law provisions:

a. Purchase of service credit, certain previously disabled current MERF employee. A MERF member born on September 25, 1954 who while disabled due to a duty-related injury was recommended for discharge on October 17, 1981, but for whom the discharge recommendation was withdrawn on April 8, 1982, may purchase service credit in MERF for the period between January 1, 1980 and December 31, 1981 for which the member did not receive service credit in MERF or any other Minnesota public pension plan, and for which the member did not receive disability benefits. To receive the credit, the member must pay the member contributions that would have been paid if the member were employed during this period, plus six percent interest. The employer must pay the remainder of the full actuarial value. Requires local approval. (MN Laws 1993, Chapter 95.)

b. Retention of coverage, transferees from the Minneapolis Community Action Council. Employees of the Minneapolis Community Action Council who were transferred from the Minneapolis Community Action Agency remain members of MERF or PERA, as applicable, for the duration of their employment. Employee contribution rates are those applicable to the respective plan. For the employer rates, the standard PERA rates apply for that plan. The employer contribution for those retaining MERF coverage is the same percentage, relative to payroll, as the contribution made by the city of Minneapolis. Requires local approval. (MN Laws 1993, Chapter 109.)

F. First Class City Teacher Plans

a. Contributions to address MTRFA and SPTRFA funding problems. The contribution rates for MTRFA and SPTRFA are realigned to be comparable to TRA as follows:

--The MTRFA basic member additional employer contribution rate will be reduced from 4.85 percent of salary to 3.64 percent of salary after July 1, 1994. A MTRFA coordinated member additional employer contribution rate of .5 percent of salary will begin on July 1, 1993, increasing to 3.64 percent on July 1, 1994.

--The SPTRFA basic member additional employer contribution rate will be reduced from 4.63 percent to 3.64 percent of salary after July 1, 1995. A SPTRFA coordinated member additional employer contribution rate of .5 percent of salary will begin on July 1, 1993, increasing to 1.50 percent on July 1, 1994, and increasing to 3.64 percent of salary on July 1, 1995.

The state will make additional contributions to SPTRFA and MTRFA as follows:

--SPTRFA will receive \$500,000 in fiscal 1994, payable on October 1. In each successive fiscal year the amount will be indexed to increases in the general education revenue formula allowance.

--For MTRFA, the state will provide matching aid up to \$2.5 million, indexed as above, matching every \$1,000 contributed in equal proportion by the school district and the city.

This special aid to SPTRFA and MTRFA will terminate and can not be resumed when that fund's funding ratio equals or exceeds TRA's funding ratio.

There will also be a supplemental administrative expense assessment against the retirees and active members as follows:

--The non-investment related administrative expenses of TRA are to be computed and expressed as a percentage of TRA covered payroll. This ratio is to be applied to SPTRFA and MTRFA covered payroll, and the dollar value of the non-investment related administrative expenses of each fund above this ratio is to be assessed against the membership of SPTRFA and MTRFA. The allocation of this cost between active members and retirees is to be determined by the respective boards. (MN Laws 1993, Chapter 357, Sections 1 to 6.)

b. Modification of MTRFA post retirement assumption. The authorization to pay the automatic two percent increase in annuity benefits continues, but the additional investment based adjustment is revised to be as follows:

--The required actuarial reserves for MTRFA annuitants is to be computed and multiplied by the funding ratio, resulting in the funded actuarial reserves, and this amount is to be allocated to the annuity reserve fund.

