State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director EB

RE: S.F. xxxx; H.F. xxxx (Emmer), LCPR06-122: PERA; Extension of the "Rule of 90" to a Certain PERA-General Member with Pre-1989 Military Service

DATE: March 22, 2006

Summary of S.F. xxxx; H.F. xxxx (Emmer)

S.F. xxxx; H.F. xxxx (Emmer), LCPR06-122, would allow Mr. Eric Hamilton, identified by birth date and other identifying information, to receive access to General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) early retirement provisions, including the "Rule of 90," as though he began plan coverage prior to July 1, 1989, despite not commencing PERA-covered employment until 1990, because he purchased service credit in the plan for a period of military service that occurred in 1983-1985. To receive this treatment the eligible individual would be required to make an additional payment to fully compensate PERA for the additional liability that this treatment would create.

Background Information on PERA-General

PERA-General is governed by Minnesota Statutes, Chapter 353, and various other provisions of law. It is a defined benefit retirement plan that provides disability coverage, survivor benefits, and retirement coverage to over 142,000 public employees throughout the state, other than public safety employees. PERA-General provides coverage to public employees who work for the counties, cities, and in non-teaching positions in school districts. PERA currently has over 56,000 retirees and 35,000 deferred retirees. PERA-General assets exceed $11.8 billion, but liabilities exceed $15.8 billion, creating a funding ratio of 79.7 percent. To deal with plan contribution deficiencies, the 2005 Legislature passed provisions which will phase in contribution rate increases. The current employee contribution rate is 5.10 percent, and will increase in several steps to 6.0 percent of pay in 2009. The current employer contribution rate is 5.53 percent of pay, increasing to 7.0 percent in 2010. There is also an employer additional contribution, currently .43 percent of pay, increasing gradually to 1.0 percent of pay in 2010.

The standard presentation of the plan's actuarial condition follows. At the current time PERA has over $4 billion in unfunded liability and a contribution deficiency of 1.67 percent of payroll, although the Legislature has taken steps, through mandated contribution increases that will phase in over the next few years, to address PERA-General's actuarial condition.

		2005
Membership		
Active Members		142,303
Service Retirees		48,147
Disabilitants		1,853
Survivors		6,650
Deferred Retirees		35,768
Nonvested Former Members		100,369
Total Membership		335,090
Funded Status		
Accrued Liability		$15,892,554,615
Current Assets		$11,843,935,692
Unfunded Accrued Liability		$4,048,618,923
Funding Ratio	74.53%	
Financing Requirements		
Covered Payroll		$4,530,882,628
Benefits Payable		$715,043,179
Normal Cost	7.79%	$352,964,350
Administrative Expenses	0.22%	$9,967,942
Normal Cost & Expense	8.01%	$362,932,292
Normal Cost & Expense	8.01%	$362,932,292
Amortization	4.73%	$214,310,748
Total Requirements	12.74%	$577,243,040

	2005	
Employee Contributions	5.30%	$240,262,784
Employer Contributions	5.77%	$261,631,214
Employer Add'l Cont.	0.00%	$0
Direct State Funding	0.00%	$0
Other Govt. Funding	0.00%	$0
Administrative Assessment	0.00%	$0
Total Contributions	11.07%	$501,893,998
Total Requirements	12.74%	$577,243,040
Total Contributions	11.07%	$501,893,998
Deficiency (Surplus)	1.67%	$75,349,042

Being a defined benefit plan means that PERA-General's retirement benefit is specified by a formula in law. Under these formulas, the average of salary close to retirement (the average of the five consecutive years that provides the highest average salary) is multiplied by a factor or factors referred to as accrual rates. An accrual rate is the percentage of the high-five salary that the individual receives per year of service. This result is then multiplied by the number of years of service to determine the benefit. For a PERA-General member who started covered service in one of the larger Minnesota public plans before 1989, the normal retirement age is 65. That is the age at which an individual, following termination of covered service, can receive an annuity without any penalty due to early commencement of the benefit. Under law, a terminated employee may begin drawing an annuity as early as age 55, but with a reduction due to early retirement. If a PERA member starts drawing an annuity at the normal retirement age, the accrual rate in law is 1.7 percent (assuming a coordinated member, which means a member who is also covered by the Social Security Old Age, Survivor, and Disability Program for the covered employment). If the high-five average salary happened to be $40,000 and the individual had 30 years of service, the annual benefit would be $40,000 x 1.7 percent x 30 years = $20,400.

