

purchaser who will pay the par value thereof at the lowest interest rate, and the certificates or bonds shall be drawn accordingly, but the rate of interest shall in no case exceed ~~five~~ seven percent per annum, payable annually or semiannually. The city clerk shall certify to the county auditor the rate of interest so determined at the first bond sale held for any such improvement, and interest shall be computed upon the assessments at this annual rate, in accordance with the terms of section 430.06. In case the rate of interest so determined at any subsequent bond sale for the same improvement is greater than the rate so determined at the first bond sale therefor, the difference between these rates of interest shall be a general city charge.

In case the proceeds of any special certificates of indebtedness or special street or parkway improvement bonds are in excess of the amount actually necessary to make the improvements for which the same were issued, or in case the proceeds are not immediately required for the prosecution or completion of the improvement, these proceeds may meanwhile be used by the city council for the making of other improvements authorized under the provisions of this chapter, and the amount of the proceeds so used shall be replaced and made good so far as may be necessary from the proceeds of special certificates of indebtedness or special bonds issued for the purpose of making such other improvements.

Approved May 19, 1969.

CHAPTER 485—H. F. No. 1

[Coded in Part]

An act relating to the teacher's retirement association; and establishing a variable annuity division and an adjustable fixed benefit fund; amending Minnesota Statutes 1967, Sections 354.05, Subdivision 16, and by adding subdivisions; 354.06, Subdivisions 1 and 3; 354.07, Subdivision 4; 354.09, Subdivisions 2 and 4; 354.15; 354.201, Subdivision 3; 354.32; 354.33, Subdivision 1, and by adding subdivisions; 354.36, Subdivision 1; 354.37; 354.42, Subdivisions 2, 3, 5 and 6; 354.43, Subdivision 1; 354.44, Subdivision 2, and by adding subdivisions; 354.46, Subdivision 2; 354.47, Subdivision 1; 354.48, Subdivisions 2 and 3; 354.49, Subdivision 1; 354.50, by adding a subdivision; 354.51, by adding subdivisions; 354.52; 354.55, by adding subdivisions; and 354.58; Minnesota Statutes 1967, Chapter 11, by

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adding sections; and Chapter 354, by adding a section; repealing Minnesota Statutes 1967, Sections 354.07, Subdivision 6, and 354.42, Subdivision 4.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1967, Section 354.05, Subdivision 16, is amended to read:

Subd. 16. **Teacher's retirement improvement act; retirement annuity.** "Retirement annuity" means the payments made by the fund to a former member after retirement ~~which varies in amount depending primarily upon both employee and employer contributions made by and in behalf of the particular member.~~

Sec. 2. Minnesota Statutes 1967, Section 354.05, is amended by adding subdivisions to read:

Subd. 23. Variable account accumulation. "Variable account accumulation" means the total amounts credited to a member's account in the variable annuity division as most recently revalued in accordance with the provisions of section 30.

Subd. 24. Retirement variable annuity. "Retirement variable annuity" means the payments made by the fund to an annuitant after retirement in varying amounts prescribed by the provisions of this act pertaining to variable annuities and may vary in accordance with the provisions of section 30.

Subd. 25. Formula service credit. "Formula service credit" means:

(1) Any service rendered prior to July 1, 1951, for which payments were made pursuant to subdivision 13 as determined by multiplying the number of years of service established in the records of the teachers retirement fund as of July 1, 1961 by the ratio obtained between the total amount paid and the maximum amount payable for such years, and/or

(2) Any service rendered where contributions were made and no allowable service credit was established because of the limitations contained in Minnesota Statutes 1967, Section 354.09, Subdivision 2, and Minnesota Statutes 1957, Section 135.09, Subdivision 2, as determined by the ratio between the amounts of money credited to his account in a fiscal year and the maximum retirement contribution allowable for such year, and/or

(3) Any service rendered for which contributions were not

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made in full as determined by the ratio between the amounts of money credited to his account in a fiscal year and the retirement contribution payable for such fiscal year pursuant to sections 354.32 and 354.42.

(4) *No period of service shall be counted more than once for purposes of this subdivision.*

Subd. 26. Adjustable fixed benefit annuity. "Adjustable fixed benefit annuity" means the payments made by the fund to an annuitant after retirement in accordance with the provisions of section 31. It also means that the payments made by the fund shall never be an amount less than the amount originally determined on the date of retirement or on July 1, 1969 whichever is later but not including the supplemental benefit provided for in section 354.55, subdivision 6.

Sec. 3. Minnesota Statutes 1967, Section 354.06, Subdivision 1, is amended to read:

354.06 Board of trustees; membership; duties. Subdivision 1. The management of the fund shall be vested in a board of seven trustees to be known as the board of trustees of the teachers retirement fund. It shall be composed of the following persons: the commissioner of education, the state auditor, the commissioner of insurance, and four members of the fund who shall be elected by mail ballot for terms of four years by the members of the fund in a manner to be fixed by the board of trustees of the fund. The terms of office of all incumbent elective members of the board of trustees on July 1, 1963 shall terminate on the first day of July, 1965. In 1965, there shall be elected four members of the board of trustees, for terms commencing on the first of July, 1965, two of whom shall be elected for terms of four years each, and two for terms of two years each. Thereafter in every odd numbered year there shall be elected two members of the board of trustees for terms of four years commencing on the first of July next succeeding their election. Each election shall be completed by June 1st of each succeeding odd numbered year. In the case of elective members, vacancies shall be filled by appointment by the remainder of the board, the appointee to serve until the members of the fund at the next regular election have elected a trustee to serve for the unexpired term caused by such vacancy. No member shall be appointed by the board, or elected by the members of the fund as a trustee who is not a member of the fund in good standing at the time of such appointment or election. It shall be the duty of the board of trustees to faithfully administer the law without prejudice and consistent with the expressed intent of the legislature. They shall act as trustees with a fiduciary obligation to the state of Minnesota which created the

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fund, the taxpayers which aid in financing it and the teachers who are its beneficiaries.

Sec. 4. Minnesota Statutes 1967, Section 354.06, Subdivision 3, is amended to read:

Subd. 3. The state treasurer shall be ex officio treasurer of the fund and his general bond to the state shall cover any liabilities for his acts as treasurer of the fund. He shall receive all moneys payable to the fund and pay out the same only on warrants issued by the state auditor upon ~~vouchers~~ *abstracts* signed by the president and secretary of the board. ~~The treasurer shall give receipts for all moneys received by him for the fund; keep a full, correct, and separate account of the financial transactions connected therewith, and make an annual report to the board at its annual meeting of the receipts and disbursements and other financial transactions connected with the fund.~~

Sec. 5. Minnesota Statutes 1967, Section 354.07, Subdivision 4, is amended to read:

Subd. 4. It shall be the duty of the board from time to time to certify to the state board of investment for investment as much of the funds in its hands as shall not be needed for current purposes. *Such funds that are certified to the variable annuity division shall include employee deductions as well as an equal amount for state's matching. Such funds that are certified as to investment in the adjustable fixed benefit fund shall include the amount as required for the total reserves needed for the purposes described in section 31.* The state board of investment shall thereupon ~~transfer such assets to the appropriate fund provided herein, in accordance with the procedure set forth in sections 30 and 31, or~~ invest and reinvest an amount equal to the sum so certified in such securities as are now or may hereafter be duly authorized legal investments for state employees retirement fund and all such securities so ~~transferred or~~ purchased shall be deposited with the state treasurer. All interest from ~~this investment~~ *these investments* shall be credited to the ~~fund~~ *appropriate funds* and used for current purposes ~~or investments~~, except as hereinafter provided. The state board of investment shall have authority to sell, convey, and exchange such securities and invest and reinvest the funds when it deems it desirable to do so, and shall sell securities upon request of the officers of the association when such officers determine funds are needed for its purposes. All of the provisions regarding accounting procedures and restrictions and conditions for the purchase and sale of securities for the state employees retirement fund shall apply to the accounting, purchase and sale of securities for the teachers' retirement fund.