--The MTRFA board is to determine the five year annualized return of the annuity reserve fund, compared to the pre-retirement interest assumption, resulting in the "rate of return excess." The rate of return excess is then multiplied by one minus the rate of contribution deficiency to determine the additional increase. All benefit recipients who have received a benefit for at least 12 months are entitled to share in the increase. (MN Laws 1993, Chapter 357, Section 7.)

c. Revisions in SPTRFA post retirement adjustment procedures. SPTRFA may pay the first post retirement adjustment after one year of retirement rather than three. The adjustment will be based on the actuarial value of the assets rather than cost. The adjustment may be annuitized at the request of the recipient. (MN Laws 1993, Chapter 336, Article 3.)

d. Study of phase out or consolidation options. The LCPR shall report by February 1, 1994 to the chairs of the Senate Government Operations and Reform Committee and the Finance Committee, and in the House to the Committee on Government Operations and Gaming and the Committee on Ways and Means, on phase out or consolidation options for the first class city teacher funds. LCPR staff, the directors of each first class city teacher fund and TRA, a representative of the Department of Finance, and school district representatives will serve on the technical advisory committee. (MN Laws 1993, Chapter 357, Section 9.)

e. Definition of "teacher" corrected. In the teacher definition section, references to "state board of education" are corrected to "state department of education." (MN Laws 1993, Chapter 336, Article 1, Section 1.)

f. Authorization for tax sheltered annuity program to accept employer contributions. Tax sheltered annuity programs for teachers in cities of the first class can accept employer contributions if negotiated under a collective bargaining agreement. (MN Laws 1993, Chapter 336, Article 1, Section 2.)

g. Remittance of employee contributions to respective retirement fund. Employee contributions must be deducted from salary and remitted to the respective teacher retirement fund at least monthly. (MN Laws 1993, Chapter 336, Article 1, Section 3.)

h. Changes in interest charges in omitted contribution provision. Omitted employee contributions are payable with interest at the pre-retirement interest rate computed from the due date until payment is received, with a minimum charge of \$10 (rather than a six percent interest rate, chargeable from the end of the year in which the shortage occurred to the end of the month in which payment is made). (MN Laws 1993, Chapter 336, Article 1, Section 4.)

i. Interest charges for delinquent employer and additional employer contributions. Employer and employer additional contributions must be remitted at least each month. Delinquent amounts are payable with interest at the pre-retirement interest rate computed from the due date until payment is received, with a minimum charge of \$10. (MN Laws 1993, Chapter 336, Article 1, Section 5.)

j. New teacher reporting. The school district must provide information on new or returning teachers to the relevant retirement fund prior to the first payroll date. (MN Laws 1993, Chapter 336, Article 1, Section 7.)

k. Coordinated plan refund and refund repayment eligibility requirements adopted for basic members. The coordinated plan eligibility for refunds and refund repayment requirements shall also be used for the basic plans. (MN Laws 1993, Chapter 336, Article 1, Section 8.)

l. Annuity application procedures. Application for an annuity must be made on an approved form, including proof of the member's age and identity, by the member or an individual authorized to act on behalf of the member. A notarized signature on the form satisfies spousal notification requirements. (MN Laws 1993, Chapter 336, Article 1, Section 9.)

m. Annuity accrual retroactivity. On an annuity application filed by coordinated or basic members within 90 days of termination, the annuity is deemed to accrue from the termination of teaching service, but not more than one month prior to the date of final salary receipt. (MN Laws 1993, Chapter 336, Article 2.)

n. Survivor benefit improvements, coordinated members. If a coordinated employee or former employee dies at any age, rather than at age 50 or older or with 30 years of service regardless of age, in lieu of a refund the surviving spouse may elect a 100 percent joint and survivor annuity or an actuarially equivalent term certain annuity.

--100 percent joint and survivor annuity. If the deceased member had 30 or more years of service, the joint and survivor annuity is reduced by one quarter of one percent per month from age 62 to age 55, and half this reduction from age 55 to the age that payment begins. If the member had less than 30 years service, the joint and survivor annuity is reduced by one quarter of one percent per month or an actuarial reduction, whichever is less, from age 65 to age 55 and half this reduction from age 55 to the age that payment begins. If the annuity is deferred, annuity augmentation applies.

--term certain annuity. In lieu of a refund or the joint and survivor annuity, the surviving spouse may elect an actuarially equivalent 5, 10, 15, or 20 year term certain annuity, providing that monthly payments do not exceed 75 percent of the average high five monthly salary of the deceased employee. Upon the surviving spouse's death, the remaining value of term certain payments, if any, must be paid to the survivor's estate.