As noted, the normal retirement age (the age at which an individual can retire with full, unreduced benefits) is about age 65, although individuals can retire as early as age 55. If individuals retire before normal retirement age, generally a reduction in the monthly benefit is required to compensate for the longer period during which a person will be receiving a benefit. (If two individuals have the same salary and same years of service credit, but one is retiring at age 65 while the other retires at age 55, the individual who retires at age 55 is likely to be drawing a monthly benefit for ten years longer than the age-65 retiree.) For individuals who began employment after July 1, 1989, the reduction to compensate for early retirement is a full actuarial reduction. In other words, the monthly benefit to the younger retiree must be reduced so that the present value of the lifetime stream of monthly benefits is worth no more than if that individual had retired at the plan's normal retirement age.

Different rules apply to those employees who commenced covered employment before July 1, 1989. If a pre-July 1, 1989, hire qualifies for the "Rule of 90" (age plus years of service equal 90 or more), no reduction is required for early retirement. For other pre-July 1, 1989, employees who retire early, a lesser reduction is required. In many cases, the benefit reduction is three percent per year, which is considerably less than a full actuarial reduction.

Background on "Rule of 90" Benefit Eligibility

In 1989, a major benefit increase was enacted (Laws 1989, Chapter 319, Article 13) for the major general employee pension plans. A significant aspect of that benefit increase, which was added as a House floor amendment to proposed legislation relating to teachers' salaries in Independent School District No. 709 (Duluth), without a favorable recommendation by the Legislative Commission on Pensions and Retirement, was the extension of the PERA-General "Rule of 90" benefit eligibility provision to the other major general employee retirement plans (the Minnesota State Retirement System General Plan (MSRS-General), the Teachers Retirement Association (TRA), and the first class city teacher plans). This extension created two benefit tiers (the "Rule of 90" benefit tier and the "Level Benefit" benefit tier) in all these plans. The 1989 legislation, however, restricted the use of the "Rule of 90" benefit tier to employees who became members of the applicable plans before July 1, 1989. This applies not only to the plans in which "Rule of 90" provisions were first created in 1989, but also to PERA-General which had a "Rule of 90" benefit provision added to its law several years earlier. Individuals in any of these plans who commenced covered employment on or after July 1, 1989, have access to only the level benefit provision.

Following the 1989 benefit increase bill the "Rule of 90" and "Level Benefit" benefit tiers were as follows:

1. "Level Benefit" Tier. All plan members were eligible to receive a retirement annuity using a level benefit accrual formula rate of 1.5 percent credit for all years of service, rather than the current one percent of each of the first ten years of service, followed by 1.5 percent thereafter. If the individual retires before the normal retirement age, the benefit is actuarially reduced. The normal retirement age for new employees will be automatically changed to correspond to the Social Security retirement age, as that changes over time. The normal retirement age is age 65, or slightly later, depending on the date of birth.

2. "Rule of 90" Benefit Tier. Plan members first hired before July 1, 1989, if their age plus years of service total the sum of 90, were eligible to receive a benefit accrual formula rate of one percent for each of the first ten years of service, followed by 1.5 percent per year thereafter, with no early retirement reduction. If the pre-July 1, 1989, hire does not meet the "Rule of 90" eligibility requirement, the individual could select a benefit with an accrual rate of one percent for each of the first ten years and 1.5 percent thereafter, with an earlier retirement reduction rate of three percent per year.

The benefit accrual rates enacted in 1989 were increased again in 1997 (Laws 1997, Chapter 233, Article 1). Following the enactment of the 1997 revisions, a benefit computed under the level benefit tier would use an accrual rate of 1.7 percent per year of service, rather than 1.5 percent. Benefits computed under the "Rule of 90" benefit tier now use an accrual rate of 1.2 percent per year for each of the first ten years, and 1.7 percent for each year thereafter.

Under the 1989 pension legislation, the Legislature reserved the right to eliminate the "Rule of 90" from any plan if more than 45 percent of eligible retirees use that provision, and the applicable plans were required to report utilization rates to the Legislature. The "Rule of 90" report requirement and elimination provision was repealed in 1993, at the request of the various major general employee retirement plan administrators when the Teachers Retirement Association (TRA) utilization approached the triggering level.