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Sec. 6. Minnesota Statutes 1967, Section 354.09, Subdivision 2, is amended to read:

Subd. 2. ~~The board shall provide in its rules and regulations the method and means for reinstatement as members of the fund of teachers who have withdrawn therefrom and who afterwards reenter teaching service.~~ In computing the time of service of a teacher, the length of a legal school year in the district or institution where such service was rendered shall constitute a year under sections 354.05 to 354.10, provided such year is not less than the legal minimum school year of this state. No person shall be allowed credit for more than one year of teaching service for any ~~calendar~~ *fiscal* year. *Commencing July 1, 1969 (1) if a teacher, commencing July 1, 1961, teaches for 29 days or more in any year, performs homebound or hourly paid services, credit shall be given for such a day of teaching service for each five hours taught, and (2) if a teacher teaches at least 170 days in any year credit shall be given for a full year of teaching service, and (3) if a teacher teaches for only a fractional part of the year credit shall be given for such fractional part of the year as the term of service rendered bears to the legal school year in such district or institution, but in no case shall the legal year be less than the minimum school year of this state 170 days. No credit shall be given thereafter for teaching service within a year where such teaching service is less than the minimum prescribed above.*

Sec. 7. Minnesota Statutes 1967, Section 354.32, is amended to read:

354.32 **Contributions by employer and employee.** Subdivision 1. The employee contribution to the teachers retirement fund shall be an amount equal to three *and one half* percent of the salary of every member. This contribution shall be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, such member's employee contribution shall be based on the entire salary received. *For the purposes of financing the various options related to the variable annuity division, employee variable annuity contributions will be credited in accordance with section 30, subdivision 2.*

Subd. 2. The employer contribution to the fund shall be an amount equal to three *and one half* percent of the salary of each member. *For purposes of financing the various options related to the variable annuity division employer contributions equal to the employee variable annuity contributions prescribed in section 30, subdivision 2, will be allocated at the same time to the employer variable annuity contribution account in section 30, subdivision 3.*

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Subd. 3. An additional employer contribution of ~~one and one half~~ *two* percent shall be made to the fund based on the salary of each member for the purpose of amortizing the deficit in the fund.

Sec. 8. Minnesota Statutes 1967, Section 354.33, Subdivision 1, is amended to read:

354.33 Computation of retirement annuities. Subdivision 1. (1) The amount of the retirement annuity is an amount equal to the annuity which could be purchased by the member's accumulated deductions, the employer's contribution, and interest. The retirement purchase rates shall be based on the 1937 standard annuity table of mortality set back two years, with interest at the rate of three *and one half* percent and calculated separately as to sex. The accumulated deductions, employer's contribution and interest earned shall be computed as follows:

(a) *double* the member's accumulated deductions plus interest to July 1, 1957, ~~plus interest to the date of retirement;~~ and

(b) the member's accumulated deductions *plus interest credited to the member's account* from July 1, 1957 to date of retirement, ~~plus interest on the accumulated deductions from July 1, 1957 to date of retirement;~~ plus 20 percent of this sum, and

(c) the employer's contributions *in an amount equal to the member's accumulated deductions from July 1, 1957, to date of retirement plus interest credited to the member's account from July 1, 1957,* ~~plus interest~~ to date of retirement.

(2) *Each member who is covered under clause (1) of this subdivision who elects the variable annuity option shall have the sum of any benefits provided herein and the variable annuity benefits provided in section 30, subdivision 5.*

Sec. 9. Minnesota Statutes 1967, Section 354.33, is amended by adding subdivisions to read:

Subd. 7. (1) *The formula retirement annuity hereunder shall be computed in accordance with the applicable provisions of the formula stated in clause (2) hereof on the basis of each member's average salary on which contributions were made for the period of his formula service credit. For the purposes of computing the formula benefits in section 9, subdivisions 7 and 8, if a combination of these formulas is used, the formula percentages used will be those percentages in each formula as continued for the respective years of service from one formula to the next.*

Changes or additions indicated by italics, deletions by ~~strikeout~~.

(a) For years of formula service credit prior to July 1, 1957, average salary for the purpose of determining the member's retirement annuity means the amount equivalent to the average salary upon which contributions were made limited to a maximum of \$4800 for each year for the last two years of allowable service prior to that date.

(b) For each year of formula service credit subsequent to June 30, 1957, "average salary" of a member for the purpose of determining his retirement annuity means his salary upon which contributions were made and upon which payments were made to increase the salary limitation provided in section 354.511 not exceeding in any one year \$7200 through June 30, 1967, and his total salary in each year thereafter for which he had made contributions to the retirement fund.

(2) The average salary as defined in clause (1) hereof, of any member multiplied by the applicable percentages indicated below shall determine the amount of the annuity to which the member qualifying therefor is entitled:

(a) Years of Formula Service Credit Earned Prior to July 1, 1969	Percentages at the Rate of:
(1) First ten years	.625 percent per year of service
(2) Second ten years or fractional part thereof less than such period	1.25 percent per year of service
(3) Third ten years or fractional part thereof less than such period	1.7 percent per year of service
(4) Subsequent years or fractional part thereof	2.4 percent per year of service
(b) Years of Formula Service Credit Earned Subsequent to July 1, 1969 to date of retirement or to the effective date of the election of another option.	Percentages at the Rate of:
(1) First ten years	.625 percent per year of service

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- (2) *Second ten years or fractional part thereof less than such period* 1.4 percent per year of service
- (3) *Third ten years or fractional part thereof less than such period* 1.9 percent per year of service
- (4) *Subsequent years or fractional part thereof* 2.45 percent per year of service

(3) *Where any member retires prior to age 65 under a formula annuity, he shall be paid a retirement annuity in an amount equal to the normal annuity provided in subdivisions 7 and 8, reduced by one half of one percent for each month that the member is under age 65 to and including age 60 and reduced by one fourth of one percent for each month under age 60 at the time of retirement.*

Subd. 8. The benefits provided in this subdivision are the sum of the benefits provided by the following:

(1) *The benefits provided in subdivision 7 for formula service credit to the effective date of the election of this subdivision; and*

(2) *The benefits for service credit subsequent to the effective date of the election of this subdivision shall be the average salary as defined in subdivision 7, clause (1) of any member multiplied by the applicable percentages indicated below:*

- | <i>(a) Years of Formula Service Credit Earned Subsequent to the date of the election of this subdivision</i> | <i>Percentages at the Rate of:</i> |
|--|--|
| (1) <i>First ten years</i> | <i>.36 percent per year of service</i> |
| (2) <i>Second ten years or fractional part thereof less than such period</i> | <i>.8 percent per year of service</i> |
| (3) <i>Third ten years or fractional part thereof less than such period</i> | <i>1.1 percent per year of service</i> |
| (4) <i>subsequent years or fractional part thereof</i> | <i>1.4 percent per year of service</i> |

and (3) the benefits provided in section 30, subdivision 5.

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Subd. 9. The benefits provided in this subdivision are the sum of any benefits provided in section 354.33, subdivision 1, and the benefits provided in section 30, subdivision 5.

Sec. 10. Minnesota Statutes 1967, Section 354.36, Subdivision 1, is amended to read:

354.36. Payments after death. Subdivision 1. Where a member dies before retirement: (1) *Who is covered under the provisions of section 354.33, subdivision 1, there shall be paid to his surviving dependent spouse or, if there is no surviving dependent spouse, to his designated beneficiary an amount equal to his accumulated deductions plus interest credited his account to the date of death. When the member has attained the age of at least 55 with not less than 20 years of allowable service, or who has received credit for not less than 30 years of allowable service regardless of age, he has the option to make an election for his surviving dependent spouse, the member's accumulated deductions plus interest provided herein, or a joint and survivor annuity as provided in section 354.34 and computed as in section 354.33, subdivision 1.*

(2) *Who is covered under the provisions of section 9, there shall be paid to his surviving dependent spouse or, if there is no surviving dependent spouse, to his designated beneficiary an amount equal to his accumulated deductions credited to his account as of June 30, 1957 and from July 1, 1957 to date of death his accumulated deductions plus interest at the rate of two and one half percent per annum compounded annually. When the member has attained the age of at least 55 with not less than 20 years of allowable service, or who has received credit for not less than 30 years of allowable service regardless of age, he has the option to make an election for his surviving dependent spouse, the member's accumulated deductions plus interest provided herein, or a joint and survivor annuity as provided in section 354.34 and computed as in section 9, subdivision 7 or 8.*

(3) *The amounts payable in clauses (1) or (2) are in addition to the amounts payable in section 30, subdivision 5, from the member's variable annuity account.*

Sec. 11. Minnesota Statutes 1967, Section 354.37, is amended to read:

Subdivision 1. The disability benefit granted to members covered under section 8, subdivision 1, clauses (1) or (2) or section 9, subdivision 9, shall be computed in the manner provided in section 354.48, without the supplementary benefit therein referred to and in accordance with the law in effect when the disability application is re-

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ceived. The total disability benefit paid from the retirement fund shall be limited to 50 percent of the salary upon which it is based. Members whose total and permanent disability shall have been established prior to July 1, 1961, shall continue to receive the disability benefits provided by the law then in effect so long as the total and permanent disability continues.

