

STATE OF MINNESOTA

Journal of the Senate

EIGHTY-FIRST LEGISLATURE

FIFTIETH DAY

St. Paul, Minnesota, Friday, April 23, 1999

The Senate met at 9:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Senator Betzold imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. David W. Frazer.

The roll was called, and the following Senators answered to their names:

Anderson	Hottinger	Krentz	Oliver	Samuelson
Belanger	Janezich	Laidig	Olson	Scheevel
Berg	Johnson, D.E.	Langseth	Ourada	Scheid
Betzold	Johnson, D.H.	Lesewski	Pappas	Solon
Cohen	Johnson, D.J.	Lessard	Pariseau	Spear
Day	Johnson, J.B.	Limmer	Piper	Stevens
Dille	Junge	Lourey	Pogemiller	Stumpf
Fischbach	Kelley, S.P.	Marty	Price	Ten Eyck
Flynn	Kelly, R.C.	Metzen	Ranum	Terwilliger
Foley	Kierlin	Moe, R.D.	Robertson	Vickerman
Frederickson	Kiscaden	Murphy	Robling	Wiener
Hanson	Kleis	Neuville	Runbeck	Wiger
Higgins	Knutson	Novak	Sams	Ziegler

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

MEMBERS EXCUSED

Senators Berglin and Larson were excused from the Session of today.

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

April 22, 1999

The Honorable Allan H. Spear
President of the Senate

Dear President Spear:

I have vetoed and am returning Chapter Number 82, Senate File Number 1188, a bill that increases the dollar limit allowed for uniform municipal contracts.

The municipal contracting statute was enacted, in part, to ensure that municipal contracts are awarded on the basis of the best value at the best price, rather than being awarded on the basis of favoritism. The existing \$25,000 threshold allows cities the necessary flexibility to enter into routine contracts without submitting them to the administrative process required for competitive bidding. Moreover, while contracts for \$25,000 or less involve a significant amount of money, for the purposes of city contracting, I believe it is unlikely to create abuse.

I veto this bill today because I believe that doubling the threshold amount to \$50,000 goes too far and increases the risk of unethical conduct. As a former mayor, I am sensitive to the favoritism that sometimes exists at a local level. I believe that contracts should be awarded on the basis of what you know, not who you know. Competitive bidding is essential to ensure that this type of favoritism does not negatively affect a community's interest to the benefit of a contractor who happens to be in favor with the city manager, mayor, or city council.

I also believe that while \$50,000 may be a small amount of money to larger cities, this statute affects large and small cities alike. Raising the threshold to \$50,000 would be an enormous increase to small cities that may, under this new limit, rarely engage in competitive bidding.

For these reasons, I veto this bill.

Sincerely,
Jesse Ventura, Governor

Senator Junge moved that S.F. No. 1188 and the veto message thereon be laid on the table. The motion prevailed.

April 22, 1999

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1999 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 1999	Date Filed 1999
	40	83	9:20 a.m. April 22	April 22
	463	84	9:28 a.m. April 22	April 22
	836	85	9:30 a.m. April 22	April 22
	1037	86	9:31 a.m. April 22	April 22

Sincerely,
Mary Kiffmeyer
Secretary of State

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 1471: A bill for an act relating to landlords and tenants; requiring certain limitations on tenant screening fees; proposing coding for new law in Minnesota Statutes, chapter 504.

There has been appointed as such committee on the part of the House:

Storm; Larsen, P. and Kubly.

Senate File No. 1471 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 22, 1999

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 556: A bill for an act relating to municipal power agencies; limiting liability for recreational purposes; amending Minnesota Statutes 1998, section 604A.24.

There has been appointed as such committee on the part of the House:

Leighton, McCollum and Davids.

Senate File No. 556 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 22, 1999

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 1204: A bill for an act relating to the state building code; clarifying the supervision of the state fire marshal; modifying elevator installation provisions; amending Minnesota Statutes 1998, sections 16B.61, subdivision 2; and 16B.745, subdivision 3.

There has been appointed as such committee on the part of the House:

Rostberg, Rhodes and Gleason.

Senate File No. 1204 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 22, 1999

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 2223: A bill for an act relating to the organization and operation of state government; appropriating money for the general legislative and administrative expenses of state government with certain conditions; amending Minnesota Statutes 1998, sections 3.17; 3C.12, subdivision 2; 8.15, subdivisions 1, 2, and 3; 13.03, subdivision 2; 13.05, by adding a subdivision; 13.073, by adding a subdivision; 15.50, subdivision 2; 16A.102, subdivision 1; 16A.129, subdivision 3; 16A.45, subdivision 1; 16A.85, subdivision 1; 16B.03; 16B.104; 16B.24, subdivision 5; 16B.31, subdivision 2; 16B.32, subdivision 2; 16B.42, subdivision 1; 16B.465, subdivision 3; 16B.72;

16B.73; 16C.14, subdivision 1; 16D.04, subdivision 2; 16E.01, subdivision 1; 16E.02; 16E.08; 43A.047; 43A.22; 43A.23, subdivisions 1 and 2; 43A.30, by adding a subdivision; 43A.31, subdivision 2, and by adding a subdivision; 138.17, subdivisions 7 and 8; 192.49, subdivision 3; 197.79, subdivision 10; 204B.25, subdivision 2, and by adding a subdivision; 204B.27, by adding a subdivision; 204B.28, subdivision 1; 240A.09; 297F.08, by adding a subdivision; 325K.03, by adding a subdivision; 325K.04; 325K.05, subdivision 1; 325K.09, by adding a subdivision; 325K.10, subdivision 5; 325K.14, by adding a subdivision; 325K.15, by adding a subdivision; and 349.163, subdivision 4; Laws 1993, chapter 192, section 16; Laws 1994, chapter 643, section 69, subdivision 1; Laws 1995, First Special Session chapter 3, article 12, section 7, subdivision 1, as amended; Laws 1997, chapter 202, article 2, section 61; and Laws 1998, chapter 366, section 2; proposing coding for new law in Minnesota Statutes, chapters 16B; 43A; 240A; and 325F; repealing Minnesota Statutes 1998, sections 16A.103, subdivision 3; 16E.11; 16E.12; and 16E.13; Laws 1991, chapter 235, article 5, section 3, as amended; Minnesota Rules, part 8275.0045, subpart 2.

Senate File No. 2223 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 22, 1999

Senator Junge, for Senator Price, moved that the Senate do not concur in the amendments by the House to S.F. No. 2223, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 621:

H.F. No. 621: A bill for an act relating to public safety; adding various arson definitions relating to flammability; imposing penalties on students who use ignition devices inside educational buildings; amending Minnesota Statutes 1998, sections 609.561, subdivision 3; and 609.5631, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 609.

The House respectfully requests that a Conference Committee of 3 members be appointed thereon.

Fuller; Larsen, P. and McGuire have been appointed as such committee on the part of the House.

House File No. 621 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 22, 1999

Senator Junge, for Senator Novak, moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 621, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 2390:

H.F. No. 2390: A bill for an act relating to state government; appropriating money for economic development and certain agencies of state government; establishing and modifying programs; regulating activities and practices; modifying fees; eliminating certain boards; transferring regulatory authority over health maintenance organizations and similar entities to the

commissioner of commerce; making conforming changes; requiring reports; amending Minnesota Statutes 1998, sections 45.0295; 53A.03; 53A.05, subdivision 1; 60A.14, subdivision 1; 60A.23, subdivision 8; 60A.71, subdivision 7; 60B.02; 60B.03, subdivisions 2 and 4; 60B.15; 60B.20; 60G.01, subdivisions 2 and 4; 60K.06, subdivision 2; 62A.61; 62D.01, subdivision 2; 62D.02, subdivision 3, and by adding a subdivision; 62D.03, subdivisions 1, 3, and 4; 62D.04, subdivisions 1, 2, 4, and by adding a subdivision; 62D.05, subdivision 6; 62D.06, subdivision 2; 62D.07, subdivisions 2, 3, and 10; 62D.08, subdivisions 1, 2, 3, 4, and 5; 62D.09, subdivisions 1 and 8; 62D.10, subdivision 4; 62D.11, subdivisions 1b, 2, 3, and by adding a subdivision; 62D.12, subdivisions 1, 2, and 9; 62D.121, subdivisions 3a and 7; 62D.14, subdivisions 1, 3, 4, 5, and 6; 62D.15, subdivisions 1 and 4; 62D.16, subdivisions 1 and 2; 62D.17, subdivisions 1, 3, 4, and 5; 62D.18, subdivisions 1 and 7; 62D.19; 62D.20, subdivision 1; 62D.21; 62D.211; 62D.22, subdivisions 4 and 10; 62D.24; 62D.30, subdivisions 1 and 3; 62L.02, subdivision 8; 62L.05, subdivision 12; 62L.08, subdivisions 10 and 11; 62M.11; 62M.16; 62N.02, subdivision 4; 62N.26; 62N.31, subdivision 1; 62Q.01, subdivision 2; 62Q.07; 62Q.075, subdivision 4; 62Q.105, subdivisions 6 and 7; 62Q.11; 62Q.22, subdivisions 2, 6, and 7; 62Q.32; 62Q.51, subdivision 3; 62Q.525, subdivision 3; 62R.04, subdivision 5; 62R.25; 62T.01, subdivision 4; 65B.48, subdivision 3; 70A.14, subdivision 4; 72A.139, subdivision 2; 72B.04, subdivision 10; 79.255, subdivision 10; 80A.28, subdivision 1; 82A.08, subdivision 2; 82A.16, subdivisions 2 and 6; 116J.415, subdivision 5; 116J.421, subdivision 3, and by adding subdivisions; 116J.63, subdivision 4; 116J.8745, subdivisions 1 and 2; 116L.03, subdivision 5; 116L.04, subdivision 1a; 116L.06, subdivision 4; 175.17; 176.181, subdivision 2a; 237.295, subdivision 1; 268.022, subdivision 1; 268.98, subdivision 3; 298.22, subdivision 2; 326.244, subdivision 2, and by adding a subdivision; 326.86, subdivision 1; 446A.072, subdivision 4; 462A.20, subdivision 2, and by adding a subdivision; 462A.204, by adding a subdivision; 462A.209; and 462A.21, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 116J; and 178; repealing Minnesota Statutes 1998, sections 44A.001; 44A.01; 44A.02; 44A.023; 44A.025; 44A.031; 44A.0311; 44A.06; 44A.08; 44A.11; 62D.18; 62L.11, subdivision 2; 62Q.45, subdivision 1; 138A.01; 138A.02; 138A.03; 138A.04; 138A.05; 138A.06; 341.01; 341.02; 341.04; 341.045; 341.05; 341.06; 341.07; 341.08; 341.09; 341.10; 341.11; 341.115; 341.12; 341.13; 341.15; 462A.28; 469.305; 469.306; 469.307; 469.308; and 469.31; Laws 1998, chapter 404, section 13, subdivision 5.

The House respectfully requests that a Conference Committee of 5 members be appointed thereon.

McElroy, Gunther, Davids, Lindner and Trimble have been appointed as such committee on the part of the House.

House File No. 2390 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 22, 1999

Senator Janezich moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 2390, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 2225: A bill for an act relating to human services; appropriating money for the departments of human services and health, the veterans nursing homes board, the health-related boards, the emergency medical services board, the council on disability, the ombudsman for mental health and mental retardation, and the ombudsman for families; establishing the state board of physical therapy; amending Minnesota Statutes 1998, sections 13.99, subdivision 38a, and by

adding a subdivision; 16A.76, subdivision 2; 16C.10, subdivision 5; 60A.15, subdivision 1; 62A.045; 62E.11, by adding a subdivision; 62J.69; 116L.02; 125A.08; 125A.21, subdivision 1; 125A.74, subdivisions 1 and 2; 144.065; 144.148; 144.1761, subdivision 1; 144.99, subdivision 1, and by adding a subdivision; 144A.073, subdivision 5; 144A.10, by adding subdivisions; 144A.46, subdivision 2; 144D.01, subdivision 4; 144E.001, by adding subdivisions; 144E.10, subdivision 1; 144E.11, by adding a subdivision; 144E.16, subdivision 4; 144E.18; 144E.27, by adding subdivisions; 144E.50, by adding a subdivision; 145.924; 145.9255, subdivisions 1 and 4; 145A.02, subdivision 10; 145.9255, subdivisions 1 and 4; 148.5194, subdivisions 2, 3, 4, and by adding a subdivision; 148.66; 148.67; 148.70; 148.705; 148.71; 148.72, subdivisions 1, 2, and 4; 148.73; 148.74; 148.75; 148.76; 148.78; 148B.32, subdivision 1; 150A.10, subdivision 1; 214.01, subdivision 2; 245.462, subdivisions 4 and 17; 245.4711, subdivision 1; 245.4712, subdivision 2; 245.4871, subdivisions 4 and 26; 245.4881, subdivision 1; 245A.04, subdivision 3a; 245A.08, subdivision 5; 245A.30; 245B.05, subdivision 7; 245B.07, subdivisions 5, 8, and 10; 246.18, subdivision 6; 252.28, subdivision 1; 252.291, by adding a subdivision; 252.32, subdivision 3a; 252.46, subdivision 6; 253B.045, by adding subdivisions; 253B.07, subdivision 1; 253B.185, by adding a subdivision; 254B.01, by adding a subdivision; 254B.03, subdivision 2; 254B.04, subdivision 1; 254B.05, subdivision 1; 256.01, subdivision 2; 256.015, subdivisions 1 and 3; 256.87, subdivision 1a; 256.955, subdivisions 3, 4, 7, 8, and 9; 256.9685, subdivision 1a; 256.969, subdivision 1; 256B.04, subdivision 16, and by adding a subdivision; 256B.042, subdivisions 1, 2, and 3; 256B.055, subdivision 3a; 256B.056, subdivision 4; 256B.057, subdivision 3, and by adding a subdivision; 256B.0575; 256B.061; 256B.0625, subdivisions 6a, 8, 8a, 13, 19c, 20, 26, 28, 30, 32, 35, and by adding subdivisions; 256B.0627, subdivisions 1, 2, 4, 5, 8, and by adding subdivisions; 256B.0635, subdivision 3; 256B.064, subdivisions 1a, 1b, 1c, 2, and by adding a subdivision; 256B.0911, subdivision 6; 256B.0913, subdivisions 5, 10, 12, and 16; 256B.0917, subdivision 8; 256B.094, subdivisions 3, 5, and 6; 256B.37, subdivision 2; 256B.431, subdivisions 2i, 17, 26, and by adding a subdivision; 256B.434, subdivisions 3, 4, 13, and by adding a subdivision; 256B.435; 256B.48, subdivisions 1, 1a, 1b, and 6; 256B.50, subdivision 1e; 256B.501, subdivision 8a, and by adding a subdivision; 256B.5011, subdivisions 1 and 2; 256B.69, subdivisions 3a, 5b, 6a, 6b, and by adding subdivisions; 256B.692, subdivision 2; 256B.75; 256B.76; 256B.77, subdivisions 7a, 8, and by adding subdivisions; 256D.03, subdivisions 3, 4, and 8; 256D.051, subdivision 2a, and by adding a subdivision; 256D.053, subdivision 1; 256D.06, subdivision 5; 256F.03, subdivision 5; 256F.05, subdivision 8; 256F.10, subdivisions 1, 4, 6, 7, 8, 9, and 10; 256I.04, subdivision 3; 256I.05, subdivisions 1 and 1a; 256J.08, subdivisions 11, 24, 65, 82, 83, 86a, and by adding subdivisions; 256J.11, subdivisions 2 and 3; 256J.12, subdivisions 1a and 2; 256J.14; 256J.20, subdivision 3; 256J.21, subdivisions 2, 3, and 4; 256J.24, subdivisions 2, 3, 7, 8, 9, and by adding a subdivision; 256J.26, subdivision 1; 256J.30, subdivisions 2, 7, 8, and 9; 256J.31, subdivisions 5 and 12; 256J.32, subdivisions 4 and 6; 256J.33; 256J.34, subdivisions 1, 3, and 4; 256J.35; 256J.36; 256J.37, subdivisions 1, 1a, 2, 9, and 10; 256J.38, subdivision 4; 256J.42, subdivisions 1, 5, and by adding a subdivision; 256J.43; 256J.45, subdivision 1; 256J.46, subdivisions 1, 2, and 2a; 256J.47, subdivision 4; 256J.48, subdivisions 2 and 3; 256J.50, subdivision 1; 256J.515; 256J.52, subdivisions 1, 4, 8, and by adding a subdivision; 256J.55, subdivision 4; 256J.56; 256J.57, subdivision 1; 256J.62, subdivisions 1, 6, 7, 8, 9, and by adding a subdivision; 256J.67, subdivision 4; 256J.74, subdivision 2; 256J.76, subdivisions 1, 2, and 4; 256L.03, subdivisions 5 and 6; 256L.04, subdivisions 2, 7, 8, 11, and 13; 256L.05, subdivision 4, and by adding a subdivision; 256L.06, subdivision 3; 256L.07; 256L.15, subdivisions 1, 1b, 2, and 3; 257.071, subdivisions 1, 1a, 1c, 1d, 1e, 3, and 4; 257.66, subdivision 3; 257.75, subdivision 2; 257.85, subdivisions 2, 3, 4, 5, 6, 7, 9, and 11; 259.29, subdivision 2; 259.67, subdivisions 6 and 7; 259.73; 259.85, subdivisions 2, 3, and 5; 259.89, by adding a subdivision; 260.011, subdivision 2; 260.012; 260.015, subdivisions 2a, 13, and 29; 260.131, subdivision 1a; 260.133, subdivisions 1 and 2; 260.135, by adding a subdivision; 260.172, subdivision 1, and by adding a subdivision; 260.181, subdivision 3; 260.191, subdivisions 1, 1a, 1b, and 3b; 260.192; 260.221, subdivisions 1, 1a, 1b, 1c, 3, and 5; 326.40, subdivisions 2, 4, and 5; 518.10; 518.158, subdivisions 1 and 2; 518.551, by adding a subdivision; 518.5853, by adding a subdivision; 626.556, subdivisions 2, 3, 4, 7, 10, 10b, 10d, 10e, 10f, 10i, 10j, 11, 11b, 11c, and by adding a subdivision; and 626.558, subdivision 1; Laws 1995, chapter 178, article 2, section 46, subdivision 10; chapter 207, article 8, section 41, as amended; Laws 1997, chapter 203, article 9, section 19; Laws 1998, chapter 407, article 7, section 2, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 10; 62J; 116L; 137; 144; 144A;

144E; 148; 214; 245; 246; 252; 254A; 256; 256B; 256J; and 626; proposing coding for new law as Minnesota Statutes, chapter 256M; repealing Minnesota Statutes 1998, sections 62J.77; 62J.78; 62J.79; 144.0723; 144E.16, subdivisions 1, 2, 3, and 6; 144E.17; 144E.25; 144E.30, subdivisions 1, 2, and 6; 145.46; 256B.434, subdivision 17; 256B.501, subdivision 3g; 256B.5011, subdivision 3; 256B.74, subdivisions 2 and 5; 256D.051, subdivisions 6 and 19; 256D.053, subdivision 4; 256J.03; 256J.30, subdivision 6; 256J.53, subdivision 4; 256J.62, subdivisions 2, 3, and 5; 257.071, subdivisions 8 and 10; and 462A.208; Laws 1997, chapter 85, article 1, section 63; chapter 203, article 4, section 55; chapter 225, article 6, section 8; Laws 1998, chapter 407, article 2, section 104; Minnesota Rules, parts 4690.0100, subparts 4, 13, 15, 19, 20, 21, 22, 23, 24, 26, 27, and 29; 4690.0300; 4690.0400; 4690.0500; 4690.0600; 4690.0700; 4690.0800, subparts 1 and 2; 4690.0900; 4690.1000; 4690.1100; 4690.1200; 4690.1300; 4690.1600; 4690.1700; 4690.2100; 4690.2200, subparts 1, 3, 4, and 5; 4690.2300; 4690.2400, subparts 1, 2, and 3; 4690.2500; 4690.2900; 4690.3000; 4690.3700; 4690.3900; 4690.4000; 4690.4100; 4690.4200; 4690.4300; 4690.4400; 4690.4500; 4690.4600; 4690.4700; 4690.4800; 4690.4900; 4690.5000; 4690.5100; 4690.5200; 4690.5300; 4690.5400; 4690.5500; 4690.5700; 4690.5800; 4690.5900; 4690.6000; 4690.6100; 4690.6200; 4690.6300; 4690.6400; 4690.6500; 4690.6600; 4690.6700; 4690.6800; 4690.7000; 4690.7100; 4690.7200; 4690.7300; 4690.7400; 4690.7500; 4690.7600; 4690.7700; 4690.7800; 4690.8300, subparts 1, 2, 3, 4, and 5; and 4735.5000.

Senate File No. 2225 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 22, 1999

Senator Samuelson moved that the Senate do not concur in the amendments by the House to S.F. No. 2225, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

REPORTS OF COMMITTEES

Senator Junge moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Senator Langseth from the Committee on Education Finance, to which was referred

S.F. No. 2234: A bill for an act relating to public administration; making deficiency appropriations for state government operations; transferring money; appropriating money.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 13, delete "4,200,000" and insert "3,500,000"

Page 1, line 25, delete "18,061,000" and insert "17,361,000"

Page 2, line 3, delete "4,200,000" and insert "3,500,000"

Page 2, line 4, delete "\$4,200,000" and insert "\$3,500,000"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Langseth from the Committee on Education Finance, to which was referred

S.F. No. 2235: A bill for an act relating to education; appropriating money for education and related purposes to the higher education services office, board of trustees of the Minnesota state colleges and universities, board of regents of the University of Minnesota, and the Mayo medical foundation, with certain conditions; making technical changes to student-related higher education provisions; modifying financial assistance provisions; establishing a health care grant program;

modifying certain curriculum provisions for Minnesota state colleges and universities; clarifying and changing requirements of private trade schools; amending Minnesota Statutes 1998, sections 135A.14, by adding a subdivision; 135A.155; 136A.031, subdivision 3; 136A.101, subdivision 7a; 136A.121, subdivision 5; 136A.125, subdivisions 2 and 3; 136A.243, subdivision 7; 136A.244, subdivision 2; 136A.245, subdivision 6; 136F.04, subdivision 1; 136F.22, subdivision 1; 136F.32, subdivision 2, and by adding a subdivision; 141.21, subdivisions 3, 5, 6, and by adding subdivisions; 141.22; 141.25, subdivisions 1, 2, 3, 5, 6, 7, 8, 9, 10, and 12; 141.26, subdivision 2; 141.271, subdivisions 1, 2, 3, 4, 5, 6, and 12; 141.28, subdivisions 3 and 5; 141.29, subdivision 1; 141.31; 141.32; 141.35; 471.59, subdivision 1; and 583.22, subdivision 5; Laws 1986, chapter 398, article 1, section 18, as amended; Laws 1998, chapter 398, article 9, section 7, subdivisions 1 and 2; proposing coding for new law in Minnesota Statutes, chapters 136A; 136F; and 141; repealing Minnesota Statutes 1998, sections 136A.1359; 136A.136; 141.25, subdivisions 9a, 9b, and 11; and 141.36; Laws 1998, chapter 398, article 9, section 7, subdivision 3.

Reports the same back with the recommendation that the bill be amended as follows:

Page 7, delete lines 40 to 52

Page 7, line 53, delete "(c)" and insert "(b)"

Page 8, line 58, delete "(d)" and insert "(c)"

Page 20, after line 4, insert:

"Sec. 8. [LEARNING NETWORK II.]

The commissioner of administration, in conjunction with the Minnesota education telecommunications council and the higher education advisory council, shall develop a plan for the governance, financing, and implementation of the learning network II. The commissioner shall report on the plan to the legislature by January 15, 2000."

Renumber the sections in sequence

And when so amended the bill do pass. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 2234 and 2235 were read the second time.

MOTIONS AND RESOLUTIONS

Pursuant to Rule 10, Senator Junge, designee of the Chair of the Committee on Rules and Administration, designated H.F. No. 1707 a Special Order to be heard immediately.

SPECIAL ORDER

H.F. No. 1707: A bill for an act relating to public safety; prohibiting courts from modifying statutory sex offender registration requirements in criminal sentences and juvenile disposition orders; amending Minnesota Statutes 1998, section 243.166, subdivision 2.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 58 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson

Belanger

Berg

Betzold

Cohen

Day	Junge	Lourey	Piper	Spear
Dille	Kelley, S.P.	Marty	Pogemiller	Stevens
Fischbach	Kelly, R.C.	Metzen	Price	Stumpf
Flynn	Kierlin	Moe, R.D.	Ranum	Ten Eyck
Foley	Kleis	Murphy	Robertson	Terwilliger
Frederickson	Krentz	Neuville	Robling	Vickerman
Hanson	Laidig	Novak	Runbeck	Wiener
Higgins	Langseth	Oliver	Samuelson	Wiger
Janezich	Lesewski	Olson	Scheevel	Ziegler
Johnson, D.E.	Lessard	Ourada	Scheid	
Johnson, D.H.	Limmer	Pappas	Solon	

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

SUSPENSION OF RULES

Senator Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to S.F. No. 2234 and that the rules of the Senate be so far suspended as to give S.F. No. 2234, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

S.F. No. 2234: A bill for an act relating to public administration; making deficiency appropriations for state government operations; transferring money; appropriating money.

Senator Runbeck moved to amend S.F. No. 2234 as follows:

Page 1, after line 5, insert:

"ARTICLE 1
APPROPRIATIONS"

Page 1, lines 9 and 10, delete "act" and insert "article"

Page 3, after line 31, insert:

"ARTICLE 2
SALES TAX REBATE

Section 1. [STATEMENT OF PURPOSE.]

(a) The state of Minnesota derives revenues from a variety of taxes, fees, and other sources, including the state sales tax.

(b) It is fair and reasonable to refund the existing state budget surplus in the form of a rebate of nonbusiness consumer sales taxes paid by individuals in calendar year 1997.

(c) Information concerning the amount of sales tax paid at various income levels is contained in the Minnesota tax incidence report, which is written by the commissioner of revenue and presented to the legislature according to Minnesota Statutes, section 270.0682.

(d) It is fair and reasonable to use information contained in the Minnesota tax incidence report to determine the proportionate share of the sales tax rebate due each eligible taxpayer since no effective or practical mechanism exists for determining the amount of actual sales tax paid by each eligible individual.

Sec. 2. [SALES TAX REBATE.]

(a) An individual who was eligible for a credit under Laws 1997, chapter 231, article 1, section 16, as amended by Laws 1997, First Special Session chapter 5, section 35, and Laws 1997, Third

Special Session chapter 3, section 11, and Laws 1998, chapter 304, and Laws 1998, chapter 389, article 1, section 3, and who filed for that credit on or before April 15, 1999, or who filed a 1997 Minnesota income tax return and had a tax liability before refundable credits on that return of at least \$1 but did not file the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, and who was not claimed as a dependent on a 1997 federal income tax return filed by another person, shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who filed the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, or the 1997 Minnesota income tax return as married filing joint or head of household must be computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
less than \$2,500	\$ 380
at least \$2,500 but less than \$5,000	\$ 497
at least \$5,000 but less than \$10,000	\$ 532
at least \$10,000 but less than \$15,000	\$ 582
at least \$15,000 but less than \$20,000	\$ 641
at least \$20,000 but less than \$25,000	\$ 680
at least \$25,000 but less than \$30,000	\$ 732
at least \$30,000 but less than \$35,000	\$ 808
at least \$35,000 but less than \$40,000	\$ 869
at least \$40,000 but less than \$45,000	\$ 927
at least \$45,000 but less than \$50,000	\$ 977
at least \$50,000 but less than \$60,000	\$1,028
at least \$60,000 but less than \$70,000	\$1,136
at least \$70,000 but less than \$80,000	\$1,232
at least \$80,000 but less than \$90,000	\$1,353
at least \$90,000 but less than \$100,000	\$1,503
at least \$100,000 but less than \$120,000	\$1,628
at least \$120,000 but less than \$140,000	\$1,783
at least \$140,000 but less than \$160,000	\$1,928
at least \$160,000 but less than \$180,000	\$2,064
at least \$180,000 but less than \$200,000	\$2,193
at least \$200,000 but less than \$400,000	\$2,804
at least \$400,000 but less than \$600,000	\$3,690
at least \$600,000 but less than \$800,000	\$4,427
\$800,000 and over	\$5,000

(c) The sales tax rebate for individuals who filed the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, or the 1997 Minnesota income tax return, as single or married filing separately must be computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
less than \$2,500	\$ 217
at least \$2,500 but less than \$5,000	\$ 264
at least \$5,000 but less than \$10,000	\$ 318
at least \$10,000 but less than \$15,000	\$ 432
at least \$15,000 but less than \$20,000	\$ 492
at least \$20,000 but less than \$25,000	\$ 526
at least \$25,000 but less than \$30,000	\$ 546
at least \$30,000 but less than \$40,000	\$ 604
at least \$40,000 but less than \$50,000	\$ 688
at least \$50,000 but less than \$70,000	\$ 823
at least \$70,000 but less than \$100,000	\$1,016
at least \$100,000 but less than \$140,000	\$1,224
at least \$140,000 but less than \$200,000	\$1,478
at least \$200,000 but less than \$400,000	\$2,004
\$400,000 and over	\$2,500

(d) Individuals who were not residents of Minnesota for any part of 1997 and who paid more than \$10 in Minnesota sales tax on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner before the later of May 15, 1999, or 30 days after the date of enactment of this act. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 68.08 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1997 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(e) "Income," for purposes of this section other than paragraph (d), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original return submitted to claim the credit under Laws 1997, chapter 231, article 1, section 16, as amended, or by subsequent adjustments to that return made within the time limits specified in paragraph (h). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (c) multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original return submitted to claim the credit under Laws 1997, chapter 231, article 1, section 16, as amended, or by subsequent adjustments to that return made within the time limits specified in paragraph (h). For purposes of paragraph (d), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1996.

(f) The commissioner of revenue must begin making sales tax rebates by June 1, 1999. Sales tax rebates not paid by July 1, 1999, shall bear interest at the rate specified in Minnesota Statutes, section 270.75.

(g) A sales tax rebate shall not be adjusted based on changes to the return on which the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, is based that are made by order of assessment after April 15, 1999, or made by the taxpayer that are filed with the commissioner of revenue after April 15, 1999.

(h) Individuals who filed a joint claim for credit under Laws 1997, chapter 231, article 1, section 16, as amended, shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate.

(i) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

(j) The sales tax rebate is "an overpayment of any tax collected by the commissioner" for purposes of Minnesota Statutes, section 270.07, subdivision 5. For purposes of this paragraph, a joint sales tax rebate is payable to each spouse equally.

(k) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2001, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2001, the right to the sales tax rebate shall lapse and the check shall be deposited in the general fund.

(l) Individuals entitled to a sales tax rebate pursuant to paragraph (a), but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2000, in a form prescribed by the commissioner.

These claims shall be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

(m) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes, chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, refund one-half of the joint sales tax rebate to the spouse who does not owe the debt.

(n) The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal years 2000 and 2001.

(o) If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly endorsed, the commissioner may issue an order of assessment for the amount of the check against the person or persons cashing it. The assessment must be made within two years after the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

(p) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

Sec. 3. [PAYMENT TO STATE.]

