



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director *EB*

RE: Amendment LCPR06-BA039: Forest Lake School District Teacher; Service Credit Purchase for Extended Leave of Absence

DATE: March 23, 2006

#### Summary of Amendment LCPR06-BA039

Blind amendment LCPR06-BA039 would authorize a teacher employed by Independent School District No. 831, Forest Lake, who was on an extended leave during the 2001-2002 school year for which the school district failed to notify TRA of the leave, to receive service credit for the leave period by paying the contributions that should have been paid, plus interest, and requiring the school district to pay the remainder of the full actuarial value. The eligible employee's payment must be made in a lump sum by July 1, 2007, or before termination of service, whichever is earlier.

#### Situation of the Eligible Teacher

The eligible teacher under this amendment is a teacher who was on an extended leave for the 2001-2002 school year. According to Mr. Lynn Steenblock, superintendent of Independent School District No. 831, Forest Lake, the school failed to notify TRA of the leave, and as a result, contributions to TRA were not made by September 30, 2002, which would have been the last day that TRA could accept contributions for this leave under TRA's extended leave of absence provision, Minnesota Statutes, Section 354.094.

#### Background Information on Extended Leaves of Absence and Service Credit Purchase Special Legislation

1. Extended Leaves of Absence. Extended leaves of absence provisions, not to exceed five years, were added to TRA and other teacher plan laws in 1977. The chief argument for initial passage was that tools were needed to address a surplus of teachers. Extended leave of absence provisions were viewed as a useful tool for this purpose, by assisting the transition of teachers into other careers. Given the passage of time and changes in the market for teachers, the present role of the provisions is less clear. Additional information on extended leave of absence provisions is contained in Appendix A.
2. Service Credit Purchase Special Legislation. Background information on service credit purchase special legislation is contained in Appendix B.

#### Discussion and Analysis

Amendment LCPR06-BA039 raises the following policy issues:

1. Consistency with Commission Policy/Harm Issue. The drafting is consistent with the Commission's usual prescribed treatment of these situations. The employer has stated that the situation was caused by employer error. The amendment requires that TRA receives the full actuarial value of the additional service credit that will be provided, with the employee paying an employee equivalent payment plus interest, and the employer covering the remainder of the full actuarial value.
2. Cost. TRA has estimated the expected cost to the employee to be about \$8,000, and the expected employer payment is about \$46,000.

## Background Information on the Teachers Extended Leaves of Absence Retirement Credit Provisions

Minnesota's public defined benefit plans are a personnel policy tool of the employer in that they serve to attract sufficient numbers of new employees, to promote retention of capable existing employees, and to out-transition long-term employees at the end of their fully productive working life, by providing those long-term employees with retirement plan income which is sufficient, in conjunction with personal savings and social security, to allow the individual to retire without a significant drop in the standard of living.

Leave of absence provisions are found in most Minnesota defined benefit public pension plans and permit the individual to receive either full or partial service credit for a period of break in service to the employer. The provisions are somewhat unusual in that they are providing service credit in the retirement plan for a period of time during which the individual was not providing service to the employer. The provisions presumably are justified in that they serve as retention tools. Another factor may be that the leave, if used to receive additional training or education, further enhances the productivity and value of the employee to the employer.

Some plans have few leave of absence provisions. The General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), for example, has a military leave of absence provision, and a generalized leave of absence provision it utilizes for other forms of leave. Teacher plans tend to have several leave of absence provisions, each tailored to a specific leave type. The Teachers Retirement Association (TRA) has a sabbatical leave provision (Section 354.092), paternity/maternity leave (Section 354.093), extended leave of absence (Section 354.094), medical leave (Section 354.095), family leave (Section 354.096), and military leave (Section 354.53). The first class city teacher plans have similar leave types, and there are some additional leave types which apply only to Minneapolis Teachers Retirement Fund Association (MTRFA) or St. Paul Teacher Retirement Fund Association (SPTRFA) basic members.

In 1977 (Laws 1977, Chapter 447, Article IX), several teacher mobility incentives were enacted by the Legislature. The teacher mobility incentives included extended leaves of absences, with a continuation of full teacher retirement plan pension coverage, a teacher early retirement incentive program, and a part-time teaching with full-time teacher retirement plan pension. The teacher mobility incentives were enacted as part of the 1977 school aids bill, represented a policy initiative of the House of Representatives under Speaker Martin O. Sabo, and were developed to reduce a growing proportion of senior, highly compensated teachers. The program was intended to allow a teacher to take a five-year leave of absence to attempt to make a career change without disrupting the teacher's retirement coverage for the period. The program was not reviewed by the Commission in 1977 and has never been subjected to any detailed scrutiny by the Commission.

