State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO:	Members of the Legislative Commission on Pensions and Retirement
FROM:	Lawrence A. Martin, Executive Director LAM
RE:	S.F. 1863 (Rest); H.F. 1896 (Skoglund): Legislators Plan; Second Social Security Referendum and Subsequent Retirement Coverage
DATE:	March 23, 2001

Summary of S.F. 1863 (Rest); H.F. 1896 (Skoglund)

S.F. 1863 (Rest); H.F. 1896 (Skoglund) amends Minnesota Statutes, Chapter 3A, which governs the Legislators Retirement Plan, and Chapter 355, which governs public employee Social Security coverage, by providing for a second Social Security referendum for legislators to elect future Social Security coverage and five years of retroactive Social Security coverage, and by specifying the provisions of the Coordinated Program of the Legislators Retirement Plan as the current provision of the Legislators Retirement Plan.

Background Information On Retirement Coverage For Legislators

The Legislators Retirement Plan, governed by Minnesota Statutes, Chapter 3A, was enacted in 1965. It is the successor to the Public Employees Retirement Association as the retirement coverage for members of the Legislature. Prior to 1965, there was no separate Legislator's Plan. Legislators were covered under the Public Employees Retirement Association (PERA-General Plan). At that time, PERA-General was a basic plan and no contributions were made into the federal Social Security program for the covered service. PERA-General used a career average salary and had back-loaded accrual rates, heavily favoring long time employees. A member received one percent of career average salary for each of the first ten years of service, two percent of career average salary for each of the next ten years, 2.5 percent for each year between twenty and thirty years of service, and three percent for each year over thirty years of service.

In 1965, the Legislature created a separate Legislative Plan, but current members and new members with prior PERA-General coverage had an option to retain PERA-General coverage. The motivation for establishing a separate Legislator's Plan probably came from a growing recognition that the back-loaded PERA-General Plan was not well suited to provide legislative retirement coverage, since the typical legislator would not be providing many decades of service. Prior to 1977, the Legislator's Plan provided a retirement benefit of 40 percent of the average monthly salary received during the final term of office for the first eight years of service, and an additional 2.5 percent per year for each year beyond eight. For those who left service and were too young to draw a benefit, the annuity augmented at five percent per year. The surviving spouse was entitled to a benefit equal to half the legislator's benefit, and a benefit was also provided to surviving children. The plan members participated in the Minnesota Adjustable Fixed Benefit Fund, a forerunner of the current Minnesota Post Retirement Investment Fund.

Beginning with the 1979 session, the maximum benefit accrual rate for any new legislative service was set at 2.5 percent. This lower accrual rate was adopted in recognition of the changing nature of legislative work. Until the early 1970's, legislative salaries were minimal. In order to provide any meaningful retirement benefit, a high benefit accrual rate was used. As legislative salaries increased in recognition that legislative work was becoming more like a full-time occupation, the Legislature recognized that it needed to revise the benefit accrual rates downward. The legislative salary for pension purposes was redefined to exclude an additional compensation for leadership positions. A twenty year cap on creditable service was also imposed. The Legislator's Plan was revised in 1978 and 1979 to use the high-five average salary rather than the average salary in the final term in office and the normal retirement age was increased from age 60 to age 62, with age 60 becoming the earliest age for retirement with a reduced annuity. Vesting for a retirement annuity was reduced from eight years to six years. In 1989, the definition of salary was changed to include regular and special session per diem payments, the deferred annuity augmentation rates were revised to three percent per year up to the year in which the ex-legislator becomes age 55, and five percent per year thereafter, the reduction factors for early retirement were revised to require a more substantial penalty, and the 20 year cap on service credit was removed. Members who were no longer accruing service credit because their service exceeded 20 years were authorized to again begin accruing service credit. The 1989 removal of the Legislative Plan service credit cap was made retroactive in 1992. Long-term legislators, including those in deferred status, with uncredited service prior to June 2, 1989, were authorized to purchase service credit for the uncredited period and the affected legislators were required to contribute nine percent of salary received during the uncredited period plus six percent interest from the midpoint of the period of uncredited service to the date of payment. Payment had to be received prior to retirement or by January 1, 1994, whichever was earlier.

In 1997, the annual benefit accrual rates for the Legislators Retirement Plan were increased from 5.00 percent (pre-1997 service) or 2.5 percent (post-1978 service) to that annual individual benefit accrual rate that has the same actuarial value as the one percent annual post retirement adjustment benefit reduction imposed by the same legislation (approximately a 2.7 percent benefit accrual rate). For new legislators first serving in office after July 1, 1997, retirement coverage is by the Unclassified State Employees Retirement Program of the Minnesota State Retirement System (MSRS-Unclassified), a defined contribution pension plan. An individual Social Security coverage election referendum was held with an opportunity to elect MSRS-Unclassified coverage by pre-July 1, 1997, legislators in 1998.

Discussion

S.F. 1863 (Rest); H.F. 1896 (Skoglund) would permit the 173 current members of the Legislature who are covered by the Legislators Retirement Plan, a basic (not supplementing Social Security) retirement plan, to elect Social Security coverage for their legislative service in a second referendum on the issue, with prospective Social Security coverage and five years of retroactive (pre-referendum) coverage. Legislators electing Social Security coverage in the second referendum would retain past and future coverage by the Legislators Retirement Plan.

The proposed legislation raises several pension and related public policy issues that may merit Commission consideration, including the following:

1. Appropriateness of Adding Social Security Coverage To a Plan With Basic Retirement Plan Coverage. The policy issue is the appropriateness of adding Social Security coverage to a basic retirement plan without reconfiguring the basic retirement plan benefit coverage as a coordinated retirement plan. The Legislators Retirement Plan is a basic retirement plan, meaning that the retirement plan provides the sole retirement benefit for that service, without Social Security coverage. As a basic retirement plan, the Legislators Retirement Plan provides a larger benefit accrual rate (2.7 percent of the highest five successive years average salary per year of service credit) than a coordinated retirement plan (typically 1.7 percent of the highest five successive years average salary per year of service credit). In every prior coordination of a Minnesota public pension plan, the prior plan benefit accrual rate was reduced (and the member and employer contribution rates also were reduced). If the Commission determines that it is good policy to downsize a benefit plan benefit accrual rate upon coordination, Amendment LCPR01-128 would create a Legislators Retirement Plan Coordinated Program that essentially replicates other coordinated programs.