If there is no surviving spouse, the dependent children are entitled to benefits to age 20. If a child is 15 years or older on the date of the member's death, the payment must be made for five years. The payment to dependent children is actuarially equivalent to a surviving spouse 100 percent joint and survivor annuity computed as above, using the age of the child rather than the age of the spouse. The actuarial value is to be proportionally divided among the surviving children. A dependent child means a deceased employee's biological or adopted child below age 20 and dependent for more than half of his or her support. (MN Laws 1993, Chapter 336, Article 5, Section 1 and Article 6, Sections 16 to 19.)

G. Local Police and Paid Fire Relief Associations

a. Change in actuarial assumptions, Albert Lea Fire. In preparing actuarial valuations for the Albert Lea Fire Relief Association, the interest assumption will be six percent rather than five, and the salary increase assumption will be four percent, rather than 3.5 percent. Requires local approval. (MN Laws 1993, Chapter 72, Sections 1 and 2.)

b. Changes in survivor benefits, Minneapolis police relief association. The maximum surviving spouse benefit is 20 units per month in 1993 and 21 units per month in 1994 and subsequent years, without the requirement that certain specified funding levels had to be achieved before these benefit levels could be paid, as had been required by Laws 1992, Chapter 454, Section 3. The family maximum benefit is increased from 35 to 40 units per month. The maximum surviving child benefit, if there is a surviving spouse, is increased from six to eight units per month. If there is no surviving spouse, the maximum benefit to surviving children is to be determined by the board of directors, but in total must not exceed the family maximum benefit. Requires local approval. (MN Laws 1993, Chapter 124.)

c. Changes in service pension, Minneapolis Fire Relief Association. The service pension paid by the Minneapolis Fire Relief Association will be two percent of pay upon which the pension is based for each of the first 19 years of allowable service, 3.25 percent for the 20th year, and two percent per year of allowable service for each year in excess of twenty years, but not exceeding twenty-five years. Requires local approval. (MN Laws 1993, Chapter 125.)

d. Change in definition of salary; purchase of service credit; Columbia Heights Police. (1) For pension purposes, salary of a top patrolman is defined to include longevity pay and education incentive pay, not to exceed \$235 per month. (2) A relief association member with more than 25 years service is authorized to make an eight percent member contribution equivalent payment with 6.5 percent interest for the period February 10, 1989 through the last pay period prior to consolidation with PERA. (3) Items (1) and (2) are effective upon an affirmative vote by the Columbia Heights relief association to consolidate with PERA and upon local approval of this special law. In addition, service credit and salary credit due to the buy-back in (2) will be granted only if the individual selects PERA P&F benefits following consolidation. (MN Laws 1993, Chapter 126.)

e. Increase in retirement and surviving spouse benefits; actuarial work required, Eveleth Trust Account. Benefits paid to retired police officers and firefighters and surviving spouses are increased by \$100 per month, retroactive to January 1, 1993. The trust must use a qualified actuary to determine the actuarial requirements of the trust. The city of Eveleth may, at its cost, use the actuary retained by the Legislative Commission on Pensions and Retirement. Requires local approval. (MN Laws 1993, Chapter 160.)

f. Benefit increase, Bloomington Police Relief Association. The benefits for Bloomington police will be as follows, expressed as a percentage of the salary upon which benefits are computed:

--retirement benefits. If service terminates before January 31, 1994, 2.5333 percent for each of the first 20 years, 1.3333 percent per year for years 21 through 27. If service terminates on or after January 31, 1994, 2.3333 percent per year for each of the first 20 years, 1.3333 percent per year for years 20 through 27.

--duty disability benefits. If disabled before January 31, 1994, 52 percent of salary. If disabled after January 31, 1994, 48 percent.

--redefinition of surviving child. Surviving child is expanded to include survivors who are full-time students from age 18 through age 21.