Subd. 2. The disability benefit granted to members covered under section 9, subdivision 7 or 8, shall be computed in the same manner as the annuity provided in subdivision 7 or 8 whichever is applicable of the same section. The disability benefit shall be the formula annuity without the reduction for each month the member is under age 65 at the time the benefit begins to accrue.

Sec. 12. Minnesota Statutes 1967, Chapter 354, is amended by adding a section to read:

Sec. [354.145]. Election of benefits, forms. *Subdivision 1. Any member who elects to have his benefits at retirement calculated under the provisions of section 354.33, subdivision 1, or section 9, subdivision 7, 8, or 9, shall make such election on forms provided by the board of trustees according to the following provisions:*

(1) Each member in the fund who rendered teaching service during the 1968-69 school year or each member who has at least 20 years of allowable service credit as of July 1, 1969 may elect before July 1, 1972 or prior to retirement whichever is first, to have his benefits at retirement calculated under the provisions of section 354.33, subdivision 1, or section 9, subdivision 7, 8, or 9. The effective date of these options is July 1 of the fiscal year following the fiscal year in which the election is made or date of retirement, whichever is earlier.

(2) Teachers who failed to make an election pursuant to clause (1) of this subdivision shall have their annuity at retirement computed under section 354.33, subdivision 1.

(3) After July 1, 1969 every new teacher entering teaching service or every teacher resuming teaching after having accepted a refundment is covered by section 9, subdivision 7 unless an election is made in writing to the board of trustees to select section 9, subdivisions 8 or 9 on or before June 30 of the year in which the member commenced teaching. The effective date of this election is the date on which the member commenced teaching.

Subd. 2. Any member who elects to have his benefit at retirement calculated under the provisions of section 354.44, subdivision 2,

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or subdivision 6 or 7 of section 19 shall make such election on forms provided by the board of trustees according to the following provisions:

(1) Each member in the fund who rendered teaching service during the 1968-69 school year or each member who has at least 20 years of allowable service credit as of July 1, 1969 may elect before July 1, 1972 or prior to retirement whichever is first, to have his benefits at retirement calculated under the provisions of section 354.44, subdivision 2, or section 19, subdivision 6 or 7. The effective date of these options is July 1 of the fiscal year following the fiscal year in which the election is made or date of retirement, whichever is earlier.

(2) Teachers who failed to make an election pursuant to clause (1) of this subdivision shall have their annuity at retirement computed under section 354.44, subdivision 2.

Subd. 3. Once an option is made pursuant to subdivisions 1 and 2 it cannot be revoked or changed.

Subd. 4. (1) Each employee of the teachers retirement association who is a member or who is eligible to membership in the Minnesota state retirement system may elect to be covered by the teachers retirement association and may elect the options available in section 354.33, subdivision 1 and section 9 of this act. For each employee who wishes to be covered by the teachers retirement association the Minnesota state retirement system will cause such election and transfer to the teachers retirement association by December 31, 1969, or date of retirement whichever is earlier, the following:

(a) the employee contributions with three and one half percent interest compounded annually for each annual contribution, and

(b) an amount equal to the total obtained in (a) for the employer's contributions, and in addition

(c) an amount of money collected by the Minnesota state retirement system equal to the "additional two-thirds employer contribution", provided in section 352.04, subdivision 3.

(2) All new employees of the teachers retirement association employed subsequent to July 1, 1969 will be covered under the provisions of this act.

(3) Until July 1, 1970, each such employee who becomes a member of the teachers retirement association may make such payments to the fund pursuant to Minnesota Statutes 1967, Section 354.511.

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Sec. 13. Minnesota Statutes 1967, Section 354.42, Subdivision 2, is amended to read:

Subd. 2. The employee contribution to the fund shall be an amount equal to ~~six~~ *seven* percent of the salary of every member. This contribution shall 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 shall be based on the entire salary received. *For purposes of financing the various options related to the variable annuity division, employee variable annuity contributions will be credited in accordance with section 30, subdivision 2.*

Sec. 14. Minnesota Statutes 1967, Section 354.42, Subdivision 3, is amended to read:

Subd. 3. The employer contribution to the fund shall be an amount equal to ~~six~~ *seven* percent of the salary. This contribution shall be made in the manner provided in section 354.43. *For purposes of financing the various options related to the variable annuity division employer contributions equal to the employee variable annuity contributions prescribed in section 30, subdivision 2, will be allocated at the same time to the employer variable annuity contribution account in section 30, subdivision 3.*

Sec. 15. Minnesota Statutes 1967, Section 354.42, Subdivision 5, is amended to read:

Subd. 5. An additional employer contribution shall be made in the amount of ~~one~~ *two* percent of the salary of each member for the purpose of amortizing the deficit in the fund. This contribution shall be made in the manner provided in section 354.43.

Sec. 16. Minnesota Statutes 1967, Section 354.42, Subdivision 6, is amended to read:

Subd. 6. All contributions ~~shall be credited to a fund~~ and all interest and other income of the association shall be credited to ~~said fund~~ *the appropriate funds or accounts herein provided*. The retirement ~~fund monies in the funds or accounts~~ shall be disbursed only for the purposes herein provided. The expenses of said association and the annuities ~~herein provided~~ upon retirement shall be paid only from ~~said fund~~ *the funds or accounts herein provided*.

Sec. 17. Minnesota Statutes 1967, Section 354.43, Subdivision 1, is amended to read:

354.43 **Employer contributions, financing.** Subdivision

Changes or additions indicated by italics, deletions by strikeout.

1. *At least once each month the board shall from time to time determine the amount of money necessary and presently needed to meet the state's obligation as provided in sections 354.05 to 354.14 and 354.31 to ~~354.55~~ 354.61, and acts amendatory thereof, and shall certify the amount so determined to the state auditor. ~~In so certifying the board shall certify separately the amount required to meet the state's obligation on account of services rendered for and on behalf of the state at large and the amount required to meet the state's obligation on account of services rendered for and on behalf of the schools and institutions located outside of the cities of the first class. The amount so certified shall be transferred immediately to the teacher's retirement fund.~~*

Sec. 18. Minnesota Statutes 1967, Section 354.44, Subdivision 2, is amended to read:

Subd. 2. **Computation of money purchase annuity.** The amount of retirement annuity is an amount equal to double the annuity which could be purchased by the member's accumulated deductions plus interest thereon. The annuity shall be determined by the member's age, his sex, double the amount of his accumulated deductions, double the interest earned on the accumulated deductions, and the appropriate mortality tables and interest rates. For the purpose of determining the amount of the annuity, the accumulated deductions prior to July 1, 1957, and the accumulated deductions subsequent to July 1, 1957, shall be considered separately.

(1) For service rendered prior to July 1, 1957, the accumulated deductions for any member shall be carried forward at a fixed amount which is shown credited to his account as of that date. That fixed amount shall also include any payments in lieu of salary deductions which are to be made in the future and are actually so made pursuant to an agreement executed between the member and the board as authorized by section 354.50 or any other authorized payments made by the member to the fund. The annuity granted with respect to such period shall be determined by the following:

(a) The fixed amount of the accumulated deductions for such period including the interest credited thereon as earned up to July 1, 1957.

(b) Annuity purchase rates based on the mortality tables and interest assumption used by the board prior to July 1, 1957, calculated separately as to sex.