(a) A taxpayer receiving a rebate under section 2 may endorse and return the rebate check to the state and designate that the returned rebate must be deposited in one or more of the following accounts for use only for the purposes designated in this section:

(1) an account for the basic sliding fee child care program for child care assistance to families administered by the commissioner of children, families, and learning under Minnesota Statutes, section 119B.03;

(2) an account to lower kindergarten through grade 6 classroom size and reduce instructor-to-student ratios to an average level of 1 to 17 to be administered by the commissioner of children, families, and learning;

(3) the affordable rental investment fund to be used by the housing finance agency for family rental housing assistance under Minnesota Statutes, section 462A.21, subdivision 8b;

(4) the contaminated site cleanup and development account to be used by the commissioner of trade and economic development for contamination cleanup development grants under Minnesota Statutes, sections 116J.551 to 116J.556;

(5) an account to increase funding of the State Board of the Arts for grants under chapter 129D; and

(6) the general fund for use as appropriated by law.

(b) Each rebate check shall have printed on the back of the check that it may be endorsed to the state of Minnesota and used for the designated option under paragraph (a). If more than one use of the rebate is designated, the rebate must be divided evenly between the designated options. If a check is endorsed and mailed to the state and no option is designated, the check must be deposited in the general fund.

(c) The rebate check shall be accompanied by a notice prepared by the commissioner of

revenue that explains the taxpayer's option to endorse the check to the state, and explains the uses of the funds that the taxpayer may designate. In preparing the notice, the commissioner of revenue shall consult with the commissioners or agencies that administer the funds or accounts. The notice shall also explain that a taxpayer may cash the rebate check and mail a contribution of any amount to the state and that the contribution must be used for the option or options under paragraph (a) as designated by the taxpayer. The notice shall contain in bold print the address to which the endorsed check or a state contribution may be mailed.

(d) Funds endorsed and mailed to the state and contributions mailed to the state under this section shall be deposited by the commissioner of finance in the fund or account designated, and are appropriated to the agency or commissioner designated by the taxpayer or contributor for use as provided in this section. Funds appropriated under this paragraph are available until expended.

(e) Funds appropriated under this section are in addition to any funds appropriated for the purposes given in this section and may not be used for any other purposes including the reduction of any other appropriations. Funds appropriated to a commissioner or agency under this section are not included in the department's or agency's budget base.

Sec. 4. [APPROPRIATIONS.]

\$1,000,000 is appropriated from the general fund to the commissioner of revenue to administer the sales tax rebate for fiscal year 1999. Any unencumbered balance remaining on June 30, 1999, does not cancel but is available for expenditure by the commissioner of revenue until June 30, 2001.

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective the day following final enactment.

ARTICLE 3

INCOME TAX

Section 1. Minnesota Statutes 1998, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first ~~\$19,910~~ \$34,500, ~~6~~ 5.5 percent;
- (2) On all over ~~\$19,910~~ \$34,500, but not over ~~\$79,120~~ \$113,360, ~~8~~ 7 percent;
- (3) On all over ~~\$79,120~~ \$113,360, ~~8.5~~ 8.0 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first ~~\$13,620~~ \$17,250, ~~6~~ 5.5 percent;
- (2) On all over ~~\$13,620~~ \$17,250, but not over ~~\$44,750~~ \$56,680, ~~8~~ 7 percent;
- (3) On all over ~~\$44,750~~ \$56,680, ~~8.5~~ 8.0 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first ~~\$16,770~~ \$25,870, ~~6~~ 5.5 percent;
- (2) On all over ~~\$16,770~~ \$25,870, but not over ~~\$67,390~~ \$85,020, ~~8~~ 7 percent;
- (3) On all over ~~\$67,390~~ \$85,020, ~~8.5~~ 8.0 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code disregarding income or loss flowing from a corporation having a valid election for the taxable year under section 1362 of the Internal Revenue Code but which is not an "S" corporation under section 290.9725 and increased by the additions required under section 290.01, subdivision 19a, clauses (1) and (9), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), (7), and (9), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (11), and (12).

Sec. 2. Minnesota Statutes 1998, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~1994~~ 1999, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1990~~ 1998, and before January 1, ~~1992~~ 2000. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1990~~ 1998" shall be substituted for the word "~~1987~~ 1992." For ~~1994~~ 2000, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1990~~ 1998, to the 12 months ending on August 31, ~~1994~~ 1999, and in each subsequent year, from the 12 months ending on August 31, ~~1990~~ 1998, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

Sec. 3. Minnesota Statutes 1998, section 290.091, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION OF TAX.] In addition to all other taxes imposed by this chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

(a) an amount equal to ~~seven~~ 6.5 percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

Sec. 4. Minnesota Statutes 1998, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1);

(6) amounts added to federal taxable income as provided by section 290.01, subdivision 19a, clauses (5), (6), and (7);

less the sum of the amounts determined under the following clauses (1) to (4):

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income;

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (11) and (12).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals ~~seven~~ 6.5 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in section 290.21, subdivision 3, clauses (a) to (e).

Sec. 5. Minnesota Statutes 1998, section 290.091, subdivision 6, is amended to read:

Subd. 6. [CREDIT FOR PRIOR YEARS' LIABILITY.] (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of

(1) the tentative minimum tax, over

(2) ~~seven~~ 6.5 percent of the sum of

(i) adjusted gross income as defined in section 62 of the Internal Revenue Code,

(ii) interest income as defined in section 290.01, subdivision 19a, clause (1),

(iii) the amount added to federal taxable income as provided by section 290.01, subdivision 19a, clauses (5), (6), and (7),

(iv) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),

(v) depletion as defined in section 57(a)(1), determined without regard to the last sentence of paragraph (1), of the Internal Revenue Code, less

(vi) the deductions allowed in computing alternative minimum taxable income provided in subdivision 2, paragraph (a), clause (2) of the first series of clauses and clauses (1), (2), (3), and (4) of the second series of clauses, and

(vii) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

Sec. 6. [EFFECTIVE DATE.]

This article is effective for tax years beginning after December 31, 1998.

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Junge questioned whether the amendment was germane.

The President ruled that the amendment was not germane.

Senator Runbeck appealed the decision of the President.

CALL OF THE SENATE

Senator Cohen imposed a call of the Senate for the balance of the proceedings on S.F. No. 2234. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on "Shall the decision of the President be the judgment of the Senate?"

The roll was called, and there were yeas 52 and nays 13, as follows:

Those who voted in the affirmative were:

Anderson	Janezich	Krentz	Novak	Scheid
Belanger	Johnson, D.E.	Laidig	Ourada	Solon
Berg	Johnson, D.H.	Langseth	Pappas	Spear
Betzold	Johnson, D.J.	Lesewski	Piper	Stumpf
Cohen	Johnson, J.B.	Lessard	Pogemiller	Ten Eyck
Flynn	Junge	Lourey	Price	Vickerman
Foley	Kelley, S.P.	Marty	Ranum	Wiener
Frederickson	Kelly, R.C.	Metzen	Robertson	Wiger
Hanson	Kiscaden	Moe, R.D.	Sams	
Higgins	Kleis	Murphy	Samuelson	
Hottinger	Knutson	Neuville	Scheevel	

Those who voted in the negative were:

Day	Kierlin	Olson	Runbeck	Ziegler
Dille	Limmer	Pariseau	Stevens	
Fischbach	Oliver	Robling	Terwilliger	

So the decision of the President was sustained.

Senator Cohen moved to amend S.F. No. 2234 as follows:

Page 1, line 20, delete "\$18,061,000" and insert "\$17,361,000"

Page 1, line 21, delete "5,785,000" and insert "5,085,000"

The motion prevailed. So the amendment was adopted.

S.F. No. 2234 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Kelley, S.P.	Lessard	Ourada
Belanger	Hanson	Kelly, R.C.	Limmer	Pappas
Berg	Higgins	Kierlin	Lourey	Pariseau
Betzold	Hottinger	Kiscaden	Marty	Piper
Cohen	Janezich	Kleis	Metzen	Pogemiller
Day	Johnson, D.E.	Knutson	Moe, R.D.	Price
Dille	Johnson, D.H.	Krentz	Neuville	Ranum
Fischbach	Johnson, D.J.	Laidig	Novak	Robertson
Flynn	Johnson, J.B.	Langseth	Oliver	Robling
Foley	Junge	Lesewski	Olson	Runbeck

Sams
Samuelson
Scheevel

Scheid
Solon
Stevens

Stumpf
Ten Eyck
Terwilliger

Vickerman
Wiener
Wiger

Ziegler

So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Moe, R.D. moved that H.F. No. 2380 be taken from the table. The motion prevailed.

H.F. No. 2380: A bill for an act relating to education; appropriating money for education and related purposes to the higher education services office, board of trustees of the Minnesota state colleges and universities, board of regents of the University of Minnesota, and the Mayo medical foundation, with certain conditions; modifying certain conditions for the Minnesota state colleges and universities; clarifying requirements for student conduct policy; modifying programs that promote college affordability; modifying provisions relating to regent selection and recruitment; authorizing board of regents to establish a branch campus in Rochester; clarifying and changing requirements for private career schools; providing for rulemaking; amending Minnesota Statutes 1998, sections 16B.465, subdivision 4; 135A.155; 136A.031, subdivision 3; 136A.121, subdivisions 5 and 6; 136A.125, subdivision 4; 136F.02, subdivision 2; 136F.04, subdivision 1; 136F.22, subdivision 1; 136F.32, subdivision 2, and by adding a subdivision; 137.0245, subdivision 4; 141.21, subdivisions 3, 5, 6, and by adding subdivisions; 141.22; 141.25, subdivisions 1, 2, 3, 5, 6, 7, 8, 9, 10, and 12; 141.26, subdivision 2; 141.271, subdivisions 1, 2, 3, 4, 5, 6, and 12; 141.28, subdivisions 3 and 5; 141.29, subdivision 1; 141.31; 141.32; 141.35; and 471.59, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 137; and 141; repealing Minnesota Statutes 1998, sections 136A.1359; 136A.136; 141.25, subdivisions 9a, 9b, and 11; and 141.36.

SUSPENSION OF RULES

Senator Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 2380 and that the rules of the Senate be so far suspended as to give H.F. No. 2380 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 2380 was read the second time.

Senator Moe, R.D. moved that H.F. No. 2380 be laid on the table. The motion prevailed.

RECESS

Senator Moe, R.D. moved that the Senate do now recess until 10:45 a.m. The motion prevailed.

The hour of 10:45 a.m. having arrived, the President called the Senate to order.

CALL OF THE SENATE

Senator Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Moe, R.D. moved that H.F. No. 2380 be taken from the table. The motion prevailed.

H.F. No. 2380: A bill for an act relating to education; appropriating money for education and

related purposes to the higher education services office, board of trustees of the Minnesota state colleges and universities, board of regents of the University of Minnesota, and the Mayo medical foundation, with certain conditions; modifying certain conditions for the Minnesota state colleges and universities; clarifying requirements for student conduct policy; modifying programs that promote college affordability; modifying provisions relating to regent selection and recruitment; authorizing board of regents to establish a branch campus in Rochester; clarifying and changing requirements for private career schools; providing for rulemaking; amending Minnesota Statutes 1998, sections 16B.465, subdivision 4; 135A.155; 136A.031, subdivision 3; 136A.121, subdivisions 5 and 6; 136A.125, subdivision 4; 136F.02, subdivision 2; 136F.04, subdivision 1; 136F.22, subdivision 1; 136F.32, subdivision 2, and by adding a subdivision; 137.0245, subdivision 4; 141.21, subdivisions 3, 5, 6, and by adding subdivisions; 141.22; 141.25, subdivisions 1, 2, 3, 5, 6, 7, 8, 9, 10, and 12; 141.26, subdivision 2; 141.271, subdivisions 1, 2, 3, 4, 5, 6, and 12; 141.28, subdivisions 3 and 5; 141.29, subdivision 1; 141.31; 141.32; 141.35; and 471.59, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 137; and 141; repealing Minnesota Statutes 1998, sections 136A.1359; 136A.136; 141.25, subdivisions 9a, 9b, and 11; and 141.36.

Senator Stumpf moved to amend H.F. No. 2380 as follows:

Delete everything after the enacting clause, and delete the title, of H.F. No. 2380, and insert the language after the enacting clause, and the title, of S.F. No. 2235, the first engrossment.

The motion prevailed. So the amendment was adopted.

Senator Ten Eyck moved to amend H.F. No. 2380, as amended by the Senate April 23, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 2235.)

Page 5, line 1, delete "531,197,000" and insert "536,192,000" and delete "567,905,000" and insert "572,905,000"

Page 5, after line 14, insert:

"This appropriation includes \$5,000,000 in each year for student success and technology initiatives."

Correct the subdivision and section totals and the summaries by fund accordingly

Senator Ten Eyck then moved to amend the Ten Eyck amendment to H.F. No. 2380 as follows:

Page 1, line 6, delete "536,192,000" and insert "536,197,000"

The motion prevailed. So the amendment to the amendment was adopted.

Senator Oliver moved to amend the Ten Eyck amendment to H.F. No. 2380 as follows:

Page 1, line 6, delete "536,192,000" and insert "533,692,000" and delete "572,905,000" and insert "570,405,000"

Page 1, line 8, delete "\$5,000,000" and insert "\$2,500,000"

Page 1, after line 10, insert:

"Page 7, line 8, delete "503,458,000" and insert "505,958,000" and delete "523,088,000" and insert "525,588,000"

Page 7, after line 18, insert:

"This appropriation includes \$2,500,000 in each year for the academic health center."

The question was taken on the adoption of the Oliver amendment to the Ten Eyck amendment.

The roll was called, and there were yeas 24 and nays 41, as follows:

Those who voted in the affirmative were:

Anderson	Kelley, S.P.	Metzen	Pogemiller	Spear
Cohen	Kiscaden	Moe, R.D.	Ranum	Stevens
Dille	Krentz	Oliver	Robertson	Terwilliger
Flynn	Lourey	Olson	Robling	Wiger
Foley	Marty	Pappas	Runbeck	

Those who voted in the negative were:

Belanger	Janezich	Knutson	Ourada	Stumpf
Berg	Johnson, D.E.	Laidig	Pariseau	Ten Eyck
Betzold	Johnson, D.H.	Langseth	Piper	Vickerman
Day	Johnson, D.J.	Lesewski	Price	Wiener
Fischbach	Johnson, J.B.	Lessard	Sams	Ziegler
Frederickson	Junge	Limmer	Samuelson	
Hanson	Kelly, R.C.	Murphy	Scheevel	
Higgins	Kierlin	Neuville	Scheid	
Hottinger	Kleis	Novak	Solon	

The motion did not prevail. So the amendment to the amendment was not adopted.

The question recurred on the adoption of the Ten Eyck amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Senator Flynn moved to amend H.F. No. 2380, as amended by the Senate April 23, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 2235.)

Page 17, after line 21, insert:

"Section 1. Minnesota Statutes 1998, section 43A.06, subdivision 1, is amended to read:

Subdivision 1. [GENERAL.] (a) The commissioner, through the labor relations bureau, shall perform the duties assigned to the commissioner by sections 3.855, 179A.01 to 179A.25 and this section.

(b) The deputy commissioner for the labor relations bureau shall be the state labor negotiator for purposes of negotiating and administering agreements with exclusive representatives of employees and shall perform any other duties delegated by the commissioner subject to the limitations in paragraph (c).

(c) ~~The board of trustees of the Minnesota state colleges and universities may exercise the powers under this section for employees included in units 9, 10, 11, and 12 in section 179A.10, subdivision 2, except with respect to sections 43A.22 to 43A.31, which shall continue to be the responsibility of the commissioner. The commissioner of employee relations shall have the right to review and comment to the Minnesota state colleges and universities on the board's final proposals prior to exchange of final positions with the designated bargaining units as well as any requests for interest arbitration. When submitting a proposed collective bargaining agreement to the legislative coordinating commission and the legislature under section 3.855, subdivision 2, the board of trustees must use procedures and assumptions consistent with those used by the commissioner of employee relations in calculating the costs of the proposed contract. The legislative coordinating commission must, when considering a collective bargaining agreement or arbitration award submitted by the board of trustees, evaluate market conditions affecting the employees in the bargaining unit, equity with other bargaining units in the executive branch, and the ability of the trustees and the state to fund the agreement or award."~~

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Kleis moved to amend H.F. No. 2380, as amended by the Senate April 23, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 2235.)

Page 3, delete lines 16 to 24

Page 13, line 14, before the period, insert "calculated as if the maximum Pell grant were \$3,125"

CALL OF THE SENATE

Senator Stumpf imposed a call of the Senate for the balance of the proceedings on H.F. No. 2380. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 30 and nays 35, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Laidig	Ourada	Scheid
Belanger	Hanson	Lesewski	Pariseau	Spear
Berg	Hottinger	Limmer	Robertson	Stevens
Day	Johnson, D.E.	Neuville	Robling	Terwilliger
Dille	Kleis	Oliver	Runbeck	Wiger
Fischbach	Knutson	Olson	Scheevel	Ziegler

Those who voted in the negative were:

Betzold	Johnson, D.J.	Krentz	Murphy	Sams
Cohen	Johnson, J.B.	Langseth	Novak	Samuelson
Flynn	Junge	Lessard	Pappas	Solon
Foley	Kelley, S.P.	Lourey	Piper	Stumpf
Higgins	Kelly, R.C.	Marty	Pogemiller	Ten Eyck
Janezich	Kierlin	Metzen	Price	Vickerman
Johnson, D.H.	Kiscaden	Moe, R.D.	Ranum	Wiener

The motion did not prevail. So the amendment was not adopted.

Senator Kleis moved to amend H.F. No. 2380, as amended by the Senate April 23, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 2235.)

Page 2, line 38, delete "136,532,000" and insert "127,102,000" and delete "139,952,000" and insert "130,522,000"

Page 5, line 1, delete "531,197,000" and insert "535,912,000" and delete "567,905,000" and insert "572,620,000"

Page 7, line 8, delete "503,458,000" and insert "508,173,000" and delete "523,088,000" and insert "527,803,000"

Page 13, line 8, reinstate the stricken language and delete the new language

Correct the subdivision and section totals and the summaries by fund accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 27 and nays 36, as follows:

Those who voted in the affirmative were:

Anderson	Hanson	Lesewski	Runbeck	Terwilliger
Belanger	Hottinger	Limmer	Sams	Wiger
Day	Johnson, D.E.	Metzen	Samuelson	Ziegler
Dille	Kiscaden	Oliver	Scheevel	
Fischbach	Kleis	Olson	Scheid	
Frederickson	Laidig	Pariseau	Stevens	

Those who voted in the negative were:

Berg	Johnson, D.J.	Lessard	Piper	Stumpf
Betzold	Johnson, J.B.	Lourey	Pogemiller	Ten Eyck
Cohen	Junge	Marty	Price	Vickerman
Flynn	Kelly, R.C.	Moe, R.D.	Ranum	Wiener
Foley	Kierlin	Murphy	Robertson	
Higgins	Knutson	Neuville	Robling	
Janezich	Krentz	Novak	Solon	
Johnson, D.H.	Langseth	Pappas	Spear	

The motion did not prevail. So the amendment was not adopted.

Senator Kiscaden moved to amend H.F. No. 2380, as amended by the Senate April 23, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 2235.)

Page 7, line 22, delete "an" and insert "a one-time"

The motion prevailed. So the amendment was adopted.

H.F. No. 2380 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 62 and nays 2, as follows:

Those who voted in the affirmative were:

Anderson	Janezich	Laidig	Pappas	Solon
Belanger	Johnson, D.E.	Langseth	Pariseau	Spear
Berg	Johnson, D.H.	Lesewski	Piper	Stevens
Betzold	Johnson, D.J.	Lessard	Pogemiller	Stumpf
Cohen	Johnson, J.B.	Limmer	Price	Ten Eyck
Day	Junge	Lourey	Ranum	Terwilliger
Dille	Kelley, S.P.	Metzen	Robertson	Vickerman
Flynn	Kelly, R.C.	Moe, R.D.	Robling	Wiener
Foley	Kierlin	Neuville	Runbeck	Wiger
Frederickson	Kiscaden	Novak	Sams	Ziegler
Hanson	Kleis	Oliver	Samuelson	
Higgins	Knutson	Olson	Scheevel	
Hottinger	Krentz	Ourada	Scheid	

Those who voted in the negative were:

Marty	Murphy
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So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Stumpf moved that S.F. No. 2235, on General Orders, be stricken and laid on the table. The motion prevailed.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Senator Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Senator Cohen from the Committee on State Government Finance, to which was re-referred

S.F. No. 319: A bill for an act relating to retirement; various pension plans; providing special benefit coverage for privatized employees of the Luverne public hospital and the Waconia Ridgeview medical center; providing an ad hoc postretirement adjustment to Eveleth police and fire trust fund benefit recipients; establishing an additional postretirement adjustment for the Fairmont police relief association; extending survivor benefit provisions to include certain Fairmont police relief association survivors; providing a special ad hoc postretirement adjustment to certain retired St. Cloud police officers; authorizing the establishment of volunteer rescue squad relief associations by Kandiyohi county and the city of Litchfield; amending Minnesota Statutes 1998, section 356A.01, subdivisions 7 and 8; Laws 1977, chapter 61, section 6, as amended; proposing coding for new law as Minnesota Statutes, chapter 425B; repealing Laws 1998, chapter 390, article 1, section 1.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

FUTURE PERA PENSION BENEFITS FOR
PRIVATIZED PUBLIC HOSPITAL EMPLOYEES

Section 1. [353F.01] [PURPOSE AND INTENT.]

The purpose of this chapter is to ensure, to the extent possible, that persons employed at public medical facilities who are privatized and consequently are excluded from retirement coverage by the public employees retirement association will be entitled to receive future retirement benefits under the general employees retirement plan of the public employees retirement association commensurate with the prior contributions made by them or made on their behalf upon the privatization of the medical facility.

Sec. 2. [DEFINITIONS.]

Subdivision 1. [GENERALLY.] As used in this chapter, unless the context clearly indicates otherwise, each of the terms in the following subdivisions has the meaning indicated.

Subd. 2. [ALLOWABLE SERVICE.] "Allowable service" has the meaning provided in section 353.01, subdivision 16 of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred.

Subd. 3. [EFFECTIVE DATE.] "Effective date" means the date that the operation of the medical facility is assumed by another employer or the date that the medical facility is purchased by another employer and active membership in the public employees retirement association consequently terminates.

Subd. 4. [MEDICAL FACILITY.] "Medical facility" means:

- (1) the Glencoe area health center;
- (2) the Luverne public hospital; and
- (3) the Waconia-Ridgeview medical center.

Subd. 5. [TERMINATED MEDICAL FACILITY EMPLOYEE.] "Terminated medical facility employee" means a person who:

- (1) was employed on the day before the effective date by the medical facility; or
- (2) terminated employment with the medical facility on the day before the effective date; and
- (3) was a participant in the general employees retirement plan of the public employees retirement association at the time of termination of employment with the medical facility.

Subd. 6. [YEARS OF ALLOWABLE SERVICE.] "Years of allowable service" means the total number of years of allowable service under section 353.01, subdivision 18 of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred.

Sec. 3. [VESTING RULE FOR CERTAIN EMPLOYEES.]

Notwithstanding any provision of Minnesota Statutes, chapter 353, to the contrary, a terminated medical facility employee is eligible to receive a retirement annuity under section 353.29 of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, without regard to the requirement for three years of allowable service.

Sec. 4. [AUGMENTATION INTEREST RATE FOR TERMINATED MEDICAL FACILITY EMPLOYEES.]

The deferred annuity of a terminated medical facility employee is subject to augmentation in accordance with section 353.71, subdivision 2, of the edition of Minnesota Statutes published in the year in which the privatization occurred, except that the rate of interest for this purpose is 5.5 percent compounded annually until January 1 following the year in which such person attains age 55. From that date to the effective date of retirement, the rate is 7.5 percent. These increased augmentation rates are no longer applicable for any time after the terminated medical facility employee becomes covered again by a retirement fund enumerated in section 356.30, subdivision 3. These increased deferred annuity augmentation rates do not apply to a terminated transferred medical facility employee who begins receipt of a retirement annuity while employed by the employer which assumed operations of the medical facility or purchased the medical facility.

Sec. 5. [AUTHORIZATION FOR ADDITIONAL ALLOWABLE SERVICE FOR CERTAIN EARLY RETIREMENT PURPOSES.]

For the purpose of determining eligibility for early retirement benefits provided under section 353.30, subdivision 1a, of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, and notwithstanding any provision of chapter 353, to the contrary, the years of allowable service for a terminated medical facility employee who transfers employment on the effective date and does not apply for a refund of contributions under section 353.34, subdivision 1, of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, or any similar provision, includes service with the successor employer to the medical facility following the effective date. The successor employer shall provide any reports that the executive director of the public employees retirement association may reasonably request to permit calculation of benefits.

To be eligible for early retirement benefits under this section, the individual must separate from service with the successor employer to the medical facility. The terminated eligible individual, or an individual authorized to act on behalf of that individual, may apply for an annuity following application procedures under section 353.29, subdivision 4.

Sec. 6. [APPLICATION OF REEMPLOYED ANNUITANT EARNINGS LIMITATIONS.]

The reemployed annuitant earnings limitations of section 353.37 apply to any service by a terminated medical facility employee as an employee of the successor employer to the medical facility.

Sec. 7. [EFFECT ON REFUND.]

Notwithstanding any provision of Minnesota Statutes, chapter 353, to the contrary, terminated medical facility employees may receive a refund of employee accumulated contributions plus

interest at the rate of six percent per year compounded annually in accordance with section 353.34, subdivision 2, of the edition of Minnesota Statutes published in the year in which the privatization occurred, at any time after the transfer of employment to the successor employer to the medical facility. If a terminated medical facility employee has received a refund from a pension plan enumerated in section 356.30, subdivision 3, the person may not repay that refund unless the person again becomes a member of one of those enumerated plans and complies with section 356.30, subdivision 2.

Sec. 8. [COUNSELING SERVICES.]

The medical facility and the executive director of the public employees retirement association shall provide terminated medical facility employees with counseling on their benefits available under the general employees retirement plan of the public employees retirement association during the 90 days following privatization.

Sec. 9. [REPEALER.]

Laws 1998, chapter 390, article 1, section 1, is repealed.

Sec. 10. [EFFECTIVE DATE.]

Sections 1 to 9 are effective on the day following final enactment.

ARTICLE 2

ESTABLISHMENT OF LOCAL CORRECTIONAL
EMPLOYEES RETIREMENT PLAN

Section 1. Minnesota Statutes 1998, section 3.85, subdivision 11, is amended to read:

Subd. 11. [VALUATIONS AND REPORTS TO LEGISLATURE.] (a) The commission shall contract with an established actuarial consulting firm to conduct annual actuarial valuations for the retirement plans named in paragraph (b). The contract must include provisions for performing cost analyses of proposals for changes in benefit and funding policies.

(b) The contract for actuarial valuation must include the following retirement plans:

- (1) the teachers retirement plan, teachers retirement association;
- (2) the general state employees retirement plan, Minnesota state retirement system;
- (3) the correctional employees retirement plan, Minnesota state retirement system;
- (4) the state patrol retirement plan, Minnesota state retirement system;
- (5) the judges retirement plan, Minnesota state retirement system;
- (6) the Minneapolis employees retirement plan, Minneapolis employees retirement fund;
- (7) the public employees retirement plan, public employees retirement association;
- (8) the public employees police and fire plan, public employees retirement association;
- (9) the Duluth teachers retirement plan, Duluth teachers retirement fund association;
- (10) the Minneapolis teachers retirement plan, Minneapolis teachers retirement fund association;
- (11) the St. Paul teachers retirement plan, St. Paul teachers retirement fund association;
- (12) the legislators retirement plan, Minnesota state retirement system; ~~and~~
- (13) the elective state officers retirement plan, Minnesota state retirement system; and

(14) local government correctional service retirement plan, public employees retirement association.

(c) The contract must specify completion of annual actuarial valuation calculations on a fiscal year basis with their contents as specified in section 356.215, and the standards for actuarial work adopted by the commission.

The contract must specify completion of annual experience data collection and processing and a quadrennial published experience study for the plans listed in paragraph (b), clauses (1), (2), and (7), as provided for in the standards for actuarial work adopted by the commission. The experience data collection, processing, and analysis must evaluate the following:

- (1) individual salary progression;
- (2) rate of return on investments based on current asset value;
- (3) payroll growth;
- (4) mortality;
- (5) retirement age;
- (6) withdrawal; and
- (7) disablement.

(d) The actuary retained by the commission shall annually prepare a report to the legislature, including the commentary on the actuarial valuation calculations for the plans named in paragraph (b) and summarizing the results of the actuarial valuation calculations. The commission-retained actuary shall include with the report the actuary's recommendations concerning the appropriateness of the support rates to achieve proper funding of the retirement funds by the required funding dates. The commission-retained actuary shall, as part of the quadrennial published experience study, include recommendations to the legislature on the appropriateness of the actuarial valuation assumptions required for evaluation in the study.

(e) If the actuarial gain and loss analysis in the actuarial valuation calculations indicates a persistent pattern of sizable gains or losses, as directed by the commission, the actuary retained by the commission shall prepare a special experience study for a plan listed in paragraph (b), clause (3), (4), (5), (6), (8), (9), (10), (11), (12), ~~or (13)~~, or (14), in the manner provided for in the standards for actuarial work adopted by the commission.

(f) The term of the contract between the commission and the actuary retained by the commission is four years. The contract is subject to competitive bidding procedures as specified by the commission.

Sec. 2. Minnesota Statutes 1998, section 3.85, subdivision 12, is amended to read:

Subd. 12. [ALLOCATION OF ACTUARIAL COST.] (a) The commission shall assess each retirement plan specified in subdivision 11, paragraph (b), its appropriate portion of the compensation paid to the actuary retained by the commission for the actuarial valuation calculations, quadrennial projection valuations, and quadrennial experience studies. The total assessment is 100 percent of the amount of contract compensation for the actuarial consulting firm retained by the commission for actuarial valuation calculations, including the public employees police and fire plan consolidation accounts of the public employees retirement association, annual experience data collection and processing, quadrennial projection valuations, and quadrennial experience studies.

The portion of the total assessment payable by each retirement system or pension plan must be determined as follows:

(1) Each pension plan specified in subdivision 11, paragraph (b), clauses (1) to ~~(13)~~ (14), must pay the following indexed amount based on its total active, deferred, inactive, and benefit recipient membership:

up to 2,000 members, inclusive	\$2.55 per member
2,001 through 10,000 members	\$1.13 per member
over 10,000 members	\$0.11 per member

The amount specified is applicable for the assessment of the July 1, 1991, to June 30, 1992, fiscal year actuarial compensation amounts. For the July 1, 1992, to June 30, 1993, fiscal year and subsequent fiscal year actuarial compensation amounts, the amount specified must be increased at the same percentage increase rate as the implicit price deflator for state and local government purchases of goods and services for the 12-month period ending with the first quarter of the calendar year following the completion date for the actuarial valuation calculations, as published by the federal Department of Commerce, and rounded upward to the nearest full cent.

(2) The total per-member portion of the allocation must be determined, and that total per-member amount must be subtracted from the total amount for allocation. Of the remainder dollar amount, the following per-retirement system and per-pension plan charges must be determined and the charges must be paid by the system or plan:

(i) 37.87 percent is the total additional per-retirement system charge, of which one-seventh must be paid by each retirement system specified in subdivision 11, paragraph (b), clauses (1), (2), (6), (7), (9), (10), and (11).

(ii) 62.13 percent is the total additional per-pension plan charge, of which ~~one-thirteenth~~ one-fourteenth must be paid by each pension plan specified in subdivision 11, paragraph (b), clauses (1) to ~~(13)~~ (14).

(b) The assessment must be made following the completion of the actuarial valuation calculations and the experience analysis. The amount of the assessment is appropriated from the retirement fund applicable to the retirement plan. Receipts from assessments must be deposited in the state treasury and credited to the general fund.