The extended leaves of absence program as enacted in 1977 (Laws 1977, Chapter 447, Article IX, Sections 1, 3, and 6) permitted school district boards to grant an extended leave of absence without pay to full-time elementary or secondary school teachers with between 10 and 20 years of total teaching service and is under age 55, with the leave length of up to five years in duration. A teacher on an extended leave had a reinstatement right at the beginning of any school year during the leave, retained seniority and teaching contract rights during the leave, but the leave period was not included for the teacher's placement on the steps and lanes salary grid. If granted an extended leave of absence, the teacher was eligible to receive allowable service and salary credit if the teacher paid the member contribution to the Teachers Retirement Association (TRA) or the first class city teacher retirement fund association, based on the salary for the year preceding the leave and payable no later than the end of each fiscal year for which service and salary credit is sought. If the teacher pays the member contributions, the school district is obligated to pay the applicable employer contributions. No service credit was available if the teacher was placed on an unrequested leave of absence, if the teacher's contract was terminated, or if the teacher was covered by a Minnesota public pension plan other than a volunteer firefighter relief association for the same period.

The extended leaves of absence program (Minnesota Statutes, Sections 122A.46, 136F.43, 354.094, and 354A.091) has been modified 17 times since 1977.

- In 1978 (Laws 1978, Chapter 764, Sections 79 through 82, 116, and 120), the school aid bill, modified the qualifications for an extended leave to require five years of employment by the school district and ten years of total teaching service, required a school district report on denials of extended leave of absence requests, and shifted the responsibility for the payment of employer retirement contributions to the State of Minnesota.

## Appendix A

- In 1979 (Laws 1979, Chapter 334, Article VIII), superintendents and area vocational technical schools were included in the extended leave of absence program, but superintendents were not obligated to be reinstated at the conclusion of the leave, and teachers on an extended leave of absence were permitted to render substitute teaching service.
- In 1980 (Laws 1980, Chapter 454, Sections 1, 2, 3, 4, and 5), state university and state community college faculty members were permitted to utilize the extended leave of absence program.
- In 1981 (Laws 1981, chapter 358, Article 8, Sections 2, 9 through 12, and 14 through 17), in the school aids bill, an annual limit of 300 applications was set for the State payment of employer contributions for extended leaves of absence and the State payment was limited to the first three years of the extended leave of absence.
- In 1983 (Laws 1983, Chapter 314, Article 10), part-time teachers were included in the extended leaves of absence program and the limit on the number of teachers covered by State-paid employer contributions for extended leaves of absence was reduced from 300 to 250.
- In 1985 (First Special Session 1985, Chapter 12, Article 11, Section 5), the deadline on extended leave of absence member contribution payments was extended to 30 days after TRA notification if that is later than June 30 of the year to be credited.
- In 1986 (Laws 1986, Chapter 444), gender-specific provisions in the extended leaves of absence provisions were replaced with non-gender-specific references.
- In 1987 (Laws 1987, Chapter 284, Article 6, Section 5), the TRA extended leave of absence provision member contribution payment deadline was further extended, to September 30, with six percent interest after June 30.
- In 1989 (Laws 1989, Chapter 293, Sections 77 through 79), in an education bill, “area vocational technical school” references were revised as “technical institute,” and also in 1989 (Laws 1989, Chapter 329, Sections 20, 21, 23, and 24), the school aids bill, the State payment of extended leave of absence employer contribution amounts ended.
- In 1991 (Laws 1991, Chapter 130, Section 34), references to the State payment of extended leave of absence employer contribution amounts were removed, and also in 1991 (Laws 1991, Chapter 340, Section 12), the TRA extended leave of absence provision was amended to require that each employing unit certify extended leaves of absence it granted before the end of the fiscal year in which the leave was granted and eligibility for participation in the program was restricted to teachers who have a right of reinstatement to their position at the conclusion of the leave.
- In 1992 (Laws 1992, Chapter 598, Article 3, Section 1), interest on late extended leaves of absence employee contributions was increased from six percent to 8.5 percent.
- In 1995 (Laws 1995, Chapter 141, Article 3, Section 20), references to “teachers retirement fund” and teachers retirement association in the TRA extended leaves of absence provision were clarified.
- In 1996 (Laws 1996, Chapter 305, Article 1, Section 80), references to the Minnesota State Colleges and Universities System extended leave of absence provision were revised.
- In 1998 (Laws 1998, Chapter 397, Article 11, Section 3), cross-references affected by an educational law recodification were revised.
- In 2000 (Laws 2000, Chapter 461, Article 3, Section 32), the employer extended leave of absence certification deadline was reset to the date that the leave was granted from the end of the applicable fiscal year.
- In 2001 (First Special Session Laws 2001, Chapter 1, Article 2, Section 22), a reference to the Minnesota State Colleges and Universities System was corrected.
- In 2003 (First Special Session Laws 2003, Chapter 12, Article 3, Section 2), the TRA extended leaves of absence provision permitted school districts and collective bargaining units to enter into an agreement for the employer to pay all or part of the member and employer retirement contributions for teachers on leave.