(2) For service rendered subsequent to July 1, 1957, the accumulated deductions for any member shall consist of the amounts

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actually credited to his account by reason of salary deductions. The annuity granted with respect to such period shall be determined by the following:

- (a) accumulated deductions for such period;
- (b) interest credited on these accumulated deductions from July 1, 1957, to the date of retirement;
- (c) interest credited on accumulated deductions including prior credited interest provided in paragraph (1) from July 1, 1957, to the date of retirement;
- (d) after the amount available for an annuity granted with respect to such person is determined in accordance with the provisions of this subdivision, an additional amount equal to 20 percent of the sum of clause (2) (a) plus ~~clause (2) (b)~~ *interest credited to members account from July 1, 1957 to date of retirement* is to be added. This added amount is not to be doubled as provided for other amounts determined in this subdivision;
- (e) annuity purchase rate based on the 1937 standard annuity table of mortality set back two years and calculated separately as to sex, with an interest assumption of *three and one half percent*.

(3) *Each member who is covered under this subdivision who elects a variable annuity option shall have the sum of any benefits provided herein and the benefits provided in section 30, subdivision 5.*

Sec. 19. Minnesota Statutes 1967, Section 354.44, is amended by adding subdivisions to read:

Subd. 6. (1) The formula retirement annuity hereunder shall be computed in accordance with the applicable provisions of the formula stated in clause (2) hereof on the basis of each member's average salary for the period of his formula service credit. For the purposes of computing the formula benefits in section 19, subdivisions 6 and 7, if a combination of these formulas is used, the formula percentages used will be those percentages in each formula as continued for the respective years of service from one formula to the next.

(a) *For years of formula service credit prior to July 1, 1957, average salary for the purpose of determining the member's retirement annuity means the amount equivalent to the average of his salary upon which contributions were made limited to a maximum of \$4800 for each year for the last two years of allowable service prior to that date.*

(b) *For each year of formula service credit subsequent to*

Changes or additions indicated by italics, deletions by ~~strikeout~~.

June 30, 1957, "average salary" of a member for the purpose of determining his retirement annuity means his salary upon which contributions were made and upon which payments were made to increase the salary limitation provided in section 354.511 not exceeding in any one year \$7200 through June 30, 1967, and his total salary in each year thereafter for which he had made contributions to the retirement fund.

(2) The average salary as defined in clause (1), of any member multiplied by the applicable percentages indicated below shall determine the amount of the annuity to which the member qualifying therefor is entitled:

(a) *Years of Formula Service Credit Earned Prior to July 1, 1969.* Percentages at the Rate of:

- | | |
|--|---------------------------------|
| (1) <i>First ten years</i> | 1.0 percent per year of service |
| (2) <i>Second ten years or fractional part thereof less than such period</i> | 2.0 percent per year of service |
| (3) <i>Third ten years or fractional part thereof less than such period</i> | 2.5 percent per year of service |
| (4) <i>Subsequent years or fractional part thereof</i> | 3.0 percent per year of service |

(b) *Years of Formula Service Credit Earned Subsequent to July 1, 1969 to date of retirement or to the effective date of the election of another option.* Percentages at the Rate of:

- | | |
|--|---------------------------------|
| (1) <i>First ten years</i> | 1.2 percent per year of service |
| (2) <i>Second ten years or fractional part thereof less than such period</i> | 2.4 percent per year of service |
| (3) <i>Third ten years or fractional part thereof less than such period</i> | 3.0 percent per year of service |
| (4) <i>Subsequent years or fractional part thereof</i> | 3.6 percent per year of service |

(3) *Where any member retires prior to age 65 under a formula annuity, he shall be paid a retirement annuity in an amount equal to the normal annuity provided in subdivisions 6 and 7, reduced by one half of one percent for each month that the member is under age 65 to and including age 60 and reduced by one fourth of one percent for each month under age 60 at the time of retirement.*

Changes or additions indicated by italics, deletions by ~~strikeout~~.

Subd. 7. *The benefits provided in this subdivision are the sum of the benefits provided by the following:*

(1) *The benefits provided in section 19, subdivision 6 (2) for formula service credit to the effective date of the election of this subdivision, and*

(2) *The benefits for service credit subsequent to the effective date of the election of this subdivision shall be the average salary as defined in section 19, subdivision 6, clause (1) of any member multiplied by the applicable percentages indicated below:*

<i>(a) Years of Formula Service Credit Earned Subsequent to the date of the election of this subdivision</i>	<i>Percentages at the Rate of:</i>
--	------------------------------------

<i>(1) First ten years</i>	<i>.6 percent per year of service</i>
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<i>(2) Second ten years or fractional part thereof less than such period</i>	<i>1.2 percent per year of service</i>
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<i>(3) Third ten years or fractional part thereof less than such period</i>	<i>1.5 percent per year of service</i>
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<i>(4) Subsequent years or fractional part thereof</i>	<i>1.8 percent per year of service</i>
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and (3) the benefits provided in section 30, subdivision 5.

Sec. 20. Minnesota Statutes 1967, Section 354.46, Subdivision 2, is amended to read:

Subd. 2. **Surviving dependent spouse.** If an election as provided in this subdivision has been made, upon the death of a member before retirement, his surviving dependent spouse shall be paid a joint and survivor annuity as provided in section 354.45 and computed as in section 354.44, subdivision 2, *or in section 19, subdivision 6 or 7.* The joint and survivor annuity provided herein shall be elected by the member after he has attained the age of at least 55 with not less than 20 years of allowable service, or who has received credit for not less than 30 years of allowable service regardless of age. Except as otherwise provided in section 354.55, subdivision 2, the surviving dependent spouse shall receive the benefits provided in subdivision 1 or the annuity provided in subdivision 2 but not both.

Sec. 21. Minnesota Statutes 1967, Section 354.47, Subdivision 1, is amended to read:

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354.47 Refundment after death. Subdivision 1. **Death before retirement.** (1) If a member dies before retirement and is covered under the provisions of section 354.44, subdivision 2, and neither an optional annuity, nor reversionary annuity is payable, there shall be paid to his surviving dependent spouse or if there is no surviving dependent spouse to his designated beneficiary an amount equal to his accumulated deductions with interest credited to his account to the date of death.

(2) *If a member dies before retirement and is covered under the provisions of section 19 and neither an optional annuity nor reversionary annuity is payable, there shall be paid to his surviving dependent spouse or if there is no surviving dependent spouse to his designated beneficiary an amount equal to his accumulated deductions credited to his account as of June 30, 1957 and from July 1, 1957 to the date of death his accumulated deductions plus interest at the rate of two and one half percent per annum compounded annually.*

(3) *The amounts payable in clauses (1) or (2) are in addition to the amount payable in section 30, subdivision 5, for the member's variable annuity account.*

Sec. 22. Minnesota Statutes 1967, Section 354.48, Subdivision 2, is amended to read:

Subd. 2. **Applications.** This benefit shall begin to accrue upon the expiration of 90 days following the commencement of disability unless the member is receiving salary for either annual or sick leave for a period of more than 90 days in which event payment shall accrue from the date salary ceased. If or from the first day of the month following the date the written application for disability benefit has not been filed with the board whichever is later, within 90 days from the commencement of disability, the disability benefit shall begin to accrue 30 days prior to the receipt of such application. If salary is being received for either annual or sick leave during said 30 day period, payments shall accrue from the date salary ceases.

Sec. 23. Minnesota Statutes 1967, Section 354.48, Subdivision 3, is amended to read:

Subd. 3. **Computation of benefits.** (1) The amount of the disability benefit granted to members covered under section 18, subdivision 2, clause (1) and (2) or clause (3) is an amount equal to double the annuity which could be purchased by the member's accumulated deductions plus interest thereon computed as though the teacher were age 65 at the time the benefit begins to accrue and in

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accordance with the law in effect when the disability application is received.

The benefit granted shall be determined by the following:

- (a) The amount of the accumulated deductions;
- (b) Interest actually earned on these accumulated deductions to the date the benefit begins to accrue;
- (c) Interest for the years from the date the benefit begins to accrue to the date such member attains age 65 at the rate which is the average rate credited for the five years prior to the date the benefit begins to accrue;
- (d) Annuity purchase rates based on the 1937 standard annuity table of mortality set back two years and calculated separately as to sex with interest assumption of three *and one half* percent.