The 1989 "Rule of 90" extension, with its restriction to pre-July 1, 1989, hires, reflects a compromise based on policy and cost considerations. Although the accrual rate for the first ten years of service is less than under a level benefit computation, the waiver of any early retirement benefit reductions that would otherwise be required tends to more than outweigh the lesser accrual rate used of the first ten years of service, creating a subsidized benefit. This subsidy of those who have sufficient age and years of service to qualify for and use the "Rule of 90" adds to the plan cost, to be paid by many who will never have sufficient service to qualify for this benefit. Restricting the "Rule of 90" to only those who started in covered employment before July 1, 1989, made the cost manageable under the 1989 bill. However, it has created a difference between the benefit provisions available to the pre-July 1, 1989, hires and those who came afterwards, leading to frequent requests by the more recent hires to have the "Rule of 90" extended to them. So far, the Legislature has resisted those requests, for a number of reasons. One reason is that it is not viewed as an issue needing prompt attention. Individuals who started employment after 1989 either are sufficiently young that retirement is not a serious concern, or their service is rather short, leaving them far from qualifying for a "Rule of 90" benefit if one were to be offered. The second consideration is cost. It would be necessary to increase the contributions to all these plans to cover the added liabilities that would be created by extending the "Rule of 90." The third consideration is policy conflicts created by these early retirement provisions. An effort to extend early retirement provisions to post-1989 hires is in conflict with changes in federal retirement policy. The Social Security system has been increasing the age at which individuals can qualify for full Social Security benefits, and without those Social Security benefit checks and related Medicare coverage, most individuals who might wish to retire early from a Minnesota public plan can not afford to do so, because of the high cost of health care. Also, given the increases in expected lifespan that has occurred and that will continue to occur, one can argue that average retirement age may need to be increased rather than decreased, to control plan cost. Fourth, given current and future labor markets, there is a need to encourage the post-World War II baby boom generation to stay in the labor force, rather than encouraging their withdrawal. The next generation is too small to fill all the positions that will become vacant. To some extent "Rule of 90" provisions encourage withdrawal from the labor force. Finally, "Rule of 90" provisions are inconsistent with the concepts upon which our defined benefit plans were based. These plans were intended to attract sufficient capable workers, to act as a retention tool to keep them in government employment, and to out-transition them at the end of their productive years, providing sufficient income in retirement, along with Social Security benefits and private savings, to allow the retiree to retain a reasonable standard of living. Many who retire under the "Rule of 90" are not ready to leave the labor force, and thus the benefits are not used to provide retirement income. Retirement benefits paid to those who simply transition to other employment add to plan cost and may not be serving a useful public purpose.

Background Information on General Law Service Credit Purchase Provisions for Military and Other Service

Several general law full actuarial value service credit purchase provisions were enacted between 1999 and 2001. All were adopted as temporary provisions. All of these provisions have now expired except for the military service provisions. These service credit purchase provisions and the year in which they were enacted are as follows:

1999
- Military service (TRA and first class city teacher plans)
- Out-of-state teaching service (TRA and first class city teacher plans)
- Maternity leave or absence or maternity break-in-service (TRA and first class city teacher plans)
- Parochial or private school teaching service (TRA and first class city teacher plans)
- Peace Corps and VISTA service (TRA and first class city teacher plans)
- Charter school teaching (TRA and first class city teacher plans)
- Previously uncredited part-time teaching service (first class city teacher plans)

2000
- Military service (various MSRS plans, PERA plans)
- Teaching service credit for various nonprofit Community Based Corporation service (TRA and first class city teacher plans)

2001
- Out-of- country and tribal teaching service credit (TRA and first class city teacher plans)
- Developmental Achievement Center teaching service (TRA and first class city teacher plans)
- Uncovered teaching service at University of Minnesota (TRA and first class city teacher plans)
- Parental leave/break-in-service (teacher plans, various MSRS and PERA plans, various other plans)

In 1999, the Commission was persuaded to support several proposed generalized service credit purchase provisions applicable to TRA and the first class city teacher retirement fund associations (the Duluth Teachers Retirement Fund Association, the Minneapolis Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association). Under these provisions, classes of individuals (those with prior military service, out-of-state teaching service in a K-12 situation, individuals who taught in parochial schools, provided Peace Corp service and various other groups), were permitted to purchase service credit in the applicable Minnesota plan for the specified service. These provisions, which were strongly supported by teacher groups, conflicted with the Commission's Pension Policy statement in several ways. All lacked any requirement of an individual review of the circumstance. Others were not related to public service or had no Minnesota connection.