2. Appropriateness of Proposed Deviation From 1997 Legislation. The policy issue is the appropriateness of the proposed second Social Security referendum and the retention of the current Legislators Retirement Plan benefits as the subsequent benefit plan following the 1997 legislative changes in the retirement coverage for members of the Legislature, where new legislators and legislators who so elect were covered by Social Security and the Unclassifed State Employees Retirement Program of the Minnesota State Retirement System (MSRS-Unclassified), a defined contribution pension plan. The 1997 legislation was an outgrowth of Commission deliberations during the 1997 Session and was followed by a mandated Commission review of the issue during the 1997-1998 Interim. That mandated study produced no recommendation by the Commission of changes in the 1997 legislation. The Commission may benefit from taking testimony on what circumstances have changed during the interval to cause a shift in the 1997 policy now.

3. The Need To Accommodate The Application of Social Security Offsets To Basic Retirement Benefit. The policy issue is whether or not there is any need to accommodate the application of offsets or reductions provided for in Social Security law. To avoid having individuals with modest amounts of earnings covered by Social Security and other earnings outside Social Security coverage, like legislators covered by Minnesota Statutes, Chapter 3A, be more favorably treated by Social Security as low income individuals, Social Security instituted the Government Pension Offset in 1977 and the Windfall Elimination Provision in 1983. Background information on Social Security coverage from the 1997-1998 Interim Commission study on the 1997 legislator's retirement coverage changes, including the Social Security Windfall Elimination Provision and the Government Pension Offset, is

attached, as Attachment A. Publications on the Windfall Elimination Provision and the Government Pension Offset from the Social Security Administration are also attached.

4. The Appropriateness of Retroactive Social Security Coverage And The Source Bearing Any Retroactive Coverage Cost. The policy issues are the appropriateness of allowing for retroactive Social Security coverage and what source is the appropriate source for bearing that cost. The proposed legislation would allow legislators to elect retroactive Social Security coverage, with the payment of back Social Security taxes by the Executive Director of the Minnesota State Retirement System (MSRS) from an appropriation made for that purpose, and with the reimbursement by the legislator of a portion of those retroactive amounts. Amendment LCPR01-138 makes the reimbursement amount for existing legislators the amount of the retroactive employee Social Security contributions paid. Amendment LCPR01-139 makes the reimbursement amount for electing legislators the amount of all retroactive Social Security contributions paid.

5. Cost and Appropriation. The policy issue is the cost to the State of Minnesota of the proposed legislation and the effect of that cost on budget division appropriation targets. The proposed legislation would impose two costs on the State, with one cost being the Social Security employer taxes for future Social Security coverage for legislators and with the other cost being the retroactive Social Security taxes. The retroactive Social Security taxes would be minimally reimbursed under the proposed legislation, half reimbursed under Amendment LCPR01-138, and fully reimbursed under Amendment LCPR01-139. The reimbursement amounts do not return to the State General Fund under the proposed legislation, but would simply be paid to MSRS. Amendment LCPR01-140 would direct any reimbursement to the State General Fund.

6. Appropriateness of the Proposed Legislation In Light of a Self-Help Remedy. The policy issue is the appropriateness of the proposed legislation when there exists a self-help remedy for legislators of maintaining substantial non-legislative employment in the private sector, which would be covered by Social Security. Substantial earnings covered by Social Security, which would counter the effect of the windfall elimination provision, are $14,175 in calendar year 2000 (up 5.59 percent from $13,425 in calendar year 1999).

7. Timing of Change and Impact of Constitutional Prohibition on Compensation Increase During Current House Term. The policy issue is the compliance of the immediate effective date of the proposed legislation with the requirement in Article IV, Section 9, of the Minnesota Constitution, which prohibits any increase in legislative compensation during a current House member's term. Amendment LCPR01-141 would make the second Social Security referendum legislation effective on January 15, 2003, in compliance with the Minnesota Constitution.

ATTACHMENT A

Background Information on Social Security Coverage

1. In General

Social Security, the Old Age, Survivors, Disability and Health Insurance Program (OASDHI), provides retirement benefits to older covered employees, to disabled employees, to certain dependents of living benefit recipients, and to certain dependent survivors of deceased covered employees. It also provides hospitalization insurance and medical insurance to eligible Social Security recipients and dependents under the Medicare Program.

2. Old Age, Survivors and Disability (OASDI) Insurance Program

a. Social Security Old Age Benefit

A fully insured covered worker at the Social Security normal retirement age will be entitled to a Social Security old age benefit equal to 100 percent of the primary insurance amount. A reduced benefit is available as early as age 62 and an increased benefit is payable if benefit receipt is postponed beyond age 65.

A covered worker typically must have 40 calendar year quarters of Social Security coverage to be considered to be fully insured (if born before January 2, 1929, adjusted downward on a sliding scale to 28 quarters for a 1917 year of birth). Social Security coverage is a function of employment covered by Social Security and the magnitude of employment earnings. Private sector employees have been covered by the Social Security program since the 1930's. Public sector employees are covered if the employing unit is covered by an agreement with the federal government (Department of Health and Human Services) extending the program to new employees on a mandatory basis and to existing employees on an individually elective basis through a Social Security referendum. A covered worker receives a quarter of coverage if the worker had at least $640 (1996 figure; which is indexed) in covered employment earnings, up to four quarters per calendar year. Self-employed individuals also are covered by Social Security for self-employed income, which does not generally include real estate rental income, stock dividends, bond interest, net capital gains, limited partner income from a partnership, and incidental, casual work, or de minimis self-employment wages or income.

The compensation covered by the Social Security Old Age benefit is limited ($62,700 in 1996 and $65,400 in 1997, indexed annually).