In addition a supplementary monthly benefit shall be paid in accordance with the following table:

Age When Disabled Benefit Begins to Accrue	Supplementary Benefit
Under Age 56	\$50
56	45
57	40
58	35
59	30
60	25
61	20
62	15
63	10
64	5

(2) *The disability benefit granted to members covered under section 19, subdivision 6 or 7 shall be computed in the same manner as the annuity provided in subdivision 6 of the same section. The disability benefit shall be the formula annuity without the reduction for each month the member is under age 65 at the time the benefit begins to accrue.*

(3) *The optional annuity benefit provided in section 354.34 and section 354.45 does not apply to this section.*

(4) For the purposes of computing a retirement annuity when the member becomes eligible, the amounts paid for disability benefits shall not be deducted from the individual member's accumu-

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lated deductions. If the disability benefits provided in this subdivision exceed the monthly average salary of the disabled member, the disability benefits shall be reduced to an amount equal to the disabled member's average salary. Any member who began to receive disability benefits between July 1, 1957, and June 30, 1959, shall receive the supplementary monthly benefit provided in accordance with the foregoing table and such supplementary monthly benefit shall begin to accrue after June 30, 1959, and shall continue as long as disability benefits are paid to such member.

Sec. 24. Minnesota Statutes 1967, Section 354.49, Subdivision 1, is amended to read:

354.49 Refundment or deferred annuity. Subdivision 1. Any person who ceases to render teaching service in any school or institution to which sections 354.04 to 354.14 and 354.31 to 354.55 apply shall be entitled to a refundment provided in subdivision 2, or a deferred retirement annuity. Application for refundment may be made no sooner than 30 days after termination of teaching service if the applicant has not again become a teacher. *This payment will be made within 90 days after receipt of application for refundment or upon completion of processing the report made pursuant to section 27, subdivisions 1 and 2 whichever is later.*

Sec. 25. Minnesota Statutes 1967, Section 354.50, is amended by adding a subdivision to read:

Subd. 3. All payments to be made pursuant to this section, shall be made to the retirement board prior to July 1, 1973 or upon acquiring three years of allowable service credit whichever is later.

Sec. 26. Minnesota Statutes 1967, Section 354.51, is amended by adding subdivisions to read:

Subd. 3. All payments to receive credit for prior service pursuant to subdivisions 1 and 2 shall be made to the retirement board prior to July 1, 1973.

Subd. 4. All payments to be made pursuant to section 354.09, subdivisions 1 and 4 shall be made to the retirement board prior to July 1, 1973 or after acquiring the necessary 15 years of allowable service credit whichever is later.

Sec. 27. Minnesota Statutes 1967, Section 354.52, is amended to read:

354.52 Reports. Subdivision 1. *Each common school district shall on or before the thirtieth day of June, each year, trans-*

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mit to the county superintendent or county administrator an itemized summary of the total amount withheld from the salaries of teachers and such other information as the teachers retirement board may require.

Subd. 2. Each county superintendent or county administrator, board of education or managing body shall, on or before ~~September~~ August 1, each year, report to the teachers retirement board giving an itemized summary of the statements received by him from the school boards and other managing bodies, including a statement of the total amount withheld from the salaries of teachers as shown by reports provided in section 354.42, subdivision 4 for regular teacher's retirement deductions and for variable annuity deductions, and such other information as the teacher's retirement board may require.

Subd. 3. It is the duty of each person, officer, board of education, or managing body required by law to draw the warrants or orders for payment of salaries to teachers to deduct and withhold from all salary paid each pay period to every teacher who is a member of the fund the amount which such teacher is required to pay into the fund and, at the time of such deductions, a statement showing the amount thereof shall be furnished to such teacher.

Subd. 2. 4. ~~On or before the last day of January, April, July and October~~ At least once a month, the treasurer of each employing school district and other managing bodies of schools and institutions to which Extra Session Laws 1957, Chapter 16, applies sections 354.05 to 354.14 and 354.31 to 354.61 and acts amendatory thereof apply shall transmit all moneys received amounts due and furnish a signed statement indicating the amount received due and transmitted, which signing of such statement shall have the force and effect of an oath as to the correctness of the amount ~~so received due~~ and transmitted, and shall transmit a statement of such other information as the board shall require. Any amount thus due and not transmitted, shall accrue interest at the rate of six percent compounded annually commencing 30 days after the date first due until transmitted and shall be paid by the employing school district or other managing institution. The state treasurer shall credit all money received or withheld pursuant to the provisions of sections 354.05 to ~~354.10~~ 354.14 and 354.31 to 354.61 and acts amendatory thereof to the fund and the reports and date received by him from each reporting agency shall be available for the board. Any person wilfully failing to perform any of the duties imposed upon him by this section shall be guilty of a misdemeanor.

Subd. 3. 5. The state treasurer, the several county treasurers,

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and the treasurers of the various school districts and institutions to which ~~Extra Session Laws 1957, Chapter 16 sections 354.05 to 354.14 and 354.31 to 354.61 and acts amendatory thereof~~ apply shall be officially liable for the receipt, handling, and disbursement of all moneys coming into their hands belonging to the fund and the sureties on the official bonds of each of these treasurers shall be liable for such moneys the same as for all other moneys belonging to the school funds of this state.

Sec. 28. Minnesota Statutes 1967, Section 354.55, is amended by adding subdivisions to read:

Subd. 7. Each annuitant on July 1, 1969 who commenced drawing his annuity after July 1, 1957 shall have that portion of his annuity that is based on the 1937 standard annuity table of mortality set back two years and calculated separately as to sex with an interest assumption of three percent recomputed on the 1937 standard annuity table of mortality set back two years and calculated separately as to sex with an interest assumption of three and one half percent. Any additional annuity shall begin to accrue July 1, 1969.

Subd. 8. Any person who ceased teaching service prior to July 1, 1968 with 10 or more years of allowable service who left his accumulated deductions in the fund for the purpose of receiving a retirement annuity and is not covered under the provisions of section 12, subdivision 1, clause (1) and subdivision 2, clause (1) shall have his annuity computed in accordance with the law in effect on June 30, 1969 except that if such person resumes teaching service after July 1, 1969 for a period of at least 170 days he shall have his annuity computed under sections 354.33, subdivision 1, and 354.34 or 354.44, subdivision 2, and 354.45.

Subd. 9. Each annuitant who has commenced drawing his annuity between July 1, 1967 and June 30, 1969, or the beneficiary or beneficiaries of such members who were receiving annuity payments on July 1, 1969, under Minnesota Statutes 1967, Sections 354.33 and 354.34, or Sections 354.44 and 354.45, shall have his annuity recomputed under the provisions of sections 354.33, subdivision 1, or 354.44, subdivision 2. Any additional annuity shall begin to accrue July 1, 1969.

Sec. 29. Minnesota Statutes 1967, Section 354.58, is amended to read:

354.58 Supplemental retirement annuity. A supplemental retirement annuity shall be paid *only* to ~~any~~ a member who ~~retires~~

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~~after July 1, 1959 retires pursuant to sections 354.33, subdivision 1, or 354.44, subdivision 2, and the options related thereto as established in sections 354.34, 354.35, and 354.45. In establishing this supplemental retirement annuity the board shall ascertain the member's accumulated deduction including interest for the period of allowable service prior to July 1, 1957, and the member shall receive a retirement credit of 25 100 percent of this amount. The retirement credit so established shall be the basis for purchasing a supplemental retirement annuity using the 1937 standard annuity table of mortality set back two years with interest at the rate of three and one half percent and calculated separately as to sex. If the member retires pursuant to sections 354.44 or 354.45 his This supplemental retirement annuity shall be doubled. If the member retires pursuant to sections 354.33, 354.34, or 354.35 his supplemental retirement annuity shall not be doubled. Each annuitant who commenced drawing his annuity between July 1, 1967 and June 30, 1969, or the beneficiary or beneficiaries of such members who were receiving annuity payments on July 1, 1969 under Minnesota Statutes 1967, sections 354.33 and 354.34, or 354.44 and 354.45, shall have his annuity recomputed in accordance with the provisions of section 354.58 and any additional annuity shall begin to accrue July 1, 1969.~~

Sec. 30. [354.62] Participation in Minnesota variable annuity fund. *Subdivision 1. Authorization. There is hereby established within the basic and coordinated systems of the state teachers retirement association a new division known as the variable annuity division. The assets of this division shall be invested in the Minnesota variable annuity fund.*

Subd. 2. Individual election. Each member of the teachers retirement association may elect to participate in the variable annuity division by filing a written notice with the board of trustees on forms provided by the board.