## Appendix A

### Comparison of Extended Leave of Absence Provisions

The following compares the provisions of the general statewide and major local retirement defined benefit plans with respect to crediting allowable service for extended leaves of absence:

Plan	Extended Leave of Absence Provision
MSRS-General	No provision
PERA-General	No provision
TRA	<p>An extended leave of absence of up to five years granted under Minnesota Statutes, Section 122A.46 or 136F.43, if certified to TRA, may be credited if the member and the employer, in the proportion that they agree, pay the member and employer contributions based on the annual salary received for the year immediately prior to the leave. Payment must be made before September 30 following the end of the fiscal year for which the teacher is to receive credit and is required to include annual compound interest at 8.5 percent from June 30 until the end of the month in which payment is made if the payment is not made before June 30. The teacher must have a right to reinstatement of employment after or during the leave to be creditable. A teacher on an extended leave of absence is not permitted to be a member of any other Minnesota public pension plan.</p> <p>[Minn. Statutes, Sec. 354.094]</p>
DTRFA	<p>An extended leave of absence of up to five years granted under Minnesota Statutes, Section 122A.46 or 136F.43, may be credited if the member and the employer, in the proportion that they agree, pay the member and employer contributions based on the annual salary received for the year immediately prior to the leave. Payment must be made before June 30 of the fiscal year for which the teacher is to receive credit. A teacher on an extended leave of absence is not permitted to be a member of any other Minnesota public pension plan.</p> <p>[Minn. Statutes, Sec. 354A.091]</p>
MTRFA	<p>An extended leave of absence of up to five years granted under Minnesota Statutes, Section 122A.46 or 136F.43, may be credited if the member and the employer, in the proportion that they agree, pay the member and employer contributions based on the annual salary received for the year immediately prior to the leave. Payment must be made before June 30 of the fiscal year for which the teacher is to receive credit. A teacher on an extended leave of absence is not permitted to be a member of any other Minnesota public pension plan.</p> <p>[Minn. Statutes, Sec. 354A.091 and MTRFA Articles of Incorporation, Art. 20, Sec. 20.1, Clause (h)]</p>
SPTRFA	<p>An extended leave of absence of up to five years granted under Minnesota Statutes, Section 122A.46 or 136F.43, may be credited if the member and the employer, in the proportion that they agree, pay the member and employer contributions based on the annual salary received for the year immediately prior to the leave. Payment must be made before June 30 of the fiscal year for which the teacher is to receive credit. A teacher on an extended leave of absence is not permitted to be a member of any other Minnesota public pension plan.</p> <p>[Minn. Statutes, Sec. 354A.091]</p>
MERF	No provision

Background Information on Service Credit Purchase Special Legislation

Prior service credit purchases are opportunities for pension plan members to obtain allowable service credit and, if applicable, covered salary credit in a defined benefit pension plan for a period that was not otherwise credited through normal pension plan membership. A process is followed in obtaining credit for a prior service credit purchase period, usually involving the payment of some amount to defray all or a portion of the actuarial cost attributable to the purchase and the provision of documentation relating to the service period.

Pension plan members seek prior service credit purchases for a variety of reasons, including a desire to gain defined benefit pension plan portability, a desire to obtain a larger pension benefit, or a desire to qualify for a special early retirement provision.