Sec. 3. Minnesota Statutes 1998, section 275.70, subdivision 5, is amended to read:

Subd. 5. [SPECIAL LEVIES.] "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota state armory building commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) for unreimbursed expenses related to flooding that occurred during the first half of calendar year 1997, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(6) for local units of government located in an area designated by the Federal Emergency Management Agency pursuant to a major disaster declaration issued for Minnesota by President Clinton after April 1, 1997, and before June 11, 1997, for the amount of tax dollars lost due to abatements authorized under section 273.123, subdivision 7, and Laws 1997, chapter 231, article 2, section 64, to the extent that they are related to the major disaster and to the extent that neither the state or federal government reimburses the local government for the amount lost;

(7) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(8) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 1997, or (ii) it is a new matching requirement that didn't exist prior to 1998;

(9) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(10) for the amount of tax revenue lost due to abatements authorized under section 273.123, subdivision 7, for damage related to the tornadoes of March 29, 1998, to the extent that neither the state or federal government provides reimbursement for the amount lost;

(11) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year; and

(12) to pay an abatement under section 469.1815; and

(13) to pay the employer contribution to the local government correctional service retirement plan under section 353E.03, subdivision 2.

Sec. 4. Minnesota Statutes 1998, section 353.27, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE CONTRIBUTION.] (a) ~~Except as provided in paragraph (b),~~ The employee contribution ~~shall be~~ is an amount (1) for a "basic member" equal to 8.75 percent of total salary; and (2) for a "coordinated member" equal to 4.75 percent of total salary.

(b) ~~For local government correctional service employees, as defined in section 353.33, subdivision 3a, the employee contribution is an amount equal to 4.96 percent of total salary.~~

(e) These contributions must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, such member's employee contribution must be based on the total salary received from all sources.

Sec. 5. Minnesota Statutes 1998, section 353.27, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER CONTRIBUTION.] (a) ~~Except as provided in paragraph (b),~~ The employer contribution ~~shall be~~ is an amount equal to the employee contribution under subdivision 2.

(b) ~~On behalf of local government correctional service employees, as defined in section 353.33, subdivision 3a, the employer contribution is an amount equal to 5.06 percent of total salary.~~

(e) This contribution ~~shall~~ must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

Sec. 6. [353E.01] [LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN.]

Subdivision 1. [PLAN ADMINISTRATION; FUND.] (a) The public employees local government correctional service retirement plan is established as a separate plan to be administered by the board of trustees and the executive director of the public employees retirement association.

(b) The board of trustees and the executive director shall undertake their activities in a manner consistent with chapter 356A.

(c) The association shall maintain a special fund to be known as the public employees local government correctional service retirement fund.

Subd. 2. [REVENUE SOURCES.] Member contributions under section 353E.03, subdivision 1, and employer contributions under section 353E.03, subdivision 2, and other amounts authorized by law, including any investment return on invested fund assets, must be deposited in the fund.

Subd. 3. [INVESTMENT.] (a) The public employees local government correctional service retirement fund participates in the Minnesota postretirement investment fund.

(b) The amounts provided in section 353.271 must be deposited in that fund.

(c) The balance of any assets of the fund must be deposited in the Minnesota combined investment fund as provided in section 11A.14, if applicable, or otherwise invested under section 11A.23.

Subd. 4. [COLLECTION OF CONTRIBUTIONS.] The collection of member and employer contributions is governed by section 353.27, subdivisions 4, 7, 7b, 10, 11, and 12.

Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The public employees local government correctional service retirement fund and its share of participation in the Minnesota postretirement investment fund may be disbursed only for the purposes provided for in this chapter.

(b) The proportional share of the necessary and reasonable administrative expenses of the association and any benefits provided in this chapter, other than benefits payable from the Minnesota postretirement investment fund, must be paid from the public employees local government correctional service retirement fund. Retirement annuities, disability benefits, survivorship benefits, and any refunds of accumulated deductions may be paid only from the correctional service retirement fund after those needs have been certified by the executive director and any applicable amounts withdrawn from the share of participation in the Minnesota postretirement fund under section 11A.18.

(c) The amounts necessary to make the payments from the public employees local government correctional service retirement fund and its participation in the Minnesota postretirement investment fund are annually appropriated from those funds for those purposes.

Sec. 7. [353E.02] [CORRECTIONAL SERVICE EMPLOYEES.]

A local government correctional service employee is a person who:

(1) is employed in a county-administered jail or correctional facility or in a regional correctional facility administered by multiple counties;

(2) spends at least 95 percent of the employee's working time in direct contact with persons confined in the jail or facility, as certified in writing, in advance, by the employer to the executive director of the association; and

(3) is a "public employee" as defined in section 353.01, but is not a member of the public employees police and fire fund.

Sec. 8. [353E.03] [CORRECTIONAL SERVICE PLAN CONTRIBUTIONS.]

Subdivision 1. [MEMBER CONTRIBUTIONS.] A local government correctional service employee shall make an employee contribution in an amount equal to 5.83 percent of salary.

Subd. 2. [EMPLOYER CONTRIBUTIONS.] The employer shall contribute for a local government correctional service employee an amount equal to 8.75 percent of salary.

Sec. 9. [353E.04] [CORRECTIONAL SERVICE PLAN RETIREMENT ANNUITY.]

Subdivision 1. [ELIGIBILITY REQUIREMENTS.] After termination of public employment, an employee covered under section 353E.02 who has attained the age of at least 55 years and has credit for not less than three years of coverage in the local government correctional service plan is entitled, upon application, to a normal retirement annuity. Instead of a normal retirement annuity, a retiring employee may elect to receive the optional annuity provided in section 353.30, subdivision 3.

Subd. 2. [AVERAGE SALARY BASE.] In calculating the annuity under subdivision 3, "average salary" means an amount equivalent to the average of the highest salary earned as a local government correctional employee upon which employee contributions were paid for any five successive years of allowable service. Average salary must be based on all allowable service if this service is less than five years.

Subd. 3. [ANNUITY AMOUNT.] The average salary as defined in subdivision 2, multiplied by the percent specified in section 356.19, subdivision 5a, for each year of allowable service, determines the amount of the normal retirement annuity. If a person has earned allowable service in the public employees retirement association or the public employees police and fire fund prior to participation under this chapter, the retirement annuity representing such service must be computed in accordance with the formula specified in sections 353.29 and 353.30 or 353.651, whichever applies.

Subd. 4. [EARLY RETIREMENT.] An employee covered under section 353E.02 who has attained the age of at least 50 years and has credit for not less than three years of coverage in the local government correctional service plan is entitled, upon application, to a reduced retirement annuity equal to the annuity calculated under subdivision 3, reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable if the employee deferred receipt of the annuity from the day the annuity begins to accrue until age 55.

Subd. 5. [ACCRUAL AND DURATION.] The retirement annuity under this section begins to accrue as provided in section 353.29, subdivision 7. The retirement annuity is payable for the life of the recipient, or in accordance with the terms of any optional annuity form selected by the retiring member.

Subd. 6. [MULTIPLE SERVICE LIMITATION.] A former employee who has both public employees retirement plan and public employees local government correctional retirement plan credited service must, if qualified, receive a retirement annuity from each retirement plan that takes into account both periods of service and both covered salary amounts, but no period of service may be used more than once in calculating the annuity.

Sec. 10. [353E.05] [AUGMENTATION IN CERTAIN CASES.]

Unless prior service has been transferred or unless a combined service annuity under section 356.30 has been elected, an employee who becomes a local government correctional employee after being a member of the public employees retirement association or the public employees police and fire fund is covered under section 353.71, subdivision 2, with respect to that prior service. An employee who becomes a member of the public employees retirement association or the public employees police and fire plan after being a local government correctional employee is also covered under section 353.71, subdivision 2, with respect to that prior service, unless calculated under section 356.30.

Sec. 11. [353E.06] [DISABILITY BENEFITS.]

Subdivision 1. [DUTY DISABILITY QUALIFICATION REQUIREMENTS.] A local government correctional employee who becomes disabled and physically or mentally unfit to perform the duties of the position as a direct result of an injury, sickness, or other disability that is medically determinable, that was incurred in or arose out of any act of duty, and that renders the

employee physically or mentally unable to perform the employee's duties, is entitled to a disability benefit. The disability benefit must be based on covered service under this chapter only and is an amount equal to 50 percent of the average salary defined in section 353E.04, subdivision 2, plus an additional percent equal to that specified in section 356.19, subdivision 5a, for each year of covered service under this chapter in excess of 25 years.

Subd. 2. [NONDUTY DISABILITY QUALIFICATION REQUIREMENTS.] A local government correctional employee who has at least one year of covered service under this chapter and becomes disabled and physically or mentally unfit to perform the duties of the position because of sickness or injury that is medically determinable and that occurs while not engaged in covered employment, is entitled to a disability benefit based on covered service under this chapter. The disability benefit must be computed in the same manner as an annuity under section 353E.04, subdivision 3, and as though the employee had at least ten years of covered correctional service.

Subd. 3. [OPTIONAL ANNUITY.] A disabled local government correctional employee may elect the normal disability benefit or an optional annuity as provided in section 353.30, subdivision 3. The election of an optional annuity must be made before the commencement of payment of the disability benefit and is effective on the date on which the disability benefit begins to accrue as provided in section 353.33, subdivision 2. Upon becoming effective, the optional annuity begins to accrue on the same date as provided for the disability benefit.

Subd. 4. [DISABILITY BENEFIT APPLICATION.] A claim or demand for a disability benefit must be initiated by written application in the manner and form prescribed by the executive director, filed in the office of the association, showing compliance with the statutory conditions qualifying the applicant for a disability benefit. A member or former member who became disabled during a period of membership may file an application for disability benefits within three years following termination of local government correctional service, but not after that time has elapsed. The disability benefit begins to accrue the day following the commencement of disability, 90 days preceding the filing of the application, or, if annual or sick leave is paid for more than the 90-day period, from the date salary ceased, whichever is latest. No payment may accrue beyond the end of the month in which entitlement has terminated. If the disabilitant dies before negotiating the check for the month in which death occurs, payment must be made to the optional annuitant or beneficiary.

Subd. 5. [DISABILITY BENEFIT TERMINATION.] The disability benefit paid to a disabled local government correctional employee terminates at the end of the month in which the employee reaches age 65. If the disabled local government correctional employee is still disabled when the employee reaches age 65, the employee is deemed to be a retired employee and, if the employee had elected an optional annuity under subdivision 3, must receive an annuity in accordance with the terms of the optional annuity previously elected. If the employee had not elected an optional annuity under subdivision 3, the employee may elect either to receive a normal retirement annuity computed in the manner provided in section 353E.04, subdivision 3, or to receive an optional annuity as provided in section 353.30, subdivision 3, based on the same length of service as used in the calculation of the disability benefit. Election of an optional annuity must be made within 90 days before attaining the age of 65 years, or reaching the five-year anniversary of the effective date of the disability benefit, whichever is later.

Subd. 6. [RESUMPTION OF EMPLOYMENT.] If a disabled employee resumes a gainful occupation from which earnings are less than salary received at the date of disability or the salary currently paid for similar positions, or should the employee be entitled to receive workers' compensation benefits, the disability benefit must be continued in an amount that, when added to such earnings and workers' compensation benefits, does not exceed the salary received at the date of disability or the salary currently payable for the same employment position or an employment position substantially similar to the one the person held as of the date of the disability, whichever is greater.

Subd. 7. [COMBINED SERVICE DISABILITY BENEFIT.] If the employee is entitled to receive a disability benefit as provided in subdivision 1 or 2 and has credit for less covered correctional service than the length of service upon which the correctional disability benefit is

based, and also has credit for public employees retirement plan service, the employee is entitled to a disability benefit or deferred retirement annuity based on the regular plan service only for the service that, when combined with the correctional service, exceeds the number of years on which the correctional disability benefit is based. The disabled employee who also has credit for regular plan service must in all respects qualify under section 353.33 to be entitled to receive a disability benefit based on the public employees retirement plan service, except that the service may be combined to satisfy length of service requirements. Any deferred annuity to which the employee may be entitled based on public employees retirement plan service must be augmented as provided in section 353.71 while the employee is receiving a disability benefit under this section.

Subd. 8. [CONTINUING BENEFIT ELIGIBILITY.] Continuing eligibility for a disability benefit is subject to section 353.33, subdivision 6.

Sec. 12. [353E.07] [SURVIVOR BENEFITS.]

Subdivision 1. [MEMBER AT LEAST AGE 50.] If a member or former member of the local government correctional service retirement plan who has attained the age of at least 50 years and has credit for not less than three years of allowable service dies before the annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive, in lieu of a refund with interest provided in section 353.32, subdivision 1, a surviving spouse annuity equal to the 100 percent joint and survivor annuity for which the member could have qualified had the member terminated service on the date of death.

Subd. 2. [MEMBER NOT YET AGE 50.] If the member was under age 50, dies, and had credit for not less than three years of allowable service on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and the surviving spouse at the time of death. The annuity is payable using the early retirement reduction under section 353E.04, subdivision 4, to age 50 and one-half the early retirement reduction from age 50 to the age payment begins. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision.

Subd. 3. [ELECTION; ACCRUAL.] A surviving spouse election under subdivisions 1 and 2 may be made at any time after the date of death of the local government correctional service employee. The surviving spouse benefit begins to accrue as of the first of the next month following the date on which the application for the benefit was filed.

Subd. 4. [SURVIVING SPOUSE COVERAGE; TERM CERTAIN.] In lieu of the 100 percent optional annuity under subdivision 1, the surviving spouse of a deceased local government correctional service employee may elect to receive survivor coverage in a term certain of ten, 15, or 20 years. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 1 and must be based on tables approved by the actuary retained by the legislative commission on pensions and retirement. The optional annuity ceases upon the expiration of the term certain period. If a survivor elects a term certain annuity and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Subd. 5. [DEPENDENT CHILD SURVIVOR COVERAGE.] If there is no surviving spouse eligible for benefits under subdivisions 1, 2, and 4, a dependent child as defined in section 353.01, subdivision 15a, is eligible for a dependent child survivor benefit. Benefits to a dependent child must be paid from the date of the employee's death to the date the dependent child attains age 20 if the child is under age 15 on the date of death. If the child is 15 years or older on the date of death, the benefit is payable for five years. The payment to a dependent child is an amount actuarially equivalent to the value of a 100 percent joint and survivor optional annuity using the age of the employee and age of the dependent child at the date of death in lieu of the age of the surviving spouse. If there is more than one dependent child, each dependent child shall receive a proportionate share of the actuarial value of the employee's account, with the amount of the benefit payable to each child to be determined based on the portion of the total eligibility period that each child is eligible. The process for calculating the dependent child survivor benefit must be approved by the actuary retained by the legislative commission on pensions and retirement.

Subd. 6. [PAYMENT TO DESIGNATED BENEFICIARY.] An amount equal to any excess of the accumulated contributions that were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse or dependent children must be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of the deceased member.

Subd. 7. [ELECTION THAT SECTION DOES NOT APPLY.] A member may specify in writing that this section does not apply and that payment must be made only to the designated beneficiary, as otherwise provided by this chapter.

Sec. 13. [353E.08] [SCOPE AND APPLICATION.]

The general provisions of chapter 353 apply to the local government correctional service retirement plan except where otherwise specifically provided in sections 353E.01 to 353E.07.

Sec. 14. Minnesota Statutes 1998, section 356.19, is amended by adding a subdivision to read:

Subd. 5a. [LOCAL GOVERNMENT CORRECTIONAL SERVICE PLAN.] The applicable benefit accrual rate is 2.0 percent.

Sec. 15. Minnesota Statutes 1998, section 356.20, subdivision 2, is amended to read:

Subd. 2. [COVERED PUBLIC PENSION FUNDS.] This section applies to the following public pension plans:

- (1) State employees retirement fund.
- (2) Public employees retirement fund.
- (3) Teachers retirement association.
- (4) State patrol retirement fund.
- (5) Minneapolis teachers retirement fund association.
- (6) St. Paul teachers retirement fund association.
- (7) Duluth teachers retirement fund association.
- (8) Minneapolis employees retirement fund.
- (9) University of Minnesota faculty retirement plan.
- (10) University of Minnesota faculty supplemental retirement plan.
- (11) Judges retirement fund.
- (12) Any police or firefighter's relief association enumerated in section 69.77, subdivision 1a, or 69.771, subdivision 1.
- (13) Public employees police and fire fund.
- (14) Minnesota state retirement system correctional officers retirement fund.
- (15) Public employees local government correctional service retirement plan.

Sec. 16. Minnesota Statutes 1998, section 356.30, subdivision 3, is amended to read:

Subd. 3. [COVERED FUNDS.] This section applies to the following retirement funds:

- (1) state employees retirement fund, established pursuant to chapter 352;
- (2) correctional employees retirement program, established pursuant to chapter 352;

- (3) unclassified employees retirement plan, established pursuant to chapter 352D;
- (4) state patrol retirement fund, established pursuant to chapter 352B;
- (5) legislators retirement plan, established pursuant to chapter 3A;
- (6) elective state officers' retirement plan, established pursuant to chapter 352C;
- (7) public employees retirement association, established pursuant to chapter 353;
- (8) public employees police and fire fund, established pursuant to chapter 353;
- (9) public employees local government correctional service retirement plan, established pursuant to chapter 353E;
- (10) teachers retirement association, established pursuant to chapter 354;
- ~~(10)~~ (11) Minneapolis employees retirement fund, established pursuant to chapter 422A;
- ~~(11)~~ (12) Minneapolis teachers retirement fund association, established pursuant to chapter 354A;
- ~~(12)~~ (13) St. Paul teachers retirement fund association, established pursuant to chapter 354A;
- ~~(13)~~ (14) Duluth teachers retirement fund association, established pursuant to chapter 354A;
- and
- ~~(14)~~ (15) judges' retirement fund, established by sections 490.121 to 490.132.

Sec. 17. Minnesota Statutes 1998, section 356.302, subdivision 7, is amended to read:

Subd. 7. [COVERED RETIREMENT PLANS.] This section applies to the following retirement plans:

- (1) state employees retirement fund, established by chapter 352;
- (2) unclassified employees retirement plan, established by chapter 352D;
- (3) public employees retirement association, established by chapter 353;
- (4) teachers retirement association, established by chapter 354;
- (5) Duluth teachers retirement fund association, established by chapter 354A;
- (6) Minneapolis teachers retirement fund association, established by chapter 354A;
- (7) St. Paul teachers retirement fund association, established by chapter 354A;
- (8) Minneapolis employees retirement fund, established by chapter 422A;
- (9) correctional employees retirement plan, established by chapter 352;
- (10) state patrol retirement fund, established by chapter 352B;
- (11) public employees police and fire fund, established by chapter 353; ~~and~~
- (12) public employees local government correctional service retirement plan, established by chapter 353E; and
- (13) judges' retirement fund, established by sections 490.121 to 490.132.

Sec. 18. Minnesota Statutes 1998, section 356.303, subdivision 4, is amended to read:

Subd. 4. [COVERED RETIREMENT PLANS.] This section applies to the following retirement plans:

- (1) legislators retirement plan, established by chapter 3A;
- (2) state employees retirement fund, established by chapter 352;
- (3) correctional employees retirement plan, established by chapter 352;
- (4) state patrol retirement fund, established by chapter 352B;
- (5) elective state officers retirement plan, established by chapter 352C;
- (6) unclassified employees retirement plan, established by chapter 352D;
- (7) public employees retirement association, established by chapter 353;
- (8) public employees police and fire fund, established by chapter 353;
- (9) public employees local government correctional service retirement plan, established by chapter 353E;
- (10) teachers retirement association, established by chapter 354;
- ~~(10)~~ (11) Duluth teachers retirement fund association, established by chapter 354A;
- ~~(11)~~ (12) Minneapolis teachers retirement fund association, established by chapter 354A;
- ~~(12)~~ (13) St. Paul teachers retirement fund association, established by chapter 354A;
- ~~(13)~~ (14) Minneapolis employees retirement fund, established by chapter 422A; and
- ~~(14)~~ (15) judges' retirement fund, established by sections 490.121 to 490.132.

Sec. 19. [REPEALER.]

Minnesota Statutes 1998, section 353.33, subdivision 3a, is repealed.

Sec. 20. [EFFECTIVE DATE.]

Sections 1 to 7 and 9 to 19 are effective on July 1, 1999. Section 8 is effective on the first day of the first payroll period beginning after June 30, 1999.

ARTICLE 3

LOCAL POLICE AND PAID FIRE RELIEF ASSOCIATION BENEFIT MODIFICATIONS

Section 1. Laws 1977, chapter 61, section 6, as amended by Laws 1981, chapter 68, section 39, and Laws 1998, chapter 390, article 7, section 3, is amended to read:

Sec. 6. [EVELETH RETIRED POLICE AND FIRE TRUST FUND; FINANCIAL REQUIREMENTS OF THE TRUST FUND.]

(a) The city of Eveleth shall provide by annual levy amount sufficient to pay an amount which when added to the investment income of the trust fund is sufficient to pay the benefits provided under the trust fund for the succeeding year as certified by the board of trustees of the trust fund.

~~(b) If the city of Eveleth fails to contribute the amount required in paragraph (a) in a given year, no postretirement adjustment granted under Laws 1995, chapter 262, article 10, section 1, or Laws 1997, chapter 241, article 2, section 19 is payable in the following year.~~

Sec. 2. [EVELETH RETIRED POLICE AND FIRE TRUST FUND; AD HOC POSTRETIREMENT ADJUSTMENT.]

In addition to the current pensions and other retirement benefits payable, the pensions and retirement benefits payable to retired police officers and firefighters and their surviving spouses by

the Eveleth police and fire trust fund are increased by \$100 a month. Increases are retroactive to January 1, 1999.

Sec. 3. [FAIRMONT POLICE RELIEF ASSOCIATION; ADDITIONAL ANNUAL POSTRETIREMENT ADJUSTMENT.]

(a) If the requirement of paragraph (f) is met, every recipient of a pension or benefit from the Fairmont police relief association on June 30, annually, is entitled to receive a postretirement adjustment as provided in this section in addition to any pension or benefit increase by virtue of an increase in the salary of active patrol officers in the city of Fairmont on the following July 1.

(b) If the value of current assets of the relief association is equal to at least 102 percent of the actuarial accrued liability of the Fairmont police relief association as of December 31 in the prior calendar year as calculated under Minnesota Statutes, sections 356.215 and 356.216, one percent of the value of current assets of the relief association is available for the payment of the postretirement adjustment.

(c) The amount of the postretirement adjustment must be calculated by the chief administrative officer of the relief association. The postretirement adjustment amount is payable monthly. The total amount of all service pensions, disability pensions, and survivor benefits, without inclusion of any postretirement adjustment paid previously under this section must be calculated and the percentage amount of each recipient's annual pension or benefit of the total amount, expressed as four digits beyond the decimal point, must be determined. The monthly postretirement adjustment payable to each pension or benefit recipient is 1/12 of the dollar amount determined by applying each recipient's determined percentage of the total amount of pensions and benefits to the total dollar amount available for payment as a postretirement adjustment.

(d) The postretirement adjustment amount paid in any year under this section does not compound and must not be added to the pension base for the calculation of a subsequent postretirement adjustment. If a pension or benefit recipient dies before the 12 monthly postretirement adjustments under this section have been paid, the remaining monthly postretirement adjustment payments cancel to the special fund of the relief association. Nothing in this section authorizes the payment of the postretirement adjustment to an estate or to a person who did not qualify for a postretirement adjustment in the person's own right.

(e) The chief administrative officer of the relief association will report the total amount of benefits paid under this section to the executive director of the legislative commission on pensions and retirement, the city clerk, and the state auditor.

(f) Payment of the postretirement adjustment amount provided under this section may be made in a given year only if the average time-weighted total rate of return for the total portfolio for the most recent five-year period exceeds by at least two percent the actual average percent increase in the current monthly salary of a first class patrol officer in the most recent prior five fiscal years.

Sec. 4. [FAIRMONT POLICE RELIEF ASSOCIATION; RETROACTIVITY OF SURVIVING SPOUSE BENEFIT INCREASE.]

(a) The surviving spouse benefit amount under Laws 1963, chapter 423, is payable to all surviving spouses receiving benefits as of the date of the approval of this act.

(b) Any surviving spouse benefit increase under this section is first payable on the first day of the month next following the effective date of this section.

Sec. 5. [FAIRMONT POLICE RELIEF ASSOCIATION; BYLAWS AMENDMENTS REQUIRED.]

Sections 3 and 4 must be implemented by the appropriate amendments to the bylaws of the Fairmont police relief association.

Sec. 6. [ST. CLOUD POLICE CONSOLIDATION ACCOUNT; SPECIAL ONE-TIME POSTRETIREMENT ADJUSTMENT.]

(a) Notwithstanding any provision of general or special law to the contrary, all service pensioners, disability pensioners, and survivor benefit recipients of the St. Cloud police consolidation account who had begun the receipt of pensions or benefits before December 31, 1997, the effective date of the St. Cloud police consolidation process under Minnesota Statutes, chapter 353A, that began in April 1997, are entitled to receive the pension or benefit increase granted under Laws 1997, chapter 233, article 1, section 72.

(b) The special one-time postretirement adjustment under paragraph (a) is effective retroactive to January 1, 1998. The first payment of pensions and benefits next following the effective date of this section must include any back payments of the retroactive postretirement adjustment.

(c) Nothing in this section authorizes the payment of a special postretirement adjustment to an estate.

Sec. 7. [EFFECTIVE DATE.]

(a) Sections 1 and 2 are effective on approval by the Eveleth city council and compliance with Minnesota Statutes, section 645.021.

(b) Sections 3, 4, and 5 are effective on the day following approval by the Fairmont city council and compliance with Minnesota Statutes, section 645.021.

(c) Section 6 is effective on the day following approval by the St. Cloud city council and compliance with Minnesota Statutes, section 645.021.

ARTICLE 4

MERGER INTO PERA-P&F OF
LOCAL POLICE AND FIRE
CONSOLIDATION ACCOUNTS

Section 1. Minnesota Statutes 1998, section 3.85, subdivision 12, is amended to read:

Subd. 12. [ALLOCATION OF ACTUARIAL COST.] (a) The commission shall assess each retirement plan specified in subdivision 11, paragraph (b), the compensation paid to the actuary retained by the commission for the actuarial valuation calculations, quadrennial projection valuations, and quadrennial experience studies. The assessment is 100 percent of the amount of contract compensation for the actuarial consulting firm retained by the commission for actuarial valuation calculations, including the public employees police and fire plan consolidation accounts of the public employees retirement association established before March 2, 1999, for which the municipality declined merger under section 353.665, subdivision 1, or established after March 1, 1999, annual experience data collection and processing, and quadrennial experience studies and quadrennial projection valuations.

The portion of the total assessment payable by each retirement system or pension plan must be determined as follows:

(1) Each pension plan specified in subdivision 11, paragraph (b), clauses (1) to (13), must pay the following indexed amount based on its total active, deferred, inactive, and benefit recipient membership:

up to 2,000 members, inclusive	\$2.55 per member
2,001 through 10,000 members	\$1.13 per member
over 10,000 members	\$0.11 per member

The amount specified is applicable for the assessment of the July 1, 1991, to June 30, 1992, fiscal year actuarial compensation amounts. For the July 1, 1992, to June 30, 1993, fiscal year and subsequent fiscal year actuarial compensation amounts, the amount specified must be increased at the same percentage increase rate as the implicit price deflator for state and local government purchases of goods and services for the 12-month period ending with the first quarter of the

calendar year following the completion date for the actuarial valuation calculations, as published by the federal Department of Commerce, and rounded upward to the nearest full cent.

(2) The total per-member portion of the allocation must be determined, and that total per-member amount must be subtracted from the total amount for allocation. Of the remainder dollar amount, the following per-retirement system and per-pension plan charges must be determined and the charges must be paid by the system or plan:

(i) 37.87 percent is the total additional per-retirement system charge, of which one-seventh must be paid by each retirement system specified in subdivision 11, paragraph (b), clauses (1), (2), (6), (7), (9), (10), and (11).

(ii) 62.13 percent is the total additional per-pension plan charge, of which one-thirteenth must be paid by each pension plan specified in subdivision 11, paragraph (b), clauses (1) to (13).

(b) The assessment must be made following the completion of the actuarial valuation calculations and the experience analysis. The amount of the assessment is appropriated from the retirement fund applicable to the retirement plan. Receipts from assessments must be deposited in the state treasury and credited to the general fund.

Sec. 2. Minnesota Statutes 1998, section 69.021, subdivision 10, is amended to read:

Subd. 10. [REDUCTION IN POLICE STATE AID APPORTIONMENT.] (a) The commissioner of revenue shall reduce the apportionment of police state aid under subdivisions 5, paragraph (b), 6, and 7a, for eligible employer units by any excess police state aid.

(b) "Excess police state aid" is:

(1) for counties and for municipalities in which police retirement coverage is provided wholly by the public employees police and fire fund and all police officers are members of the plan governed by sections 353.63 to 353.657, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association;

(2) for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police consolidation account governed by chapter 353A, and established before March 2, 1999, for which the municipality declined merger under section 353.665, subdivision 1, or established after March 1, 1999, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), plus the amount of the employer's total prior calendar year obligation under section 353A.09, subdivision 5, paragraphs (a) and (b), as certified by the executive director of the public employees retirement association;

(3) for municipalities in which police retirement coverage is provided by the public employees police and fire plan governed by sections 353.63 to 353.657, in which police retirement coverage was provided by a police consolidation account under chapter 353A before July 1, 1999, and for which the municipality has an additional municipal contribution under section 353.665, subdivision 8, paragraph (b), the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), plus the amount of any additional municipal contribution under section 353.665, subdivision 8, paragraph (b), until the year 2010, as certified by the executive director of the public employees retirement association;

(4) for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police relief association governed by sections 69.77 and 423A.01, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association, plus the amount of the financial requirements of the relief association certified to the applicable municipality during the prior calendar year under section 69.77, subdivisions 2b and 2c, reduced by the amount of member contributions deducted from the covered salary of the relief association during the prior calendar year under section 69.77, subdivision 2a, as certified by the chief administrative officer of the applicable municipality;

(4) (5) for the metropolitan airports commission, if there are police officers hired before July 1, 1978, with retirement coverage by the Minneapolis employees retirement fund remaining, the amount in excess of the commission's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association, plus the amount determined by expressing the commission's total prior calendar year contribution to the Minneapolis employees retirement fund under section 422A.101, subdivisions 2 and 2a, as a percentage of the commission's total prior calendar year covered payroll for commission employees covered by the Minneapolis employees retirement fund and applying that percentage to the commission's total prior calendar year covered payroll for commission police officers covered by the Minneapolis employees retirement fund, as certified by the chief administrative officer of the metropolitan airports commission; and

(5) (6) for the department of natural resources and for the department of public safety, the amount in excess of the employer's total prior calendar year obligation under section 352B.02, subdivision 1c, for plan members who are peace officers under section 69.011, subdivision 1, clause (g), as certified by the executive director of the Minnesota state retirement system.