In 2000, more service credit purchase provisions were added to law, this time for non-teacher plans, providing a full actuarial value service credit provision for individuals who had military service prior to becoming a public employee, or who failed to pay contribution requirements in a timely manner under other military leave service credit purchase provisions. These provisions enacted in 2000 were comparable to the military service credit provisions added to teacher plan law a year earlier. In 2000, teacher plan law was also revised to permit full actuarial value service credit purchases for nonprofit community-based teaching service.

In 2001, several other service credit purchase provisions were enacted. An out-of-country teaching service credit purchase provision was created in teacher plan law, and also one for Development Achievement Center teaching. These new provisions included sections of law permitting purchase of service credit, not to exceed ten years, in the teacher plans for service while teaching at the University of Minnesota which was not covered by a pension plan at the university. These provisions stemmed from a legislative request for the executive director of the Minneapolis Employees Retirement Fund (MERF), who many years earlier taught some accounting courses at the University while employed in a position that was excluded from pension plan coverage. The final generalized service credit provision enacted was a family leave provision permitting individuals who may be covered by a teacher plan, or any of several other general employee and public safety plans, to purchase service credit for the past family leaves or family-related breaks-in-service.

There are several reasons why the Commission and the Legislature may have initially supported the above provisions. First, the provisions were intended to be temporary. Each was set to expire a few years after enactment. The departure from policy may have been viewed as a short-term departure from established policy to address short-term market conditions for teachers. Second, the Legislature had been given assurances that the provisions created no financial harm to the pension funds because the purchases would

be at full actuarial value. The methodology to compute full actuarial value purchase prices had been revised in 1998, and the teacher unions and the administrators of the teacher pension funds were confident that the procedures would produce accurate price estimates, thereby shielding other fund contributors from subsidizing these purchases. When the revised methodology was enacted in 1998 as Minnesota Statutes, Section 356.55, the section included a provision requiring data to be retained and analyzed on every service credit purchase made using the procedure, and the section included an expiration date. If legislative review of these purchases suggested that the procedure was not accurate and was causing subsidies to occur, the section would be permitted to expire. If it expired, a previous procedure used to estimate full actuarial value, coded as Minnesota Statutes, Section 356.551, would again become effective. That prior procedure in Minnesota Statutes, Section 356.551, tended to produce higher cost estimates than the revised procedure. Teacher unions and other constituent groups favor continuing the revised procedure in Minnesota Statutes, Section 356.55, because it tends to produce lower prices. From a policy standpoint, the Minnesota Statutes, Section 356.55, procedure is better if it is more accurate than the prior procedure. If the lower prices are resulting in subsidies, its use harms the pension funds.

As the repeal date for the revised full actuarial methodology and each of these temporary generalized service credit provisions approached, the repeal dates were extended by the Legislature due to strong support for these provisions from the teacher unions and other constituent groups. Most of the provisions were extended more than once, but all were allowed to expire in 2004, except the full actuarial value military service credit purchase provisions, which were extended for a few more years.

Purchased Service Credit and Pre-July 1, 1989, Issues

The Commission reviewed utilization of the various general law full actuarial value service credit purchase procedures a few years ago. By far, the greatest usage was in the teacher plans, with several hundred individuals purchasing service credit. Some of the individuals who purchased service credit in TRA, PERA, or various other plans began their Minnesota public employment after July 1, 1989, but purchased service credit relating to periods of time predating July 1, 1989.

The purchase of pre-July 1, 1989, service credit by individuals who did not begin their Minnesota public employment until July 1, 1989, or later raises the question or whether a purchase of service credit for a time prior to July 1, 1989, by a post-July 1, 1989, hire qualifies that person to be treated as a pre-July 1, 1989, hire for "Rule of 90" eligibility, and for eligibility to various related early retirement provisions, which apply only to pre-July 1, 1989, hires.

The laws applicable to the various plans clearly limit "Rule of 90" eligibility to those who became Minnesota public employees prior to July 1, 1989. For example, the PERA "Rule of 90" provision, Section 353.30, Subdivision 1a, restricts the provision to "Any person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989..." Section 356.30, Subdivision 3, is list of Minnesota public pension plans, and it includes the various MSRS, PERA, TRA, and first class city teacher plans. "Public employee" is defined elsewhere in PERA law as an employee of a Minnesota governmental subdivision. A purchase of service credit relating to a pre-July 1, 1989, period by a post-July 1, 1989, hire does not make the individual a pre-July 1, 1989, hire.