Principle II.C.10 of the Legislative Commission on Pensions and Retirement Principles of Pension Policy, last revised in 1996, covers purchases of service credit and has the following elements:

1. Individual Review. The Commission considers each service credit purchase request separately, whether the request is proposed legislation for a single person or is proposed legislation relating to a group of similarly situated individuals.
2. Public Employment. The period requested for purchase should be a period of public employment or service that is substantially akin to public employment. This is consistent with the notion that public pension plans should be providing coverage for public employees for periods of time when they were serving the public through public employment or through quasi-public employment. Coverage for a period when an individual provided private sector employment is not consistent with this statement.
3. Minnesota Connection. The employment period to be purchased should have a significant Minnesota connection. This is consistent with the notion that Minnesota taxpayers support these public pension plans and bear the investment risk in amassing plan assets. Given the support that taxpayers provide, it is appropriate that the service have a Minnesota connection, reflecting services provided to the people in the state.
4. Presumption of Active Member Status at the Time of Purchase. The principle states that contributions should be made by the member or in combination by the member and by the employer. It is presumed that the individual covered by the service purchase request is an active employee, because retirees generally are not considered to be “members” of a plan and these individuals no longer have a public employer. If there are unresolved issues of whether an individual should have service credit for a given period, those issues should be resolved before the individual terminates from public service, and certainly before the individual retires. The act of retiring undermines a claim that there is sufficient need for the Legislature to consider the coverage issue. If there were considerable hardship caused by the lack of service credit, presumably the individual would not have retired. Entering retirement suggests that the associated pension benefit is adequate without any further increase in the benefit level due to a purchase. Only on rare occasions have the Commission and the Legislature authorized service credit purchases by retirees.
5. Presumption of Purchase in a Defined Benefit Plan. The prior service credit purchase contributions in total should match the associated actuarial liability. The specific procedures in Minnesota Statutes and law for computing service credit purchase amounts, Minnesota Statutes, Section 356.551, presume that the purchase is in a defined benefit plan with a benefit based on the individual’s high-five average salary. There is no process in law specifying a procedure for computing a “full actuarial value” purchase in a defined contribution plan, or even defining what that concept means in the context of a service purchase or service credit purchase in a defined contribution plan.
6. Full Actuarial Value Purchase. Within the context of a defined benefit plan, the pension fund should receive a payment from the employee, or from the employee and employer in combination, which equals the additional liability placed on the fund due to the purchase. This amount is referred to as the full actuarial value of the service credit purchase. The procedure used to compute this full actuarial value should be a methodology that accurately estimates the proper amounts. When clear evidence indicates that the employing unit committed an error that caused the individual to not receive pension plan coverage, the Commission has permitted the employee to make the employee contribution for the relevant time period, plus 8.5 percent interest, and the employer has been mandated to cover the remainder of the computed full actuarial value payment. If the employer does not directly make the payment following notification that the employee has made his or her portion of the full payment, the Commission has required that a sufficient amount to cover the remainder of the full actuarial value be deducted from any state aids that would otherwise be transmitted to the employer. The Commission has purposely departed from the full actuarial value requirement when there is evidence that the

Appendix B

pension plan administration created the lack of service credit coverage due to pension plan administration error. In situations of pension plan error, the employee may be required to pay the contributions that would have been required for the relevant time period, plus 8.5 percent interest to adjust for the time value of money, leaving any difference between that payment and the full actuarial value to be absorbed by the pension fund.

7. No Violation of Equity Considerations. Purchases of service credit should not violate equity considerations. Equity is a resort to general principles of fairness and justice whenever the existing law is inadequate. In general, any issue or factor associated with a service credit purchase request which can be viewed as lacking fairness or being less than impartial can be a basis for rejecting a request. Requests by existing retirees to purchase additional service credit and have their annuities recomputed could be viewed as being a situation that violated equity considerations. New requests on behalf of individuals who were covered by purchase of service credit authorizations passed by earlier Legislatures but who are dissatisfied with the purchase of service credit terms that were provided can be considered as violating equity considerations. Individuals requesting service credit purchases for periods specifically excluded from plan coverage under the applicable law could be considered as violating equity considerations, among other policy concerns relating to those considerations. Requests to purchase service credit for periods covered by another pension plan may raise equity concerns. Generally, a service credit purchase is intended to fill a gap in coverage, not to create double coverage. Long delays in seeking remedial action can also be considered a violation of equity considerations. Individuals tend to wait until late in their career before seeking any remedial action for lost service credit. Prompt action, closer to the time period when the service credit problem occurred, would often result in a solution at a lower cost and would avoid efforts by the Commission to try to determine the factual situation many years, or even decades, after the event occurred.