(c) The employer's total prior calendar year obligation with respect to the public employees police and fire plan is the total prior calendar year obligation under section 353.65, subdivision 3, for police officers as defined in section 353.64, subdivision 2, and the actual total prior calendar year obligation under section 353.65, subdivision 3, for firefighters, as defined in section 353.64, subdivision 3, but not to exceed for those firefighters the applicable following amounts:

Municipality	Maximum Amount
Albert Lea	\$54,157.01
Anoka	10,399.31
Apple Valley	5,442.44
Austin	49,864.73
Bemidji	27,671.38
Brooklyn Center	6,605.92
Brooklyn Park	24,002.26
Burnsville	15,956.00
Cloquet	4,260.49
Coon Rapids	39,920.00
Cottage Grove	8,588.48
Crystal	5,855.00
East Grand Forks	51,009.88
Edina	32,251.00
Elk River	5,216.55
Ely	13,584.16
Eveleth	16,288.27
Fergus Falls	6,742.00
Fridley	33,420.64
Golden Valley	11,744.61
Hastings	16,561.00
Hopkins	4,324.23
International Falls	14,400.69

Lakeville	782.35
Lino Lakes	5,324.00
Little Falls	7,889.41
Maple Grove	6,707.54
Maplewood	8,476.69
Minnetonka	10,403.00
Montevideo	1,307.66
Moorhead	68,069.26
New Hope	6,739.72
North St. Paul	4,241.14
Northfield	770.63
Owatonna	37,292.67
Plymouth	6,754.71
Red Wing	3,504.01
Richfield	53,757.96
Rosemount	1,712.55
Roseville	9,854.51
St. Anthony	33,055.00
St. Louis Park	53,643.11
Thief River Falls	28,365.04
Virginia	31,164.46
Waseca	11,135.17
West St. Paul	15,707.20
White Bear Lake	6,521.04
Woodbury	3,613.00
any other municipality	0.00

(d) The total amount of excess police state aid must be deposited in the excess police state-aid account in the general fund, administered and distributed as provided in subdivision 11.

Sec. 3. Minnesota Statutes 1998, section 69.031, subdivision 5, is amended to read:

Subd. 5. [DEPOSIT OF STATE AID.] (a) The municipal treasurer shall, within 30 days after receipt, transmit the fire state aid to the treasurer of the duly incorporated firefighters' relief association if there is one organized and the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the fire state aid to the relief association until the complete financial report is filed. If there is no relief association organized, or if the association has dissolved, or has been removed as trustees of state aid, then the treasurer of the municipality shall deposit the money in the municipal treasury as provided for in section 424A.08 and the money may be disbursed only for the purposes and in the manner set forth in that section.

(b) The municipal treasurer, upon receipt of the police state aid, shall disburse the police state aid in the following manner:

(1) For a municipality in which a local police relief association exists and all peace officers are

members of the association, the total state aid must be transmitted to the treasurer of the relief association within 30 days of the date of receipt, and the treasurer of the relief association shall immediately deposit the total state aid in the special fund of the relief association;

(2) For a municipality in which police retirement coverage is provided by the public employees police and fire fund and all peace officers are members of the fund, including municipalities covered by section 353.665, the total state aid must be applied toward the municipality's employer contribution to the public employees police and fire fund under ~~section~~ sections 353.65, subdivision 3, and 353.665, subdivision 8, paragraph (b), if applicable; or

(3) For a municipality other than a city of the first class with a population of more than 300,000 in which both a police relief association exists and police retirement coverage is provided in part by the public employees police and fire fund, the municipality may elect at its option to transmit the total state aid to the treasurer of the relief association as provided in clause (1), to use the total state aid to apply toward the municipality's employer contribution to the public employees police and fire fund subject to all the provisions set forth in clause (2), or to allot the total state aid proportionately to be transmitted to the police relief association as provided in this subdivision and to apply toward the municipality's employer contribution to the public employees police and fire fund subject to the provisions of clause (2) on the basis of the respective number of active full-time peace officers, as defined in section 69.011, subdivision 1, clause (g).

For a city of the first class with a population of more than 300,000, in addition, the city may elect to allot the appropriate portion of the total police state aid to apply toward the employer contribution of the city to the public employees police and fire fund based on the covered salary of police officers covered by the fund each payroll period and to transmit the balance to the police relief association; or

(4) For a municipality in which police retirement coverage is provided in part by the public employees police and fire fund and in part by a local police consolidation account governed by chapter 353A and established before March 2, 1999, for which the municipality declined merger under section 353.665, subdivision 1, or established after March 1, 1999, the total police state aid must be applied towards the municipality's total employer contribution to the public employees police and fire fund and to the local police consolidation account under sections 353.65, subdivision 3, and 353A.09, subdivision 5.

(c) The county treasurer, upon receipt of the police state aid for the county, shall apply the total state aid toward the county's employer contribution to the public employees police and fire fund under section 353.65, subdivision 3.

(d) The designated metropolitan airports commission official, upon receipt of the police state aid for the metropolitan airports commission, shall apply the total police state aid first toward the commission's employer contribution for police officers to the Minneapolis employees retirement fund under section 422A.101, subdivision 2a, and, if there is any amount of police state aid remaining, shall apply that remainder toward the commission's employer contribution for police officers to the public employees police and fire plan under section 353.65, subdivision 3.

(e) The police state aid apportioned to the departments of public safety and natural resources under section 69.021, subdivision 7a, is appropriated to the commissioner of finance for transfer to the funds and accounts from which the salaries of peace officers certified under section 69.011, subdivision 2a, are paid. The commissioner of revenue shall certify to the commissioners of public safety, natural resources, and finance the amounts to be transferred from the appropriation for police state aid. The commissioners of public safety and natural resources shall certify to the commissioner of finance the amounts to be credited to each of the funds and accounts from which the peace officers employed by their respective departments are paid. Each commissioner must allocate the police state aid first for employer contributions for employees funded from the general fund and then for employer contributions for employees funded from other funds. For peace officers whose salaries are paid from the general fund, the amounts transferred from the appropriation for police state aid must be canceled to the general fund.

Sec. 4. Minnesota Statutes 1998, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. [EXCLUDED EMPLOYEES.] The following public employees shall not participate as members of the association with retirement coverage by the public employees retirement plan or the public employees police and fire retirement plan:

(1) elected public officers, or persons appointed to fill a vacancy in an elective office, who do not elect to participate in the association by filing an application for membership;

(2) election officers;

(3) patient and inmate personnel who perform services in charitable, penal, or correctional institutions of a governmental subdivision;

(4) employees who are hired for a temporary position under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days in the same governmental subdivision, but not those employees who are hired for an unlimited period but are serving a probationary period. If the period of employment extends beyond six consecutive months and the employee earns more than \$425 from one governmental subdivision in any one calendar month, the department head shall report the employee for membership and require employee deductions be made on behalf of the employee under section 353.27, subdivision 4.

Membership eligibility of an employee who resigns or is dismissed from a temporary position and within 30 days accepts another temporary position in the same governmental subdivision is determined on the total length of employment rather than on each separate position. Membership eligibility of an employee who holds concurrent temporary and nontemporary positions in one governmental subdivision is determined by the length of employment and salary of each separate position;

(5) employees whose actual salary from one governmental subdivision does not exceed \$425 per month, or whose annual salary from one governmental subdivision does not exceed a stipulation prepared in advance, in writing, that the salary must not exceed \$5,100 per calendar year or per school year for school employees for employment expected to be of a full year's duration or more than the prorated portion of \$5,100 per employment period for employment expected to be of less than a full year's duration;

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

(7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota state retirement system, the teachers retirement association, the Duluth teachers retirement fund association, the Minneapolis teachers retirement association, the St. Paul teachers retirement fund association, the Minneapolis employees retirement fund, or any police or firefighters relief association governed by section 69.77 that has not consolidated with the public employees retirement association, or any local police or firefighters relief association that has consolidated with the public employees retirement association consolidation account but whose members who have not elected the type of benefit coverage provided by the public employees police and fire fund under sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4, 5, or 6, who have not elected public employees police and fire plan benefit coverage. This clause must not be construed to prevent a person from being a member of and contributing to the public employees retirement association and also belonging to and contributing to another public pension fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the teachers retirement association by a teacher as defined in section 354.05, subdivision 2;

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

(9) full-time students who are enrolled and are regularly attending classes at an accredited school, college, or university and who are part-time employees as defined by a governmental subdivision;

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

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

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

(13) foreign citizens working for a governmental subdivision with a work permit of less than three years, or an H-1b visa valid for less than three years of employment. Upon notice to the association that the work permit or visa extends beyond the three-year period, the foreign citizens are eligible for membership from the date of the extension;

(14) 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;

(15) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the public employees retirement association and participants in the public employees retirement fund or the public employees police and fire fund on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel;

(16) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties; provided that a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the public employees retirement association and a participant in the public employees retirement fund or the public employees police and fire fund on the basis of compensation received from public employment activities other than those as a volunteer firefighter; and

(17) pipefitters and associated trades personnel employed by independent school district No. 625, St. Paul, with coverage by the pipefitters local 455 pension plan under a collective bargaining agreement who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section 12.

Sec. 5. Minnesota Statutes 1998, section 353.01, subdivision 10, is amended to read:

Subd. 10. [SALARY.] (a) "Salary" means:

(1) periodic compensation of a public employee, before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs, and also means "wages" and includes net income from fees; and

(2) for a public employee who has prior service covered by a local police or firefighters' relief association that has consolidated with the public employees retirement association or to which section 353.665 applies and who has elected coverage either under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "salary" means the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the actual periodic compensation of the public employee after the effective date of consolidation.

(b) Salary does not mean:

(1) fees paid to district court reporters, unused annual or sick leave payments, in lump-sum or

periodic payments, severance payments, reimbursement of expenses, lump-sum settlements not attached to a specific earnings period, or workers' compensation payments;

(2) employer-paid amounts used by an employee toward the cost of insurance coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage and certain amounts determined by the executive director to be ineligible;

(3) the amount equal to that which the employing governmental subdivision would otherwise pay toward single or family insurance coverage for a covered employee when, through a contract or agreement with some but not all employees, the employer:

(i) discontinues, or for new hires does not provide, payment toward the cost of the employee's selected insurance coverages under a group plan offered by the employer;

(ii) makes the employee solely responsible for all contributions toward the cost of the employee's selected insurance coverages under a group plan offered by the employer, including any amount the employer makes toward other employees' selected insurance coverages under a group plan offered by the employer; and

(iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages; and

(4) except as provided in section 353.86 or 353.87, compensation of any kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined in subdivisions 35 and 36.

Sec. 6. Minnesota Statutes 1998, section 353.01, subdivision 16, is amended to read:

Subd. 16. [ALLOWABLE SERVICE.] (a) "Allowable service" means service during years of actual membership in the course of which employee contributions were made, periods covered by payments in lieu of salary deductions under section 353.35, and service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect.

(b) "Allowable service" also means a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund.

(c) "Allowable service" also means a period of authorized leave of absence without pay that does not exceed one year, and during or for which a member obtained credit by payments to the fund made in place of salary deductions, provided that the payments are made in an amount or amounts based on the member's average salary on which deductions were paid for the last six months of public service, or for that portion of the last six months while the member was in public service, to apply to the period in either case immediately preceding commencement of the leave of absence. If the employee elects to pay employee contributions for the period of any leave of absence without pay, or for any portion of the leave, the employee shall also, as a condition to the exercise of the election, pay to the fund an amount equivalent to both the required employer and additional employer contributions for the employee. The payment must be made within one year from the expiration of the leave of absence or within 20 days after termination of public service under subdivision 11a. The employer by appropriate action of its governing body, made a part of its official records, before the date of the first payment of the employee contribution, may certify to the association in writing its commitment to pay the employer and additional employer contributions from the proceeds of a tax levy made under section 353.28. Payments under this paragraph must include interest at an annual rate of 8.5 percent compounded annually from the date of the termination of the leave of absence to the date payment is made. An employee shall return to public service and receive a minimum of three months of allowable service to be eligible to pay employee and employer contributions for a subsequent authorized leave of absence without pay.

(d) "Allowable service" also means a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal

work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 20 days after termination of public service, whichever is sooner. The association shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave.

(e) "Allowable service" also means a period during which a member is on an authorized sick leave of absence, without pay, limited to one year. An employee who has received one year of allowable service shall return to public service and receive a minimum of three months of allowable service to receive allowable service for a subsequent authorized sick leave of absence.

(f) "Allowable service" also means an authorized temporary layoff under subdivision 12, limited to three months allowable service per authorized temporary layoff in one calendar year. An employee who has received the maximum service allowed for an authorized temporary layoff shall return to public service and receive a minimum of three months of allowable service to receive allowable service for a subsequent authorized temporary layoff.

(g) Notwithstanding any law to the contrary, "allowable service" also means a parental leave. The association shall grant a maximum of two months service credit for a parental leave, within six months after the birth or adoption, upon documentation from the member's governmental subdivision or presentation of a birth certificate or other evidence of birth or adoption to the association.

(h) "Allowable service" also means a period during which a member is on an authorized leave of absence to enter military service, provided that the member returns to public service upon discharge from military service under section 192.262 and pays into the fund employee contributions based upon the employee's salary at the date of return from military service. Payment must be made within five years of the date of discharge from the military service. The amount of these contributions must be in accord with the contribution rates and salary limitations, if any, in effect during the leave, plus interest at an annual rate of 8.5 percent compounded annually from the date of return to public service to the date payment is made. The matching employer contribution and additional employer contribution under section 353.27, subdivisions 3 and 3a, must be paid by the governmental subdivision employing the member upon return to public service if the member makes the employee contributions. The governmental subdivision involved may appropriate money for those payments. A member may not receive credit for a voluntary extension of military service at the instance of the member beyond the initial period of enlistment, induction, or call to active duty.

(i) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means combined years of allowable service as defined in paragraphs (a) to (i) and section 352.01, subdivision 11.

(j) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the public employees retirement association or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "applicable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

Sec. 7. Minnesota Statutes 1998, section 353.64, subdivision 1, is amended to read:

Subdivision 1. [POLICE AND FIRE FUND MEMBERSHIP.] (a) A person who prior to July 1, 1961, was a member of the police and fire fund, by virtue of being a police officer or firefighter, shall, as long as the person remains in either position, continue membership in the fund.

(b) A person who was employed by a governmental subdivision as a police officer and was a member of the police and fire fund on July 1, 1978, by virtue of being a police officer as defined by this section on that date, and if employed by the same governmental subdivision in a position in the same department in which the person was employed on that date, shall continue membership in the fund whether or not that person has the power of arrest by warrant after that date.

(c) A person who was employed by a governmental subdivision as a police officer or a firefighter, whichever applies, was an active member of the local police or salaried firefighters relief association located in that governmental subdivision by virtue of that employment as of the effective date of the consolidation as authorized by sections 353A.01 to 353A.10, and has elected coverage by the public employees police and fire fund benefit plan, shall become a member of the police and fire fund after that date if employed by the same governmental subdivision in a position in the same department in which the person was employed on that date.

(d) Any other employee serving on a full-time basis as a police officer or firefighter on or after July 1, 1961, shall become a member of the public employees police and fire fund.

(e) An employee serving on less than a full-time basis as a police officer shall become a member of the public employees police and fire fund only after a resolution stating that the employee should be covered by the police and fire fund is adopted by the governing body of the governmental subdivision employing the person declaring that the position which the person holds is that of a police officer.

(f) An employee serving on less than a full-time basis as a firefighter shall become a member of the public employees police and fire fund only after a resolution stating that the employee should be covered by the police and fire fund is adopted by the governing body of the governmental subdivision employing the person declaring that the position which the person holds is that of a firefighter.

(g) A police officer or firefighter employed by a governmental subdivision who by virtue of that employment is required by law to be a member of and to contribute to any police or firefighter relief association governed by section 69.77 which has not consolidated with the public employees police and fire fund ~~and~~, any police officer or firefighter of a relief association that has consolidated with the association for which the employee has not elected coverage by the public employees police and fire fund benefit plan as provided in sections 353A.01 to 353A.10, or any police officer or firefighter to whom section 353.665 applies who has not elected coverage by the public employees police and fire fund benefit plan as provided in section 353.665, subdivision 4, shall not become a member of the public employees police and fire fund.

Sec. 8. Minnesota Statutes 1998, section 353.65, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE CONTRIBUTION RATE.] The employee contribution is an amount equal to ~~7.6~~ 6.2 percent of the total salary of the member. This contribution must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

Sec. 9. Minnesota Statutes 1998, section 353.65, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER CONTRIBUTION RATE.] The employer contribution shall be an amount equal to ~~11.4~~ 9.3 percent of the total salary of every member. This contribution shall be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

Sec. 10. [353.665] [MERGER OF CERTAIN CONSOLIDATION ACCOUNTS INTO PERA-P&F.]

Subdivision 1. [MERGER AUTHORIZED.] (a) Notwithstanding any provision of law to the contrary, unless the applicable municipality elects otherwise under paragraph (b), every local police and fire consolidation account under chapter 353A in existence on March 1, 1999, becomes a part of the public employees police and fire plan and fund governed by sections 353.63 to 353.659 on July 1, 1999.

(b) If a municipality desires to retain its consolidation account or consolidation accounts, the governing body of the municipality must adopt a resolution to that effect and must file a copy of the resolution with the secretary of state, the state auditor, the legislative auditor, the finance commissioner, the revenue commissioner, the executive director of the public employees retirement association, and the executive director of the legislative commission on pensions and retirement. The retention resolution must be adopted and filed with all recipients before June 15, 1999.

Subd. 2. [TRANSFER OF LIABILITIES.] Unless the municipality has elected to retain the consolidation account under subdivision 1, paragraph (b), all current and future liabilities of a former local police or fire consolidation account are the liabilities of the public employees police and fire fund as of July 1, 1999.

Subd. 3. [TRANSFER OF ASSETS.] Unless the municipality has elected to retain the consolidation account under subdivision 1, paragraph (b), the assets of the former local police or fire consolidation account must be transferred and upon transfer, the actuarial value of the assets of a former local police or fire consolidation account less an amount equal to the residual assets as determined under subdivision 7, paragraph (f), are the assets of the public employees police and fire fund as of July 1, 1999. The participation of a consolidation account in the Minnesota postretirement investment fund becomes part of the participation of the public employees police and fire fund in the Minnesota postretirement investment fund. The remaining assets, excluding the amounts for distribution under subdivision 7, paragraph (f), become an asset of the public employees police and fire fund. The public employees police and fire fund also must be credited as an asset with the amount of receivable assets under subdivision 7, paragraph (e).

Subd. 4. [BENEFIT COVERAGE FOR ACTIVE MEMBERS.] (a) A person who is a police officer or a firefighter who, as such, is an active member of a merging local police or fire consolidation account on June 30, 1999, and who has not previously elected benefit coverage under the relevant provisions of the public employees police and fire fund benefit plan under section 353A.08, subdivision 3, may elect benefit coverage under the relevant provisions of the public employees police and fire fund benefit plan. This election must be made in writing on a form prescribed by the executive director before September 1, 1999, and is irrevocable.

(b) If an eligible person makes no affirmative election of benefit coverage before September 1, 1999, the person retains the benefit coverage provided by the relief association benefit plan in effect on the effective date of the consolidation of the local police or fire consolidation account as reflected in the applicable provisions of chapter 353B and may elect benefit coverage under the relevant provisions of the public employees police and fire fund benefit plan when the person terminates active employment for purposes of receiving a service pension, disability benefit, or within 90 days of the date the member terminates active employment and defers receipt of a service pension, whichever applies.

(c) Notwithstanding any provision of section 353A.083 and any municipal action under authority of that statute to the contrary, the provisions of the public employees police and fire fund benefit plan applicable to active members of the merging local police or fire consolidation accounts who elect public employees police and fire fund benefit plan under section 353A.08, subdivision 3, or paragraph (a), are the applicable provisions of sections 353.63 to 353.659.

Subd. 5. [BENEFIT COVERAGE FOR RETIREES AND BENEFIT RECIPIENTS.] (a) A person who received a service pension, a disability pension or benefit, or a survivor benefit from a merging local police or fire consolidation account for the month of June 1999, and who has not previously elected participation in the Minnesota postretirement investment fund for any future postretirement adjustments rather than the postretirement adjustment mechanism or mechanisms of the relief association benefit plan under section 353A.08, subdivision 1, may elect participation

in the Minnesota postretirement investment fund for any future postretirement adjustments or retention of the postretirement adjustment mechanism or mechanisms of the relief association benefit plan in effect on the effective date of the consolidation of the local police or fire consolidation account as reflected in the applicable provisions of chapter 353B. This election must be in writing on a form prescribed by the executive director and must be made before September 1, 1999.

(b) If an eligible person is a minor, the election must be made by the person's parent or legal guardian. If the eligible person makes no affirmative election under this subdivision, the person retains the postretirement adjustment mechanism or mechanisms of the relief association benefit plan in effect on the effective date of the consolidation of the local police or fire consolidation account as reflected in the applicable provisions of chapter 353B.

(c) The survivor benefit payable on behalf of any service pension or disability benefit recipient who elects participation in the Minnesota postretirement investment fund must be calculated under the relief association benefit plan in effect on the effective date of consolidation under chapter 353A as reflected in the applicable provisions of chapter 353B.

Subd. 6. [BENEFIT COVERAGE FOR DEFERRED MEMBERS.] A person who terminated before July 1, 1999, active employment as a police officer or a firefighter that gave rise to membership in a local relief association that consolidated with the public employees police and fire plan under chapter 353A and is merging under this section and had sufficient service credit to entitle the person to an eventual service pension retains the benefit plan in effect for the applicable local police or paid fire relief association in effect on the effective date of consolidation under chapter 353A as reflected in the applicable provisions of chapter 353B, except that the deferred member may elect before September 1, 1999, to participate, upon retirement, in the Minnesota postretirement investment fund. Any election to participate in the Minnesota postretirement investment fund is applicable to any survivor benefit attributable to a deferred member covered by this subdivision.

Subd. 7. [CALCULATION OF FINAL FUNDED STATUS.] (a) As of June 30, 1999, the actuary retained by the legislative commission on pensions and retirement shall determine the final funded status of local police and fire consolidation accounts under chapter 353A that the applicable municipality has not elected to retain under subdivision 1, paragraph (b), as provided in this subdivision.

(b) The final funded status calculation must be made using the benefit plan provisions applicable to the consolidation account and the actuarial assumptions used for the June 30, 1998, actuarial valuation of the account.

(c) The actuary must calculate the total actuarial accrued liability of the consolidation account, which is the sum of the actuarial accrued liability for all consolidation account members who are not included in the participation of the account in the Minnesota postretirement investment fund calculated using the entry age normal actuarial cost method. If local legislation enacted during the 1999 regular session or any special session occurring before October 1, 1999, provides a benefit increase for one consolidation account member or more, whether the applicable municipality has given final approval to the local legislation yet or not, the total actuarial accrued liability calculation must include that benefit increase. The actuary also must calculate any account unfunded accrued liability or any account funding surplus. An account unfunded accrued liability is the actuarial accrued liability reduced by the amount of the current value of assets, if the resulting number is positive. An account funding surplus is the actuarial accrued liability reduced by the amount of the current value of assets, if the resulting number is negative.

(d) The actuary also must calculate the amortizable base for every consolidation account. The amortizable base is the present value of future benefits for all account members who are not included in the participation of the account in the Minnesota postretirement investment fund reduced by the present value of 19 percent of future covered salary and further reduced by the current value of account assets other than its participation in the Minnesota postretirement investment fund, after adjustment for fiscal year 1999 net mortality gains and losses and for the net actuarial affect of the election of postretirement adjustment coverage under subdivision 5.

(e) If the amortizable base under paragraph (d) is a positive number, the receivable assets are an amount equal to the amortizable base number.

(f) If the amortizable base under paragraph (d) is a negative number, the actuary must calculate the residual asset amount. The residual asset amount is:

(1) one-half of the amount by which the current assets of the account exceed 100 percent of the total actuarial accrued liability up to that percentage of the total actuarial accrued liability that equals the public employees police and fire fund funded ratio on June 30, 1999; and

(2) the amount by which the current assets of the account exceed that percentage of the total actuarial accrued liability that equals the public employees police and fire fund funded ratio on June 30, 1999. Following the calculation of the residual asset amount for each applicable municipality and the verification of the amount by the legislative auditor, the executive director of the public employees retirement association shall pay the applicable residual asset amount with interest equal to the average yield on the invested treasurer's cash fund from July 1, 1999, to the first of the month in which the payment is issued to each qualifying municipality. The residual asset amount must be used by the municipality to defray fire department expenditure items if the residual asset amount was derived from a fire consolidation account or to defray police department expenditure items if the residual asset amount was derived from a police consolidation account. The residual asset amount must be deposited in a special fund or account in the municipal treasury established for that purpose. The special fund or account must be invested and any investment return attributable to the residual asset amount must be credited to that special fund or account and its disbursement similarly restricted. The special fund or account must be audited periodically by the state auditor.

Subd. 8. [MEMBER AND EMPLOYER CONTRIBUTIONS.] (a) Effective on the first day of the first full pay period following June 30, 1999, the employee contribution rate for merging former consolidation account active members is the rate specified in section 353.65, subdivision 2, and the regular municipal contribution rate on behalf of former consolidation account active members is the rate specified in section 353.65, subdivision 3.

(b) The municipality associated with a merging former local consolidation account that had a positive value amortizable base calculation under subdivision 7, paragraph (d), must make an additional municipal contribution to the public employees police and fire plan for the period from January 1, 2000, to December 31, 2009. The amount of the additional municipal contribution is the amount calculated by the actuary retained by the legislative commission on pensions and retirement and certified by the executive director of the public employees retirement association by which the amortizable base amount would be amortized on a level dollar annual end-of-the-year contribution basis, using an 8.5 percent interest rate assumption. The additional municipal contribution is payable on December 31 annually. Additional municipal contribution payments made after December 31 must be charged interest at the compound rate of 8.5 percent per annum from the preceding July 1.

Subd. 9. [BENEFIT PLAN COVERAGE.] Unless modified by an election authorized under subdivision 4, 5, or 6, the benefit plan election by any person or on behalf of any person under section 353A.08 remains binding. Merging former consolidation account members who elected the entirety of the public employees police and fire benefit plan are entitled to an applicable annuity or benefit under the provisions of sections 353.63 to 353.68 in effect on the day that the merging former consolidation account member terminated active service as a police officer or firefighter, whichever applies.

Subd. 10. [CONSOLIDATION ACCOUNT TERMINATION.] Unless the municipality has elected to retain the consolidation account under subdivision 1, paragraph (b), upon the payment of all residual asset amounts under subdivision 7 and the transfer of all liabilities and remaining assets under subdivisions 2 and 3, the local consolidation accounts under chapter 353A in existence on March 1, 1999, are terminated.

Sec. 11. Minnesota Statutes 1998, section 353A.09, subdivision 4, is amended to read:

Subd. 4. [MEMBER CONTRIBUTIONS.] Following the effective date of consolidation, the applicable member contribution rate and applicable salary rate to which the member contribution rate applies for persons who were formerly members of the relief association shall be determined as follows:

(1) if the person has elected coverage by the public employees police and fire fund benefit plan under section 353A.08, the applicable member contribution rate shall be that rate specified in Minnesota Statutes 1998, section 353.65, subdivision 2, and the applicable salary rate to which the member contribution rate applies shall be the actual salary of the person, as defined in section 353.01, subdivision 10; and

(2) if the person has not elected coverage by the public employees police and fire fund benefit plan under section 353A.08, the applicable member contribution rate shall be the rate specified in section 69.77, subdivision 2a, or the rate specified in the applicable general law, special law, or bylaw provision governing the relief association as of the date of the initiation of consolidation, whichever is greater, and the applicable salary rate to which the member contribution rate applies shall be the salary rate specified in the applicable general law, special law, or bylaw provision governing the relief association as of the date of the initiation of consolidation or the actual salary of the person, including overtime pay and any regularly occurring special payments but excluding lump sum annual leave payments, worker's compensation payments, and severance payments, whichever salary rate is greater.

The member contribution rate and applicable salary rate to which the member contribution rate applies shall be effective as of the first day of the first pay period occurring after the effective date of consolidation.

The chief administrative officer of the municipal police department or municipal fire department, whichever applies, shall cause the member contributions required under this subdivision to be deducted in the manner and subject to the terms provided in section 353.27, subdivision 4.

Sec. 12. Minnesota Statutes 1998, section 353A.09, subdivision 5, is amended to read:

Subd. 5. [REGULAR AND ADDITIONAL MUNICIPAL CONTRIBUTIONS.] (a) Following the effective date of consolidation, the applicable regular municipal contribution rate and applicable salary rate to which the regular municipal contribution rate applies on behalf of persons who were formerly members of the relief association shall be as follows:

(1) on behalf of persons who have elected coverage by the public employees police and fire fund benefit plan under section 353A.08, the applicable regular municipal contribution rate shall be that specified in Minnesota Statutes 1998, section 353.65, subdivision 3, and the applicable salary rate to which the regular municipal contribution rate applies shall be that specified in subdivision 4, clause (1); and

(2) on behalf of persons who have not elected coverage by the public employees police and fire fund benefit plan under section 353A.08, the applicable regular municipal contribution rate shall be 12 percent and the applicable salary rate to which the regular municipal contribution rate applies shall be that specified in subdivision 4, clause (2).

(b) Following the effective date of consolidation, the applicable additional municipal contribution amount shall be the sum of the following:

(1) the annual level dollar contribution as calculated by the actuary retained by the commission as of the effective date of consolidation which is required to amortize by December 31, 2010, that portion of the present value of future benefits computed on the basis of the benefit plan producing the largest present value of future benefits for each individual which remains after subtracting the present value of future member contributions as provided in subdivision 4, the present value of future regular municipal contributions as provided in clause (a), and the market value of the assets of the relief association transferred to the fund; and

(2) the amount of the annual contribution as calculated by the actuary retained by the

commission as of the most recent actuarial valuation date which is required to amortize on a level annual dollar basis the amount of any net actuarial experience loss incurred during the year which ended as of the day immediately before the most recent actuarial valuation date by December 31 of the year occurring 15 years later.

(c) Regular municipal contributions shall be made in the manner provided in section 353.28. Additional municipal contributions shall be paid during the calendar year following the annual certification of the amount of the annual additional municipal contribution by the executive director of the public employees retirement association and, if made during the month of January, shall be payable without any interest, or if made after January 31, but before the next following December 31, shall be payable with interest for the period since January 1 at a rate which is equal to the preretirement interest rate assumption specified in section 356.215, subdivision 4d, applicable to the fund expressed as a monthly rate and compounded on a monthly basis or if made after December 31 of the year in which the additional municipal contribution is due shall be payable with interest at a rate which is four percent greater than the highest interest rate assumption specified in section 356.215, subdivision 4d, expressed as a monthly rate and compounded monthly from January 1 of the year in which the additional municipal contribution is due until the date on which payment is made.

Sec. 13. Minnesota Statutes 1998, section 356.215, subdivision 4g, is amended to read:

Subd. 4g. [AMORTIZATION CONTRIBUTIONS.] (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation must contain an exhibit indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability. For funds governed by chapters 3A, 352, 352B, 352C, 353, 354, 354A, and 490, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared. For funds governed by chapter 3A, sections 352.90 through 352.951, chapters 352B, 352C, sections 353.63 through 353.68, and chapters 353C, 354A, and 490, the level percent additional contribution must be calculated assuming annual payroll growth of 6.5 percent. For funds governed by sections 352.01 through 352.86 and chapter 354, the level percent additional contribution must be calculated assuming an annual payroll growth of five percent. For the fund governed by sections 353.01 through 353.46, the level percent additional contribution must be calculated assuming an annual payroll growth of six percent. For all other funds, the additional annual contribution must be calculated on a level annual dollar amount basis.

(b) For any fund other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding for the first actuarial valuation made after June 1, 1989, and each successive actuarial valuation is the first actuarial valuation date occurring after June 1, 2020.

(c) For any fund or plan other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding must be determined using the following procedure:

(i) the unfunded actuarial accrued liability of the fund must be determined in accordance with the plan provisions governing annuities and retirement benefits and the actuarial assumptions in effect before an applicable change;

(ii) the level annual dollar contribution or level percentage, whichever is applicable, needed to

amortize the unfunded actuarial accrued liability amount determined under item (i) by the established date for full funding in effect before the change must be calculated using the interest assumption specified in subdivision 4d in effect before the change;

(iii) the unfunded actuarial accrued liability of the fund must be determined in accordance with any new plan provisions governing annuities and benefits payable from the fund and any new actuarial assumptions and the remaining plan provisions governing annuities and benefits payable from the fund and actuarial assumptions in effect before the change;

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable interest assumption specified in subdivision 4d in effect after any applicable change;

(v) the level annual dollar or level percentage amortization contribution under item (iv) must be added to the level annual dollar amortization contribution or level percentage calculated under item (ii);

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 4d in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

(vii) the period determined under item (vi) must be added to the date as of which the actuarial valuation was prepared and the date obtained is the new established date for full funding.