The Social Security normal retirement age varies, depending on the year of birth of the covered worker, as follows:

Year of Birth	Normal Retirement Age	
1937 and before	65 years	
1938	65 years	2 months
1939	65 years	4 months
1940	65 years	6 months
1941	65 years	8 months
1942	65 years	10 months
1943-54	66 years	
1955	66 years	2 months
1956	66 years	4 months
1957	66 years	6 months
1958	66 years	8 months
1959	66 years	10 months
1960 and later	67 years	

The Social Security primary insurance amount is the basic Social Security benefit calculation. While the Social Security old age benefit is a defined benefit plan benefit, the computation of the benefit amount is more complicated than a typical public sector defined benefit plan benefit. Social Security uses a modified career average salary base, known as the average indexed monthly earnings amount, and replaces a preset amount of the base without reference to the length of employment. Short employment will be reflected in a reduced career average salary amount, with the inclusion of several low earnings or no earnings years. The average indexed monthly earnings amount is the covered wages of a covered worker in covered employment since 1950 or after age 21, if later, through age 62, after dropping out the lowest five years from the averaging period, and indexed based on the national average wage through the year in which the worker reached age 60. The primary insurance amount is determined by multiplying the three component parts of the average indexed monthly earnings by the applicable replacement percentage. For 1996, the three component parts were average indexed monthly earnings up to $437, average indexed monthly earnings over $437 and under $2,636, and average indexed monthly earnings over $2,635 up to the maximum covered average indexed monthly earnings amount. The average indexed monthly earnings component part dollar amounts are referred to as the bend points and the bend points are adjusted annually on January 1 based on the comparison between the national average wage for the second preceding year with the comparable figure for the year 1977, with the ratio applied to the 1979 bend points. The replacement ratio formula is as follows:

average indexed monthly earnings $0 - $437	90 percent
average indexed monthly earnings $438 - $2,635	32 percent
average indexed monthly earnings $2,636 and over	15 percent

The calculated Social Security old age benefit is payable at the normal retirement age. Social Security old age benefits are payable early at age 62, with a reduction of five-ninths of one percent per month under the normal retirement age. Social Security old age benefits paid after the Social Security normal retirement age are increased based on an age-related schedule from one-twelfth of one percent (for years of birth before 1917) to thirteen - twenty fourths of one percent (for 1937).

Social Security old age benefits are subject to an annual earnings test and limits. A covered worker begins receipt of a Social Security old age benefit based on attaining a requisite age, rather than terminating employment with a particular employer or all employers. If an old age benefit recipient is employed after commencing receipt, the Social Security old age benefit is reduced by one dollar for each three dollars of earnings above a designated limit until the recipient reaches age 70. The 1996 limits were $8,280 for the period age 62 - age 64 and $12,500 for the period age 65 - age 69.

If a covered worker has pension coverage from noncovered employment at the time of benefit calculation, such as a pre-1998 legislator, there is a potential "windfall offset" reduction in the primary insurance amount replacement percentage for the initial component portion of the average indexed monthly earnings, which is normally 90 percent and could be reduced to 40 percent. No reduction in the replacement rate applies to persons who were age 62 before 1986, or who had at least 30 years of covered employment with substantial earnings (at least one-quarter of the prior (old law) maximum taxable earnings base, or $1,200 in 1960, $1,950 in 1970, $5,100 in 1980, $9,525 in 1990, and $11,625 in 1996, for example). If the years of substantial covered employment earnings are less than 30 years, the reduction will vary (from 90 to 85 percent with 29 years of substantial earnings ranging down on a sliding scale to 40 percent with less than 21 years of substantial earnings). The maximum windfall offset is one-half of the pension attributable to post-1956 employment earnings not covered by Social Security. For covered workers who turn age 62 in 1996 and have less than 20 years of substantial earnings in Social Security covered employment, the maximum reduction would be one-half (90 percent reduced to 40 percent) of the amount under the first bend point ($437), or $218.50 per month.

Based on the primary insurance amount computation worksheet from a Hay/Huggins Company publication, 1996 Social Security Summary, the following sets forth the calculation of the Social Security old age benefit for a person covered by Social Security 1951-1996, retiring in 1996 at age 65, earning the annual salary (excluding per diem) of a Minnesota legislator:

(a)	year of eligibility (age 62)	1993
(b)	number of years 1951-1993	42
(c)	number of years included in calculation (42-5)	37
(d)	months in averaging period (37x12)	444
(e)	year (a) - 2	1991
(f)	national average wage for 1991	$21,811.60
(g)	indexed earnings table:	

(1) Calendar Year	(2) Enter Covered Earnings for Year	(3) Maximum Taxable Earnings Base	(4) Enter the Smaller of Column (2) or Column (3)	(5) National Average Wage*	(6) Indexed Earnings [(f)x(4)/(5)] (to nearest cent)**
1951	$1,000	$3,600	$1,000	$2,799.16	$7792.19
1952	1,000	3,600	1,000	2,973.32	7,335.77
1953	1,500	3,600	1,500	3,139.44	10,421.41
1954	1,500	3,600	1,500	3,155.64	10,367.91
1955	1,500	4,200	1,500	3,301.44	9,910.04
1956	1,500	4,200	1,500	3,532.36	9,262.19
1957	2,400	4,200	2,400	3,641.72	14,374.48
1958	2,400	4,200	2,400	3,673.80	14,248.96
1959	2,400	4,800	2,400	3,855.80	13,576.39
1960	2,400	4,800	2,400	4,007.12	13,063.71
1961	2,400	4,800	2,400	4,086.76	12,809.13
1962	2,400	4,800	2,400	4,291.40	12,198.31
1963	2,400	4,800	2,400	4,396.64	11,906.33
1964	2,400	4,800	2,400	4,576.32	11,438.85
1965	2,400	4,800	2,400	4,658.72	11,236.53
1966	2,400	6,600	2,400	4,938.36	10,600.24
1967	4,800	6,600	4,800	5,213.44	20,081.88
1968	4,800	7,800	4,800	5,571.76	18,790.41
1969	4,800	7,800	4,800	5,893.76	17,763.82
1970	4,800	7.800	4,800	6,186.24	16,923.96
1971	4,800	7,800	4,800	6,497.08	16,114.27
1972	4,800	9,000	4,800	7,133.80	14,676.00
1973	8,400	10,800	8,400	7,580.16	24,170.66
1974	8,400	13,200	8,400	8,030.76	22,814.46
1975	8,400	14,100	8,400	8,630.92	21,228.03
1976	8,400	15,300	8,400	9,226.48	19,857.78
1977	8,400	16,500	8,400	9,779.44	18,734.96
1978	8,400	17,700	8.400	10,556.03	17,356.66
1979	16,500	22,900	16,500	11,479.46	31,350.90
1980	18,500	25,900	18,500	12,513.46	32,246.45
1981	18,500	29,700	18,500	13,773.10	29,297.30