On a few occasions the Commission has been asked, in the form of legislation, to allow an individual, a small a group of post-July 1, 1989, hires, or the entire post-June 30, 1989, hires of a pension plan to have access to the "Rule of 90." The Commission has not recommended those provisions to pass.

Discussion

S.F. xxxx; H.F. xxxx (Emmer) would allow Mr. Eric Hamilton, identified by birth date and other identifying information, to receive access to General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) early retirement provisions, including the "Rule of 90," as though he began plan coverage prior to July 1, 1989, despite not commencing PERA-covered employment until 1990, because he purchased service credit in the plan for a period of military service that occurred in 1983-1985. To receive this treatment the eligible individual would be required to make an additional payment to fully compensate PERA for the additional liability that this treatment would create. The bill raises the following policy issues:

1. PERA-General Actuarial Condition. The issue is PERA-General's actuarial condition, presented above. Although the Legislature has taken steps to address PERA-General's contribution needs, at the current time the plan has a considerable contribution deficiency and considerable unfunded liability. The bill draft does hold PERA-General harmless by requiring an eligible individual to make a full

actuarial value payment to receive the "Rule of 90" eligibility. Thus, under the bill, the plan should receive additional assets equal to the additional liability. Any departure from this approach, by requiring no payment or only a partial payment, would add to unfunded liability.

2. Implications of Full Actuarial Value Payment. While the bill holds the plan harmless by requiring a full actuarial value payment, it also means that the proposal does not provide any net monetary gain to the individual. The proposal provides net gain to the individual only if some party subsidizes that payment by covering part of the cost.

3. Cost to the Individual. The issue is the cost to the individual due to the full actuarial value lump sum payment that would be required. Currently, that cost is unknown, although PERA can provide an estimate if the Commission were to hear this proposal. If the individual is unwilling to make that payment, because of the size of that payment or due to understanding that the treatment is intended to not provide the individual with any net monetary gain, then enacting legislation for the individual may be a wasted legislative effort.

   On the other hand, there could be a monetary gain if the individual does not well match the various economic and demographic assumptions that are used in the cost computation. For instance, if the individual has greater future salary increases than is assumed in the computation, the individual's eventual retirement annuity will be greater than estimated in the cost computation, placing net additional liability on the plan. Similarly, if the individual lives longer than expected, he or she would receive a slight subsidy. Even if there is no subsidy, what the individual does accomplish is the shifting of investment risk from the individual to the plan.

4. Special vs. General Law Approaches. The issue is whether a general law approach rather than a special law approach is the best treatment. There seems little justification to conclude that this individual should be offered this treatment while other similarly situated individuals are not. The proposed treatment could be expanded to all similarly situated individuals in PERA plans, or expanded further to include all MSRS, TRA, and first class city teacher plans.

5. Issues on Intention. If the general intention is to provide an option to military veterans, any proposal which works through Minnesota public plans can apply to only a portion of this group. Expanding the scope to include all public plans would still miss the vast majority of veterans, those who either are not working or are employed in the private sector. The Legislature is precluded by federal code from enacting legislation governing private sector pensions. If the Legislature wishes to provide something of value to veterans given the service they provided to their country, the Legislature might wish to consider approaches that do not require acting through their public pension plans.

6. "Rule of 90" Precedent Concerns. The Commission may choose to consider that providing access to the "Rule of 90" by any post July 1, 1989, group, on any terms, is likely to lead to extending "Rule of 90" benefits to the entire post-July 1, 1989, plan membership in all applicable Minnesota plans. In recent years teacher unions and various PERA groups have expressed a strong desire to expand the "Rule of 90" to all post-July 1, 1989, hires. So far, the Commission and Legislature have resisted that effort, based on the policy and cost issues discussed earlier. If extending the "Rule of 90" in the various plans costs an additional one percent of payroll (which I believe is a low-end cost estimate), and if half of this cost is borne by the employers and half by the employees, the annual employer cost in the various plans would be as shown in Table 1.