--surviving spouse benefit. The surviving spouse benefit will be 27.333 percent of the salary base, or half the service pension payable or accrued by the former member, whichever is greater.

--surviving family maximum. The family maximum will be 60 percent of base salary.

--remarriage penalty removed. Surviving spouse benefits will terminate upon the death of the person entitled to receive the surviving spouse benefits.

These changes are effective upon an affirmative vote to consolidate with PERA by the relief association, and upon compliance by the city with special law local approval requirements. (MN Laws 1993, Chapter 202, Articles 1 and 2.)

The following is a general provision which may be relevant for some local police and paid fire relief associations or a subsidiary corporation of these associations.

g. Prohibiting use of lawful gambling receipts to fund pensions. A city, county, or town may not accept a contribution of lawful gambling receipts for use in contributing that money to a pension fund. (MN Laws 1993, Chapter 244, Article 5.)

The following explicitly authorizes relief associations having general fund assets to have those assets managed by SBI. Police and paid fire plans already had authority to have SBI invest special fund assets.

h. Combined Investment Fund, broadening of authority and investment of non-retirement assets. The combined investment fund of the State Board of Investment (SBI) is given authority to invest non-retirement assets in addition to the retirement assets currently authorized, but retirement assets and non-retirement assets can not be commingled. Any public plan authorized to have all or part of its assets invested by SBI may use the combined investment fund. Authority is added to permit police and paid and volunteer fire funds to invest general fund assets in the combined investment fund. (MN Laws 1993, Chapter 300, Sections 2, 3, 4, 5, 8, 9, and 13.)

H. Volunteer Fire Relief Associations

a. Simplification of annual filing requirements with the Secretary of State. The State Auditor will annually provide the Secretary of State with a list of volunteer fire relief associations which file an accurate, timely annual financial report, audit, or financial statement. This will substitute for the corporate registration process. (MN Laws 1993, Chapter 86.)

b. Service credit for fractional years of service. Use of fractional years of service in computing volunteer fire benefits is explicitly authorized. (MN Laws 1993, Chapter 244, Article 1, Section 1.)

c. Changes in flexible service pension maximums. Section 424A.02, Subdivision 3, is revised as follows:

--for relief associations paying monthly pensions, the minimum average amount of available financing per firefighter necessary to sustain a given benefit amount is increased;

--for relief associations paying lump sum pensions, the minimum average amount of available financing per firefighter necessary to sustain a given benefit amount is increased; the maximum lump sum pension payable before the start of 1994 is increased to \$3,375; the maximum lump sum pension payable during 1994 is \$3,500; the maximum lump sum pension payable during 1995 is \$3,750; and for pensions payable after 1995 the maximum is \$4,000;

--if the minimum financing per firefighter declines due to a decrease in aid or an increase in active firefighters, the relief association can continue to provide the prior pension amount, but may not increase pensions until the average financing per firefighter permits, and;

--it is emphasized that no relief association may exceed the maximum service pension authorized in the monthly service pension, or lump sum service pension table, as applicable. If a relief association pays a service pension which exceeds the maximum service pension associated with the applicable average amount of financing per firefighter, the municipality is disqualified from the next apportionment of state fire aid and the state auditor will recover the amount of pension overpayment from the firefighter. Any aid forfeited or overpayments recovered must be added to the subsequent fire state aid apportionment. Payment of lump sum pensions before March 15, 1992 which exceeded the uppermost flexible service pension maximum amount, but which conformed to the bylaws of the relief association, are ratified. (MN Laws 1993, Chapter 244, Article 1, Sections 2, 3, and 4.)

d. Authority to retain certain service pension maximum amounts. Lump sum service pension amounts in excess of the uppermost flexible service pension maximum amount in statute and in excess of the amount specified in by-laws or articles of incorporation on December 31, 1991, may continue in force, but may not be increased except in conformance with the flexible service pension provision of law. (MN Laws 1993, Chapter 244, Article 1, Section 4.)

e. Formula option for reporting time-weighted rates of return, relief association with \$.5 million to \$2 million in assets. Relief associations with \$.5 million to \$2 million in book value of assets at the end of the preceding plan year can use the formula used by SBI for time-weighted rate of return reporting or the following formula to compute quarterly returns for each asset class and for the total portfolio:

$$r = \frac{V_e - V_b - C}{V_b + \frac{1}{2} C}$$

V_e = the ending market value for the quarter;

V_b = the beginning market value for the quarter;

C = the net contribution to the portfolio for the quarter; and

r = the total rate of return for the quarter.