(d) For the Minneapolis employees retirement fund, the established date for full funding is June 30, 2020.

(e) For the following plans for which the annual actuarial valuation indicates an excess of valuation assets over the actuarial accrued liability, the valuation assets in excess of the actuarial accrued liability must be recognized in the following manner:

(1) the public employees retirement association police and fire plan, the valuation assets in excess of the actuarial accrued liability serve to reduce the current contribution requirements by an amount equal to the amortization of the excess expressed as a level percentage of pay over a 30-year period beginning anew with each annual actuarial valuation of the plan; and

(2) the correctional employees retirement plan of the Minnesota state retirement system, and the state patrol retirement plan, an excess of valuation assets over actuarial accrued liability must be amortized in the same manner over the same period as an unfunded actuarial accrued liability but must serve to reduce the required contribution instead of increasing it.

Sec. 14. Minnesota Statutes 1998, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. [ADDITIONAL AMORTIZATION STATE AID.] (a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:

(1) all police or salaried firefighter relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31; and

(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that

are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and

(3) the public employees police and fire fund on behalf of municipalities that received amortization aid in 1999 and are required to make an additional municipal contribution under section 353.665, subdivision 8, for the duration of the required additional contribution.

(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.

(c) Beginning October 1, 2000, and annually thereafter, the commissioner shall allocate the state aid on the basis of 64.5 percent to the public employees police and fire fund or local consolidation account, whichever applies, on behalf of municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4, 34.2 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis police relief association or the Minneapolis fire department relief association, and 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia fire department relief association. In the event that there is no unfunded actuarial accrued liability in both the Minneapolis police relief association and the Minneapolis fire department relief association, the commissioner shall allocate that 34.2 percent of the aid as follows: 49 percent to the Minneapolis teachers retirement fund association, provided that, annually, beginning on July 1, 2005, if a teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid under this section ceases until the five-year annual rate of return equals or exceeds the performance of a composite portfolio, 21 percent to the St. Paul teachers retirement fund association, provided that, annually, beginning on July 1, 2005, if a teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid under this section ceases until the five-year annual rate of return equals or exceeds the performance of a composite portfolio, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighter relief associations, with the allocation made at the same time and under the same procedures in subdivision 3. In the event there is no actuarial accrued unfunded liability in the Virginia fire department relief association, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Minneapolis teachers retirement fund association, provided that, annually, beginning on July 1, 2005, if a teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid under this section ceases until the five-year annual rate of return equals or exceeds the performance of a composite portfolio, 21 percent to the St. Paul teachers retirement fund association, provided that, annually, beginning on July 1, 2005, if a teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid under this section ceases until the five-year annual rate of return equals or exceeds the performance of a composite portfolio, and 30 percent as additional funding to support minimum fire state aid for

volunteer firefighter relief associations, with the allocation made at the same time and under the same procedures in subdivision 3.

(d) Additional amortization state aid payable under paragraph (a), clause (2) or clause (3), or under paragraph (c), other than the city of Minneapolis or the city of Virginia, must be credited by the executive director of the public employees retirement association against any additional municipal contribution to which the applicable municipality is obligated to make under section 353A.09, subdivision 5, or under section 353.665, subdivision 8.

(e) The amounts required under this subdivision are annually appropriated to the commissioner of revenue.

Sec. 15. Minnesota Statutes 1998, section 423A.02, subdivision 2, is amended to read:

Subd. 2. [CONTINUED ELIGIBILITY.] A municipality that has qualified for amortization state aid under subdivision 1 on December 31, 1984, and has an additional municipal contribution payable under section 353A.09, subdivision 5, paragraph (b), as of the most recent December 31, continues upon application to be entitled to receive amortization state aid under subdivision 1 and supplementary amortization state aid under subdivision 1a, after the local police or salaried firefighters' relief association has been consolidated into the public employees police and fire fund. If a municipality loses entitlement for amortization state aid and supplementary amortization state aid in any year because of not having an additional municipal contribution under section 353A.09, subdivision 5, paragraph (b), the municipality is not entitled to the aid amounts in any subsequent year. If the actuarial assumptions specified in section 356.215 are changed in 1997, and the change results in a municipality having an additional municipal contribution, and the municipality had previously lost entitlement for amortization aid and supplementary amortization due to not having an additional municipal contribution, then the municipality is again entitled to receive amortization aid and supplementary amortization aid in the same amount as it previously received. A municipality that received amortization aid in 1999 and is required to make an additional municipal contribution under section 353.665, subdivision 8, continues to qualify for the amortization state aid and the supplemental amortization aid until December 31, 2009.

Sec. 16. Minnesota Statutes 1998, section 423A.02, is amended by adding a subdivision to read:

Subd. 4. [LIMIT ON CERTAIN TOTAL AID AMOUNTS.] (a) The total of amortization aid, supplemental amortization aid, and additional amortization aid under this section payable to the executive director of the public employees retirement association on behalf of a municipality to which section 353.665, subdivision 8, paragraph (b), applies, may not exceed the amount of the additional municipal contribution payable by an individual municipality under section 353.665, subdivision 8, paragraph (b).

(b) Any aid amount in excess of the limit under this subdivision for an individual municipality must be redistributed to the other municipalities to which section 353.665, subdivision 8, paragraph (b), applies. The excess aid must be distributed in proportion to each municipality's additional municipal contribution under section 353.665, subdivision 8, paragraph (b).

(c) When the total aid for each municipality under this section equals the limit under paragraph (a), any aid in excess of the limit must be redistributed under subdivisions 1, 1a, and 1b.

Sec. 17. Minnesota Statutes 1998, section 423A.02, is amended by adding a subdivision to read:

Subd. 5. [TERMINATION OF STATE AID PROGRAMS.] The amortization state aid, supplemental amortization state aid, and additional amortization state aid programs terminate when the assets of the Minneapolis teachers retirement fund association equal the actuarial accrued liability of that plan and when the assets of the St. Paul teachers retirement fund association equal the actuarial accrued liability of that plan.

Sec. 18. [1999 PERA-P&F ACTUARIAL VALUATION.]

(a) As of July 1, 1999, no actuarial valuations are required of the local police and fire consolidation accounts which were in existence before March 1, 1999, and have not been retained under Minnesota Statutes, section 353.655, subdivision 1, paragraph (b).

(b) The actuary retained by the legislative commission on pensions and retirement shall prepare all calculations required under Minnesota Statutes, section 353.665, and shall present them to the commission in a separate report.

(c) The calculated actuarial accrued liability of the public employees police and fire plan for July 1, 1999, must contain all liabilities associated with the former local police and fire consolidation accounts affected by Minnesota Statutes, section 353.665.

(d) The asset value of the public employees police and fire plan for July 1, 1999, is the sum of the following:

(1) the current assets of the public employees police and fire plan as of June 30, 1999, without reference to any local consolidation accounts in existence on March 1, 1999;

(2) the amount of assets transferred from the Minnesota postretirement investment fund with respect to local consolidation accounts under Minnesota Statutes, section 353.655, subdivision 3;

(3) that portion of the market value of assets of the local consolidation accounts affected by Minnesota Statutes, section 353.665, after subtracting the amount in clause (2) determined by multiplying the total by the ratio that the current asset value of public employee police and fire fund assets other than the participation in the Minnesota postretirement investment fund as of June 30, 1999, without reference to any local consolidation accounts in existence on March 1, 1999, bears to the market value of the same assets; and

(4) a receivable amount equal to the present value of the future additional municipal contributions required under Minnesota Statutes, section 353.655, subdivision 8, paragraph (b).

Sec. 19. [REPEALER.]

Minnesota Statutes 1998, section 353.65, subdivision 3a, is repealed.

Sec. 20. [EFFECTIVE DATE.]

Sections 1 to 7, 10, 12, and 14 to 19 are effective on the day following final enactment. Sections 8 and 9 are effective on the first day of the first full pay period that begins after June 30, 1999. Section 13 is effective on July 1, 2000.

ARTICLE 5

MINIMUM VOLUNTEER FIREFIGHTER

STATE AID AMOUNT CHANGES

Section 1. Minnesota Statutes 1998, section 69.021, subdivision 7, is amended to read:

Subd. 7. [APPORTIONMENT OF FIRE STATE AID TO MUNICIPALITIES AND RELIEF ASSOCIATIONS.] (a) The commissioner shall apportion the fire state aid relative to the premiums reported on the Minnesota Firetown Premium Reports filed under this chapter to each municipality and/or firefighters' relief association.

(b) The commissioner shall calculate an initial fire state aid allocation amount for each municipality or fire department under paragraph (c) and a minimum fire state aid allocation amount for each municipality or fire department under paragraph (d). The municipality or fire department must receive the larger fire state aid amount.

(c) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 5, without inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, allocated one-half in proportion to the population as shown in the last official statewide federal census for each fire

town and one-half in proportion to the market value of each fire town, including (1) the market value of tax exempt property and (2) the market value of natural resources lands receiving in lieu payments under sections 477A.11 to 477A.14, but excluding the market value of minerals. In the case of incorporated or municipal fire departments furnishing fire protection to other cities, towns, or townships as evidenced by valid fire service contracts filed with the commissioner, the distribution must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments shall be made to subsequent apportionments. In the case of municipalities or independent fire departments qualifying for the aid, the commissioner shall calculate the state aid for the municipality or relief association on the basis of the population and the market value of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with the commissioner. If one or more fire departments are furnishing contracted fire service to a city, town, or township, only the population and market value of the area served by each fire department may be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the market value of each service area. The agreement must be in writing and must be filed with the commissioner.

(d) The minimum fire state aid allocation amount is the amount in addition to the initial fire state allocation amount that is derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, and allocated to municipalities with volunteer firefighter relief associations based on the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for the calendar year 1993 to the office of the state auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or fire departments with volunteer firefighter relief associations receive in total at least a minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of 30 firefighters. If a relief association did not exist in calendar year 1993, the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for calendar year 1998 to the office of the state auditor, but not to exceed 30 active volunteer firefighters, shall be used in this determination.

(e) The fire state aid must be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall, within 30 days of receipt of the fire state aid, transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment.

(f) The commissioner may make rules to permit the administration of the provisions of this section. Any adjustments needed to correct prior misallocations must be made to subsequent apportionments.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective on the day following final enactment and applies to the first fire state aid and minimum fire state aid allocation occurring after that date.

ARTICLE 6

MINNEAPOLIS POLICE AND FIRE DEPARTMENT RELIEF ASSOCIATIONS GOVERNANCE CHANGES

Section 1. Minnesota Statutes 1998, section 423B.07, is amended to read:

423B.07 [AUTHORIZED FUND DISBURSEMENTS.]

The police pension fund may be used only for the payment of:

- (1) service, disability, or dependency pensions;
- (2) notwithstanding a contrary provision of section 69.80, ~~the salary of the secretary of the~~

~~association in an amount not to exceed 30 percent of the base salary of a first grade patrol officer, the salary of the president of the association in an amount not to exceed ten percent of the base salary of a first grade patrol officer, and the salaries of the other elected members of the board of trustees in an amount not to exceed three units;~~

(3) expenses of officers and employees of the association in connection with the protection of the fund;

(4) expenses of operating and maintaining the association, including the administrative expenses related to the administration of the insurance plan authorized in section 423B.08; and

(5) other expenses authorized by section 69.80, or other applicable law.

Sec. 2. [CONTINUATION OF BOARD.]

Notwithstanding Minnesota Statutes, section 423A.01, subdivision 2, or any other law to the contrary, the board of trustees of the Minneapolis firefighters relief association shall continue to govern the association until there are fewer than 100 benefit recipients of the relief association pension fund. The special fund thereafter must become a trust fund in accordance with Minnesota Statutes, section 423A.01, subdivision 2.

Sec. 3. [EFFECTIVE DATE.]

(a) Section 1 is effective on December 31, 1999.

(b) Section 2 is effective on the day following approval by the Minneapolis city council and compliance with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 7

METROPOLITAN COUNCIL TARGETED EARLY RETIREMENT INCENTIVE

Section 1. [RETIREMENT INCENTIVE.]

The metropolitan council may offer its eligible employees, as specified in sections 2 and 3, the retirement incentive provided in section 4.

Sec. 2. [INCLUSION.]

If the metropolitan council chooses to offer the retirement incentive under section 4, it must designate the positions or group of positions within the council divisions specified in section 3, clause (1), that will qualify for participation in its retirement incentive program and may exclude otherwise eligible employees. After initially designating the qualified positions or group of positions, the council may at any time modify its designation in order to further limit the qualified positions or group of positions.

Sec. 3. [ELIGIBILITY.]

An employee of the metropolitan council is eligible to participate in the retirement incentive program if the employee:

(1) was employed in the environmental services, community development, or regional administration divisions of the council on January 1, 1999;

(2) on or after the effective date of this article notifies the council's regional administrator in writing of the employee's intention to retire, the plan or plans from which the individual will retire, and the employee's date of separation from employment with the council;

(3) is, on the date the council receives the employee's written notice of intention to retire, within the positions or group of positions then currently designated by the council under section 2;

(4) on the date of retirement has at least 25 years of combined allowable service in any covered fund or funds listed in Minnesota Statutes, section 356.30, subdivision 3;

(5) on the date of retirement is at least 55 years of age;

(6) upon retirement is immediately eligible for a retirement annuity from a defined benefit plan listed in Minnesota Statutes, section 356.30, subdivision 3; and

(7) has a retirement annuity accrual date in the applicable plan or plans on or after July 1, 1999, and before July 1, 2000.

Sec. 4. [RETIREMENT INCENTIVE.]

Subdivision 1. [FORMULA INCREASE.] For an eligible employee who elects to participate in the retirement incentive program, the benefit accrual rate multiplier percentage or percentages used to calculate the retirement annuity from each defined benefit plan listed in Minnesota Statutes, section 356.30, subdivision 3, from which the employee is eligible to receive a retirement annuity must be increased by .25 percentage point for each year of allowable service, and pro rata for completed months less than a full year, in the applicable plan or plans. If the eligible employee has more than 30 years of combined service in covered plans, the .25 percentage point increase applies only to the first 30 years of allowable service in such covered funds.

Subd. 2. [CERTIFICATION OF ELIGIBILITY.] Before applying the formula increase in subdivision 1, the applicable retirement plan or plans must receive a certification from the council's regional administrator that the employee meets the eligibility criteria in clauses (1), (2), and (3) of section 3.

Subd. 3. [PAYMENT OF ENHANCED RETIREMENT COST.] (a) If the metropolitan council chooses to offer a retirement incentive under this section, it must make an additional employer contribution or contributions as specified in paragraph (b) to the applicable retirement plan or plans from which the eligible individual retired under the incentive program.

(b) The additional employer contribution for the applicable employee to each applicable plan is an amount equal to the difference in the actuarial present value of the annuity payable by the plan for the employee, with and without the retirement incentive under subdivision 1. The actuarial present value calculations must be made by the chief administrative officer of the applicable retirement plan.

(c) An additional employer contribution under paragraph (b) must be paid within 60 days from the effective date of the applicable annuity for the eligible employee who elects to participate in the retirement incentive.

Sec. 5. [LIMIT ON REHIRING AND FUTURE SERVICES.]

The metropolitan council may not rehire or contract for services from a former employee who retires with an early retirement incentive under this article.

Sec. 6. [APPLICATION OF OTHER LAWS.]

Unilateral implementation of retirement incentives under this article by the metropolitan council is not an unfair labor practice for purposes of Minnesota Statutes, chapter 179A.

Sec. 7. [EFFECTIVE DATE.]

Sections 1 to 6 are effective on the day following final enactment.

ARTICLE 8

VARIOUS SMALL GROUP PENSION CHANGES

Section 1. [PUBLIC EMPLOYEES RETIREMENT ASSOCIATION; PURCHASE OF SERVICE CREDIT BY RUSH CITY SCHOOL DISTRICT EMPLOYEE.]

(a) Notwithstanding Minnesota Statutes, section 353.01, subdivision 16, or any other law to the contrary, an eligible person described in paragraph (b) may purchase service credit in the public employees retirement association for the period described in paragraph (c).

(b) An eligible person is a person who:

(1) was born on October 28, 1948;

(2) was first employed by the Rush City school district in September 1968;

(3) has received service credit from the public employees retirement association for a period of leave for military service from April 1969 through March 1970;

(4) has not received service credit from the public employees retirement association for a period of leave for military service from April 1970 through March 1971.

(c) The period for service credit purchase is the uncredited portion of the period from April 1970 through March 1971.

(d) An eligible person may purchase service under this section by making the payment determined under Minnesota Statutes, section 356.55, for the period in paragraph (c).

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

(f) Service credit for the purchase period must be granted by the public employees retirement association to the purchaser on receipt of the purchase payment amount.

Sec. 2. [TEACHERS RETIREMENT ASSOCIATION; PURCHASE OF SERVICE CREDIT BY SCHOOL DISTRICT NO. 786 TEACHER FOR UNCREDITED LEAVE.]

(a) An eligible teacher as defined in paragraph (b) is entitled to purchase allowable and formula service credit from the teachers retirement association for an uncredited leave during the 1996-1997 school year under terms specified in paragraph (c).

(b) An eligible teacher is a person who:

(1) was born on November 14, 1944;

(2) became a member of the teachers retirement association on September 29, 1972;

(3) is employed by independent school district No. 786 (Bertha-Hewitt); and

(4) failed to obtain one year of service credit due to classification of a 1996-1997 school year leave as an "other" leave rather than an extended leave.

(c) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person may pay, before January 1, 2000, or the date of retirement, whichever is earlier, an amount equal to the employee contribution rate or rates in effect during the leave period specified in paragraph (b) applied to the actual salary rate or rates in effect during that period, plus any applicable employer contributions the employee agreed to pay under an agreement with independent school district No. 786, plus annual compound interest at the rate of 8.5 percent from June 30, 1997, to the date on which the payment is actually made. Independent school district No. 786 (Bertha-Hewitt) must pay the remaining balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the superintendent of independent school district No. 786 of its payment amount and payment due date if the eligible person makes the required payment.

(d) If independent school district No. 786 fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of finance of that fact and the commissioner of finance may order that the required employer payment be

deducted from the next subsequent payment or payments of state education aid to the school district and be transmitted to the teachers retirement association.

(e) An eligible teacher must provide any relevant documentation required by the executive director to determine eligibility for the prior service credit under this section.

(f) Service credit for the purchase period must be granted by the teachers retirement association to the account of the eligible teacher upon receipt of the purchase payment amount specified in paragraph (c).

Sec. 3. [TEACHERS RETIREMENT ASSOCIATION; PURCHASE OF UNREQUESTED LEAVE PERIOD BY VIRGINIA TEACHER.]

(a) A qualified teacher described in paragraph (b) is entitled to purchase one year of allowable and formula service credit from the teachers retirement association for a one-year portion of the period of unrequested leave from teaching service specified in paragraph (b), clause (5), upon the payment of the purchase price specified in paragraph (c).

(b) A qualified teacher is a person who:

(1) was born in 1943;

(2) is a current member of the teachers retirement association;

(3) initially was employed as a teacher in 1966 by the Alexandria school district;

(4) was subsequently employed as an industrial arts teacher at the Virginia high school by the Virginia school district; and

(5) was placed on unrequested leave by the Virginia school district for the 1983-1984 and 1984-1985 school years.

(c) The purchase payment amount must be determined as provided in Minnesota Statutes, section 356.55.

(d) Payment of the prior service credit purchase amount must be made by January 1, 2000.

Sec. 4. [PURCHASE OF SERVICE CREDIT; PRIOR SAINT PAUL BUREAU OF HEALTH EMPLOYEE.]

(a) An eligible person, as described in paragraph (b), is entitled to purchase coordinated service credit in the public employees retirement association general plan for the period of employment described in paragraph (b), clause (2), by making payment as specified in paragraph (c).

(b) An eligible person is a person who:

(1) was born on May 22, 1932;

(2) was employed by the St. Paul Bureau of Health from March 17, 1958, to September 21, 1962, was covered by the St. Paul bureau of health relief association as a result of that employment, and who forfeited all service credit in that relief association upon leaving that employment; and

(3) later became a coordinated member of the general plan of the public employees retirement association and currently is a coordinated member of that plan.

(c) An eligible person described in paragraph (b) may purchase service credit from the public employees retirement association by paying the amount specified in Minnesota Statutes, section 356.55, prior to termination of public employees retirement association covered employment or prior to January 1, 2000, whichever is earlier. If the city of St. Paul agrees to make a payment under Minnesota Statutes, section 356.55, subdivision 5, an eligible person must make the employee payments prior to termination of public employees retirement association covered

employment or prior to January 1, 2000, whichever is earlier. If the employee payment is made in a timely fashion, the city payment must be remitted 60 days thereafter.

(d) An eligible person must provide any relevant documentation required by the executive director to determine eligibility for the prior service credit under this section.

(e) Service credit for the purchase period must be granted by the public employees retirement association to the account of the eligible person upon receipt of the purchase payment amount specified in paragraph (c).

Sec. 5. [INDEPENDENT SCHOOL DISTRICT NO. 276, MINNETONKA, TEACHER; PRIOR SERVICE CREDIT PURCHASE.]

(a) Notwithstanding Minnesota Statutes, section 354.095, an eligible person described in paragraph (b) is entitled to purchase allowable and formula service credit in the teachers retirement association for the period described in paragraph (c) by paying the amount specified in Minnesota Statutes, section 356.55, subdivision 2.

(b) An eligible person is a person who:

(1) was on medical leave for a period that includes the 1994-1995 and the 1995-1996 school years;

(2) was employed by independent school district No. 276, Minnetonka, during the period that the medical leave was taken; and

(3) due to the failure of independent school district No. 276, Minnetonka, to file certain papers with the teachers retirement association was not able to obtain service credit for the 1994-1995 and 1995-1996 school year portions of the medical leave.

(c) The period for service credit purchase is the 1994-1995 and 1995-1996 school years.

(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before September 1, 1999, an amount equal to the employee, employer, and employer additional contribution rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made. Independent school district No. 276, Minnetonka, must pay one-half of the remaining balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. Recognizing that the teachers retirement association failed to provide adequate information on the opportunity of the eligible person to make timely payments for the 1995-1996 school year following receipt of the medical leave of absence forms on August 16, 1996, the teachers retirement association is responsible for one-half of the remaining balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55. The executive director of the teachers retirement association must notify the superintendent of independent school district No. 276, Minnetonka, of its payment amount and payment due date if the eligible person makes the required payment.

(e) If independent school district No. 276, Minnetonka, fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of finance of that fact and the commissioner of finance may order that the required school district payment be deducted from the next subsequent payment or payments of state education aid to the school district and be transmitted to the teachers retirement association.

Sec. 6. [HOPKINS SCHOOL DISTRICT; REPAYMENT OF INTEREST CHARGE ON CERTAIN MEMBER CONTRIBUTION SHORTAGE PAYMENTS.]

(a) Independent school district No. 274, Hopkins, shall pay the amount of \$1,004.08, plus compound interest on each amount at the annual rate of six percent from June 1, 1997, to the date of payment, to an eligible person described in paragraph (b) to compensate the person for a past

overcharge in a member contribution shortage payment. The shortage was caused by the failure of the school district to make the required member contribution deductions during the 1968-1969 school year and the overpayment was caused by the failure of the teachers retirement association to notify the eligible person in a timely fashion of the shortage.

(b) An eligible person is a person who:

(1) was employed by independent school district No. 274 (Hopkins) during the 1968-1969 school year and suffered an under deduction by the school district of \$114.66;

(2) took a member contribution refund in the early 1970's and repaid the refund in November 1974; and

(3) had an appeal denied by the teachers retirement association board of trustees at a May 8, 1998, hearing, reflected in a May 21, 1998, findings and final order.

(c) The payments must be made within 30 days of the effective date. If independent school district No. 274, Hopkins, fails to make a timely payment of its obligation, the teachers retirement association must make the payment and may notify the commissioner of finance of the school district's failure to pay. In that event, the commissioner of finance may order that the required school district payment be deducted from the next subsequent payment of state education aid to the school district and transmitted to the teachers retirement association.

Sec. 7. [TEACHERS RETIREMENT ASSOCIATION; PURCHASE OF SERVICE CREDIT FOR CERTAIN SABBATICAL LEAVES.]

(a) Notwithstanding any provision of Minnesota Statutes, chapter 354, to the contrary, an eligible teacher as defined in paragraph (b) is entitled to purchase allowable and formula service credit from the teachers retirement association for the uncredited portion of a sabbatical leave during the 1976-1977 school year under paragraph (c).

(b) An eligible teacher is a person who was born on September 10, 1942, became a member of the teachers retirement association on October 31, 1968, is employed by independent school district No. 16, Spring Lake Park, and will qualify for an early normal retirement annuity under the "rule of 90" on September 16, 2000.

(c) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person may pay, before January 1, 2000, or the date of retirement, whichever is earlier, an amount equal to the employee contribution rate or rates in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made. Independent school district No. 16, Spring Lake Park, must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person. The executive director of the teachers retirement association must notify the superintendent of independent school district No. 16, Spring Lake Park, of its payment amount and payment due date if the eligible person makes the required payment.

(d) If independent school district No. 16, Spring Lake Park, fails to pay its portion of the required prior service credit purchase payment amount, the executive director may notify the commissioner of finance of that fact and the commissioner of finance may order that the required employer payment be deducted from the next subsequent payment or payments of state education aid to the school district and be transmitted to the teachers retirement association.

(e) An eligible teacher must provide any relevant documentation required by the executive director to determine eligibility for the prior service credit under this section.

(f) Service credit for the purchase period must be granted by the teachers retirement association to the account of the eligible teacher upon receipt of the purchase payment amount specified in paragraph (c).

Sec. 8. [PUBLIC EMPLOYEES RETIREMENT ASSOCIATION; STATE BOARD OF PUBLIC DEFENSE EMPLOYEE PRIOR SERVICE CREDIT PURCHASE.]

(a) An eligible person described in paragraph (b) is entitled to purchase service credit from the public employees retirement association for the period of omitted deductions December 19, 1992, through December 27, 1994.

(b) An eligible person for purposes of paragraph (a) is a person who:

(1) was born on August 17, 1950;

(2) was employed through Winona county until 1992;

(3) is currently employed by the state board of public defense in the third judicial district public defender's office; and

(4) had omitted member contributions for public employment during the period December 19, 1992, through December 27, 1994.

(c) The prior service credit purchase payment amount is governed by Minnesota Statutes, section 356.55. Authority to purchase the service credit expires on July 1, 2000.

(d) Notwithstanding Minnesota Statutes, section 356.55, subdivision 5, the eligible person must pay, on or before September 1, 1999, an amount equal to the employee contribution rate in effect during the prior service period applied to the actual salary rates in effect during the prior service period, plus annual compound interest at the rate of 8.5 percent from the date on which the contributions would have been made if made contemporaneous with the service period to the date on which the payment is actually made. The state board of public defense must pay the balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.55, within 30 days of the payment by the eligible person.

(e) A person purchasing service credit under this section must provide sufficient documentation of eligibility to the executive director of the public employees retirement association.

Sec. 9. [TRA; PURCHASE OF SERVICE CREDIT FOR FINAL PORTION OF EXTENDED LEAVE OF ABSENCE BY ANOKA-HENNEPIN TEACHER.]

(a) An eligible person, as described in paragraph (b), is entitled to purchase allowable and formula service credit in the teachers retirement association for the period specified in paragraph (c) by making the payment specified in Minnesota Statutes, section 356.55.

(b) An eligible person is a person who:

(1) was born February 1, 1943;

(2) was initially employed as a teacher by the Richfield school district in 1966;

(3) is currently employed as an elementary school principal by independent school district No. 11 (Anoka-Hennepin); and

(4) was on an extended leave of absence from June 29, 1984, to June 28, 1989, but failed to obtain service credit for the final two years of the leave.

(c) The prior service credit purchase period is July 1, 1987, through June 28, 1989.

Sec. 10. [EFFECTIVE DATE.]

Sections 1 to 9 are effective on the day following final enactment.

ARTICLE 9

MISCELLANEOUS PENSION CHANGES

Section 1. Minnesota Statutes 1998, section 3A.02, subdivision 1b, is amended to read:

Subd. 1b. [REDUCED RETIREMENT ALLOWANCE.] (a) Upon separation from service after the beginning of the 1981 legislative session, a former member of the legislature who has attained the age of ~~at least 60 years~~ set by the board of directors of the Minnesota state retirement system and who is otherwise qualified in accordance with subdivision 1 is entitled upon making written application on forms supplied by the director to a retirement allowance in an amount equal to the retirement allowance specified in subdivision 1 reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable if the former member of the legislature deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the date the annuity begins to accrue until age 62.

(b) The age set by the board of directors under paragraph (a) cannot be less than the early retirement age under section 352.116, subdivision 1a.

(c) If there is an actuarial cost to the plan of resetting the early retirement age under paragraph (a), the retired legislator is required to pay an additional amount to cover the full actuarial value. The additional amount must be paid in a lump sum within 30 days of the certification of the amount by the executive director.

(d) The executive director of the Minnesota state retirement system shall report to the legislative commission on pensions and retirement on the utilization of this provision on or before September 1, 2000.

Sec. 2. Minnesota Statutes 1998, section 122A.46, subdivision 2, is amended to read:

Subd. 2. [LEAVE OF ABSENCE.] The board of any district may grant an extended leave of absence without salary to any full- or part-time elementary or secondary teacher who has been employed by the district for at least five years and has at least ten years of allowable service, as defined in section 354.05, subdivision 13, or the bylaws of the appropriate retirement association or ten years of full-time teaching service in Minnesota public elementary and secondary schools. The ~~maximum~~ duration of an extended leave of absence ~~pursuant to~~ under this section must be determined by mutual agreement of the board and the teacher at the time the leave is granted and shall be at least three but no more than five years. An extended leave of absence ~~pursuant to~~ under this section shall be taken by mutual consent of the board and the teacher. If the school board denies a teacher's request, it must provide reasonable justification for the denial.

Sec. 3. Minnesota Statutes 1998, section 352.03, subdivision 1, is amended to read:

Subdivision 1. [MEMBERSHIP OF BOARD; ELECTION; TERM.] The policy-making function of the system is vested in a board of 11 members, ~~who must be known as the board of directors.~~ This board shall consist of three members appointed by the governor, one of whom must be a constitutional officer or appointed state official and two of whom must be public members knowledgeable in pension matters, four state employees elected by state employees covered by the system excluding employees in categories specifically authorized to designate or elect a member by this subdivision, one employee of the ~~transit operating division~~ of the metropolitan council's ~~transit commission operations~~ or its successor agency designated by the executive committee of the labor organization that is the exclusive bargaining agent representing employees of the transit division, one member of the state patrol retirement fund elected by members of that fund at a time and in a manner fixed by the board, one employee covered by the correctional employees plan elected by employees covered by that plan, and one retired employee elected by disabled and retired employees of all plans administered by the system at a time and in a manner to be fixed by the board. Two state employee members, whose terms of office begin on the first Monday in May after their election, must be elected biennially. Elected members and the appointed member of the metropolitan council's ~~office of transit operations~~ hold office for a term of four years, ~~except the retired member whose term is two years,~~ and until their successors are elected or appointed, and have qualified. An employee of the system is not eligible for membership on the board of directors. A state employee on leave of absence is not eligible for election or reelection to membership on the board of directors. The term of any board member who is on leave for more than six months automatically ends on expiration of ~~this period~~ the term of office.