(1) Employee variable annuity contributions to the variable annuity division shall be:

(a) Pursuant to the options available in section 354.33; subdivision 1, clause (2), and section 9, subdivision 8, the employee variable annuity contribution shall be an amount equal to one and one half percent of the salary of every member.

(b) Pursuant to the options available in sections 354.44, subdivision 2, clause (3), and section 19, subdivision 7, the employee variable annuity contributions shall be an amount equal to three percent of the salary of every member.

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(c) Pursuant to the option available in section 9, subdivision 9, the employee variable annuity contribution shall be an amount equal to three and one half percent of the salary of every member.

(2) Employer variable annuity contributions shall be an amount equal to the employee variable annuity contributions provided in clause (1).

(3) Said election shall be made in accordance with section 12, subdivisions 1 and 2. Said election once made is irrevocable.

(4) There shall be provided for members participating in the variable annuity division a separate account for each member which will show his variable account accumulations as defined in section 2, subdivision 23. The board shall establish such other accounts in the variable annuity division as it deems necessary for the operation of this provision.

Subd. 3. Accounts. The variable annuity division in the teachers retirement association shall include an employee variable annuity contribution account, an employer variable annuity contribution account, a variable annuity reserve account, and a variable annuity turnover account.

(1) The employee variable annuity contributions account shall consist of all employee variable annuity contributions made pursuant to subdivision 2, clause (1) plus its share of earnings of the division from investments, including accrued interest and dividends, less withdrawals and transfers from the account, with the total adjusted annually by any realized and unrealized gains and losses.

(2) The employer variable annuity contribution account shall consist of all employer variable annuity contributions made pursuant to subdivision 2, clause (2) plus its share of earnings of the division from investments, including accrued interest and dividends, less withdrawals and transfers from the account, with the total adjusted annually by any realized and unrealized gains and losses.

(3) The variable annuity reserve account shall consist of all transfers made to the variable annuity reserve account, plus its share of earnings of the division from investments, including accrued interest and dividends, less payments from the account, with the total adjusted annually by any realized and unrealized gains and losses.

(4) The variable annuity turnover account shall consist of all transfers made to the variable annuity turnover account in accordance with subdivision 5, clauses (2) and (3) plus its share of earnings of the division from investments, including accrued interest and divi-

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dends, less the administrative costs of the variable annuity division and distributions made from the account in accordance with subdivision 4, clause (4), with the total adjusted annually by any realized gains and losses.

Subd. 4. Gains, losses and earnings. (1) *Turnover gains shall consist of those amounts transferred in accordance with subdivision 5, clauses (2) and (3).*

(2) *As of June 30 of each fiscal year, the board of trustees shall determine the amount of earnings, realized gains, and appreciation or losses to be distributed to the accounts provided in subdivision 3 of this section. The amount of these distributions shall be in the proportion of the average month-end balance of each account to the total value of all the accounts provided in subdivision 3.*

(3) *Earnings and realized and unrealized gains or losses shall be credited to the individual member accounts annually but only on amounts that have been on deposit for the full year except that in the event of a member's death or retirement, earnings and realized and unrealized gains or losses will be credited through the date of death or to the date of retirement based on a rate of return as defined in Minnesota Statutes, Section 11.26, subdivision 6.*

(4) *Annually on July 1 of each fiscal year a portion of the amount in the variable annuity turnover account shall be distributed to the variable annuity reserve account. The amount of this distribution shall be in the proportion of the value of the variable annuity reserve account to the total value of all the accounts provided in subdivision 3.*

Subd. 5. Variable retirement annuity. *At retirement the amount of the member's variable annuity accumulation in the employee variable annuity contribution account and an equal amount from the employer variable annuity contribution account shall be transferred to the variable annuity reserve account, and the variable retirement annuity for the member shall be determined by the member's age, and sex, and the amount transferred for the member to the variable annuity reserve account at the date of retirement. The amount of the annuity shall be calculated on the basis of the 1937 standard annuity table of mortality set back two years and calculated separately as to sex with an interest assumption of three and one half percent.*

(1) *Whenever the admitted value of the annuity reserve account of the variable annuity division, as of June 30 of any year, exceeds or is less than the then present value of all variable annuities in*

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force, determined in accordance with the rate of interest and approved actuarial tables then in effect, by at least two percent of said present value, the amount of each variable annuity payment shall be proportionately increased or decreased for the following year.

(2) *The death benefit payable in the event of a member's death prior to retirement will be the lump sum refund of a member's variable account accumulation credited to date of death, to the surviving dependent spouse, or if there is no surviving dependent spouse to his designated beneficiary. An amount equal to the lump sum refund made in this clause shall be transferred from the employer contribution account to the variable annuity turnover account.*

(3) *Except as provided in section 354.33, subdivision 1, clause (2); section 9, subdivisions 8 and 9; section 354.44, subdivision 2, clause (3); and section 19, subdivision 7, any person who ceases to be a member by reason of termination of teaching service, shall be entitled to a lump sum refundment of his variable account accumulations, based on the valuation at the previous fiscal year end plus any contributions made by such person since such date. Application for a refundment may be made no sooner than 120 days after termination of teaching service if the applicant has not again become a teacher. Repayment of a refundment upon resumption of teaching is not permitted under this section. An amount equal to the refundment to the member shall be transferred from the employer contribution account to the variable annuity turnover account.*

(4) *If a member is determined to be totally and permanently disabled as provided in Minnesota Statutes 1967, Sections 354.05, Subdivision 14; 354.37; and 354.48, he shall be entitled to the annuity provided in subdivision 5 of this section.*

(5) *Those members eligible for retirement as provided in Minnesota Statutes 1967, Section 354.44, Subdivision 1 will upon application for the annuity provided therein be entitled to the annuity provided in subdivision 5. The annuity elected in accordance with Minnesota Statutes 1967, Section 354.33, 354.34, 354.44, and 354.45 shall be the annuity applicable to subdivision 5.*

(6) *Notwithstanding Minnesota Statutes Section 356.18, increases in annuity payments pursuant to this section will be made automatically unless written notice is filed by the annuitant with the teachers retirement association board requesting that the increase shall not be made.*

Sec. 31. [354.63] Participation in Minnesota adjustable fixed benefit fund. Subdivision 1. Authorization. The teach-

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ers retirement association is hereby authorized to participate in the Minnesota adjustable fixed benefit fund.

Subd. 2. Valuation of assets; adjustment of benefits. (1) As of June 30, 1969, the present value of all annuities in force as of June 30, 1969 and as amended in accordance with this act, except for the annuities of those persons who retired pursuant to Laws 1915, Chapter 199, as amended, shall be determined in accordance with the 1937 standard annuity table of mortality set back two years and calculated separately as to sex, with an interest assumption of three and one half percent, and assets representing the required reserves for these annuities shall be transferred to the Minnesota adjustable fixed benefit fund, during a period of one year in accordance with procedures specified in Minnesota Statutes, Section 11.25.

(2) Effective July 1, 1969 for those members retiring pursuant to sections 354.05 to 354.14 and 354.31 to 354.61 and acts amendatory thereof, the required reserves as determined in accordance with these sections shall be transferred to the Minnesota adjustable fixed benefit fund as of the date of retirement except for any variable annuity account accumulations credited in accordance with section 30. The 1937 standard annuity table of mortality set back two years and calculated separately as to sex, with an interest assumption of three and one half percent will be used to determine the amount to be transferred.