These returns are used to create time-weighted rates of return using the linking procedure used by SBI. (MN Laws 1993, Chapter 244, Article 2.)

f. Appropriation for state reimbursement of supplemental benefit for lump sum pensioners. Money to reimburse relief associations for supplemental benefits paid to lump sum retirees under Minnesota Statutes, Section 424A.10 is appropriated from the general fund for reimbursements payable March 15, 1993 and thereafter. (MN Laws 1993, Chapter 307, Article 9.)

g. Transfers of lump sum pensions to an individual retirement account (IRA). A tax qualified volunteer fire relief association may transfer a lump sum pension at the request of the member directly to an individual retirement account (IRA). (MN Laws 1993, Chapter 244, Article 3.)

h. Prohibiting use of lawful gambling receipts to fund pensions. A city, county, or town may not accept a contribution of lawful gambling receipts for use in contributing that money to a pension fund. (MN Laws 1993, Chapter 244, Article 5.)

The following explicitly authorizes volunteer fire plans to have general fund assets managed by SBI. These plans already had authority to have SBI invest special fund assets.

i. Combined Investment Fund, broadening of authority and investment of non-retirement assets. The combined investment fund of the State Board of Investment (SBI) is given authority to invest non-retirement assets in addition to the retirement assets currently authorized, but retirement assets and non-retirement assets can not be commingled. Any public plan authorized to have all or part of its assets invested by SBI may use the combined investment fund. Authority is added to permit police and paid and volunteer fire funds to invest general fund assets in the combined investment fund. (MN Laws 1993, Chapter 300, Sections 2, 3, 4, 5, 8, 9, and 13.)

The following are volunteer fire special laws for Golden Valley and Ellendale.

j. Ratification of funeral benefit payments in excess of that authorized by prior law (Golden Valley Volunteer fire Relief Association). Funeral benefit payments between March 27, 1973 and the effective date of this special law provision that conformed to the bylaws but which exceeded the \$1,500 amount authorized under Laws 1973, Chapter 30, Section 5 are ratified. Requires local approval. (MN Laws 1993, Chapter 244, Article 4, Sections 1, 2, and 4.)

k. Ratification of benefit payments and aid usage (Ellendale Fire Relief Association). Retirement benefits paid to retiring firefighters prior to the effective date of this section, although the relief association may not have been officially recognized as being in existence for at least five years, are ratified. Use of prior state fire aid by the firetown of Ellendale is ratified providing the aid was used to fund the special fund of the relief association or for a fire related purpose. Requires local approval. (MN Laws 1993, Chapter 244, Article 4, Sections 3 and 4.)

I. Ambulance Service Personnel Longevity Incentive Awards

To improve retention of personnel in volunteer and part-time ambulance services throughout the state, the Legislature established an incentive system for ambulance service personnel, bearing some similarity to a pension program.

a. Ambulance service personnel longevity incentive award appropriation
. \$150,000 is appropriated for the ambulance service personnel longevity incentive award. Of this amount, \$85,000 is to be used to administer the program, to redesign the volunteer ambulance attendant reimbursement database, to establish the database for the personnel longevity award, and to purchase computer equipment. (MN Laws 1993 First Special Session, Chapter 1, Article 1, Section 3.)

b. Ambulance service personnel longevity incentive award program. Eligible individuals are ambulance attendants, drivers, and medical directors or medical advisors who:

--are currently certified and are earning less than \$3,000 annually from the activity (this amount will be escalated in future years based on changes in the consumer price index);

--serve in ambulance services licensed in Minnesota which provide the majority of its services to the Minnesota public and are free of unfair discriminatory practices; and

--are certified by the ambulance service as a member in good standing for the year.