Sec. 4. Minnesota Statutes 1998, section 354.05, subdivision 40, is amended to read:

Subd. 40. [TIMELY RECEIPT.] An application, payment, return, claim, or other document that is not personally delivered to the association on or before the applicable due date is considered to be a timely receipt if ~~officially postmarked~~ received on or before the due date or if delivered or filed under section 645.151.

Sec. 5. Minnesota Statutes 1998, section 354.06, subdivision 1, is amended to read:

Subdivision 1. The management of the association is vested in a board of eight trustees known as the board of trustees of the teachers retirement association. It is composed of the following persons: the commissioner of children, families, and learning, the commissioner of finance, a representative of the Minnesota school boards association, four members of the association elected by the members of the association, and one retiree elected by the retirees of the association. The five elected members of the board of trustees must be chosen by ~~mail~~ ballot in a manner fixed by the board of trustees of the association. In every odd-numbered year there shall be elected two members of the association to the board of trustees for terms of four years commencing on the first of July next succeeding their election. In every other odd-numbered year one retiree of the association must be elected to the board of trustees for a term of two four years commencing on the first of July next succeeding the election. The filing of candidacy for a retiree election must include a petition of endorsement signed by at least ten retirees of the association. Each election must be completed by June first of each succeeding odd-numbered year. In the case of elective members, any vacancy must be filled by appointment by the remainder of the board, and the appointee shall serve until the members or retirees of the association at the next regular election have elected a trustee to serve for the unexpired term caused by the vacancy. No member or retiree may be appointed by the board, or elected by the members of the association as a trustee, if the person is not a member or retiree of the association in good standing at the time of the appointment or election.

Sec. 6. Minnesota Statutes 1998, section 354.10, subdivision 4, is amended to read:

Subd. 4. [CHANGES IN DESIGNATED BENEFICIARIES.] Any beneficiary designated by a retiree or member under section 354.05, subdivision 22, may be changed or revoked by the retiree or member on a form provided by the executive director. A change or revocation made under this subdivision is valid only if the properly completed form is received by the association ~~postmarked~~ on or before the date of death of the retiree or the member. If a designated beneficiary dies before the retiree or member designating the beneficiary, and a new beneficiary is not designated, the retiree's or member's estate is the beneficiary.

Sec. 7. Minnesota Statutes 1998, section 354C.11, is amended to read:

354C.11 [COVERAGE.]

Subdivision 1. [AUTHORIZATION.] ~~Personnel~~ Individuals employed by the board of trustees of the Minnesota state colleges and universities ~~who are in the unclassified service of the state, and who have completed at least two years of employment by the board or a predecessor board with a full-time contract~~ are participants authorized to participate in the supplemental retirement plan, effective on the next following July 1, ~~if the person is employed in an eligible~~ after meeting eligibility requirements specified in subdivision 2.

Subd. 2. [ELIGIBILITY.] (a) An individual must participate in the supplemental retirement plan if the individual is employed by the board of trustees in the unclassified service of the state, has completed at least two years with a full time contract of applicable unclassified employment with the board or an applicable predecessor board in any of the positions specified in paragraph (b).

(b) Eligible positions or employment classifications are:

(1) an unclassified administrative position as defined in section 354B.20, subdivision 6, ~~or is employed in;~~

(2) an employment classification included in one of the following collective bargaining units under section 179A.10, subdivision 2:

- (1) (a) the state university instructional unit;
- (2) (b) the community college instructional unit;
- (3) (c) the technical college instructional unit; and
- (4) (d) the state university administrative unit; or

(3) an unclassified employee of the board included in the general professional unit or supervisory employees unit under section 179A.10, subdivision 2.

Subd. 3. [CONTINUING ELIGIBILITY AUTHORIZATION.] Once a person qualifies for participation in the supplemental retirement plan, all subsequent service by the person as an unclassified employee of the state university board, the state board for community colleges, the higher education board, or the technical colleges board of trustees in a position or employment classification listed in subdivision 2, paragraph (b), is covered by the supplemental retirement plan.

Sec. 8. [EFFECTIVE DATE.]

Sections 1 and 3 to 7 are effective on the day following final enactment. Section 2 is effective on July 1, 1999.

ARTICLE 10

INCLUSION OF SUPPLEMENTAL NEEDS TRUSTS AS OPTIONAL ANNUITY FORM RECIPIENTS

Section 1. [356.372] [SUPPLEMENTAL NEEDS TRUST AS OPTIONAL ANNUITY FORM RECIPIENT.]

Subdivision 1. [INCLUSION AS RECIPIENT.] Notwithstanding any provision to the contrary of the laws, articles of incorporation, or bylaws governing a covered retirement plan specified in subdivision 3, a retiring member may designate a qualified supplemental needs trust under subdivision 2 as the remainder recipient on an optional retirement annuity form for a period not to exceed the lifetime of the beneficiary of the supplemental needs trust.

Subd. 2. [QUALIFIED SUPPLEMENTAL NEEDS TRUST.] A qualified supplemental needs trust is a trust that:

- (1) was established on or after July 1, 1992;
- (2) was established solely for the benefit of one person who has a disability under federal Social Security Administration supplemental security income or retirement, survivors, and disability insurance disability determination standards who was determined as such before the creation of the trust;
- (3) is funded, in whole or in part, by the primary recipient of the optional annuity form and, unless the trust is a Zebley trust, is not funded by the beneficiary, the beneficiary's spouse, or a person who is required to pay a sum to or for the trust beneficiary under the terms of litigation or a litigation settlement;
- (4) is established to cover reasonable living expenses and other basic needs of the disabled person, in whole or in part, in instances when public assistance does not provide sufficiently for these needs;
- (5) is not permitted to make disbursement to replace or reduce public assistance otherwise available;
- (6) is irrevocable;
- (7) terminates upon the death of the disabled person for whose benefit it was established; and

(8) is determined by the executive director to be a trust that contains excluded assets for purposes of the qualification for public entitlement benefits under the applicable federal and state laws and regulations.

Subd. 3. [COVERED RETIREMENT PLAN.] The provisions of this section apply to the following retirement plans:

(1) general state employees retirement plan of the Minnesota state retirement system, established under chapter 352;

(2) correctional employees retirement plan of the Minnesota state retirement system, established under chapter 352;

(3) state patrol retirement plan, established under chapter 352B;

(4) legislators retirement plan, established under chapter 3A;

(5) judges retirement plan, established under chapter 490;

(6) public employees retirement plan, established under chapter 353;

(7) public employees police and fire plan, established under chapter 353;

(8) teachers retirement plan, established under chapter 354;

(9) Duluth teachers retirement fund association, established under chapter 354A;

(10) St. Paul teachers retirement fund association, established under chapter 354A;

(11) Minneapolis teachers retirement fund association, established under chapter 354A;

(12) Minneapolis employees retirement plan, established under chapter 422A;

(13) Minneapolis firefighters relief association, established under chapter 69; and

(14) Minneapolis police relief association, established under chapter 423B.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective on the day following final enactment.

ARTICLE 11

VOLUNTEER FIRE RELIEF ASSOCIATION CHANGES

Section 1. [REPEALER.]

Minnesota Statutes 1998, section 424A.02, subdivision 5, is repealed.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective July 1, 1999.

ARTICLE 12

CORRECTIONAL EMPLOYEES RETIREMENT PLAN CHANGES

Section 1. Minnesota Statutes 1998, section 352.90, is amended to read:

352.90 [POLICY.]

It is the policy of the legislature to provide special retirement benefits and contributions for certain correctional employees who may be required to retire at an early age because they lose the mental or physical capacity required to maintain the safety, security, discipline, and custody of inmates at state correctional facilities or of patients at the Minnesota security hospital or at the

Minnesota sexual psychopathic personality treatment center or of patients in the Minnesota extended treatment options on-campus program at the Cambridge regional human services center.

Sec. 2. Minnesota Statutes 1998, section 352.91, is amended by adding a subdivision to read:

Subd. 3e. [MINNESOTA EXTENDED TREATMENT OPTIONS PROGRAM; CAMBRIDGE.] "Covered correctional service" means service by a state employee in one of the following employment positions with the Minnesota extended treatment options on-campus program at the Cambridge regional human services center if at least 75 percent of the employee's working time is spent in direct contact with patients who are in the Minnesota extended treatment options program and if service in such a position is certified to the executive director by the commissioner of human services, unless the person elects to retain current retirement coverage under section 6:

- (1) behavior analyst I ;
- (2) human services support specialist;
- (3) mental retardation residential program lead;
- (4) psychologist 2;
- (5) recreation program assistant;
- (6) recreation therapist senior;
- (7) registered nurse senior;
- (8) skills development specialist; and
- (9) social worker senior.

Sec. 3. Minnesota Statutes 1998, section 352.92, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYEE CONTRIBUTIONS.] Employee contributions of covered correctional employees must be in an amount equal to ~~5.50~~ 5.69 percent of salary.

Sec. 4. Minnesota Statutes 1998, section 352.92, subdivision 2, is amended to read:

Subd. 2. [EMPLOYER CONTRIBUTIONS.] The employer shall contribute for covered correctional employees an amount equal to ~~7.70~~ 7.98 percent of salary.

Sec. 5. Minnesota Statutes 1998, section 352.93, subdivision 2a, is amended to read:

Subd. 2a. [EARLY RETIREMENT.] Any covered correctional employee, ~~or former employee if service ended after June 30, 1989,~~ who becomes at least 50 years old and who has at least three years of allowable service is entitled upon application to a reduced retirement annuity equal to the annuity calculated under subdivision 2, reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable if the employee deferred receipt of the annuity from the day the annuity begins to accrue to age 55 by two-tenths of one percent for each month that the correctional employee is under age 55 at the time of retirement.

Sec. 6. [TEMPORARY PROVISION; ELECTION TO RETAIN RETIREMENT COVERAGE.]

(a) An employee in a position specified as qualifying under section 2 may elect to retain coverage under the general employees retirement plan of the Minnesota state retirement system or may elect to transfer coverage and contribute to the correctional employees retirement plan. An employee electing to participate in the correctional employees retirement plan shall begin making contributions to the correctional plan beginning the first full pay period after July 1, 1999, or the first full pay period following filing of their election to transfer coverage to the correctional employees retirement plan, whichever is later. The election to retain coverage or to transfer

coverage must be made in writing by the person on a form prescribed by the executive director of the Minnesota state retirement system and must be filed with the executive director no later than December 31, 1999.

(b) An employee failing to make an election by December 15, 1999, must be notified by certified mail by the executive director of the Minnesota state retirement system of the deadline to make a choice. A person who does not submit an election form must continue coverage in the general employees retirement plan and forfeits all rights to transfer retirement coverage to the correctional employees retirement plan.

(c) The election to retain coverage in the general employees retirement plan or the election to transfer retirement coverage to the correctional employees retirement plan is irrevocable once it is filed with the executive director.

Sec. 7. [COVERAGE FOR PRIOR STATE SERVICE FOR CERTAIN PERSONS.]

Subdivision 1. [ELECTION OF PRIOR STATE SERVICE COVERAGE.] (a) An employee who has future retirement coverage transferred to the correctional employees retirement plan under section 6, and who does not elect to retain general state employees retirement plan coverage, is entitled to elect to obtain prior service credit for eligible state service performed on or after July 1, 1997, and before the first day of the first full pay period beginning after December 31, 1999. All prior service credit must be purchased.

(b) Eligible state service is any period of service on or after the date which the employee started employment with the Minnesota extended treatment options program in a position specified in Minnesota Statutes, section 352.91, subdivision 3e, in which at least 75 percent of the employee's working time is determined to have been spent in direct contact with Minnesota extended treatment options program patients or July 1, 1997, whichever is later, and the date the employee joined the correctional employees plan.

(c) The department of human services shall certify eligible state service to the executive director of the Minnesota retirement system.

Subd. 2. [PAYMENT FOR PRIOR SERVICE.] (a) An employee electing to obtain prior service credit under subdivision 1 must pay an additional employee contribution for that prior service. The additional member contribution is the contribution differential percentage applied to the actual salary paid to the employee during the period of the prior eligible state service, plus interest at the rate of six percent per annum, compounded annually. The contribution differential percentage is the difference between 5.5 percent of salary and the applicable employee contribution rate of the general state employees retirement plan during the prior eligible state service.

(b) The additional member contribution must be paid only in a lump sum. Payment must accompany the election to obtain prior service credit. No election or payment may be made by the person or accepted by the executive director after June 30, 2001.

Subd. 3. [TRANSFER OF ASSETS.] Assets must be transferred from the general state employees retirement plan to the correctional employees retirement plan in an amount equal to the present value of benefits earned under the general employees retirement plan for each employee transferring to the correctional employees retirement plan, as determined by the actuary retained by the legislative commission on pensions and retirement in accordance with Minnesota Statutes, section 356.215, multiplied by the accrued liability funding ratio of active members as derived from the most recent actuarial valuation prepared by the commission-retained actuary. The transfer of assets must be made within 45 days after the employee elects to transfer coverage to the correctional employees retirement plan.

Subd. 4. [EFFECT OF THE ASSET TRANSFER.] Upon the transfer of assets in subdivision 3, service credit in the general state employees plan of the Minnesota state retirement system is forfeited and may not be reinstated. The service credit and transferred assets must be credited to the correctional employees retirement plan.

Subd. 5. [COUNSELING.] (a) The commissioners of human services and employee relations, and the executive director of the Minnesota state retirement system have the joint responsibility of providing affected employees with appropriate and timely retirement and related benefit counseling.

(b) Counseling must include the anticipated impact of the retirement coverage change on the person's future retirement benefit amounts, future retirement eligibility, future applicability of mandatory retirement laws, and future postemployment insurance coverage.

(c) The commissioner of human services must consult with the appropriate collective bargaining agents of the affected employees regarding the content, form, and timing of the counseling required by this section.

Sec. 8. [TRANSITIONAL PROVISION; RETENTION OF CERTAIN RIGHTS.]

(a) Nothing in sections 1, 2, and 6 to 9 may be considered to restrict the entitlement of a person under state law to repay a previously taken refund of employee or member contributions to a Minnesota public pension plan if all qualifying requirements are met.

(b) The period of correctional employees retirement plan contributions, plus interest, must be restored upon the repayment of the appropriate refund amount if the service was correctional employees retirement plan covered service on the date when the service was rendered or on the date when the refund was taken.

Sec. 9. [EARLY RETIREMENT INCENTIVE.]

This section applies to an employee who has future retirement coverage transferred to the correctional employee retirement plan under section 6 and who is at least 55 years old on the effective date of section 6. That employee may participate in a health insurance early retirement incentive available under the terms of a collective bargaining agreement, notwithstanding any provision of the collective bargaining agreement that limits participation to persons who select the option during the payroll period in which they become 55 years old. A person selecting the health insurance early retirement incentive under this section must retire by the later of December 31, 2000, or within the pay period following the time at which the person has at least three years of covered correctional service, including any purchased service credit. An employee meeting this criteria who wishes to extend the person's employment must do so under Minnesota Statutes, section 43A.34, subdivision 3.

Sec. 10. [EFFECTIVE DATE.]

Sections 1, 2, and 6 to 9 are effective on the first day of the first full pay period beginning after July 1, 1999. Section 5 is effective July 1, 1999.

ARTICLE 13

PUBLIC SAFETY EMPLOYEE PENSION PLAN CHANGES

Section 1. Minnesota Statutes 1998, section 352B.08, subdivision 2a, is amended to read:

Subd. 2a. [EARLY RETIREMENT.] Any member who has become at least 50 years old and who has at least three years of allowable service is entitled upon application to a reduced retirement annuity equal to the annuity calculated under subdivision 2, reduced by ~~two-tenths~~ one-tenth of one percent for each month that the member is under age 55 at the time of retirement.

Sec. 2. Minnesota Statutes 1998, section 353.64, subdivision 1, is amended to read:

Subdivision 1. [POLICE AND FIRE FUND MEMBERSHIP.] (a) A person who prior to July 1, 1961, was a member of the police and fire fund, by virtue of being a police officer or firefighter, shall, as long as the person remains in either position, continue membership in the fund.

(b) A person who was employed by a governmental subdivision as a police officer and was a

member of the police and fire fund on July 1, 1978, by virtue of being a police officer as defined by this section on that date, and if employed by the same governmental subdivision in a position in the same department in which the person was employed on that date, ~~shall continue membership in~~ continues to be a member of the fund, whether or not that person has the power of arrest by warrant and is licensed by the peace officers standards and training board after that date. A person who was employed as a correctional officer by Rice county before July 1, 1998, for the duration of employment in the correctional position held on July 1, 1998, continues to be a member of the public employees police and fire plan, whether or not the person has the power of arrest by warrant and is licensed by the peace officers standards and training board after that date.

(c) A person who was employed by a governmental subdivision as a police officer or a firefighter, whichever applies, was an active member of the local police or salaried firefighters relief association located in that governmental subdivision by virtue of that employment as of the effective date of the consolidation as authorized by sections 353A.01 to 353A.10, and has elected coverage by the public employees police and fire fund benefit plan, shall become a member of the police and fire fund after that date if employed by the same governmental subdivision in a position in the same department in which the person was employed on that date.

(d) Any other employee serving on a full-time basis as a police officer as defined in subdivision 2 or as a firefighter as defined in subdivision 3 on or after July 1, 1961, shall become a member of the public employees police and fire fund.

(e) An employee serving on less than a full-time basis as a police officer shall become a member of the public employees police and fire fund only after a resolution stating that the employee should be covered by the police and fire fund is adopted by the governing body of the governmental subdivision employing the person declaring that the position which the person holds is that of a police officer.

(f) An employee serving on less than a full-time basis as a firefighter shall become a member of the public employees police and fire fund only after a resolution stating that the employee should be covered by the police and fire fund is adopted by the governing body of the governmental subdivision employing the person declaring that the position which the person holds is that of a firefighter.

(g) A police officer or firefighter employed by a governmental subdivision who by virtue of that employment is required by law to be a member of and to contribute to any police or firefighter relief association governed by section 69.77 which has not consolidated with the public employees police and fire fund and any police officer or firefighter of a relief association that has consolidated with the association for which the employee has not elected coverage by the public employees police and fire fund benefit plan as provided in sections 353A.01 to 353A.10 shall not become a member of the public employees police and fire fund.

Sec. 3. Minnesota Statutes 1998, section 353.651, subdivision 4, is amended to read:

Subd. 4. [EARLY RETIREMENT.] Any police officer or firefighter member who has become at least 50 years old and who has at least three years of allowable service is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by ~~two-tenths~~ one-tenth of one percent for each month that the member is under age 55 at the time of retirement.

Sec. 4. [353.652] [SOCIAL SECURITY BENEFIT OFFSET IN CERTAIN INSTANCES.]

(a) If a public employee continues in retirement plan coverage by the public employees police and fire retirement plan by virtue of this article and subsequently is covered by the federal old age, survivors, and disability insurance program for service as a Rice county correctional officer, the retirement annuity of the person under section 353.651 or the disability benefit of the person under section 353.656 must be reduced dollar for dollar for the social security benefit that the person is entitled to receive by virtue of Rice county correctional service rendered after the effective date of section 1.

(b) To be effective, the retirement annuity or disability benefit application form for a Rice county correctional employee must include signed written permission by the person for the public employees retirement association to obtain the necessary information from the federal old age, survivors, and disability insurance program to implement the offset provision in paragraph (a).

Sec. 5. [353.90] [PENALTY FOR MEMBERSHIP MISCERTIFICATIONS AND CERTIFICATION FAILURES.]

(a) If the board of trustees of the public employees retirement association, upon the recommendation of the executive director, determines that a governmental subdivision has recertified a public employee for membership in the public employees police and fire retirement plan when the public employee was not eligible for that retirement plan coverage, the public employee must be covered by the correct retirement plan for subsequent service, the public employee retains the coverage for the period of the misclassification, and the governmental subdivision shall pay in a lump sum the difference in the actuarial present value of the retirement annuities to which the public employee would have been entitled if the public employee was properly classified. The governmental subdivision payment is payable within 30 days of the board's determination. If unpaid, it must be collected under section 353.28. The lump sum payment must be deposited in the public employees retirement fund.

(b) If the executive director of the public employees retirement association determines that a governmental subdivision has failed to certify a person for retirement plan membership and coverage under this chapter, in addition to the procedures under section 353.27, subdivision 4, 9, 10, 11, 12, 12a, or 12b, the director shall charge a fine of \$25 for each membership certification failure.

Sec. 6. Minnesota Statutes 1998, section 353A.083, is amended by adding a subdivision to read:

Subd. 4. [PRE-1999 CONSOLIDATIONS.] For any consolidation account in effect on July 1, 1999, the public employees police and fire fund benefit plan applicable to consolidation account members who have elected or will elect that benefit plan coverage under section 353A.08 is the most recent change adopted by the applicable municipality under subdivision 1, 2, or 3, unless the applicable municipality approves the extension of the post-June 30, 1999, public employees police and fire fund benefit plan to the consolidation account.

Sec. 7. [COLLECTION OF POLICE STATE OVERPAYMENTS.]

(a) As police state aid that was received by Rice county on account of correctional officers who were improperly included in retirement coverage by the public employees police and fire plan, the total of the following amounts must be deducted in 20 equal annual installments from any police state aid payable to Rice county under Minnesota Statutes, chapter 69:

<u>amount</u>	<u>year</u>
<u>\$11,543</u>	<u>1994</u>
<u>19,096</u>	<u>1995</u>
<u>39,111</u>	<u>1996</u>
<u>19,170</u>	<u>1997</u>
<u>13,764</u>	<u>1998.</u>

(b) Rice county correctional officers who are members of the public employees police and fire plan may not be included in the police officer certification under Minnesota Statutes, section 69.011, subdivision 2, paragraph (b), and the employer contributions to the public employees police and fire fund on behalf of those correctional employees may not be included in the employer police retirement coverage prior calendar year obligation for the determination of excess police state aid under Minnesota Statutes, section 69.021, subdivision 10, unless the correctional officer is a peace officer as defined in Minnesota Statutes, section 69.011, subdivision 1, paragraph (g).

Sec. 8. [EFFECTIVE DATE.]

(a) Sections 1, 3, and 7 are effective on July 1, 1999. Sections 2, 4, and 6 are effective on the day following final enactment. Section 5 is effective on August 1, 2000.

(b) If all consolidation accounts in effect on March 1, 1999, are merged with the public employees police and fire fund after July 1, 1999, section 6 is repealed as of June 30, 1999.

ARTICLE 14

SPECIAL RETIREMENT COVERAGE

FOR CERTAIN STATE FIRE

MARSHAL EMPLOYEES

Section 1. [352.87] [STATE FIRE MARSHAL DIVISION EMPLOYEES.]

Subdivision 1. [ELIGIBILITY.] A member of the general plan who is employed by the department of public safety, state fire marshal division, as a deputy state fire marshal, fire/arson investigator, who elects special benefit coverage under subdivision 8, is entitled to retirement benefits or disability benefits, as applicable, as stated in this section for eligible service under this section rendered after July 1, 1999, for which allowable service credit is received. The covered member must be at least age 55 to qualify for the retirement annuity specified in subdivision 3.

Subd. 2. [RETIREMENT ANNUITY ELIGIBILITY.] A person specified in subdivision 1 who meets all eligibility requirements specified in this chapter applicable to general plan members is eligible for retirement benefits as specified in subdivision 3.

Subd. 3. [RETIREMENT ANNUITY FORMULA.] A person specified in subdivision 1 will have a retirement annuity applicable for allowable service credit under this section calculated by multiplying the employee's average salary, as defined in section 352.115, subdivision 2, by the percent specified in section 356.19, subdivision 2a, for each year or portions of a year of allowable service credit. No reduction for retirement prior to normal retirement age, as specified in section 352.01, subdivision 25, applies to service to which this section applies.

Subd. 4. [NON-JOB-RELATED DISABILITY BENEFITS.] An eligible member described in subdivision 1, who is less than 55 years of age and who becomes disabled and physically or mentally unfit to perform the duties of the position because of sickness or injury while not engaged in covered employment, is entitled to a disability benefit amount equivalent to an annuity computed under subdivision 3 assuming the member has 15 years of service qualifying under this section and waiving the minimum age requirement. If the eligible member becomes disabled under this subdivision with more than 15 years of service covered under this section, the eligible member is entitled to a disability benefit amount equivalent to an annuity computed under subdivision 3 based on all years of service credited under this section and waiving the minimum age requirement.

Subd. 5. [JOB-RELATED DISABILITY BENEFITS.] An eligible member defined in subdivision 1, who is less than 55 years of age and who becomes disabled and physically or mentally unfit to perform the duties of the position because of sickness or injury while engaged in covered employment, is entitled to a disability benefit amount equivalent to an annuity computed under subdivision 3 assuming the member has 20 years of service qualifying under this section and waiving the minimum age requirement. An eligible member who becomes disabled under this subdivision with more than 20 years of service credited under this section is entitled to a disability benefit amount equivalent to an annuity computed under subdivision 3 based on all years of service credited under this section and waiving the age requirement.

Subd. 6. [DISABILITY BENEFIT COORDINATION.] If the eligible employee is entitled to receive a disability benefit as provided in subdivision 4 or 5 and has allowable service credit under this section for less service than the length of service upon which the disability benefit in subdivision 4 or 5 is based, and also has allowable service in the general plan not includable in this section, the employee is entitled to a disability benefit or deferred retirement annuity based on the

general plan service not includable in this section only for the service that, when combined with the service includable in this section, exceeds the number of years on which the disability benefit provided in subdivision 4 or 5 is based. The benefit recipient under subdivision 4 or 5 who also has credit for regular plan service must in all respects qualify under section 352.113 to be entitled to receive a disability benefit based on the general plan service not includable in this section, except that the service may be combined to satisfy length of service requirements. Any deferred annuity to which the employee may be entitled based on general plan service not includable in this section must be augmented as provided in section 352.72, subdivision 2, while the employee is receiving a disability benefit under this section.

Subd. 7. [ADDITIONAL CONTRIBUTIONS.] The special retirement annuity and disability coverage under this section must be financed by an employee contribution of 2.78 percent of covered salary and an employer contribution of 4.20 percent. These contributions are in addition to the contributions required by section 352.04, subdivisions 2 and 3, and must be made in the manner provided for in section 352.04, subdivisions 4, 5, and 6.

Subd. 8. [ELECTION OF COVERAGE.] To be covered by this section, an employee of the department of public safety described in subdivision 1 who is employed in a position described in that subdivision on or after July 1, 1999, must file a notice with the executive director of the Minnesota state retirement system on a form prescribed by the executive director stating whether or not the employee elects to be covered by this section. Notice must be filed by September 1, 1999, or within 90 days of employment, whichever is later. Elections are irrevocable during any period of covered employment. A failure to file a timely notice shall be deemed a waiver of coverage by this section.

Sec. 2. Minnesota Statutes 1998, section 356.19, is amended by adding a subdivision to read:

Subd. 2a. [COORDINATED MEMBERS.] The applicable benefit accrual rate is 2.0 percent.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective the day following final enactment.

ARTICLE 15

TEACHER RETIREMENT PLANS

PRIOR SERVICE CREDIT PURCHASE

AUTHORIZATION

Section 1. [354.533] [PRIOR OR UNCREDITED MILITARY SERVICE CREDIT PURCHASE.]

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

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

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

Sec. 2. [354.534] [PRIOR OUT-OF-STATE TEACHING SERVICE CREDIT PURCHASE.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 3. [354.535] [MATERNITY LEAVE OF ABSENCE AND BREAK IN SERVICE PURCHASES.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 4. [354.536] [PRIVATE OR PAROCHIAL TEACHING SERVICE CREDIT PURCHASE.]

Subdivision 1. [SERVICE CREDIT PURCHASE AUTHORIZED.] A teacher who has at least three years of allowable service credit with the teachers retirement association is entitled to purchase up to ten years of allowable and formula service credit for private or parochial school

teaching service by making payment under section 356.55, provided that the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit from the applicable employer-sponsored pension plan and has not purchased service credit from the applicable defined benefit employer-sponsored pension plan for that service.

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 5. [354.537] [PEACE CORPS OR VISTA SERVICE CREDIT PURCHASE.]

Subdivision 1. [SERVICE CREDIT PURCHASE AUTHORIZED.] A teacher who has at least three years of allowable service credit with the teachers retirement association is entitled to purchase up to ten years of allowable and formula service credit for service rendered in the federal peace corps program or in the federal volunteers in service to America program by making payment under section 356.55, provided that the teacher has not purchased service credit from any defined benefit pension plan for that service.

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 6. [354.538] [CHARTER SCHOOL TEACHING SERVICE CREDIT PURCHASE.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 7. [354A.097] [PRIOR OR UNCREDITED MILITARY SERVICE CREDIT PURCHASE.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable service credit for the purchase period must be granted by the applicable teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 8. [354A.098] [PRIOR OUT-OF-STATE TEACHING SERVICE CREDIT PURCHASE.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable service credit for the purchase period must be granted by the applicable teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 9. [354A.099] [MATERNITY BREAK IN SERVICE OR LEAVE SERVICE CREDIT PURCHASE.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable service credit for the purchase period must be granted by the applicable teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 10. [354A.101] [PRIVATE OR PAROCHIAL TEACHING SERVICE CREDIT PURCHASE.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable service credit for the purchase period must be granted by the teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 11. [354A.102] [PEACE CORPS OR VISTA SERVICE CREDIT PURCHASE.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable service credit for the purchase period must be granted by the teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 12. [354A.103] [CHARTER SCHOOL TEACHING SERVICE CREDIT PURCHASE.]

Subdivision 1. [SERVICE CREDIT PURCHASE AUTHORIZED.] A teacher who has at least three years of allowable service credit with the teachers retirement fund association is entitled to

purchase up to ten years of allowable service credit for charter school teaching service by making payment under section 356.55, provided that the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit from the applicable employer-sponsored pension plan and has not purchased service credit from the applicable defined benefit employer-sponsored pension plan for that service.

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable service credit for the purchase period must be granted by the teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 13. [354A.104] [PREVIOUSLY UNCREDITED PART-TIME TEACHING SERVICE CREDIT PURCHASE.]

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

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

Subd. 3. [SERVICE CREDIT GRANT.] Allowable service credit for the purchase period must be granted by the teachers retirement fund association to the purchasing teacher on receipt of the purchase payment amount.

Sec. 14. Minnesota Statutes 1998, section 356.55, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION.] Unless the prior service credit purchase authorization special law or general statute provision explicitly specifies a different purchase payment amount determination procedure, this section governs the determination of the prior service credit purchase payment amount of any prior service credit purchase. The purchase payment amount determination procedure must recognize any service credit accrued to the purchaser in a pension plan listed in section 356.30, subdivision 3. Any service credit in a Minnesota defined benefit public employee pension plan available to be reinstated by the purchaser through the repayment of a refund of member or employee contributions previously received must be repaid in full before any purchase of prior service credit payment is made under this section.

Sec. 15. Minnesota Statutes 1998, section 356.55, subdivision 6, is amended to read:

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

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

Sec. 16. [INSTRUCTION TO REVISOR.]

The revisor of statutes shall replace the current headnote for Minnesota Statutes, section 354.53, with the headnote "CREDIT FOR MILITARY SERVICE LEAVE OF ABSENCE."

Sec. 17. [EFFECTIVE DATE.]

(a) This article is effective on May 16, 1999.