(3) Annually as of July 1 of each fiscal year the annuity payments made from the participation in the Minnesota adjustable fixed benefit fund shall be adjusted in accordance with the following procedures. Any adjustment in the amount of annuity payments shall become effective with the first payment falling due after December 31 next succeeding the July 1 as of which the adjustment was determined. A determination shall be made of the present value of all annuities in force payable from the participation in the Minnesota adjustable fixed benefit fund calculated in accordance with the mortality and interest assumptions then in effect. The ratio of the participation in the fund to such present values shall be determined and stated as a percentage of the total present value to the last full .5 of 1 percent. If such ratio is greater than 98 percent and less than 102 percent no adjustment of annuities will be made. If the ratio is equal to or greater than 102 percent or is equal to or less than 98 percent, the annuity payments currently payable shall be increased or decreased in the ratio so determined for the 12-month period beginning with the first payment due after December 31 next succeeding the valuation date, provided that the annuity payment to any annuitant shall never be an

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amount less than the amount originally determined on the date of retirement or on July 1, 1969, whichever is later but not including the supplemental benefit provided for in section 354.55, subdivision 6. For the purpose of calculating the adjustments provided herein, all teachers retiring during any fiscal year shall be deemed to have retired in the same class as of June 30 preceding their date of retirement and all annuitants in such class are equally entitled to any adjustment of annuity payments. All teachers retired prior to July 1, 1969 shall be in the same class as those retiring between July 1, 1969 and June 30, 1970. If the value of the participation in the Minnesota adjustable fixed benefit fund goes below the value of the reserves required to support the amount originally determined on the date of retirement or on July 1, 1969, whichever is later but not including the supplemental benefit provided for in section 354.55, subdivision 6, for any annuitant or class of annuitants, the excess of the amount paid over the amount which the reserves would support must be recovered by withholding the amount of any future increases in annuity payments to which the annuitant or class of annuitants would be otherwise entitled until the sum of the amounts withheld equals such accumulated excess. After any deficiency is recovered in full, the annuity will be increased on the basis of the cumulative ratio of assets to reserves currently applicable to such annuitant or class of annuitants. Exact procedures to be followed in making determinations as to the amounts to be received by persons commencing to receive benefits during the various fiscal years shall be determined by the board of trustees of the teachers retirement association in accordance with accepted actuarial and accounting practices.

(4) *Notwithstanding Minnesota Statutes Section 356.18, increases in annuity payments pursuant to this section will be made automatically unless written notice is filed by the annuitant with the teachers retirement association board requesting that the increase shall not be made.*

Sec. 32. Minnesota Statutes 1967, Chapter 11, is amended by adding a section to read:

[11.25] Minnesota adjustable fixed benefit fund. *Subdivision 1. Minnesota adjustable fixed benefit fund established. There is hereby established a Minnesota adjustable fixed benefit fund which shall be administered by the state board of investment.*

Subd. 2. Investment of assets. *The assets of the Minnesota adjustable fixed benefit fund shall be invested by the state board of investment in accordance with the provisions of Minnesota Statutes, section 11.16, except that (1) the book value of corporate stocks and*

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all other equity investments may not exceed 50 percent of the book value of all assets of the fund at any time, (2) commercial paper of prime quality may be used to the extent of 30 percent of all assets during the first three years of the fund's operations, and (3) fixed-income debt securities convertible into stocks may be used to the extent of 10 percent of the book value of the fund, in addition to other equity-type investments authorized in Minnesota Statutes, section 11.16, subdivision 13, so long as (a) the stocks resulting from conversion are of the quality authorized under Minnesota Statutes, section 11.16, subdivision 13, and (b) the convertible debt securities are rated among the top half of the quality categories, not applicable to defaulted bonds, used by a national recognized agency, meaning a rating of at least Baa or BBB under existing standards. The percentages of common stock and convertible debt investments are to be computed on the basis of original cost, after adjusting for any realized profit or loss due to the sale or disposition of such securities.

Subd. 3. Participation in fund. *Any public retirement organization authorized to participate in the Minnesota adjustable fixed benefit fund may own an undivided participation in all the assets as moneys are certified for investment. The extent of participation shall be determined by the ratio of each organization's contribution as compared with the total recognized value of assets in the fund including cash and accrued income. Such ratio shall be determined monthly. Contributions and withdrawals may be certified at any time, but notification of contributions must reach the state board of investment by the twenty-fifth day of any month in order for such contributions to be included in calculations determining the participation of each organization in the fund at month end. At the end of each fiscal year, the twelve ratios for such year, beginning with that of the previous June 30, shall be averaged. Such a percentage applied to the admitted value shall determine the participation of each organization in the admitted value of the fund.*

Subd. 4. Book value. *Book value as of any date of assets other than corporate stocks and all other equity investments means amortized cost computed from the date the asset was first acquired by the participating retirement association. Book value as of any date of corporate stocks and all other equity investments transferred to the Minnesota adjustable fixed benefit fund means the closing market value of such stocks as of the last business day prior to the transfer. Book value as of any date of corporate stocks and all other equity investments first acquired by the Minnesota adjustable fixed benefit fund means the cost of such stocks.*

Subd. 5. Recognized value. *Recognized value as of any*

Changes or additions indicated by italics, deletions by ~~strikeout~~.

date of assets other than corporate stocks and all other equity investments shall be the book value of such assets as of such date. The recognized value as of any date of corporate stocks and all other equity investments, including convertible securities, shall be the market value at closing on that particular date as determined by the state board of investment.

Subd. 6. Ratio of recognized value to book value. *During each fiscal year beginning with 1971, there shall be determined the ratio of recognized value to book value of the assets of the Minnesota adjustable fixed benefit fund as of the last days of June ending the prior fiscal year, of August, October, December, February and April. In computing such a ratio, the total book value shall be adjusted for any realized profit or loss due to the sale or disposition of securities.*

Subd. 7. Average recognized value to book value ratio. *The average recognized value to book value ratio for any fiscal year means the sum of the six recognized value to book value ratios determined for such fiscal year divided by six.*

Subd. 8. Admitted value of Minnesota adjustable fixed benefit fund. *The admitted value of the Minnesota adjustable fixed benefit fund as of June 30 of any fiscal year beginning with 1971 shall be equal to the book value of the assets of the Minnesota adjustable fixed benefit fund as of that date, including accrued income, with adjustments for realized gains and losses, multiplied by the average recognized value to book value ratio for the fiscal year. Prior to fiscal 1971, the admitted value of the assets shall be the cost of such assets to the Minnesota adjustable fixed benefit fund.*

Subd. 9. Actuarially determined reserve. *The actuarially determined reserve for any participating fund as of any date means the present value, computed in accordance with the interest and mortality assumptions in effect for the particular fund as of the date of determination, of the retirement annuities authorized and in effect on such date.*

Subd. 10. Transfer of assets. *As of June 30, 1969, the actuarially determined reserves of the various retirement organizations participating in the Minnesota adjustable fixed benefit fund shall be computed and assets equal to such actuarially determined reserves shall be transferred from such participating retirement funds to the Minnesota adjustable fixed benefit fund. In total, invested assets amounting to as much as 70 percent of the required reserves for each participating retirement fund may be transferred in the form of investments owned by each fund.*

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(a) *As of June 30, 1969, fixed income debt securities having a book value of approximately 40 percent of the actuarially determined reserve for each participating fund shall be transferred at amortized book value as of that date, in accordance with accounting records of the participating fund, or those of the state auditor and the state board of investment. The state board of investment shall set an approximate average yield for such securities to be transferred by the various accounts which, insofar as possible, is to be comparable to the yield provided by all securities of that type held immediately prior to transfer by the various retirement organizations participating in the fund. In instances in which the fixed income debt securities of a participating retirement fund may not be suited to transfer in the amount indicated at the appropriate yield and in all instances in which cash is used as a balancing item, cash may be transferred and shall be regarded in yield computations as the equivalent of bonds, with the presumption that such securities would be of the average quality and maturity transferred by the various participating funds, but bearing the interest rate in effect for such newly issued securities as of June 30, 1969.*

(b) *The balance of the reserves to be transferred from the various participating funds, consisting of up to 30 percent of total reserves in stocks and the remainder in cash, shall be transferred in approximately equal amounts on six dates. As of July 1, 1969, September 1, 1969, November 1, 1969, January 1, 1970, March 1, 1970, and May 1, 1970, common stocks and other equity investments having market values up to 5 percent of the actuarially determined reserve as of June 30, 1969, may be transferred from each participating retirement fund. Such stocks and all other equity investments shall be transferred at a price determined by the market value of the securities at the close of the last business day of the preceding month. Cash in amounts sufficient to bring the total market value of assets transferred up to 10 percent of such actuarially determined reserve shall be transferred to the Minnesota adjustable fixed benefit fund by each participating retirement organization on each of such dates.*

The assets to be transferred and the values to be used for such transfers shall be approved by the state board of investment, which shall certify such assets and values to the state auditor, requesting the transfer and specifying the effective date. As of such date, the auditor shall transfer the assets at the values so indicated to the Minnesota adjustable fixed benefit fund. During the fiscal year beginning July 1, 1969; the income attributable to the securities being transferred shall

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accrue to the benefit of the Minnesota adjustable fixed benefit fund as of the date of transfer. As of June 30, 1970, each participating organization shall contribute an amount adequate to provide the Minnesota adjustable fixed benefit fund with an income return of four and one fourth percent for the 1970 fiscal year. Such contribution shall be based on the applicable average total reserves participating in the fund, less the assets already transferred by such organization under the procedures specified in this subdivision.