During the period 1957-2005, the Legislature has enacted 241 special laws authorizing one person or a small group of individuals to purchase prior service credit, distributed as follows:

<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>
1957	1	1971	2	1979	7	1986	6	1993	7	2000	8
1959	4	1973	4	1980	4	1987	3	1994	8	2001	10
1961	5	1974	5	1981	14	1988	7	1995	7	2002	2
1963	6	1975	10	1982	16	1989	12	1996	6	2003	6
1965	5	1976	4	1983	2	1990	10	1997	3	2004	1
1967	1	1977	9	1984	3	1991	6	1998	9	2005	1
1969	2	1978	9	1985	2	1992	6	1999	8		

A majority of special prior service credit purchase laws relate to the three major general employees retirement plans, with 33 special laws relating to the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), with 76 special laws relating to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), and with 44 special laws relating to the Teachers Retirement Association (TRA).

## Minnesota Statutes 2005, 354.094

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Minnesota Statutes 2005, Table of Chapters

Table of contents for Chapter 354

### 354.094 Extended leaves of absence.

#### Subdivision 1. **Service credit contributions.** (a)

Upon granting any extended leave of absence under section 122A.46 or 136F.43, the employing unit granting the leave must certify the leave to the association on a form specified by the executive director. A member granted an extended leave of absence under section 122A.46 or 136F.43 may pay employee contributions and receive allowable service credit toward annuities and other benefits under this chapter, for each year of the leave, provided that the member and the employing board make the required employer contribution in any proportion they may agree upon, during the period of the leave. The employer may enter into an agreement with the exclusive bargaining representative of the teachers in the district under which, for an individual teacher, all or a portion of the employee's contribution is paid by the employer. Any such agreement must include a sunset of eligibility to qualify for the payment and must not be a part of the collective bargaining agreement. The leave period must not exceed five years. A member may not receive more than five years of allowable service credit under this section. The employee and employer contributions must be based upon the rates of contribution prescribed by section 354.42 for the salary received during the year immediately preceding the extended leave.

(b) Employee contribution payments for the years for which a member is receiving service credit while on extended leave must be made on or before June 30 of each fiscal year for which service credit is to be received. If payment is to be made by a transfer of pretax assets authorized under section 356.441, payment is authorized after June 30 of the fiscal year providing that authorization for the asset transfer has been received by the applicable third party administrator by June 30, and the payment must include interest at a rate of .708 percent per month from June 30 through the end of the month in which payment is received. No payment is permitted after the following September 30.

(c) Notwithstanding the provisions of any agreements to the contrary, employee and employer contributions may not be made to receive allowable service credit if the member does not have full reinstatement rights as provided in section 122A.46 or 136F.43, both during and at the end of the extended leave.

(d) Any school district paying the employee's retirement contributions under this section shall forward to the applicable retirement association or retirement fund a copy of the agreement executed by the school district and the employee.

Subd. 1a. Repealed, 1991 c 130 s 38; 1991 c 340 s 34

Subd. 1b. Repealed, 1991 c 130 s 38; 1991 c 340 s 34

Subd. 2. **Membership; retention.** Notwithstanding section 354.49, subdivision 4, clause (3), a member on extended leave whose employee and employer contributions are paid into the fund pursuant to subdivision 1 shall retain membership in the association for as long as the contributions are paid, under the same terms and conditions as if the member had continued to teach in the district or the Minnesota State Colleges and Universities system.

Subd. 3. **Effect of nonpayment.** A member on extended

leave of absence pursuant to section 122A.46 or 136F.43 who does not pay employee contributions or whose employer contribution is not paid into the fund in any year shall be deemed to cease to render teaching services beginning in that year for purposes of this chapter and may not pay employee or employer contributions into the fund in any subsequent year of the leave. Nonpayment of contributions into the fund shall not affect the rights or obligations of the member or the member's employer under section 122A.46 or 136F.43.

Subd. 4. **Member who does not resume teaching.** A member who pays employee contributions into the fund for the agreed maximum duration of an extended leave and who does not resume teaching in the first school year after that maximum duration has elapsed shall be deemed to cease to render teaching services beginning in that year for purposes of this chapter.

Subd. 5. **Discharge; layoff.** The provisions of this section shall not apply to a member who is discharged or placed on unrequested leave of absence or retrenchment or layoff or whose contract is terminated while the member is on an extended leave of absence pursuant to section 122A.46 or 136F.43.