(b) A teacher who retires on or before May 16, 1999, is not eligible to purchase service credit under the provisions of this act. A teacher who desires to purchase service credit under this article before November 1, 1999, must pay an administrative processing fee to the applicable retirement plan or plans for the preparation of the estimate. The amount of the administrative processing fee for a teacher retirement plan must be established by the board of the plan based on a reasonable estimate of the likely cost to the plan of processing the service credit purchase payment estimate, but not less than \$50.

ARTICLE 16
MINNEAPOLIS EMPLOYEES RETIREMENT
PLAN CHANGES

Section 1. Minnesota Statutes 1998, section 422A.06, subdivision 3, is amended to read:

Subd. 3. [DEPOSIT ACCUMULATION FUND.] ~~The deposit accumulation fund consists of the assets held in the fund, increased by including amounts contributed by or for employees, amounts contributed by the city, amounts contributed by municipal activities supported in whole or in part by revenues other than taxes and amounts contributed by any public corporation, amounts paid by the state, and by income from investments. There must be paid from the fund the amounts required to be transferred to the retirement benefit fund, or the disability benefit fund, refunds of contributions, death benefits payable on death before retirement that are not payable from the survivors' benefit fund including the death-while-active refund specified in section 422A.22, subdivision 4, postretirement increases in retirement allowances granted under Laws 1965, chapter 688, or Laws 1969, chapter 859, and expenses of the administration of the retirement fund which were not charged by the retirement board against the income of the retirement benefit fund from investments as the cost of handling the investments of the retirement benefit fund.~~

Sec. 2. Minnesota Statutes 1998, section 422A.06, subdivision 6, is amended to read:

Subd. 6. [SURVIVOR'S BENEFIT FUND.] ~~The survivor's benefit fund shall consist consists of the amount held for survivor benefits, increased by contributions for survivor benefits made by and for employees, including contributions made by the employer, by any municipal activity supported in whole or in part by revenue other than taxes or by any public corporation. A proportionate share of income from investments shall must be allocated to this fund. There shall be paid from such fund the Survivor benefits specified in section 422A.23 except that the refund of net accumulated deductions from the salary of a contributing member shall upon death in service be paid from the deposit accumulation fund must be paid from this fund.~~

Sec. 3. Minnesota Statutes 1998, section 422A.101, subdivision 4, is amended to read:

Subd. 4. [ADDITIONAL EMPLOYER CONTRIBUTION IN CERTAIN INSTANCES.] (a) If a participating employing unit, other than the state, has a negative asset balance in the deposit accumulation fund, the executive director shall bill the employing unit for the amount of the deficiency. Any amount billed must include six percent interest, compounded annually, for any year or portion of a year from the billing date until the date of payment.

(b) If assets in the deposit accumulation fund are insufficient to make a transfer to the retirement benefit fund, the city of Minneapolis shall pay the amount of that insufficiency to the retirement benefit fund within three days of certification of the insufficiency by the executive director of the fund. The city of Minneapolis may bill any other participating employing unit other than the state for its proportion of the amount paid. Any amount billed by the city under this paragraph must include interest as specified in paragraph (a).

Sec. 4. Minnesota Statutes 1998, section 422A.18, subdivision 2, is amended to read:

Subd. 2. [DISABILITY ALLOWANCE AMOUNT.] (a) The amount of disability allowance under this section shall be the amount of service allowance to which the employee would be entitled under section 422A.15, notwithstanding the age requirements expressed therein; or the lesser of the following amounts: 50 percent of the final average compensation, or an amount equal to two percent of final average compensation for each year of allowable service for the first ten years, and thereafter 2.5 percent of final average compensation per year of allowable service, including in the latter assumed service between the date the disability occurred and the 60th birthday of the employee.

~~If the amount of annuity (b) Annuities payable from the Minnesota postretirement investment fund to any class of annuitants is adjusted pursuant to section 11A.18, the amount of benefits payable from the disability benefit fund for that class of annuitants under this section shall also be adjusted at the same time and rate as retirement annuities in the retirement benefit fund.~~

Sec. 5. Minnesota Statutes 1998, section 422A.22, subdivision 4, is amended to read:

Subd. 4. [DEATH-WHILE-ACTIVE REFUND.] (a) ~~Upon the death of a contributing an active member while still in the service of the city, and before reaching the compulsory age of retirement prior to termination of service, there shall be paid to such person the beneficiary or persons as beneficiaries designated by the member shall have nominated by written designation on a form specified by the executive director and filed with the retirement board, in such form as the retirement board shall require, the net accumulated amount of employee deductions from salary, pay, or compensation, including interest, to the member's credit on date of compounded annually to the date of the member's death. The amount must not include any contributions made by the employee or on the employee's behalf, or any interest or investment earnings on those contributions, which were allocated to the survivor benefit fund under section 422A.06, subdivision 6.~~

(b) ~~If the employee fails to make a designation, or if the person or persons beneficiary or beneficiaries designated by such the employee predeceases such the employee, the net accumulated amount of deductions from salary, pay, or compensation including interest, to the credit of such employee on date of death shall benefit specified in paragraph (a) must be paid to such the deceased employee's estate.~~

(c) A benefit payable under this subdivision is in addition to any applicable survivor benefit under section 422A.23.

Sec. 6. Minnesota Statutes 1998, section 422A.22, subdivision 5, is amended to read:

Subd. 5. [REPAYMENT OF REFUND.] ~~Upon reinstatement reemployment of a former covered employee to the service, in employment covered by the Minneapolis employees retirement fund, service credit for such past service or for any part thereof shall which was forfeited by taking a refund must be granted reinstated only upon repayment of the amount of the separation refund, with interest, from the time of separation payment of the refund until the date repaid.~~

Sec. 7. Minnesota Statutes 1998, section 422A.23, is amended to read:

422A.23 [SURVIVOR BENEFITS.]

Subdivision 1. [PAYMENT OF CITY INSTALLMENT ACCUMULATED AMOUNT.] (a) ~~If a contributing an active or deferred member dies after having been in the service with ten or more~~

~~years of service credit, and before actual retirement, as determined by the retirement board, the present worth of the city's annual installments of \$60 then to the credit of the contributing member, shall be paid to a beneficiary designated by such contributing member in such form as the retirement board shall require, who shall be the surviving spouse, or surviving child, or children of such member or, if there be no surviving spouse or surviving child or children, then to a person actually dependent on and receiving principal support from such member, or surviving mother or father, or grandchildren, or surviving brother or sister, or surviving children of the deceased brother or sister of such member except as noted in paragraph (d), the individual specified in paragraph (b) is eligible to receive the benefit specified in paragraph (c).~~

~~(b) An individual eligible for the benefit specified in paragraph (c) is a beneficiary designated by the member on a form specified by the executive director. If the beneficiary designated by the member is not one of the class of persons named in the preceding sentence, such benefit from the accumulation of city deposits shall be paid in the following order: (1) to the surviving spouse, the whole thereof; (2) if there be no surviving spouse, to the surviving children, share and share alike; (3) if there be no surviving spouse or child or children, to the dependent or dependents as those terms are herein defined, of the member, share and share alike; (4) if there be no surviving spouse, child or children, or dependents, to the surviving mother and father, share and share alike; (5) if there be no surviving mother and father, to the grandchildren, in equal shares; if there be no grandchildren, to the surviving brothers and sisters of the member, in equal shares; (6) if there be no surviving brothers and sisters, to the surviving children of the deceased brothers and sisters of the member, in equal shares; or (7) if there is none of the foregoing persons who survives the member, the accumulation of the city deposits shall be applied to the funeral expenses of the member failed to designate a beneficiary, or if the beneficiary or beneficiaries designated by the employee predecease the employee, the benefit in paragraph (c) is payable to the deceased employee's estate.~~

~~(c) The benefit is a lump-sum payment of the present value of the city's or other contributing employer's annual installments of \$60 to the credit of the member.~~

~~(d) No benefit is payable under this subdivision if a monthly survivor benefit is paid on behalf of the deceased employee under another subdivision of this section.~~

Subd. 2. [SHORT-SERVICE SURVIVOR BENEFIT.] (a) If an active member dies prior to termination of service with at least 18 months but less than 20 years of service credit, the surviving spouse or surviving child or children is eligible to receive the survivor benefit specified in paragraph (b) or (c), as applicable. Payment of a benefit for any surviving child under the age of 18 years shall be made to the surviving parent, or if there be none, to the legal guardian of the surviving child. ~~For purposes of this subdivision, a surviving child is an unmarried child of the deceased member under the age of 18, or under the age of 22 if a full-time student at an accredited school, college, or university.~~

(b) If the surviving spouse or surviving child benefit commenced before July 1, 1983, the surviving spouse benefit is increased from \$500 per month to \$750 per month and the surviving child benefit is \$225 per month, beginning with the first monthly payment payable after May 28, 1998. The sum of surviving spouse and surviving child benefits payable under this paragraph shall not exceed \$900 per month. The increased cost resulting from the benefit increases under this paragraph must be allocated to each employing unit listed in section 422A.101, subdivisions 1a, 2, and 2a, on the basis of the additional accrued liability resulting from increased benefits paid to the survivors of employees from that unit.

(c) If the surviving spouse or surviving child benefit commences after June 30, 1983, the surviving spouse benefit is 30 percent of the member's average salary in effect over the last six months of allowable service preceding the month in which death occurs. The surviving child benefit is ten percent of the member's average salary in effect over the last six months of allowable service preceding the month in which death occurs. The sum of surviving spouse and surviving child benefits payable under this paragraph shall not exceed 50 percent of the member's average salary in effect over the last six months of allowable service.

(d) Any surviving child benefit or surviving spouse benefit computed under paragraph (c) and

in effect for the month immediately prior to May 28, 1998, is increased by 15 percent as of the first payment on or after May 28, 1998.

(e) Surviving child benefits under this subdivision terminate when the child no longer meets the definition of surviving child.

Subd. 5. [ADMINISTRATION.] Benefits herein provided shall in this section following the death of an active employee or deferred member, as applicable, commence with on the first day of the month following the month in which the active employee or deferred member dies and shall end with the last day of the month preceding the month in which eligibility ceases. Eligibility for the benefits herein provided shall be determined by the retirement board and its determination shall be final. Each beneficiary or parent or guardian of a dependent child or legal representative shall furnish such information as the board may deem necessary by the executive director to determine eligibility for the benefits provided by this section, and must be submitted. Failure to furnish any required information shall be sufficient grounds for the denial or discontinuance of benefits. A determination made by the executive director may be appealed to the retirement board, whose determination is final. If the surviving spouse of the deceased active employee or deferred member becomes entitled to a retirement allowance by reason of membership in this fund, the surviving spouse shall be authorized to receive the retirement allowance in addition to the all applicable surviving spouse's benefit spouse benefits to which the surviving spouse is entitled as specified in this section and section 422A.22, subdivision 4, if applicable. The cost of all monthly survivor's benefits provided in this section shall be an obligation of the members and of the city, any of its boards, departments, commissions or public corporations or other applicable employing units.

Subd. 6. [SURVIVOR BENEFIT EMPLOYEE CONTRIBUTION.] The retirement board shall create a reserve account for survivor's benefits from which shall be paid on an actuarial basis all survivor benefits due and payable. At the end of each fiscal year, as part of the annual actuarial valuation of the fund prepared by the commission-retained actuary, a determination of the normal cost of the benefits payable from the survivor's benefit account shall be made and the board shall reduce or increase the employee contribution rate of one-fourth of one percent if and when it is determined based on the annual actuarial valuation that the member contribution rate is in excess of or is less than the amount necessary to pay for 50 percent of the calculated normal cost of the survivor benefits provided in this section.

Subd. 7. [LONG-SERVICE ACTIVE AND DEFERRED MEMBER SURVIVOR COVERAGE.] (a) If the contributing active or deferred member dies after having been in the service of the city 20 or more years, and before the effective date of retirement, as determined by the retirement board, the board shall pay with 20 or more years of service credit, a beneficiary as defined in paragraph (b) is eligible to receive the benefit specified in paragraph (c).

(b) The beneficiary eligible for a benefit under paragraph (c) is the surviving spouse of the deceased employee. If there is no surviving spouse, the beneficiary may be a dependent surviving child of the member or dependent parent designated by the employee on a form prescribed by the executive director.

(c) The benefit payable to the beneficiary designated in paragraph (b) is a monthly allowance for life to the designated beneficiary of the employee. The monthly allowance herein provided for shall be is the actuarial equivalent of a single life service allowance specified in section 422A.15, subdivision 1, which would have been payable to the employee on the date of death, notwithstanding the age requirement stated in section 422A.15, subdivision 1. For purposes of this section, the amount of any excess contributions or voluntary additions by the member shall not be included in the calculations in determining the monthly allowance.

The survivor allowance under this subdivision shall be computed and determined under a procedure specified by the commission-retained actuary utilizing the appropriate mortality table established by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

(d) For benefits payable under this subdivision following the death of a deferred member, the benefit must be calculated as of the date of termination from service and increased by five percent per year until January 1, 1981, and by three percent per year thereafter compounded annually.

Subd. 8. [SURVIVING CHILD; DEPENDENT DEFINITION.] The beneficiary designated by the employee shall be the surviving spouse of such employee. If there is no surviving spouse, the designated beneficiary may be a dependent surviving child or dependent parent of such employee as dependency is defined in sections 422A.01 to 422A.25. If the beneficiary designated by the employee is not of the class of persons provided for in this subdivision, or if the designated beneficiary predeceases the employee, a refund shall be made as provided for in section 422A.22, in lieu of a life income. If the employee does not elect to designate a beneficiary to receive a life income as herein provided, the designated beneficiary, if of the class of persons set forth in this subdivision, may elect within 60 days after the date of death of the employee to receive a life income computed and determined as though the employee had retired on the date of death under the option 2 plan of retirement, as provided for in sections 422A.01 to 422A.25, and had designated such person as beneficiary. For purposes of subdivision 2, a surviving child is an unmarried child of the deceased member under the age of 18, or under the age of 22 if a full-time student at an accredited school, college, or university. For purposes of subdivision 7, a dependent surviving child or dependent parent must meet the definition of dependent, as defined in section 422A.01, subdivision 12, at the time of the active or deferred member's death.

Subd. 9. [LUMP-SUM DEATH BENEFIT.] If any employee who has contributed to the survivor's benefit account as herein provided dies before the effective date of retirement on a service or disability pension and is not survived by a beneficiary eligible to receive a monthly allowance as herein provided If no monthly survivor benefit is payable under subdivision 2 or 7, there shall be paid from the survivor's survivor benefit account to a beneficiary designated by the employee on a form prescribed by the executive director a lump-sum death benefit of \$750 if death occurs prior to the end of the employee's tenth year of service credit or of \$1500 if the employee had prior to death completed ten or more calendar years of service credit. Upon reinstatement of a former employee to the service, credit for such past service or for any part thereof shall be granted only upon repayment of the amount of the separation refund, with interest, from the time of separation. Any benefit under this subdivision may be paid in addition to a benefit payable under subdivision 1.

Subd. 10. [BENEFIT INCREASES.] If the amount of annuity payable from the Minnesota postretirement investment fund to any class of annuitants is adjusted pursuant to section 11A.18, the amount of benefits payable from the survivor's benefit fund pursuant to subdivisions 7 or 8 for that class of annuitants shall also be adjusted at the same time and rate. Annuities payable under this section must be adjusted at the same time and rate as retirement annuities in the retirement benefit fund.

Subd. 11. [EFFECT OF SPOUSE REMARRIAGE.] A monthly survivor benefit is must not suspended, be discontinued or terminated, or otherwise stopped due to a surviving spouse's remarriage.

Subd. 12. [DETERMINATION OF ANNUITY.] The survivor annuities payable under this section must be computed and determined under a procedure specified by the actuary retained by the legislative commission on pensions and retirement utilizing the appropriate mortality table based on the experience of the fund as recommended by that actuary and approved by the legislative commission on pensions and retirement and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 8. [422A.231] [COST ALLOCATION.]

(a) Notwithstanding any law to the contrary, all current and future contribution requirements due to this article are payable by the participating contributing employing units other than the state.

(b) In each actuarial valuation of the retirement fund, the actuary retained by the legislative commission on pensions and retirement shall include an exhibit on the impact of the benefit

increases contained in this article on the survivor benefit fund. The actuary shall calculate the expected change in the present value of the future benefits payable from the survivor benefit fund attributable to this article, using the actuarial method and assumptions applicable to the Minneapolis employees retirement fund, from the prior actuarial valuation and shall compare that result with the actual change in the present value of future benefits payable from the survivor benefit fund attributable to this article from the prior actuarial valuation.

(c) The executive director shall assess each participating employer, other than the state, its proportional share of the net increase amount calculated under paragraph (b). The assessment must be made on the first business day of the following February, plus compound interest at an annual rate of six percent on the amount from the actuarial valuation date to the date of payment.

Sec. 9. [REPEALER.]

Minnesota Statutes 1998, section 422A.16, subdivision 3a, is repealed.

Sec. 10. [EFFECTIVE DATE.]

(a) This article is effective upon approval by the Minneapolis city council and compliance with Minnesota Statutes, section 645.021.

(b) All sections of this article must be approved for the approval of any section to be effective.

ARTICLE 17

EMPLOYER MATCHING CONTRIBUTION

TAX-SHELTERED ANNUITY

CHANGES

Section 1. Minnesota Statutes 1998, section 356.24, subdivision 1, is amended to read:

Subdivision 1. [RESTRICTION; EXCEPTIONS.] (a) It is unlawful for a school district or other governmental subdivision or state agency to levy taxes for, or contribute public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than:

(1) to a supplemental pension plan that was established, maintained, and operated before May 6, 1971;

(2) to a plan that provides solely for group health, hospital, disability, or death benefits;

(3) to the individual retirement account plan established by chapter 354B;

(4) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;

(5) for employees other than personnel employed by the state university board or the community college board and covered by the board of trustees of the Minnesota state colleges and universities supplemental retirement plan under chapter 354C, if provided for in a personnel policy of the public employer or in the collective bargaining agreement between the public employer and the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year per employee;

(i) to the state of Minnesota deferred compensation plan under section 352.96; or

(ii) in payment of the applicable portion of the premium on a tax-sheltered annuity contract qualified under section 403(b) of the Internal Revenue Code, if purchased from a qualified insurance company, or to a qualified investment entity, as defined in subdivision 1a, and, in either case, if the employing unit has complied with any applicable pension plan provisions of the

Internal Revenue Code with respect to the tax-sheltered annuity program during the preceding calendar year; or

(6) for personnel employed by the state university board or the community college board and not covered by clause (5), to the supplemental retirement plan under chapter 354C, if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year for each employee.

~~(b)~~ Subd. 1a. [QUALIFIED INSURANCE COMPANY; QUALIFIED INVESTMENT ENTITIES; DEFINITIONS.] (a) A qualified insurance company is a company that:

(1) meets the definition in section 60A.02, subdivision 4;

(2) is licensed to engage in life insurance or annuity business in the state;

(3) is determined by the commissioner of commerce to have a rating within the top two rating categories by a recognized national rating agency or organization that regularly rates insurance companies; and

(4) is determined by the state board of investment to be among ~~the ten~~ up to 20 applicant insurance companies with competitive investment options and investment returns ~~on annuity products~~.

~~(b)~~ A qualified investment entity is an open-end investment company that:

(1) is registered under the federal Investment Company Act of 1940;

(2) is licensed to do business in the state;

(3) is determined by the commissioner of commerce to be in sound financial standing; and

(4) is determined by the state board of investment to be among up to five applicant investment entities with competitive investment options and investment returns.

~~(c)~~ The state board of investment determination must be made on or before ~~January 1, 1993~~ July 1, 2000, and must be reviewed periodically. The state board of investment may retain actuarial services to assist it in this determination and in its periodic review. The state board of investment may annually establish a budget for its costs in any determination and periodic review processes. The state board of investment may charge a proportional share of all costs related to the periodic review to those qualified insurance companies and qualified investment entities currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids in a determination process to each company and investment entity selected by the state board of investment. All contracts must be approved before execution by the state board of investment. The state board of investment shall establish policies and procedures under section 11A.04, clause (2), to carry out this paragraph.

~~(e)~~ Subd. 1b. [VENDOR RESTRICTIONS.] A personnel policy for unrepresented employees or a collective bargaining agreement may establish limits on the number of vendors under ~~paragraph (b), clause (5), subdivision 1~~ that it will utilize and conditions under which the vendors may contact employees both during working hours and after working hours.

Sec. 2. [COMMISSION STUDY.]

The legislative commission on pensions and retirement shall study the issue of the appropriate means to provide partially employer-funded tax-sheltered savings opportunities for educational employees, including the establishment of a single comprehensive program structure for all applicable educational employers and the elimination of any restriction on investment vendors in providing partially employer-funded investment opportunities to educational employees.

Sec. 3. [EFFECTIVE DATE.]

Section 1 is effective May 15, 2000. Section 2 is effective on the day following final enactment.

ARTICLE 18

MNSCU INDIVIDUAL RETIREMENT ACCOUNT PLAN CHANGES

Section 1. Minnesota Statutes 1998, section 43A.27, subdivision 3, is amended to read:

Subd. 3. [RETIRED EMPLOYEES.] (a) A person may elect to purchase at personal expense individual and dependent hospital, medical, and dental coverages if the person is:

(1) a retired employee of the state or an organization listed in subdivision 2 or section 43A.24, subdivision 2, who, at separation of service:

(i) is immediately eligible to receive a retirement benefit under chapter 354B or an annuity under a retirement program sponsored by the state or such organization of the state and;

(ii) immediately meets the age and service requirements in section 352.115, subdivision 1; and

(ii) (iii) has five years of service or meets the service requirement of the collective bargaining agreement or plan, whichever is greater; or

(2) a retired employee of the state who is at least 50 years of age and has at least 15 years of state service.

(b) The commissioner shall offer at least one plan which is actuarially equivalent to those made available through collective bargaining agreements or plans established pursuant to under section 43A.18 to employees in positions equivalent to that from which retired.

(c) A spouse of a deceased retired employee who received an annuity under a state retirement program person eligible under paragraph (a) may purchase the coverage listed in this subdivision if the spouse was a dependent under the retired employee's coverage at the time of the employee's retiree's death.

(d) Coverages must be coordinated with relevant health insurance benefits provided through the federally sponsored Medicare program. Until the retired employee reaches age 65, the retired employee and dependents must be pooled in the same group as active employees for purposes of establishing premiums and coverage for hospital, medical, and dental insurance. Coverage for retired employees and their dependents may not discriminate on the basis of evidence of insurability or preexisting conditions unless identical conditions are imposed on active employees in the group that the employee left. Appointing authorities shall provide notice to employees no later than the effective date of their retirement of the right to exercise the option provided in this subdivision. The retired employee must notify the commissioner or designee of the commissioner within 30 days after the effective date of the retirement of intent to exercise this option.

Sec. 2. Minnesota Statutes 1998, section 136F.48, is amended to read:

136F.48 [EMPLOYER-PAID HEALTH INSURANCE.]

(a) This section applies to a person who:

(1) retires from the Minnesota state university colleges and universities system, the technical college system, or the community college system, or from a successor system employing state university, technical college, or community college faculty, with at least ten years of combined service credit in a system under the jurisdiction of the board of trustees of the Minnesota state colleges and universities;

(2) was employed on a full-time basis immediately preceding retirement as a state university, technical college, or community college faculty member or as an unclassified administrator in one of those systems the Minnesota state colleges and universities system;

(3) begins drawing a retirement benefit from the individual retirement account plan or an annuity from the teachers retirement association, the Minnesota state retirement system, or from a first class city teacher plan; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the president of the institution where the person returns to work and the employee. The president may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The president shall determine the time of year the employee shall work. The employer or the president may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section.

(c) For a person eligible under paragraphs (a) and (b), the employing board shall make the same employer contribution for hospital, medical, and dental benefits as would be made if the person were employed full time.

(d) For work under paragraph (a), a person must receive a percentage of the person's salary at the time of retirement that is equal to the percentage of time the person works compared to full-time work.

(e) If a collective bargaining agreement covering a person provides for an early retirement incentive that is based on age, the incentive provided to the person must be based on the person's age at the time employment under this section ends. However, the salary used to determine the amount of the incentive must be the salary that would have been paid if the person had been employed full time for the year immediately preceding the time employment under this section ends.

(f) A person who returns to work under this section is a member of the appropriate bargaining unit and is covered by the appropriate collective bargaining contract. Except as provided in this section, the person's coverage is subject to any part of the contract limiting rights of part-time employees.

Sec. 3. [352.1155] [NO ANNUITY REDUCTION.]

Subdivision 1. [ELIGIBILITY.] Except as indicated in subdivision 4, the annuity reduction provisions of section 352.115, subdivision 10, do not apply to a person who:

(1) retires from the Minnesota state colleges and universities system with at least ten years of combined service credit in a system under the jurisdiction of the board of trustees of the Minnesota state colleges and universities;

(2) was employed on a full-time basis immediately preceding retirement as a faculty member or as an unclassified administrator in that system;

(3) begins drawing an annuity from the general employees retirement plan of the Minnesota state retirement system; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired.

Subd. 2. [APPROVAL REQUIREMENTS.] Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the president of the institution where the person returns to work and the employee. The president may require up to one-year notice of intent to participate in the program as a condition of participation under

this section. The president shall determine the time of year the employee shall work. The employer or the president may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section.

Subd. 3. [SERVICE CREDIT PROHIBITION.] Notwithstanding any law to the contrary, a person eligible under this section may not, based on employment to which the waiver in this section applies, earn further service credit in a Minnesota public defined benefit plan and is not eligible to participate in a Minnesota public defined contribution plan, other than a volunteer fire plan governed by chapter 424A. No employer or employee contribution to any of these plans may be made on behalf of such a person.

Subd. 4. [EXEMPTION LIMIT.] For a person eligible under this section who earns more than \$35,000 in a calendar year from reemployment in the Minnesota state colleges and universities system following retirement, the annuity reduction provisions of section 352.115, subdivision 10, apply only to income over \$35,000.

Subd. 5. [CONTINUING RIGHTS.] A person who returns to work under this section is a member of the appropriate bargaining unit and is covered by the appropriate collective bargaining contract. Except as provided in this section, the person's coverage is subject to any part of the contract limiting rights of part-time employees.

Sec. 4. Minnesota Statutes 1998, section 354.445, is amended to read:

354.445 [NO ANNUITY REDUCTION.]

(a) The annuity reduction provisions of section 354.44, subdivision 5, do not apply to a person who:

(1) retires from the Minnesota state university colleges and universities system, technical college system, or the community college system, or from a successor system employing state university, technical college, or community college faculty, with at least ten years of combined service credit in a system under the jurisdiction of the board of trustees of the Minnesota state colleges and universities;

(2) was employed on a full-time basis immediately preceding retirement as a state university, technical college, or community college faculty member or as an unclassified administrator in one of these systems that system;

(3) begins drawing an annuity from the teachers retirement association; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than \$35,000 in a calendar year from employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the president of the institution where the person returns to work and the employee. The president may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The president shall determine the time of year the employee shall work. The employer or the president may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section.

(c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a) and (b) may not, based on employment to which the waiver in this section applies, earn further service credit in the teachers retirement association and is not eligible to participate in the individual retirement account plan or the supplemental retirement plan established in chapter 354B as a result of service under this section a Minnesota public defined benefit plan and is not eligible to participate in a Minnesota public defined contribution plan, other than a volunteer fire plan governed by chapter 424A. No employer or employee contribution to any of these plans may be made on behalf of such a person.

(d) For a person eligible under paragraphs (a) and (b) who earns more than \$35,000 in a calendar year from employment after retirement ~~in the system from which the person retired due to employment by the Minnesota state colleges and universities system~~, the annuity reduction provisions of section 354.44, subdivision 5, apply only to income over \$35,000.

(e) A person who returns to work under this section is a member of the appropriate bargaining unit and is covered by the appropriate collective bargaining contract. Except as provided in this section, the person's coverage is subject to any part of the contract limiting rights of part-time employees.

Sec. 5. Minnesota Statutes 1998, section 354.66, subdivision 1b, is amended to read:

Subd. 1b. [DISTRICT, DEFINED.] For purposes of this section, the term "district" means a school district, ~~the community~~ or the Minnesota state college system and the state university system.

Sec. 6. Minnesota Statutes 1998, section 354.66, subdivision 1c, is amended to read:

Subd. 1c. [PARTICIPATION.] (a) Except as indicated in paragraph (b), participation in the part-time mobility program must be based on a full fiscal year and the employment pattern of the teacher during the most recent fiscal year.

(b) For a teacher in the Minnesota state colleges and universities system who teaches only during the first semester in an academic year and retires immediately after the first semester, participation in the part-time mobility program must be based on one-half of a full fiscal year and the employment pattern of the teacher during the most recent one-half of the most recent fiscal year.

Sec. 7. Minnesota Statutes 1998, section 354.66, subdivision 3, is amended to read:

Subd. 3. [PART-TIME TEACHING POSITION, DEFINED.] (a) For purposes of this section, the term "part-time teaching position" ~~shall mean~~ means a teaching position within the district in which the teacher is employed for at least 50 full days or a fractional equivalent thereof as prescribed in section 354.091, and for which the teacher is compensated in an amount not exceeding 80 percent of the compensation established by the board for a full-time teacher with identical education and experience with the employing unit.

(b) The compensation of a teacher in the state colleges and universities system may exceed the 80 percent limit if the teacher does not teach just one of the three quarters in the system's full school year, provided no additional services are performed while the teacher participates in the program. For a teacher to which subdivision 1c, paragraph (b), applies, the term "part-time teaching position" means a teaching position within the district in which the teacher is employed for at least 25 full days or a fractional equivalent thereof as prescribed in section 354.091, and for which the teacher is compensated in an amount not exceeding 40 percent of the compensation established by the board for a full-time teacher, with identical education and experience with the employing unit.

Sec. 8. Minnesota Statutes 1998, section 354B.24, subdivision 3, is amended to read:

Subd. 3. [OPTIONAL ADDITIONAL CONTRIBUTIONS.] (a) In addition to contributions required by subdivision 2, a plan participant on an approved sabbatical leave may shall make an optional additional member contribution. The optional additional member may not exceed based on the applicable member contribution rate specified in section 354B.23, subdivision 1, applied to the difference between the amount of salary actually received during the sabbatical leave and the amount of full-time salary actually received for a comparable period of an identical length to the member would have received if not on sabbatical leave that occurred during the fiscal year immediately preceding the sabbatical leave.

(b) Any optional additional member contribution must be made before the last day of the fiscal year next following the fiscal year in which the sabbatical leave terminates. The optional additional member contribution may not include interest through payroll deduction as though the member were employed full-time.

(c) When an optional additional member contribution is made, the employing unit must make the employer contribution at the rate set forth specified in section 354B.23, subdivision 3, on the salary that was the basis for the optional additional member contribution under paragraph (a).

(d) An employer contribution required under this section must be made no later than 60 days after the date on which the optional additional member contribution was made.

Sec. 9. Minnesota Statutes 1998, section 354B.25, subdivision 2, is amended to read:

Subd. 2. [~~ANNUITY CONTRACTS AND CUSTODIAL ACCOUNTS INVESTMENT OPTIONS.~~] (a) The plan administrator shall arrange for the purchase of ~~fixed annuity contracts, variable annuity contracts, a combination of fixed and variable annuity contracts, or custodial accounts from financial institutions which have been selected by the state board of investment under subdivision 3, as the investment vehicle for the retirement coverage of plan participants and to provide retirement benefits to plan participants. Custodial accounts from financial institutions shall include open-end investment companies registered under the federal Investment Company Act of 1940, as amended~~ investment products.