(1) Calendar Year	(2) Enter Covered Earnings for Year	(3) Maximum Taxable Earnings Base	(4) Enter the Smaller of Column (2) or Column (3)	(5) National Average Wage*	(6) Indexed Earnings [(f)x(4)/(5)] (to nearest cent)**
1982	18,500	32,400	18,500	14,531.34	27,768.57
1983	18,500	35,700	18,500	15,239.24	26,478.66
1984	18,500	37,800	18,500	16,135.07	25,008.54
1985	21,140	39,600	21,140	16,822.51	27,409.54
1986	22,350	42,000	22,350	17,321.82	28,143.07
1987	23,244	43,800	23,244	18,426.51	27,514.10
1988	23,941	45,000	23,941	19,334.04	27,008.92
1989	25,138	48,000	25,138	20,099.55	27,279.22
1990	26,395	51,300	26,395	21,027.98	27,378.63
1991	27,979	53,400	27,979	21,811.60	27,979.00
1992	27,979	55,500	27,979	22,935.42	27,979.00
1993	27,979	57,600	27,979	23,132.67	27,979.00
1994	27,979	60,600	27,979	23,753.53	27,979.00
1995	29,657	61,200	29,657	23,753.53	29,657.00
1996	29,657	62,700	29,657	23,753.53	29,657.00

* This column applies only through 1991, the year of eligibility (age 62) less two years. Thereafter, use same figure as shown for 1991.

** This computation applies through 1991. Thereafter, use the figure from Column (4).

(h)	total of highest entries for 37 years, excluding 1996	$810,585.95
(i)	average indexed monthly earnings ((h)/444)	1,825
(j)	lower bend point for 1993	$401
(k)	upper bend point for 1993	$2,420
(l)	amount by which (k) exceeds (j)	$2,019
(m)	primary insurance amount	
	(1) 90% of lesser of (j) or (i)	$401x.90 = $360.90
	(2) 32% of lesser of (l) or (i) minus (j)	$1,424x.32 = $455.68
	(3) 15% of (i) minus (k), not less than zero	$0
	(4) (m)(1) + (m)(2) + (m)(3), rounded down to $0.10	$816.50
(n)	post age 62 general benefit increases	
	1993	$816.50 x 1.026 = $837.70
	1994	$837.70 x 1.028 = $861.10
	1995	$861.10 x 1.026 = $883.40

b. Social Security Disability Benefit

A fully insured covered worker who becomes disabled will be entitled to a Social Security disability benefit equal to 100 percent of the primary insurance amount without reduction for payment earlier than the Social Security normal retirement age.

A covered worker who is older than age 30 and becomes disabled after 1990 must have 40 calendar year quarters of Social Security coverage and must have 20 calendar year quarters of Social Security coverage in the 40 quarter period ending with the quarter in which the disability began, which must not include any quarter used for a prior disability benefit. A covered worker who is older than age 23 and younger than age 31 and becomes disabled for a reason other than blindness must have 20 calendar year quarters of Social Security coverage after the quarter in which the covered worker attains age 21 and ending with the quarter in which the disability begins. A covered worker who is under age 24 and becomes disabled for a reason other than blindness must have six calendar year quarters of Social Security coverage in the 12 calendar year quarters ending with the quarter in which the disability begins. A covered worker who becomes disabled by blindness must have 40 calendar year quarters of Social Security coverage.

A covered worker is disabled if the person is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that is expected to result in death or either has continued or is expected to continue without interruption for a period of at least 12 months unless alcoholism or drug addition is a contributing material factor. For blindness that occurs after age 54, the inability must be to engage in the person's usual occupation.

The Social Security primary insurance amount calculation for the Social Security old age benefit also applies to the Social Security disability benefit coverage.

Social Security disability benefits are not subject to the earnings test and limits applicable to Social Security old age benefits, but workers compensation benefits may be offset if the benefit combined with workers compensation and certain governmental disability programs exceed 80 percent of average current earnings, which is typically the average monthly earnings for the highest year in the six years of covered employment ending with the year in which the disability occurred. Social Security disability benefits are also subject to the windfall offset reduction that is applicable to Social Security old age benefits.

c. Social Security Benefit For Dependent of Living Recipient

The spouse, the divorced spouse, the child, or the grandchild of a Social Security old age benefit recipient or a Social Security disability benefit recipient will be entitled to a Social Security dependent benefit. The dependent benefit is 50 percent of the primary insurance amount subject to early receipt reductions after age 61 and before age 65 for dependent spouses and former spouses and subject to a family maximum benefit.

The dependent spouse benefit automatically applies to the spouse of an old age benefit recipient or a disability benefit recipient who is at least age 62. The dependent spouse benefit applies to the former spouse of an old age benefit recipient or a disability benefit recipient if the person is unmarried or is remarried after age 60 (age 50 if disabled), was married for at least ten years before the divorce and the divorce occurred after the benefit recipient began receipt or occurred two years before benefit receipt. The dependent spouse benefit also applies to the spouse who cares for a child under age 16 or is disabled, is unmarried, and is under age 22. The dependent child benefit applies to an unmarried child of a recipient who is either under age 18, is under 19 if a full-time elementary or secondary school student, or becomes disabled before age 22, when eligibility is continuing. The dependent grandchild benefit is identical in its requirements to the dependent child benefit, but additionally requires that the grandchild's parents must be deceased or must be disabled.

The family maximum benefit limits the total amount of benefits payable with respect to the record of each covered worker or benefit recipient. For covered workers turning age 62 in 1996, the family maximum benefit formula for old age benefits and dependent benefits is as follows:

150 percent of the first $559 of the primary insurance amount, plus

272 percent of the primary insurance amount between $559 and $806, plus

134 percent of the primary insurance amount between $806 and $1,052, plus

175 percent of the primary insurance amount in excess of $1,052.

The disability benefit family maximum benefit is the smaller of the following:

the larger of 85 percent of the average indexed monthly earnings or 100 percent of the primary insurance amount; or

150 percent of the primary insurance amount.