An ambulance service personnel longevity award and incentive trust account is established within the state's general fund. This trust account will be managed by SBI and is credited with appropriations to the account and investment earnings, net of fees and administrative expenses. The annual per person allocation is determined by dividing the total net appropriation plus earnings for the year by the total number of ambulance service personnel years earned or 1,000, whichever is greater. Each individual certified by an ambulance service as meeting the above eligibility requirements for the year is credited with a year of service. In addition, individuals with past service before June 30, 1993 are credited with one-fifth of a year of service for each prior service year, but not to exceed in any year one additional year of credited service and not to exceed in total five years of prior service. The maximum total number of service years an individual can earn for current and past service is capped at twenty.

A qualified ambulance service person at least age 50, who terminates service after at least five years of credited service, and who is among the 400 people applying for a longevity service award during a year, is eligible for an award. The award is the total amount of that person's accumulations as of the

most recent August 15th. (MN Laws 1993, First Special Session, Chapter 1, Article 9, Sections 54 to 63.)

II. General Provisions

The following item applies to members of all funds subject to the combined service disability statute, Minnesota Statutes, Section 356.302. These funds are MSRS General, MSRS Unclassified, MSRS Correctional, MSRS State Patrol, Judges Retirement Plan, PERA General, PERA P&F, TRA, DTRFA, MTRFA, SPTRFA, and MERF.

a. Reemployed combined service disabilitants. Partially reemployed combined service disabilitants must have all current income plus the combined disability benefits from all plans covered under the combined service disability provision compared to the final salary as a public employee. If total current income plus disability payments is in excess of the final salary, the disability benefit payments from all the plans must be reduced on a prorated basis relative to the years of service in each fund. (MN Laws 1993, Chapter 307, Article 2, Section 18.)

The following is a provision to eliminate age discrimination and applies to public safety plans covered under the combined service disability statute, Minnesota Statutes, Section 356.302. These plans are MSRS Correctional, MSRS State Patrol, and PERA P&F.

b. Combined service disability and survivor benefits public safety plan eligibility extended beyond age 55. Individuals covered by the combined service disability and survivor benefits public safety plan provision retain eligibility at age 55 and above. (MN Laws 1993, Chapter 307, Article 4, Section 51.)

The following item applies to all Minnesota public pension plans and funds, including police, paid and volunteer fire plans, and the University of Minnesota faculty plan and supplemental faculty plan.

c. Definition and treatment of administrative and investment expenses in the actuarial valuation. Administrative expenses are redefined as non-investment related expenses. Investment expenses include all costs of internal investment management, and the cost of external investment managers and consultants, custodial bank fees, and investment transactions. Investment expenses must be deducted from investment return in the actuarial valuations and not included in administrative expenses when calculating the allowance for expenses. (MN Laws 1993, Chapter 336, Article 4.)

The following item applies to plans administered by MSRS.

d. Disclosure of retiree names and addresses. The MSRS board is authorized to supply names and addresses of retirees to the organizations from which they retired, and the MSRS board is authorized to disclose names and addresses of all retirees to an organization that has been in existence for at least ten years, representing over 5,000 retired state and university employees. MSRS must be reimbursed for expenses of providing the lists. (MN Laws 1993, Chapter 307, Article 3, Section 2.)

The following item applies to Comprehensive Employment and Training Act (CETA) employees who were excluded from public plan coverage.

e. CETA employees increase in interest rate on purchases of prior service. The interest rate on certain purchase of prior service by Comprehensive Employment and Training Act (CETA) employees is increased from six to 8.5 percent. (MN Laws 1993, Chapter 307, Article 4, Section 52.)