Table 1

Current Estimated Annual Employer Cost of "Rule of 90" Extension
to Post-June 30, 1989, Hires

Plan	Covered Payroll	0.5% of Covered Payroll
MSRS-General	$2,084,561,802	$10,422,809
PERA-General	$4,530,882,628	$22,654,413
TRA	$3,389,066,754	$16,945,333
DTRFA	$56,237,262	$281,186
MTRFA	$231,208,456	$1,156,042
SPTRFA	$227,818,794	$1,139,094
		$52,598,877

-----Original Message-----
From: Pat Turgeon [mailto:Pat.Turgeon@house.mn]
Sent: Thursday, February 16, 2006 8:27 AM
To: Larry Martin
Cc: Bob Shipman; Judie Hirasawa
Subject: Bill Draft Request

Dear Mr. Martin:

Bob Shipman said that you can draft this legislation.

Representative Tom Emmer would like a bill drafted for Eric Hamilton, St. Michael, MN. Mr. Hamilton's first employment under Pera covered employment was on 10/2/90. He would like to get the Rule of 90, because he bought back his military time of 18 months which technically puts him at the Rule of 90 time frame.

Can you draft a bill to address this issue for Rep. Emmer?

If you have questions, please let me know.

Thank you.

Peggy Orren

From: Eric Hamilton [ehamilto@buffalo.k12.mn.us]
Sent: Friday, February 17, 2006 12:30 PM
To: Rep.Tom.Emmer@House.MN
Subject: Rule of 90 through PERA

Dear Representative Emmer:
Judy from your office called and stated that more information is required before any action could be taken in regard to my request for assistance with P.E.R.A.

I was born on 11-25-64

I entered the U.S. Army in Oct. 1983 and was honorably discharged in Oct 1985.
I was hired by Osseo Area schools I.S.D. #279 as a Custodian, on 6-2-90.
I went on leave from I.S.D. #279 on 6-17-98
I resigned from I.S.D. #279 on 5-18-99

I was hired by Buffalo Area Schools I.S.D. #877 as Director of Buildings and Grounds on 6-17-98 and am currently employed here.

I purchased my military time through PERA and they now count those two years as years in service, but PERA has not counted that military time toward the Rule of 90. If PERA accepts military time for years in service and my years of service cross the rule of 90 time line then I believe I should be placed under the Rule of 90 for my retirement.

I appreciate any help you can give me with this issue.

A bill for an act

relating to retirement; Public Employees Retirement Association general plan; authorizing a post-June 30, 1989, hiree to access rule-of-90 provisions based on 1983-1985 military service; requiring additional full actuarial value payment.

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

Section 1. **EXTENSION OF RULE OF 90 ELIGIBILITY; ADDITIONAL SERVICE CREDIT PURCHASE IN PERA-GENERAL.**

(a) An eligible person under paragraph (b), upon making the payment required under paragraph (c), shall be treated as a person who commenced employment covered by the Public Employees Retirement Association general plan prior to July 1, 1989, for purposes of qualifying for eligibility under Minnesota Statutes, section 353.30, subdivisions 1, 1a, 1b, and 1c, notwithstanding the person's actual first date of Public Employees Retirement Association general plan coverage.

(b) An eligible person is an person who:

(1) was born on November 25, 1964;

(2) provided service in the United States Army from October 1983 until October 1985, when he was honorably discharged;

(3) first became a Public Employees Retirement Association general plan covered employee after being hired by Independent School District No. 279, Osseo, on June 2, 1990;

(4) is a current active member of the Public Employees Retirement Association general plan due to employment as the director of buildings and grounds for Independent School District No. 877, Buffalo; and

(5) purchased service credit for all or part of the period of military service specified in clause (2) under Minnesota Statutes, section 353.01, subdivision 16a.

(c) To receive the treatment specified in paragraph (a), an eligible person shall make an additional lump sum payment amount determined under Minnesota Statutes, section 356.551, to cover the additional liability to the Public Employees Retirement Association general plan imposed by providing the eligible person access to eligibility under Minnesota Statutes, section 353.30, subdivisions 1, 1a, 1b, and 1c. If the earlier service credit purchase under paragraph (b), clause (5), did not include the entire period of military service, the purchase under this paragraph must include a purchase of the remainder of this period.

(d) An eligible person shall provide the executive director of the Public Employees Retirement Association with any relevant requested documentation.

(e) This provision expires upon termination of employment covered by the Public Employees Retirement Association general plan, or July 1, 2007, whichever is earlier.

Sec. 2. **EFFECTIVE DATE.**

Section 2 is effective the day following final enactment.