A government pension offset also applies to dependent spouse benefits. The Social Security dependent spouse benefit will be reduced by 66.67 percent of the amount of any public pension benefit payable to the spouse based on the spouse's own work in employment not covered by Social Security. Thus, a retiring State patrol trooper who is the dependent spouse of a Social Security old age benefit recipient will have an amount equal to 85 percent of the State Patrol Retirement Plan single life age and service retirement annuity offset against the 50 percent of the primary insurance amount dependent spouse benefit otherwise payable on account of the spouse of the trooper retiring with a Social Security old age benefit.

d. Social Security Survivor Benefits

The surviving spouse, the surviving former spouse, the surviving child, the surviving grandchild, or the surviving parent of a deceased covered worker or benefit recipient will be entitled to a Social Security survivor benefit. The surviving spouse or surviving former spouse benefit is either 100 percent or 75 percent of the covered worker's primary insurance amount, the surviving child or grandchild benefit is 75 percent of the covered worker's primary insurance amount, and the surviving parent benefit is 82.5 percent of the covered worker's primary insurance amount.

A surviving spouse or surviving former spouse of a covered worker or benefit recipient with at least 40 calendar quarters of coverage, if the spouse is either at least age 60 or is disabled and is at least age 50, is eligible for the 100 percent of the primary insurance amount. A surviving spouse or surviving former spouse of a covered worker or benefit recipient with at least six calendar quarters during the 13 quarter period ending with death, disablement, or the termination of active service, if the spouse is caring for a child who is under age 16 or who became disabled before reaching age 22 and is unmarried, is eligible for 75 percent of the primary insurance amount. A surviving child of a covered worker with at least six calendar quarters during the 13 quarter period ending with death, disablement, or the termination of active service, if the child ;is unmarried and is under age 18, under age 19 and is a full time elementary or secondary school student, or is disabled before age 22 is eligible for 75 percent of the primary insurance amount. The same benefit applies to a surviving grandchild who meets the same requirements as a surviving child and whose parents are either dead or disabled. A surviving parent of a covered worker or benefit recipient with at least 40 calendar quarters of coverage, if the parent is dependent on the worker or recipient and the parent is at least age 62, is eligible for 82.5 percent of the primary insurance amount.

The family maximum benefit limits also apply to these survivor benefits as they do to dependent benefits. The government pension offset also applies to these survivor benefits.

TO: Senator Ann H. Rest

FROM: George M. McCormick, Senate Counsel (651/296-6200)

DATE: March 28, 2001

SUBJ: Social Security Referendum

I don't believe that giving legislators another opportunity to opt for Social Security coverage would constitute an increase in compensation in violation of the state constitution. Conversely, a better argument could be made that legislators who chose Social Security coverage would have their compensation diminished because of the additional salary deductions to which they would become subject.

The latter argument was successfully made by a group of federal judges when they came under Social Security in the early 1990s. Since they became subject to withholding for Social Security, they contended, their net pay was reduced in violation of the federal constitutional provision that judges' compensation "shall not be diminished during their continuance in office." U.S. Constitution, article III, section 1. (Minnesota Constitution, article VI, section 5, contains a nearly identical provision.) The Appeals Court for the Federal Circuit agreed, holding that "Social Security taxes diminish the compensation of Article III judges who took office prior to enactment of the taxes." *Hatter v. U.S.*, 64 F.3d 647, 653 (Fed. Cir. 1995).

The *Hatter* court noted that an argument could be made that eligibility for Social Security benefits constituted an increase in compensation, the argument apparently being made with respect to S.F. No. 1863. But the court pointed out that Social Security benefits "are not vested in any manner" and thus "do not give the claimants a certain entitlement" to a future sum that might offset the effect of current Social Security taxes. 64 F.3d at 652. "A speculative, incalculable future benefit cannot offset a concrete, present reduction." *Id.* I think that conclusion would apply as well to Minnesota legislators. Those coming under Social Security would gain a speculative, incalculable future benefit, but that potential benefit would not offset the concrete reduction of compensation that would result from paying Social Security taxes. Therefore, there would be no increase in legislative compensation in violation of Minnesota Constitution, article IV, section 9.

GMM:rdr

Social Security Administration

SSA Publication No. 05-10045
January 2000
(Recycle prior editions)

A Pension From Work Not Covered By Social Security
How It Affects Your Social Security Retirement Or Disability Benefits

If you work for an employer who doesn't withhold Social Security taxes, such as a government agency or an employer in another country, the pension you get based on that work may reduce your Social Security benefits.

Your benefit can be reduced in one of two ways. One is called the "government pension offset" and applies only if you receive a government pension and are eligible for Social Security benefits as a spouse or widow(er). For more information on the offset, ask Social Security for the factsheet, ***Government Pension Offset*** (Publication No. 05-10007).

The other way--called the "windfall elimination provision"--affects how your retirement or disability benefits are figured if you receive a pension from work not covered by Social Security. The formula used to figure your benefit amount is modified, giving you a lower Social Security benefit. This factsheet explains the computation formula.

Who Is Affected?

This provision primarily affects people who earned a pension from working for a government agency, and also worked at other jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits. It also may affect you if you earned a pension in any job where you didn't pay Social Security taxes, such as in a foreign country.

The modified formula applies to you if you reach 62 or become disabled after 1985 and first become eligible after 1985 for a monthly pension based in whole or in part on work where you did not pay Social Security taxes. You are considered eligible to receive a pension if you meet the requirements of the pension, even if you continue to work.

The modified formula is used to figure your Social Security benefit beginning with the first month you get both a Social Security benefit and the other pension.

Why Is A Different Formula Used?

Social Security benefits replace a percentage of a worker's pre-retirement earnings. The formula used to compute benefits includes factors that ensure lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 60 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, benefits for people who spent time in jobs not covered by Social Security were computed as if they were long-term, low-wage workers. They received the advantage of the higher percentage benefits in addition to their other pension. The modified formula eliminates this windfall.

How Does It Work?

Social Security benefits are based on the worker's average monthly earnings adjusted for inflation. When we figure your benefits, we separate your average earnings into three amounts and multiply the amounts using three different factors. For example, for a worker who turns 62 in the year 2000, the first $531 of average monthly earnings is multiplied by 90 percent; the next $2,671 is multiplied by 32 percent; and the remainder by 15 percent.