Sec. 33. Minnesota Statutes 1967, Chapter 11, is amended by adding a section to read:

[11.26] Minnesota variable annuity fund. Subdivision 1. Minnesota variable annuity fund established. *There is hereby established the Minnesota variable annuity fund which shall be administered by the state board of investment.*

Subd. 2. Investment of assets. *The assets of the Minnesota variable annuity fund shall be invested by the state board of investment in accordance with the provisions of Minnesota Statutes, Section 11.18, subdivision 3.*

Subd. 3. Participation in fund. *Any public retirement organization authorized to participate in the Minnesota variable annuity fund may own an undivided participation in all the assets as monies are certified for investment. The extent of participation shall be determined by the ratio of each organization's contribution as compared with the total book value of assets in the fund including cash and accrued income. Such ratio shall be determined monthly. Contributions and withdrawals may be certified at any time, but notification of contributions must reach the state board of investment by the twenty-fifth day of any month in order for such contributions to be included in calculations determining the participation of each organization in the fund at month end. At the end of each fiscal year, the twelve ratios for such year, beginning with that of the previous June 30, shall be averaged. Such a percentage applied to the admitted value shall determine the participation of each organization in the admitted value of the fund.*

Subd. 4. Valuation of fund. (1) *A bimonthly valuation of the investments in the Minnesota variable annuity fund shall be made by the state board of investment, using the closing market prices on the last business dates of June, August, October, December, February, and April of each fiscal year. The beginning valuation shall be the market value at the close of business on June 30 of the previous fiscal year. The ratio of the total market value of investments to*

Changes or additions indicated by italics, deletions by ~~strikeout~~.

the admitted value of investments at the end of the preceding fiscal year, plus the cost of investments acquired, less the net receipts from investments sold during the fiscal year, shall be determined for each valuation date. (2) The admitted value of the investments of the Minnesota variable annuity fund at the end of each fiscal year will be the book value of all investments held at such date multiplied by the average of the ratios at the six bimonthly valuation dates determined in accordance with clause (1). The book value of investments during any fiscal year shall be the admitted value at the end of the preceding fiscal year or the cost of such investments if acquired during the fiscal year. At the initial date of operation of the fund, the admitted value of the investments shall be the original cost of such investments.

Subd. 5. Accounting procedures. (1) *The earnings from the investments of the Minnesota variable annuity fund shall consist of dividends, interest, and all other income derived from such investments within each fiscal year but shall not include changes in the admitted values of such investments.*

(2) *Any realized gain or loss shall be recorded in a realized appreciation account, and shall consist of the amount received on sale less the cost of such security. Unrealized gains or losses for any fiscal year shall be determined as provided in subdivision 4, clause (1) to the book value of all investments held at the end of the fiscal year.*

Subd. 6. Total annual increment or decrement. *The total annual increment or decrement shall be the sum of (a) the earnings as computed under clause (1) of subdivision 5, (b) total realized gains or losses for the fiscal year as computed under clause (2) of subdivision 5, after adjusting for the approximate unrealized gain or loss evidenced for such securities in the admitted value, and (c) total unrealized gains or losses for the fiscal year as computed under clause (2) of subdivision 5.*

Subd. 7. Rate of return. *The total annual increment or decrement divided by the admitted value of the assets of the Minnesota variable annuity fund, as computed under clause (2) of subdivision 4, shall be defined as the rate of return for said fiscal year. The rate of return is to be used as the percentage of increase or decrease which participating organizations may make in the amount of the individual member's account balances at the end of said fiscal year.*

Sec. 34. [354.65] Administrative expenses. *Administrative expenses incurred by the teachers retirement association shall be prorated and allocated to the teachers retirement fund, and the organization's participation in the Minnesota variable annuity fund, the Minnesota adjustable fixed benefit fund and the Minnesota sup-*

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plemental retirement fund in accordance with policies and procedures established by the board of trustees of the teachers retirement association.

Sec. 35. [354.64] **Effect of records.** *The records of the teachers retirement association as determined to be correct by the board of trustees shall govern rights, benefits, and status of each member, former member, or annuitant of the association.*

Sec. 36. Minnesota Statutes 1967, Section 354.09, Subdivision 4, is amended to read:

Subd. 4. After July 1, ~~1957~~ 1969, payments made pursuant to subdivision 1, representing employee contributions, shall be accepted only if an equal additional amount, representing employer contributions, is received from the agency formerly employing such teacher. However, the teacher, or the school district or institution which presently employs him, may pay such equal additional amount representing the employer contribution required by this subdivision. Interest shall be paid on both the employee and employer contribution at the rate of four percent per annum from the year on which such service was ~~purchased~~ rendered to the first date of payment. *For payments made prior to July 1, 1969, pursuant to subdivision 1 where the employer's contributions were not made, an additional amount representing employer's contributions may be paid together with interest at the rate of four percent per annum on this amount from the year such service was rendered to the first date of payment.*

If the employee and employer contributions and interest thereon provided in this section are not paid in full the member's formula service credit shall be calculated by multiplying the number of years of out of state service by the ratio obtained by the total amount paid and the maximum amount payable provided herein.

The board may authorize the collection of these payments in the form of installments rather than a lump sum. Any school district or institution which desires to make the employer contribution herein provided, is hereby authorized to appropriate money for such purpose.

All payments into the fund pursuant to subdivision 1, shall be considered accumulations after ~~January~~ July 1, 1957 for the purpose of computing any annuity provided in Extra Session Laws 1957, Chapter 16.

In no case shall the provisions of subdivision 1 apply to teachers who become members of the fund after July 1, 1957.

Changes or additions indicated by italics, deletions by ~~strikeout~~.

Sec. 37. Minnesota Statutes 1967, Section 354.15 is amended to read:

354.15 Teachers retirement fund associations in cities. In every city of this state now or hereafter having a population of more than 10,000, the teaching body may, with the consent of the council in the city, establish an association to be known as the teachers retirement fund association, to be formed and organized and to have powers and privileges as provided in sections 354.17 to 354.23. *After July 1, 1969, no new teacher retirement fund can be created.*

Sec. 38. Minnesota Statutes 1967, Section 354.201, Subdivision 3, is amended to read:

Subd. 3. The state's obligation under this section to a teachers retirement fund association in a city of the first class is an amount equal to the average amount, *expressed as a percentage of payroll*, that the state of Minnesota ~~would be~~ *is* required to pay annually for all contributing members of the ~~associations under the state teachers retirement fund program association multiplied by the number of contributing members of the associations in each of the said cities of the first class each year, but including social security taxes.~~ *This percentage of payroll shall be based on annual estimated payroll amounts and certification information prepared by the state teachers retirement fund association for the current year, including social security taxes paid the previous year. This percentage of payroll shall be applied to total salary as reported in the annual salary information furnished by each teachers retirement association in a city of the first class to the state auditor in compliance with subdivision 2 of this section to determine the state's obligation to each teachers retirement fund association in each city of the first class. Any amount by which subsequent actual experience may deviate from the amounts allocated through the foregoing estimates shall be adjusted on succeeding allocations to said associations in cities of the first class. In no event shall the state's obligation be in excess of the amount required to be certified by such associations under applicable law to the proper authorities who have charge of the levying of taxes for school purposes.*

Sec. 39. **[354.045]** *This act may be cited as the teachers retirement improvement act of 1969.*

Sec. 40. **Repealer.** *Minnesota Statutes 1967, Sections 354.07, Subdivision 6; and 354.42, Subdivision 4, are repealed.*

Sec. 41. **Effective date.** *This act shall become effective July 1, 1969.*

Approved May 20, 1969.

Changes or additions indicated by italics, deletions by strikeout.