The following item applies to all public plans.

f. Removal of final monthly salary as a cap on benefit amount. The requirement that the benefit at the time of disability or retirement not exceed the final monthly salary is removed. (MN Laws 1993, Chapter 307, Article 4, Section 53.)

The following item applies to all police and paid fire local relief associations and PERA consolidation accounts:

g. Police and paid fire amortization and supplemental amortization aid. For police and paid fire amortization aid, \$3,417,000 for the first year of the biennium and \$5,055,000 for the second is appropriated. For supplemental amortization aid, \$553,000 for the first year and \$1,000,000 for the second are appropriated. The reduction of \$2,085,000 the first year from amounts otherwise payable

as amortization aid and the reduction of \$447,000 from amounts otherwise payable as supplemental aid is due to excess investment earnings by the Minneapolis police and fire relief associations, reducing the amount otherwise payable to Minneapolis. See Minneapolis 13th check legislation, MN Laws 1989, Chapter 319, Article 19, Section 7. (MN Laws 1993, Chapter 192, Section 32.)

The following three items apply to the State Board of Investment (SBI):

h. Investment Advisory Council not subject to automatic expiration. The investment advisory council (which advises SBI on investment matters) is not subject to the automatic June 30, 1993 termination date in Section 15.059, a provision governing advisory councils and committees. (MN Laws 1993, Chapter 300, Section 1.)

i. Disclosure of expense reimbursement. SBI members and employees of SBI must disclose expenses in excess of \$50 (for lodging seminars, transportation, entertainment, meals) which were reimbursed by or paid for by investment advisors, consultants, or money managers which have bid on an SBI contract in the last year or which are currently under an SBI contract, or any business in which SBI has invested money during the annual reporting period. The disclosure must be filed with the Ethical Practices Board by April 15 and must cover the previous calendar year. Failure to file is a misdemeanor. Willingly omitting information or intentionally filing false information is a gross misdemeanor. (MN Laws 1993, Chapter 192, Section 37.)

j. Combined Investment Fund, broadening of authority and investment of non-retirement assets. The combined investment fund is given authority to invest non-retirement assets, in addition to the retirement assets currently authorized, but retirement assets and non-retirement assets can not be commingled. Any public plan authorized to have all or part of its assets invested by SBI may use the combined investment fund. Authority is added to permit police and paid and volunteer fire funds to invest general fund assets in the combined investment fund. (MN Laws 1993, Chapter 300, Sections 2, 3, 4, 5, 8, 9, and 13.)

The following item revises SBI's investment standards. These also impact any other plan required by law or by policy to conform to SBI's investment guidelines.

k. Changes in futures contract requirements and certificate of deposit collateral requirements. SBI may invest in future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency, rather than regulated by a federal agency, and the requirement that issuers of certificates of deposit meet the collateral requirements imposed on depositories of state funds is deleted. (MN Laws 1993, Chapter 300, Sections 6 and 7.)

The following applies to the State's deferred compensation program under Minnesota Statutes, Section 352.96. Any employees of the state or any political subdivision are eligible to participate in this program.

l. Deferred compensation program--SBI retention of consultants and required periodic review. SBI may obtain consulting services to assist in evaluating company bids under the deferred compensation program, and in the periodic review of companies and products provided under the program. The reviews must occur at least every two years. SBI may charge the cost of the soliciting, evaluating, and periodic reviews to companies under contract. (MN Laws 1993, Chapter 192, Section 87. Also Laws 1993, Chapter 300, Section 11.)

The following applies to any supplemental pension or deferred compensation plans offered by Minnesota governmental units:

m. Deferred compensation programs, periodic review of insurance companies offering products. SBI must periodically review all companies (current law permits a maximum of ten companies under contract). The cost of this review, and of soliciting and evaluating bids, is to be spread proportionally to all companies under contract. (MN Laws 1993, Chapter 192, Section 90. Also MN Laws 1993, Chapter 300, Section 12)

The following item requires the Legislative Commission on Pensions and Retirement to perform a study:

n. Benefit options for privatized public employees. The LCPR will study the issue of whether public employees who become nonpublic employees should retain similar benefit coverage after privatization of their employer. (MN Laws 1993, Chapter 307, Article 1, Section 44.)