The 90 percent factor is reduced in the modified formula and phased in for workers who reached age 62 or became disabled between 1986 and 1989. For those who reach 62 or

be come disabled in 1990
or later, **the 90 percent factor is reduced to 40 percent.**

There are exceptions to this rule. For example, the 90 percent factor is **not** reduced if you have 30 or more years of "substantial" earnings in a job where you paid Social Security taxes. The first table on the back lists the amount of earnings we consider "substantial" for each year.

If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to somewhere between 45 and 85 percent. The second table shows the percentage used depending on the number of years of "substantial" earnings.

Year	Substantial Earnings
1937-50	$ 900[1]
1951-54	900
1955-58	1,050
1959-65	1,200
1966-67	1,650
1968-71	1,950
1972	2,250
1973	2,700
1974	3,300
1975	3,525
1976	3,825
1977	4,125
1978	4,425
1979	4,725
1980	5,100
1981	5,550
1982	6,075
1983	6,675
1984	7,050
1985	7,425
1986	7,875
1987	8,175
1988	8,400
1989	8,925
1990	9,525
1991	9,900
1992	10,350
1993	10,725
1994	11,250
1995	11,325
1996	11,625
1997	12,150
1998	12,675
1999	13,425
2000	14,175

1. Total credited earnings from 1937-50 are divided by $900 to get the number of years of coverage (maximum of 14 years).

Years of Substantial Earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

Some Exceptions

The modified formula does not apply to survivors benefits. It also does not apply to you if:

- you are a federal worker hired after December 31, 1983;
- you were employed on December 31, 1983, by a nonprofit organization that was exempt from Social Security and it became mandatorily covered under Social Security on that date;
- your only pension is based on railroad employment;
- your only work where you did not pay Social Security taxes was before 1957; or
- you have 30 or more years of substantial earnings under Social Security (as explained earlier).

Guarantee

Workers with relatively low pensions are protected because the reduction in the Social Security benefit under the modified formula cannot be more than one-half of that part of the pension attributable to earnings after 1956 not covered by Social Security.

For More Information

You can get recorded information 24 hours a day, including weekends and holidays, by calling Social Security's toll-free number, **1-800-772-1213.** You can speak to a service representative between the hours of 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the week and early in the month, so, if your business can wait, it's best to call at other times. Whenever you call, have your Social Security number handy.

People who are deaf or hard of hearing may call our toll-free TTY number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

You also can reach us on the Internet. Type www.ssa.gov to access Social Security information.

We treat all calls confidentially--whether they're made to our toll-free numbers or to one of our local offices. We also want to ensure that you receive accurate and courteous service. That's why we have a second Social Security representative monitor some incoming and outgoing telephone calls.

Social Security Administration

SSA Publication No. 05-10007
August 2000
(January 1999 edition may be used)

Government Pension Offset

A Law That Affects Spouse's Or Widow(er)'s Benefits

If you worked for a federal, state or local government where you did not pay Social Security taxes, the pension you receive from that agency may reduce any Social Security benefits for which you are qualified.

There are two laws that may reduce your benefits. One of them affects the way your Social Security retirement or disability benefits are figured. For more information about that provision, contact Social Security for the factsheet, *A Pension From Work Not Covered By Social Security* (Publication No. 05-10045).

The second law affects Social Security benefits you receive as a spouse or widow(er). This factsheet provides answers to questions you may have about this provision.

I Receive A Government Pension. Will I Receive Any Social Security On My Spouse's Record?

Maybe not. Some or all of your Social Security spouse's or widow(er)'s benefit may be offset if you receive a pension from a job where you did not pay Social Security taxes.

How Much Is The Offset?

The offset will reduce the amount of your Social Security spouse's or widow(er)'s benefits by two-thirds of the amount of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be used to offset your Social Security spouse's or widow(er)'s benefits. If you're eligible for a $500 widow(er)'s benefit, you'll receive $100 per month from Social Security ($500 – $400= $100).

If you take your annuity in a lump sum, the offset is figured as if you chose to receive regular monthly benefits.

Why Is There An Offset?

Social Security spouse's benefits provide income to wives and husbands who have little or no Social Security benefits of their own. From the beginning of the Social Security program, spouse's benefits were intended for women and men who were financially dependent on their husbands or wives who worked at jobs covered by Social Security.

Before the offset provisions were enacted, many government employees qualified for a pension from their agency and for a spouse's benefit from Social Security, even though they were not dependent on their husbands or wives.

This example helps clarify why there is an offset.

Bill Smith collects a Social Security benefit of $600 per month. His wife, Mary, is potentially eligible for a wife's benefit of up to 50 percent of Bill's, or $300. However, Mary also worked and paid into Social Security, qualifying for her own retirement benefit of $400. By law, Mary can only receive the higher of the two benefits she is eligible for, not both. She will not receive any wife's benefits because her $400 retirement benefit, in effect, "offsets" her $300 wife's benefit.

Bill's neighbor, Tom, also gets a Social Security benefit of $600 per month. But his wife, Nancy, had a job with the federal government, instead of one where she paid Social Security taxes, and earned a civil service pension of $800 per month. Before the government pension offset provisions were in place, Nancy would have been eligible for both her $800 civil service pension and a $300 wife's benefit on Tom's Social Security record. With the offset provision, Nancy does not qualify for a wife's benefit from Social Security and is treated the same as Mary.

Who Is Exempt?

- Any state, local or military service employee whose government pension is based on a job where he or she was paying Social Security taxes on the last day of employment. (Some government entities were not initially covered by Social Security, but chose to participate in Social Security at a later date.)
- Anyone whose government pension is not based on his or her own earnings.
- Anyone who received or who was eligible to receive a government pension before December 1982 **and** who meets all the requirements for Social Security spouse's benefits in effect in January 1977.
- Anyone who received or was eligible to receive a federal, state or local govern-ment pension before July 1, 1983, and was receiving one-half support from her or his spouse.
- Federal employees, including Civil Service Offset employees, who are mandatorily covered under Social Security. (Civil Service Offset employees are federal employees rehired after December 31, 1983, following a break in service of more than 365 days and who had five years of prior Civil Service Retirement System [CSRS] employment.)
- Federal employees who chose to switch from CSRS to the Federal Employees' Retirement System (FERS) on or before December 31, 1987, as well as those employees who were allowed to make a belated switch to FERS through June 30, 1988. Employees who switched outside of these periods, including those who switched during the open season from July 1, 1998 through December 31, 1998, **need five years under FERS to be exempt from the government pension offset.**

What About Medicare?