(b) ~~The annuity contracts or accounts investment products must be purchased with contributions under section 354B.23 or with money or assets otherwise provided by law by authority of the board and deemed acceptable by the applicable financial institution.~~

(c) ~~In addition to contracts and accounts from financial institutions, The Minnesota supplemental investment fund established under section 11A.17 and administered by the state board of investment is one of the investment options products for the individual retirement account plan. Direct access must also be provided to lower expense and no load mutual funds, as those terms are defined by the federal securities and exchange commission, including stock funds, bond funds, and balanced funds. Other investment products or combination of investment products which may be included are:~~

(1) savings accounts at federally insured financial institutions;

(2) life insurance contracts, fixed and variable annuity contracts from companies that are subject to regulation by the commerce commissioner;

(3) investment options from open ended investment companies registered under the federal Investment Company Act of 1940, United States Code, title 15, sections 80a-1 to 80a-64;

(4) investment options from a firm that is a registered investment advisor under the Investment Advisors Act of 1940, United States Code, title 15, sections 80b-1 to 80b-21;

(5) investment options of a bank as defined in United States Code, title 15, section 80b-2, subsection (a), paragraph 2, or a bank holding company as defined in the Bank Holding Company Act of 1956, United States Code, title 12, section 1841, subsection (a), paragraph (1).

Sec. 10. Minnesota Statutes 1998, section 354B.25, subdivision 3, is amended to read:

Subd. 3. [~~SELECTION OF FINANCIAL INSTITUTIONS.~~] (a) ~~The financial institutions investment options provided for under subdivision 2 must be selected by the state board of investment. Financial institutions include open-end investment companies registered under the federal Investment Company Act of 1940, as amended.~~

(b) ~~The state board of investment may select up to five financial institutions to provide annuity contracts, custodial accounts, or a combination, as investment options for the individual retirement account plan in addition to the Minnesota supplemental investment fund. In making its selection, at a minimum, the state board of investment shall consider at least the following:~~

(1) the experience and ability of the financial institution to provide retirement and death benefits and products that are suited to meet the needs of plan participants;

(2) the relationship of those retirement and death benefits and products provided by the financial institution to their cost; and

(3) the financial strength and stability of the financial institution; and

(4) the fees and expenses associated with the investment products in comparison to other products of similar risk and rates of return.

~~(e) (b)~~ After selecting a financial institution, the state board of investment must periodically review each financial institution ~~selected under paragraph (b)~~ and the offered products. The periodic review must occur at least every three years. In making its review, the state board of investment may retain appropriate consulting services to assist it in its periodic review, establish a budget for the cost of the periodic review process, and charge a proportional share of these costs to the reviewed financial institution.

~~(d) (c)~~ Contracts with financial institutions under this section must be executed by the board and must be approved by the state board of investment before execution.

~~(e) (d)~~ The state board of investment shall also establish policies and procedures under section 11A.04, clause (2), to carry out the provisions of this subdivision.

Sec. 11. Minnesota Statutes 1998, section 354B.25, subdivision 5, is amended to read:

Subd. 5. [INDIVIDUAL RETIREMENT ACCOUNT PLAN ADMINISTRATIVE EXPENSES.] (a) The reasonable and necessary administrative expenses of the individual retirement account plan ~~must~~ may be paid by ~~charged to~~ plan participants by the plan sponsor in the following manner:

~~(1) from plan participants with amounts invested in the Minnesota supplemental investment fund, the plan administrator may charge an administrative expense assessment in an amount such that annual total fees charged for plan administration cannot exceed 40/100 of one percent of the assets of the Minnesota supplemental investment funds; and~~

~~(2) from plan participants with amounts through annuity contracts and custodial accounts purchased under subdivision 2, paragraph (a), the plan administrator may charge an administrative expense assessment of a designated amount, not to exceed two percent of member and employer contributions, as those contributions are made form of an annual fee, an asset based fee, a percentage of the contributions to the plan, or a combination thereof.~~

(b) Any administrative expense charge that is not actually needed for the administrative expenses of the individual retirement account plan must be refunded to member accounts.

(c) The board of trustees shall report annually, before October 1, to the advisory committee created in subdivision 1a on administrative expenses of the plan. The report must include a detailed accounting of charges for administrative expenses collected from plan participants and expenditure of the administrative expense charges. The administrative expense charges collected from plan participants must be kept in a separate account from any other funds under control of the board of trustees and may be used only for the necessary and reasonable administrative expenses of the plan.

Sec. 12. [354B.31] [IRAP PART-TIME TEACHER MOBILITY PROGRAM.]

Subdivision 1. [PARTICIPATION REQUIREMENTS.] A faculty member who has three years or more of service in the Minnesota state colleges and universities system, by agreement with the board or with the authorized representative of the board, may be assigned to teaching service in a part-time teaching position under subdivision 2.

Subd. 2. [PART-TIME TEACHING POSITION; DEFINED.] For purposes of this section, "part-time teaching position" means a teaching position within the Minnesota state colleges and universities system in which the teacher is employed for at least 50 full days or a fractional equivalent as prescribed in section 354.091, and for which the faculty member is compensated in an amount not exceeding 80 percent of the compensation established by the board for a full-time faculty member with identical education and experience with the employing unit.

Subd. 3. [RETIREMENT CONTRIBUTIONS.] A faculty member assigned to a part-time position under this section shall continue to make employee contributions to the individual retirement account plan during the period of part-time employment on the same basis and in the same amounts as would have been paid if the person had been employed on a full-time basis provided that, prior to June 30 each year the member and the board make that portion of the required employer contribution to the plan, in any proportion which they may agree upon, that is based on the difference between the amount of compensation that would have been paid if the person had been employed on a full-time basis and the amount of compensation actually received by the person for the services rendered in the part-time assignment. The employing unit shall make that portion of the required employer contributions to the plan on behalf of the person that is based on the amount of compensation actually received by the person for the services rendered in the part-time assignment. The employee and employer contributions shall be based upon the rates of contribution prescribed by section 354B.23. Employee contributions for part-time teaching service pursuant to this section shall not continue for more than ten years.

Subd. 4. [OTHER MEMBERSHIP PRECLUDED.] A faculty member entitled to make employee contributions for part-time teaching service pursuant to this section shall not be entitled during the same period of time to be a member of, accrue allowable service credit in or make employee contributions to any other Minnesota public employee pension plan, except a volunteer firefighters relief association governed by sections 69.771 to 69.776.

Subd. 5. [INSURANCE.] If the board enters into an agreement authorized by this section, the board shall continue any insurance programs furnished or authorized a full-time teacher on an identical basis and with identical sharing of costs for a part-time teacher pursuant to this section. However, the requirements of this subdivision may be modified by a collective bargaining agreement between a board and an exclusive representative pursuant to chapter 179A. Teachers as defined in section 136F.43 employed on a less than 75 percent time basis pursuant to this section are eligible for state paid insurance benefits as if the teachers were employed full-time.

Subd. 6. [ELIGIBILITY FOR CREDIT.] Only teachers who are public employees as defined in section 179A.03, subdivision 14, during the school year preceding the period of part-time employment pursuant to this section qualify for employee contributions to the retirement plan for part-time teaching service under subdivision 4. Notwithstanding section 179A.03, subdivision 14, clauses (e) and (f), teachers who are employed on a part-time basis for purposes of this section and who would therefore be disqualified from the bargaining unit by one or both of those provisions, continue to be in the bargaining unit during the period of part-time employment under this section for purposes of compensation, fringe benefits, and the grievance procedure.

Subd. 7. [BOARD POWER NOT RESTRICTED.] This section does not limit the authority of the board to assign a teacher to a part-time teaching position which does not qualify for full accrual of service credit from and employee contributions to the retirement fund under this section.

Subd. 8. [SUBSTITUTE TEACHING.] Subdivision 4 does not prohibit a teacher who qualifies for full accrual of service credit from and employee contributions to the retirement fund pursuant to this section in any year from being employed as a substitute teacher by any school district during that year. Notwithstanding sections 354.091 and 354.42, a teacher may not qualify for full accrual of service credit from and employee contributions to the retirement fund for other teaching service rendered for any part of any year for which the teacher qualifies for employee contributions to the retirement plan pursuant to this section.

Sec. 13. Minnesota Statutes 1998, section 354C.12, subdivision 4, is amended to read:

Subd. 4. [ADMINISTRATIVE EXPENSES.] (a) The board of trustees of the Minnesota state colleges and universities is authorized to pay the necessary and reasonable administrative expenses of the supplemental retirement plan and may bill participants to recover these expenses. The administrative fees or charges must may be paid by charged to participants in the following manner: as an annual fee, an asset based fee, a percentage of contributions to the plan, or a contribution thereof.

(1) ~~from participants whose contributions are invested with the state board of investment, the plan administrator may recover administrative expenses in the manner authorized by the Minnesota state colleges and universities in an amount such that annual total fees charged for plan administration cannot exceed 40/100 of one percent of the assets of the Minnesota supplemental investment funds; or~~

(2) ~~from participants where contributions are invested through contracts purchased from any other authorized source, the plan administrator may assess an amount of up to two percent of the employee and employer contributions.~~

(b) Any recovered or assessed amounts that are not needed for the necessary and reasonable administrative expenses of the plan must be refunded to member accounts.

(c) The board of trustees shall report annually, before October 1, to the advisory committee created in section 354B.25, subdivision 1a, on administrative expenses of the plan. The report must include a detailed accounting of charges for administrative expenses collected from plan participants and expenditure of the administrative expense charges. The administrative expense charges collected from plan participants must be kept in a separate account from any other funds under control of the board of trustees and may be used only for the necessary and reasonable administrative expenses of the plan.

Sec. 14. [EFFECTIVE DATE.]

Sections 1 to 13 are effective on July 1, 1999.

ARTICLE 19

OTHER CHANGES

Section 1. Minnesota Statutes 1998, section 3.85, subdivision 3, is amended to read:

Subd. 3. [MEMBERSHIP.] The commission consists of ~~six~~ five members of the senate appointed by the subcommittee on committees of the committee on rules and administration and ~~six~~ five members of the house of representatives appointed by the speaker. Members shall be appointed at the commencement of each regular session of the legislature for a two-year term beginning January 16 of the first year of the regular session. Vacancies that occur while the legislature is in session shall be filled like regular appointments. If the legislature is not in session, senate vacancies shall be filled by the last subcommittee on committees of the senate committee on rules and administration or other appointing authority designated by the senate rules, and house vacancies shall be filled by the last speaker of the house, or if the speaker is not available, by the last chair of the house rules committee.

Sec. 2. [STUDY.]

The legislative commission on pensions and retirement shall study the feasibility and cost-effectiveness of converting public employee retirement plans to defined-contribution plans, projecting the cost and benefit implications to 2020, and shall report to the legislature by February 15, 2000.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective on the day following final enactment.

ARTICLE 20

PUBLIC PENSION FACILITIES

Section 1. Minnesota Statutes 1998, section 353.03, subdivision 4, is amended to read:

Subd. 4. [OFFICES.] The commissioner of administration shall ~~shall~~ may make provision for suitable office space in the state capitol or other state office buildings, or at such other location in St. Paul as is determined by the commissioner for the use of the board of trustees and its executive director. The commissioner shall give the board at least four months notice for any proposed

removal from their present location. Any and all rental charges shall be paid by the trustees from the public employees retirement fund.

Sec. 2. Minnesota Statutes 1998, section 354.06, subdivision 7, is amended to read:

Subd. 7. [OFFICES.] A suitable office shall may be provided by the state through the proper officer for the use of the board and its executive director.

Sec. 3. [356.89] [PUBLIC PENSION FACILITIES.]

Subdivision 1. [BUILDING; RELATED FACILITIES.] The board of directors of the Minnesota state retirement system, the board of trustees of the public employees retirement association, and the board of trustees of the teachers retirement association are authorized to expend or otherwise pledge pension funds or the proceeds of revenue bonds as provided in subdivision 3 for the common ownership, operation, and improvement of a building and related facilities for the administration of their public pension systems. This authority includes the authority to purchase or lease land and facilities and the authority to design, construct, furnish, improve, and equip a building and related parking facilities to accommodate employees and visitors. The boards' planning, selection, design, and building of facilities are not subject to the capital improvements provisions of section 16B.33. The competitive acquisition process set forth in chapter 16C does not apply provided the process set forth in subdivision 2 is followed. Notwithstanding that no appropriation is made, the requirements of sections 16B.30 to 16B.32 and 16B.335 apply to this project.

Subd. 2. [CONTRACTING PROCEDURES.] (a) The boards may enter into a contract for facilities with a contractor to furnish the architectural, engineering, and related services as well as the labor, materials, supplies, equipment, and related construction services on the basis of a request for qualifications and competitive responses received through a request for proposals process which must include the items listed in paragraphs (b) to (i).

(b) Prior to issuing a request for qualifications and a request for proposals, the boards, with the assistance of the department of administration, shall prepare performance criteria and specifications which shall include:

(1) a general floor plan or layout indicating the general dimensions of the public building and space requirements;

(2) design criteria for the exterior and site area;

(3) performance specifications for all building systems and components to assure quality and cost efficiencies;

(4) conceptual floor plans for systems space;

(5) preferred types of interior finishes, styles of windows, lighting and outlets, doors and features such as built-in counters and telephone wiring;

(6) mechanical and electrical requirements;

(7) special interior features required; and

(8) completion schedule.

(c) The boards shall first solicit statements of qualifications from eligible contractors and select more than one qualified contractor based upon experience, technical competence, past performance, capability to perform, and other appropriate facts. Contractors selected under this process shall be, employ, or have as a partner, member, coventurer, or subcontractor, persons licensed and registered under chapter 326 to provide the services required to design and complete the project. The boards do not have to select any of the respondents if none reasonably fulfill the criteria set forth within.

(d) The contractors selected shall be asked to respond to a request for proposals. Responses

must include site plans, design concept, elevation, statement of material to be used, floor layouts, a detailed development budget, and a total cost to complete the project. The proposal must indicate that the contractor obtained at least two proposals from subcontractors for each item of work and must set forth how the subcontractors were selected. The boards shall evaluate the proposals based upon design, cost, quality, aesthetics, and the best overall value to the state pension funds. The board need not select any of the proposals submitted and reserves the right to reject any and all proposals, and may terminate the process or revise the request for proposals and solicit new proposals if the boards determine that the best interests of the pension funds would be better served by doing so. Proposals submitted shall constitute nonpublic data until the contract is awarded.

(e) The contractor selected must comply with sections 574.26 to 574.261. Prior to the execution of a final contract, the contractor selected shall certify a firm construction price and completion date.

(f) The boards may consider building sites in the city of St. Paul and surrounding suburbs.

(g) Any land, building, or facility leased, constructed, or acquired and any leasehold interest acquired under this section shall be held in common ownership in the name of the three retirement systems as tenants in common. Each retirement system fund shall consider its interest as a fixed asset of its pension fund in accordance with governmental accounting standards.

(h) The boards may lease to another governmental subdivision any portion of the funds' building and lands which is not required for their direct use upon such terms and conditions as they deem to be in the best interest of the pension funds. Any income accruing from such rentals shall be separately accounted for and utilized to offset ongoing administrative expenses and any excess shall be carried forward for future administrative expenses. The boards are also authorized to enter into lease agreements for the establishment of satellite offices should the boards find such offices to be necessary in order to assure their members reasonable access to their services. The boards also have the authority to request the commissioner of administration to lease any portion of their building not required for their direct use pursuant to the commissioner's authorities under section 16B.24.

(i) The boards shall formulate and adopt a written working agreement which shall set forth the nature of each retirement system's ownership interest, the duties and obligations of each system towards the construction, operation, and maintenance costs of their facilities, and the identification of one retirement fund to serve as manager for operating and maintenance purposes. The boards may contract with independent third parties for maintenance-related activities, services, and supplies, and may utilize the services of the department of administration where economically feasible to do so. In the event the boards cannot agree or resolve a dispute which relates to operations or maintenance of the facilities, they may request the commissioner of administration to appoint a representative from the department's real estate management division to serve as arbitrator of the dispute with authority to issue a written resolution of the dispute.

Subd. 3. [REVENUE BONDS AUTHORIZED.] The boards, or any of them, may issue revenue bonds in the principal amount necessary, in the opinion of the boards, to achieve the purposes described in subdivisions 1 and 2; to pay issuance costs and interest costs; and to establish necessary reserves to secure the bonds. The boards may issue bonds for the purpose of refunding bonds issued under this subdivision.

Subd. 4. [PROCEDURE.] The bonds authorized in subdivision 3 must be sold, issued, and secured in the manner provided in chapter 475 for bonds payable solely from revenues, and the boards have the same powers and duties as a municipality and its governing body in issuing bonds under that chapter. The bonds may be sold at any price and at public or private sale as determined by the boards. The bonds may be sold in one or more series. Different series may be backed by different revenue sources. No election is required.

Subd. 5. [NONLIABILITY OF STATE.] The state of Minnesota is not liable on bonds of the boards and the bonds are not a general or moral obligation of the state.

Subd. 6. [NONLIABILITY OF INDIVIDUALS.] Neither the members of the boards nor any person executing the bonds on behalf of the boards shall be personally liable on the bonds or subject to any personal liability or accountability by reason of executing them."

Delete the title and insert:

"A bill for an act relating to retirement; various pension plans; providing special benefit coverage for privatized employees of the Luverne public hospital, the Waconia Ridgeview medical center, and the Glencoe area health center; creating a local government correctional service retirement plan; modifying actuarial cost provision; providing a special property tax levy for certain county retirement contributions; providing an ad hoc postretirement adjustment to Eveleth police and fire trust fund benefit recipients; establishing an additional postretirement adjustment for the Fairmont police relief association; extending survivor benefit provisions to include certain Fairmont police relief association survivors; providing a special ad hoc postretirement adjustment to certain retired St. Cloud police officers; merging the pre-March 1, 1999, local police and paid fire consolidation accounts into the public employees police and fire plan; extending the minimum volunteer firefighter fire state aid amount to post-1993 relief association members; modifying governance provisions for the Minneapolis fire department relief association and the Minneapolis police relief association; providing a targeted early retirement incentive program for certain employees of the metropolitan council; permitting the purchase of service credit by various public employees; mandating certain school district service credit purchase payments; making miscellaneous changes in the legislators retirement plan, the Minnesota state colleges and university system individual retirement account plan, the Minnesota state retirement system, and the teachers retirement association; including supplemental needs trusts as recipients of optional annuity forms; eliminating the service credit maximum for monthly benefit volunteer fire relief associations; mandating school district repayment of certain omitted deduction interest charges; expanding the membership of the state correctional employees retirement plan to include certain Minnesota extended treatment options program employees; downsizing the early retirement reduction rates for various public safety plans; grandparenting public employee police and fire plan coverage for certain Rice county correctional employees; requiring Rice county to repay certain police state aid amounts; providing employer penalties for pension plan membership certification failures or errors; providing special retirement coverage for certain state fire marshal employees; authorizing the purchase of credit for certain periods of prior military service, out-of-state public teaching service, maternity leaves, maternity breaks-in-employment, parochial or private school teaching service, Peace Corps service or VISTA service; clarifying various Minneapolis employees retirement plan survivor benefit provisions; increasing the number of vendors for certain tax-sheltered annuities for educational employees; modifying various benefit provisions for certain Minnesota state colleges and universities employees; reducing the membership of the legislative commission on pensions and retirement; requiring a study; authorizing the Minnesota state retirement system, the public employees retirement association, and the teachers retirement association to purchase or construct an administrative building; authorizing the issuance of certain revenue bonds; amending Minnesota Statutes 1998, sections 3.85, subdivisions 3, 11, and 12; 3A.02, subdivision 1b; 43A.27, subdivision 3; 69.021, subdivisions 7 and 10; 69.031, subdivision 5; 122A.46, subdivision 2; 136F.48; 275.70, subdivision 5; 352.03, subdivision 1; 352.90; 352.91, by adding a subdivision; 352.92, subdivisions 1 and 2; 352.93, subdivision 2a; 352B.08, subdivision 2a; 353.01, subdivisions 2b, 10, and 16; 353.03, subdivision 4; 353.27, subdivisions 2 and 3; 353.64, subdivision 1; 353.65, subdivisions 2 and 3; 353.651, subdivision 4; 353A.083, by adding a subdivision; 353A.09, subdivisions 4 and 5; 354.05, subdivision 40; 354.06, subdivisions 1 and 7; 354.10, subdivision 4; 354.445; 354.66, subdivisions 1b, 1c, and 3; 354B.24, subdivision 3; 354B.25, subdivisions 2, 3, and 5; 354C.11; 354C.12, subdivision 4; 356.19, by adding subdivisions; 356.20, subdivision 2; 356.215, subdivision 4g; 356.24, subdivision 1; 356.30, subdivision 3; 356.302, subdivision 7; and 356.303, subdivision 4; 356.55, subdivisions 1 and 6; 422A.06, subdivisions 3 and 6; 422A.101, subdivision 4; 422A.18, subdivision 2; 422A.22, subdivisions 4 and 5; and 422A.23; 423A.02, subdivisions 1b, 2, and by adding subdivisions; and 423B.07; Laws 1977, chapter 61, section 6, as amended; proposing coding for new law in Minnesota Statutes, chapters 352; 353; 354; 354A; 354B; 356; and 422A; proposing coding for new law as Minnesota Statutes, chapters 353E; and 353F; repealing Minnesota Statutes 1998, sections 353.33, subdivision 3a; 353.65, subdivision 3a; 422A.16, subdivision 3a; and 424A.02, subdivision 5; Laws 1998, chapter 390, article 1, section 1."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Langseth from the Committee on Education Finance, to which was referred

H.F. No. 878: A bill for an act relating to public administration; making deficiency appropriations for state government operations; imposing certain conditions and directions; providing a sales tax rebate; providing agricultural property tax relief; changing income tax rates and brackets; appropriating money; amending Minnesota Statutes 1998, sections 290.06, subdivisions 2c and 2d; and 290.091, subdivisions 1, 2, and 6.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. [APPROPRIATIONS.]

The sums in this act are appropriated from the general fund or other named fund to the agencies for the purposes specified in this act for fiscal year 1999, except as otherwise provided. The appropriations in this act are one time only.

SUMMARY

CHILDREN, FAMILIES, AND LEARNING DEPARTMENT	\$	4,200,000
HUMAN SERVICES DEPARTMENT		11,647,000
ZOOLOGICAL BOARD		1,000,000
ECONOMIC SECURITY DEPARTMENT		370,000
CAMPAIGN FINANCE AND PUBLIC DISCLOSURE BOARD		15,000
PUBLIC SAFETY DEPARTMENT		829,000
REVENUE		422,323
TOTAL		\$18,483,323
General Fund		6,207,323
Health Care Access Fund		11,647,000
Highway Users Tax Distribution Fund		629,000
Total		18,483,323

APPROPRIATIONS

\$

Sec. 2. CHILDREN, FAMILIES, AND LEARNING DEPARTMENT	4,200,000
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\$4,200,000 is added to the appropriations in Laws 1997, First Special Session chapter 4, article 10, section 3, subdivision 2, as amended by Laws 1998, chapter 398, article 8, section 1, for costs associated with educational litigation and may be used only for those purposes. Any unencumbered balance remaining at the end of fiscal year 1999 does not cancel but is available for fiscal year 2000.

Sec. 3. HUMAN SERVICES DEPARTMENT	11,647,000
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\$11,647,000 from the health care access fund is added to the appropriations in Laws 1997, chapter 225, article 7, section 2, subdivision 1, as amended by Laws 1998, chapter 407, article 1, section 2, subdivision 3, paragraph (a), for anticipated medical costs of the MinnesotaCare program.

Sec. 4. ZOOLOGICAL BOARD

1,000,000

\$1,000,000 is added to the appropriations in Laws 1997, chapter 216, section 4, subdivision 1, for zoo operations.

Sec. 5. ECONOMIC SECURITY DEPARTMENT

370,000

\$370,000 is added to the appropriations in Laws 1997, chapter 200, article 1, section 5, subdivision 3, for vocational rehabilitation and independent living services to blind Minnesotans. The commissioner of finance and the commissioner of economic security shall review the operation of the state services for the blind to determine why a deficiency occurred and what steps should be taken to prevent a deficiency in the future. The commissioners must report on this issue to the legislature by January 15, 2000.

Sec. 6. CAMPAIGN FINANCE AND
PUBLIC DISCLOSURE BOARD

15,000

\$15,000 is added to the appropriations in Laws 1997, chapter 202, article 1, section 8, for court-ordered payments.

Sec. 7. PUBLIC SAFETY DEPARTMENT

829,000

(a) Of the appropriation in this section, \$200,000 is added to the appropriation in Laws 1997, chapter 159, article 1, section 4, subdivision 3, for additional costs for executive protection.

(b) Of the appropriation in this section, \$629,000 from the highway users tax distribution fund is added to the appropriations in Laws 1997, chapter 159, article 1, section 4, subdivision 4, for additional costs related to the production of motor vehicle license plates.

Sec. 8. SECRETARY OF STATE

The commissioner of administration shall transfer \$975,000 of the unexpended balance of the appropriations in Laws 1997, chapter 202, article 1, section 12, subdivision 7, and Laws 1998, chapter 366, article 1, section 6, to the secretary of state to modify business systems to address the year 2000 problem. The secretary of state shall appoint a project manager to oversee

the modifications of business systems. The secretary of state shall provide each month to the year 2000 project office in the department of administration a project work plan and schedule. The secretary of state shall develop contingency plans, including plans for funding and staff, to be implemented if the year 2000 modification project does not meet the project schedule agreed to with the commissioner of administration.

Sec. 9. REVENUE

422,323

This appropriation is for fiscal year 2000 for a grant to Goodhue county, to be paid in two equal installments, on July 20, 1999, and December 20, 1999.

Sec. 10. [EFFECTIVE DATE.]

This act is effective the day after its final enactment.

Delete the title and insert:

"A bill for an act relating to public administration; making deficiency and other appropriations for state government operations; transferring money; appropriating money."

And when so amended the bill do pass and be re-referred to the Committee on Taxes. Amendments adopted. Report adopted.

Senator Cohen from the Committee on State Government Finance, to which was re-referred

S.F. No. 1721: A bill for an act relating to public employees; ratifying certain labor agreements and compensation plans; providing for transfer of vacation and sick leave for certain employees; modifying per diem provision for special mediators; modifying procedures for the listing of arbitrators; making technical changes; amending Minnesota Statutes 1998, sections 3.096; 179.02, subdivision 2; 179A.04, subdivision 3; 179A.10, subdivision 1; and 179A.16, subdivision 2.

Reports the same back with the recommendation that the bill be amended as follows:

Page 3, line 3, delete "such" and insert "the"

Page 3, line 4, delete "can" and insert "may"

Page 3, after line 6, insert:

"Sec. 3. Minnesota Statutes 1998, section 43A.17, subdivision 4, is amended to read:

Subd. 4. [SPECIALISTS EXCEPTIONS.] (a) The commissioner may without regard to subdivision 1 establish special salary rates and plans of compensation designed to attract and retain exceptionally qualified doctors of medicine. These rates and plans shall be included in the commissioner's plan. In establishing salary rates and eligibility for nomination for payment at special rates, the commissioner shall consider the standards of eligibility established by national medical specialty boards where appropriate. The incumbents assigned to these special ranges shall be excluded from the collective bargaining process.

(b) The commissioner may without regard to subdivision 1, but subject to collective bargaining agreements or compensation plans, establish special salary rates designed to attract and retain exceptionally qualified ~~information systems staff~~ employees in the following positions:

(1) information systems staff;

(2) actuaries in the departments of health, human services, and commerce; and

(3) epidemiologists in the department of health."

Page 3, after line 17, insert:

"Sec. 5. Minnesota Statutes 1998, section 179A.03, subdivision 14, is amended to read:

Subd. 14. [PUBLIC EMPLOYEE.] "Public employee" or "employee" means any person appointed or employed by a public employer except:

- (a) elected public officials;
- (b) election officers;
- (c) commissioned or enlisted personnel of the Minnesota national guard;
- (d) emergency employees who are employed for emergency work caused by natural disaster;
- (e) part-time employees whose service does not exceed the lesser of 14 hours per week or 35 percent of the normal work week in the employee's appropriate unit;
- (f) employees whose positions are basically temporary or seasonal in character and: (1) are not for more than 67 working days in any calendar year; or (2) are not for more than 100 working days in any calendar year and the employees are under the age of 22, are full-time students enrolled in a nonprofit or public educational institution prior to being hired by the employer, and have indicated, either in an application for employment or by being enrolled at an educational institution for the next academic year or term, an intention to continue as students during or after their temporary employment;
- (g) employees providing services for not more than two consecutive quarters to the board of trustees of the Minnesota state colleges and universities under the terms of a professional or technical services contract as defined in section 16C.08, subdivision 1;
- (h) employees of charitable hospitals as defined by section 179.35, subdivision 3;
- (i) full-time undergraduate students employed by the school which they attend under a work-study program or in connection with the receipt of financial aid, irrespective of number of hours of service per week;
- (j) an individual who is employed for less than 300 hours in a fiscal year as an instructor in an adult vocational education program;
- (k) an individual hired by a ~~school district~~ or the board of trustees of the Minnesota state colleges and universities to teach one course for ~~up to four~~ three or fewer credits for one ~~quarter semester~~ in a year.

The following individuals are public employees regardless of the exclusions of clauses (e) and (f):

(1) An employee hired by a school district or the board of trustees of the Minnesota state colleges and universities except at the university established in section 136F.13 or for community services or community education instruction offered on a noncredit basis: (i) to replace an absent teacher or faculty member who is a public employee, where the replacement employee is employed more than 30 working days as a replacement for that teacher or faculty member; or (ii) to take a teaching position created due to increased enrollment, curriculum expansion, courses which are a part of the curriculum whether offered annually or not, or other appropriate reasons; and

(2) An employee hired for a position under clause (f)(1) if that same position has already been filled under clause (f)(1) in the same calendar year and the cumulative number of days worked in that same position by all employees exceeds 67 calendar days in that year. For the purpose of this

paragraph, "same position" includes a substantially equivalent position if it is not the same position solely due to a change in the classification or title of the position."

Page 6, after line 21, insert:

"Sec. 9. [REPEALER.]

Minnesota Statutes 1998, section 43A.17, subdivision 12, is repealed."

Page 6, line 23, delete "Section 1 is" and insert "Sections 1, 3, and 9 are"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 7, after the first semicolon, insert "exempting epidemiologists from a salary cap;"

Page 1, line 8, after the semicolon, insert "43A.17, subdivision 4;"

Page 1, line 9, after "2;" insert "179A.03, subdivision 14;"

Page 1, line 10, before the period, insert "; repealing Minnesota Statutes 1998, section 43A.17, subdivision 12"

And when so amended the bill do pass. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 319 and 1721 were read the second time.

RECESS

Senator Moe, R.D. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

APPOINTMENTS

Senator Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

S.F. No. 2221: Senators Kelly, R.C.; Spear; Neuville; Knutson and Ranum.

H.F. No. 1467: Senators Piper, Lourey, Higgins, Robling and Lesewski.

H.F. No. 2387: Senators Johnson, J.B.; Langseth; Ourada; Flynn and Johnson, D.E.

H.F. No. 70: Senators Pariseau, Hottinger and Spear.

H.F. No. 621: Senators Novak; Johnson, D.H. and Fischbach.

H.F. No. 2390: Senators Janezich; Novak; Johnson, D.H.; Runbeck and Pariseau.

Senator Moe, R.D. moved that the foregoing appointments be approved. The motion prevailed.

MEMBERS EXCUSED

Senator Knutson was excused from the Session of today from 9:00 to 9:40 a.m. Senator Johnson, J.B. was excused from the Session of today from 9:00 to 9:45 a.m. Senator Sams was excused from the Session of today from 9:00 to 10:00 a.m. Senator Fischbach was excused from the Session of today at 12:50 p.m.

ADJOURNMENT

Senator Moe, R.D. moved that the Senate do now adjourn until 10:00 a.m., Monday, April 26, 1999. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

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