The following item applies to TRA, MSRS, and first class city teacher funds.

o. Rule of 90 for pre-July 1, 1989 hirees made permanent. Minnesota Statutes, Section 356.85, which required quadrennial reviews of Rule of 90 utilization and repeal of the Rule of 90 for eligible TRA, MSRS, and first class city teachers fund members if combined utilization exceeded 45 percent of those eligible, is repealed. (MN Laws 1993, Chapter 280.)

III. Early Retirement Incentives

The following two provisions are early retirement incentives offered to various public employees.

m. Early retirement incentives, public employees except teachers hired by local school board. The following early retirement incentives must be offered to all eligible state employees if the commissioner of employee relations and the commissioner of finance certify that layoffs in any agency will occur without the incentives. County and local employers (whose members are covered by PERA basic and coordinated) need not offer both incentives, but if the incentives are offered, no eligible employee may be excluded. In situations where both options are available, eligible individuals may select one of the following:

--increase in service credit accrual rate. Eligible individuals covered by MSRS General, PERA coordinated or basic, TRA coordinated or basic, or MERF can have the accrual rate increased for each year of service, up to 30 years. The increase is .25 percent, except for any service credit these individuals may have in TRA or a first class city teacher plan, for which the eligible person will receive an increase of .1 percent.

--paid health care. Eligible individuals who select this option will receive employer-paid hospital, medical, and dental insurance until the primary annuitant is age 65. The retiree will receive the single and dependent insurance coverages and employer payments to which the person was entitled immediately before retirement.

The eligibility requirements for the service accrual rate increase are that the individual:

--must have at least 25 years of service in one or more plans covered by the combined service annuity statute (Minnesota Statutes, Section 356.30), or be at least age 65 with one year of service;

--be immediately eligible for an annuity and be at least age 55; and

--retire after May 16, 1993 and before January 31, 1994.

To be eligible for paid healthcare, the following additional requirements must be met. The individual:

--must be currently eligible for employer-paid insurance;

--be less than age 65; and,

--have at least as many months of service with the current employer as the number of months the individual is younger than age 65 at the time of retirement.

State positions, except for correctional guards and individuals providing direct patient care in state institutions, vacated by individuals retiring under an early retirement incentive may not be filled except by position-specific written directive issued by the governor. County or local retirees can not be replaced except by position-specific action by the appropriate governing body. State university and community college positions may be filled on a case-by-case basis. (MN Laws 1993, Chapter 192, Section 108.)

n. Early retirement incentives, teachers hired by local school boards. The following early retirement incentives must be offered to all eligible teachers hired by a school board, a joint vocational technical district, or an intermediate school district. Teachers meeting all eligibility requirements receive both incentives. The incentives are:

--increase in service credit accrual rate. Eligible individuals will receive an increase of .1 percent in the annual service accrual factor, up to 30 years of service.

--paid health care. Eligible individuals receive employer-paid hospital, medical, and dental insurance until the primary annuitant is age 65. The retiree will receive the single and dependent insurance coverages and employer payments to which the person was entitled immediately before retirement.

The eligibility requirements for the service accrual rate increase are that the individual:

--must have at least 25 years of service in one or more plans covered by the combined service annuity statute (Minnesota Statutes, Section 356.30), or be at least age 65 with one year of service;

--be immediately eligible for an annuity and be at least age 55; and

--retire after May 16, 1993 and before August 1, 1993.

To be eligible for paid healthcare, the following additional requirements must be met. The individual:

--must be currently eligible for employer-paid insurance;

--be less than age 65; and,

--have at least as many months of service with the current employer as the number of months the individual is younger than age 65 at the time of retirement.

School districts may levy for the amounts necessary to cover the employer insurance costs. (MN Laws 1993, Chapter 224, Article 8, Sections 17 and 18, and Chapter 374, Section 19.)