Even if you do not receive cash benefits on your spouse's record, you can still get Medicare at age 65.

Can I Still Get Benefits On My Own Record?

The offset applies only to Social Security benefits as a spouse or widow(er). However, your own benefits may be reduced due to another provision of the law. Contact Social Security for the factsheet, *A Pension From Work Not Covered By Social Security* (Publication No. 05-10045).

Any Questions?

Check our website at *www.ssa.gov* for answers to many of the questions you may have about Social Security. You also may call us toll-free at **1-800-772-1213.** We can answer specific questions by phone from 7 a.m. until 7 p.m. on business days and provide information by automated phone service 24 hours a day. If you are deaf or hard of hearing, you may call our TTY number, 1-800-325-0778 between 7 a.m. and 7 p.m. on business days. We treat all calls confidentially—whether they're made to our toll-free numbers or to one of our local offices. We also want to make sure you receive accurate and courteous service. That's why we have a second Social Security representative monitor some incoming and outgoing telephone calls.

M .... moves to amend Document LCPR01-159, as follows:

Page 3, line 11, delete "to 3A.13" and insert "; 3A.011; 3A.10; 3A.11; 3A.12; 3A.13; and 3A.16 to 3A.18"

Page 3, line 12, after "program." insert "Members of the legislature who elect social security coverage during the second social security referendum under article 1 are covered by the coordinated program for any service as a member of the legislature rendered after the second social security referendum."

Page 3, after line 12, insert

"Sec. 2. [3A.16] [COORDINATED PROGRAM RETIREMENT ALLOWANCE.]

Subdivision 1. [QUALIFICATIONS.] (a) A former legislator is entitled, upon written application to the director, to receive a retirement allowance monthly, if the person:

(1) has served at least six full years, without regard to the application of section 3A.10, subdivision 2, or has served during all or part of four regular sessions as a member of the legislature, which service need not be continuous;

(2) has attained the normal retirement age;

(3) has retired as a member of the legislature; and

(4) has made all contributions provided for in section 3A.03, has made payments for past service under subdivision 2,

or has made payments in lieu of contributions under Minnesota Statutes 1992, section 3A.031, prior to July 1, 1994.

(b) for service rendered after the second social security referendum, the retirement allowance is an amount equal to 1.7 percent per year of service of that member's average monthly salary.

(c) The retirement allowance accrues beginning with the first day of the month of receipt of the application, but not before age 60, and for the remainder of the former legislator's life, if the former legislator is not serving as a member of the legislature or as a constitutional officer or commissioner as defined in section 352C.021, subdivisions 2 and 3. The annuity does not begin to accrue prior to retirement as a legislator. No annuity payment may be made retroactive for more than 180 days before the date the annuity application is filed with the director.

(d) Any member who has served during all or part of four regular sessions is considered to have served eight years as a member of the legislature.

(e) The retirement allowance ceases with the last payment that accrued to the retired legislator during the retired legislator's lifetime, except that the surviving spouse, if any, is entitled to the retirement allowance for the calendar month in which the retired legislator died.

Subd. 1b. [REDUCED RETIREMENT ALLOWANCE.] (a) Upon separation from service, a former member of the legislature who has attained the age 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.

Subd. 2. [APPROPRIATION.] The amounts required for payment of retirement allowances provided by this section are appropriated annually to the director from the participation in the Minnesota postretirement investment fund and shall be paid monthly to the recipients entitled thereto.

Subd. 3. [DEFERRED ANNUITIES AUGMENTATION.] The deferred annuity of any former legislator must be augmented as provided herein. The required reserves applicable to the deferred annuity, determined as of the date the benefit begins to accrue using an appropriate mortality table and an interest assumption of six percent, must be augmented from the first of the month following termination of service, to the first day of the month in which the annuity begins to accrue, at the rate of three percent per annum compounded annually until January 1 of the year in which the former legislator attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually.

Subd. 4. [OPTIONAL ANNUITIES.] (a) The board of directors shall establish an optional retirement annuity in the form of a joint and survivor annuity and an optional retirement annuity in the form of a period certain and life thereafter. Except as provided in paragraph (b), these optional annuity forms must be actuarially equivalent to the normal annuity computed under this section, plus the actuarial value of any surviving spouse benefit otherwise potentially payable at the time of retirement under section 3A.18, subdivision 1. An individual selecting an optional annuity under this subdivision waives any rights to surviving spouse benefits under section 3A.18, subdivision 1.

(b) If a retired legislator selects the joint and survivor annuity option, the retired legislator must receive a normal single-life annuity if the designated optional annuity beneficiary dies before the retired legislator and no reduction may be made in the annuity to provide for restoration of the normal single-life annuity in the event of the death of the designated optional annuity beneficiary.

(c) The surviving spouse of a legislator who has attained at least age 60 and who dies while a member of the legislature may elect an optional joint and survivor annuity under paragraph (a), in lieu of surviving spouse benefits under section 3A.18, subdivision 1.

[3A.17] [COORDINATED PROGRAM CONTRIBUTIONS.]

Subdivision 1. [PERCENTAGE.] Every member of the legislature shall contribute five percent of total salary, by payroll deduction, to be paid into the state treasury and deposited in the general fund. It shall be the duty of the director to record the periodic contributions of each member of the legislature and credit such contribution to the member's account.

Subd. 2. [REFUND.] (1) Any person who has made contributions pursuant to subdivision 1 who is no longer a member of the legislature is entitled to receive upon application to the director a refund of all contributions credited to the member's account with interest at an annual rate of six percent compounded annually.

(2) The refund of contributions as provided in clause (1) terminates all rights of a former member of the legislature or survivors of the former member under this chapter. Should the former member of the legislature again be a member of the legislature after having taken a refund as provided above, the member shall be considered a new member. However, a new member may reinstate the rights and credit for service forfeited, provided the new member repays all refunds taken plus interest

at an annual rate of 8.5 percent compounded annually.