Subd. 6. **Limits on other service credit.** A member who pays employee contributions and receives allowable service credit in the association pursuant to this section may not pay employee contributions or receive allowable service credit for the same fiscal year in any other Minnesota public employee pension plan, except a volunteer firefighters' relief association governed by sections 69.771 to 69.776. This subdivision shall not be construed to prohibit a member who pays employee contributions and receives allowable service credit in the association pursuant to this section in any year from being employed as a substitute teacher by any school district during that year. Notwithstanding the provisions of sections 354.091 and 354.42, a teacher may not pay retirement contributions or receive allowable service credit in the association for teaching service rendered for any part of any year for which the teacher pays retirement contributions or receives allowable service credit pursuant to this section or section 354A.091 while on an extended leave of absence pursuant to section 122A.46.

HIST: 1977 c 447 art 9 s 3; 1978 c 764 s 116,117; 1979 c 334 art 8 s 14,15; 1980 c 454 s 2-5; 1980 c 618 s 4; 1981 c 358 art 8 s 9-12; 1983 c 314 art 10 s 6-8; 1Sp1985 c 12 art 11 s 5; 1986 c 444; 1987 c 284 art 6 s 5; 1989 c 293 s 77,78; 1989 c 329 art 9 s 20,21; 1991 c 130 s 34; 1991 c 340 s 12; 1992 c 598 art 3 s 1; 1995 c 141 art 3 s 20; 1996 c 305 art 1 s 80; 1998 c 397 art 11 s 3; 2000 c 461 art 3 s 32; 1Sp2001 c 1 art 2 s 22; 1Sp2003 c 12 art 3 s 2; 1Sp2005 c 8 art 3 s 4



1.1 ..... moves to amend S.F. No. ....; H.F. No. ...., as follows:

1.2 Page ..., after line ..., insert:

1.3 "Sec. .... **TEACHERS RETIREMENT ASSOCIATION; PURCHASE OF**  
1.4 **SERVICE CREDIT FOR AN UNCREDITED EXTENDED LEAVE.**

1.5 (a) An eligible person described in paragraph (b) in authorized to purchase allowable  
1.6 and formula service credit in the Teachers Retirement Association for any period of an  
1.7 eligible person's extended leave that was not properly reported to the Teachers Retirement  
1.8 Association by Independent School District No. 831, Forest Lake. Allowable formula  
1.9 service credit and salary credit is granted under Minnesota Statutes, section 354.05,  
1.10 subdivision 13, to the eligible person upon making the payment required under paragraph

1.11 (c).

1.12 (b) An eligible person is a person who:

1.13 (1) was born on November 23, 1949;

1.14 (2) was initially employed as a teacher in September 1974;

1.15 (3) is employed by Independent School District No. 831, Forest Lake; and

1.16 (4) took an extended leave for the 2001-2002 school year that was not reported  
1.17 to the Teachers Retirement Association in a timely fashion as required by Minnesota  
1.18 Statutes, section 354.094.

1.19 (c) The eligible person is authorized to make an employee equivalent contribution  
1.20 payment equal to ten percent of the person's school year salary received during the year  
1.21 immediately preceding the extended leave, plus compound interest at the rate of 8.5  
1.22 percent per annum from July 1, 2001, to the date on which the lump sum payment is made.

1.23 (d) If the eligible person makes the payment under paragraph (c), the executive  
1.24 director of the Teachers Retirement Association shall, within 30 days, notify Independent  
1.25 School District No. 831, Forest Lake, of its obligation under this section. The school  
1.26 district's obligation is the balance of the prior service credit purchase payment amount  
1.27 determined under Minnesota Statutes, section 356.551, which exceeds the payment under  
1.28 paragraph (c). If the school district fails to pay its obligation within 60 days following  
1.29 notification, the executive director shall certify that failure and the amount due to the  
1.30 commissioner of finance, who shall deduct the amount due from any subsequent state aid  
1.31 payable to Independent School District No. 831, Forest Lake, plus interest at the rate of  
1.32 0.71 percent per month from the date of the payment under paragraph (c) to the date of  
1.33 the actual payment.

1.34 (e) This provision expires on July 1, 2007, or upon termination of covered service,  
1.35 whichever is earlier."

1.36 Page ..., after line ..., insert:

- 2.1 "Sec. .... **EFFECTIVE DATE.**
- 2.2 Section ... is effective the day following final enactment."
- 2.3 Renumber the sections in sequence and correct the internal references
- 2.4 Amend the title accordingly