(3) No person shall be required to apply for or accept a refund.

[3A.18] [COORDINATED PROGRAM SURVIVOR BENEFIT.]

Subdivision 1. [SURVIVING SPOUSE.] Upon the death of a member of the legislature while serving as such member, or upon the death of a former member of the legislature with at least the number of years of service as required by section 3A.16, subdivision 1, clause (1), the surviving spouse shall be paid a survivor benefit in the amount of one-half of the retirement allowance of the member of the legislature computed as though the member were at least normal retirement age on the date of death and based upon allowable service or eight years whichever is greater. The augmentation provided in section 3A.16, subdivision 3, if applicable, shall be applied to the month of death. Upon the death of a former legislator receiving a retirement allowance, the surviving spouse shall be entitled to one-half of the amount of the allowance being paid to the legislator. Such benefit shall be paid during the lifetime of the surviving spouse.

Subd. 2. [DEPENDENT CHILDREN.] Upon the death of a member of the legislature while serving as a member, or upon the death of a former member of the legislature who has rendered at least the number of years of service as required by section 3A.16, subdivision 1, clause (1) and who was not receiving a retirement allowance, each dependent child of the member or former legislator shall be entitled to receive a survivor benefit in the following amount: First dependent child, a monthly allowance which equals 25 percent of the monthly retirement allowance of the member of the legislature or former legislator computed as though the member or former legislator had attained at least the normal retirement age on the date of death and based upon the average monthly salary as of the date of death or as of the date of termination, whichever is applicable, and the allowable service or eight years whichever is greater; for each additional dependent child, a monthly allowance which equals

12-1/2 percent of the monthly retirement allowance of the member or former legislator computed as in the case of the first child; but the total amount paid to the surviving spouse and dependent children shall not exceed in any one month 100 percent of the monthly retirement allowance of the member or former legislator computed as in the case of the first child. The augmentation provided in section 3A.16, subdivision 3, if applicable, shall be applied from the first day of the month next following the date of termination of service as a member of the legislature to the month of death. Upon the death of a former legislator who was receiving a retirement allowance, the surviving dependent child shall be entitled to the applicable percentage specified above of the amount of the allowance which was paid to the former legislator for the month immediately prior to the date of death. The payments for dependent children shall be made to the surviving spouse or the guardian of the estate of the dependent children, if there is one.

Subd. 3. [PAYMENT.] The surviving spouse's and dependent children's survivor benefits payable under this section shall be paid by the director monthly in the same manner as retirement allowances are authorized to be paid by this chapter.

Subd. 4. [DEATH REFUNDS.] Upon the death of a member of the legislature or former legislator who was not receiving a retirement allowance, without either a surviving spouse or dependent children, the last designated beneficiary named on a form filed with the director before the death of the legislator, or if no designation is filed, the estate of the member or former legislator, upon application, shall be entitled to a refund plus interest as provided in section 3A.17, subdivision 2, paragraph (2)."

Renumber the sections in sequence

Correct internal cross-references

Amend the title accordingly

M .... moves to amend Document LCPR01-159, as follows:

Page 3, lines 5 and 14, delete everything after "effective" and insert "on January 15, 2003."

UNOFFICIAL COMMISSION ENGROSSMENT

SF 1863 (REST); HF 1896 (SKOGLUND)

A bill for an act

relating to retirement; providing a second social security coverage referendum for members of the legislators retirement plan; creating the coordinated program of the legislators retirement plan; appropriating money; proposing coding for new law in Minnesota Statutes, chapters 3A; 355.

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

ARTICLE 1

REFERENDUM

Section 1. [355.629] [SECOND SOCIAL SECURITY REFERENDUM.]

Subdivision 1. [ELECTION OF SOCIAL SECURITY COVERAGE.] Any member of the legislators retirement plan established under chapter 3A who did not elect coverage under an agreement under section 218(d) of the Social Security Act as provided for in section 355.624 is entitled to elect social security coverage retroactive for the period consistent with applicable federal law, in a second social security referendum. Any member who so elects shall become a member of the coordinated program of the legislators retirement plan under section 3A.15. Sufficient assets shall be transferred to the program by the executive director of the Minnesota state retirement system under subdivision 4. The governor shall set a date for the referendum and shall undertake any duties to amend the state's Social Security Act, section 218 agreement with the Secretary of Health and Human Services.

Subd. 2. [PAYMENT OF RETROACTIVE SOCIAL SECURITY TAXES.] Effective retroactively with respect to any service after the date of retroactive coverage by a legislator who is in office on the date of the agreement or modification of the agreement with the Secretary of Health and Human Services, the executive director of the Minnesota state retirement system shall cause to be paid an amount for each legislator, retroactively included, equal to the legislator and state of Minnesota taxes which would have been imposed by the Federal Insurance Contributions Act had the service been covered at the time performed. This payment shall be computed from the date of retroactive coverage to the date that deductions are first taken from the wages of each legislator for social security coverage. Nothing in this section shall require a legislator to elect retroactive social security coverage.

Subd. 3. [BALANCES DUE AFTER PAYMENT OF RETROACTIVE SOCIAL SECURITY TAXES.] A legislator who elects social security coverage under this section and thereby transfers from the legislators retirement plan to the coordinated program of the legislators retirement plan and from whose account retroactive social security employee taxes are paid by the executive director of the Minnesota state retirement system, shall be required to reimburse the state general fund in an amount equal to the Social Security employee and employer taxes paid on the legislator's behalf for the period of retroactivity. In the event that a legislator does not reimburse the state general fund within 30 days following notification by the executive director of the amount of reimbursement which is due, interest at the rate of six percent per annum compounded annually from the date the amount was first payable following notification until the date payment is made shall accrue.

Subd. 4. [APPROPRIATION.] $....... is appropriated from the general fund for the fiscal year ending June 30, 2002, to the executive director of the Minnesota state retirement system for transfer to the coordinated program of the legislators retirement plan to implement this section.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment.

ARTICLE 2

CONFORMING CHANGES

Section 1. [3A.15] [COORDINATED PROGRAM OF LEGISLATORS RETIREMENT PLAN.]

The coordinated program of the legislators retirement plan is created. The provisions of sections 3A.01 to 3A.13 apply to the coordinated program.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment.