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HOUSE FILE No. 592

February 9, 2009

Authored by Thissen; Carlson; Murphy, M.; Nelson; Kelliher and others
The bill was read for the first time and referred to the Committee on State and Local Government Operations Reform,
Technology and Elections

1.1 A bill for an act
1.2 relating to retirement; amending teacher retirement provisions; adjusting
1.3 contribution rates; adjusting state aid; redefining terms; amending Minnesota
1.4 Statutes 2008, sections 127A.50, subdivision 1; 354.05, subdivision 38; 354.42,
1.5 subdivisions 2, 3, by adding subdivisions; 354.44, subdivision 6; 354A.011,
1.6 subdivision 15a; 354A.12, subdivisions 1, 2a, by adding subdivisions; 354A.31,
1.7 subdivisions 4, 4a, 7; 356.315, by adding a subdivision.

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

1.9 Section 1. Minnesota Statutes 2008, section 127A.50, subdivision 1, is amended to
1.10 read:

1.11 Subdivision 1. **Aid adjustment.** Beginning in fiscal year 1998 and each year
1.12 thereafter, the commissioner of education shall adjust state aid payments to school
1.13 operating funds for Independent School District No. 625 and Independent School District
1.14 No. 709 by the net amount of clauses (1) ~~and~~, (2), and (5), for Special School District
1.15 No. 1 by the net amount of clauses (1), (2), ~~and~~ (4), and (5), and for all other districts,
1.16 including charter schools, but excluding any education organizations that are prohibited
1.17 from receiving direct state aids under section 123A.26 or 125A.75, subdivision 7, by the
1.18 net amount of clauses (1), (2), (3), ~~and~~ (4), and (5):

1.19 (1) a decrease equal to each district's share of the fiscal year 1997 adjustment
1.20 effected under Minnesota Statutes 1996, section 124.2139;

1.21 (2) an increase equal to one percent of the salaries paid to members of the general
1.22 plan of the Public Employees Retirement Association in fiscal year 1997, multiplied by
1.23 0.35 for fiscal year 1998 and 0.70 each year thereafter;

1.24 (3) a decrease equal to 2.34 percent of the salaries paid to members of the Teachers
1.25 Retirement Association in fiscal year 1997; ~~and~~

2.1 (4) an increase equal to 0.5 percent of the salaries paid to members of the Teachers
2.2 Retirement Association in fiscal year 2007; and

2.3 (5) an increase equal to the specified percentage of the salaries paid to members of
2.4 the Teachers Retirement Association, the St. Paul Teachers Retirement Fund Association,
2.5 and the Duluth Teachers Retirement Fund Association in fiscal year 2012 as follows:

| | | |
|------|--|--------------------|
| 2.6 | <u>fiscal year 2012</u> | <u>0.5 percent</u> |
| 2.7 | <u>fiscal year 2013</u> | <u>0.5 percent</u> |
| 2.8 | <u>fiscal year 2014</u> | <u>0.5 percent</u> |
| 2.9 | <u>fiscal year 2015 and each fiscal year</u> | |
| 2.10 | <u>thereafter</u> | <u>0.5 percent</u> |

2.11 **EFFECTIVE DATE.** This section is effective July 1, 2011.

2.12 Sec. 2. Minnesota Statutes 2008, section 354.05, subdivision 38, is amended to read:

2.13 Subd. 38. **Normal retirement age.** "Normal retirement age" means age 65 ~~for a~~
2.14 ~~person who first became a member of the association or a member of a pension fund listed~~
2.15 ~~in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a~~
2.16 ~~member of the association after June 30, 1989, normal retirement age means the higher~~
2.17 ~~of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l),~~
2.18 ~~as amended, but not to exceed age 66.~~ For a person with 30 years of service, normal
2.19 retirement age means age 62.

2.20 **EFFECTIVE DATE.** This section is effective July 1, 2011.

2.21 Sec. 3. Minnesota Statutes 2008, section 354.42, subdivision 2, is amended to read:

2.22 Subd. 2. **Employee.** (a) The employee contribution to the fund is an amount equal
2.23 to the following percentage of the salary of a member:

2.24 ~~(1) after July 1, 2006, for a teacher employed by Special School District No. 1,~~
2.25 ~~Minneapolis, 5.5 percent if the teacher is a coordinated member, and 9.0 percent if the~~
2.26 ~~teacher is a basic member;~~

2.27 ~~(2) for every other teacher, after July 1, 2006, 5.5 percent if the teacher is a~~
2.28 ~~coordinated member and 9.0 percent if the teacher is a basic member.~~

| 2.29 | <u>Period</u> | <u>Coordinated Member</u> | <u>Basic Member</u> |
|------|---|---------------------------|---------------------|
| 2.30 | <u>(1) before July 1, 2011</u> | <u>5.5 percent</u> | <u>9 percent</u> |
| 2.31 | <u>(2) after June 30, 2011, and before July</u> | | |
| 2.32 | <u>1, 2012</u> | <u>6 percent</u> | <u>9 percent</u> |
| 2.33 | <u>(3) after June 30, 2012, and before July</u> | | |
| 2.34 | <u>1, 2013</u> | <u>6.5 percent</u> | <u>9 percent</u> |

| | | | |
|-----|--|--------------------|------------------|
| 3.1 | <u>(4) unless paragraph (c) applies, after</u> | | |
| 3.2 | <u>June 30, 2013, and before July 1, 2014</u> | <u>7 percent</u> | <u>9 percent</u> |
| 3.3 | <u>(5) unless paragraph (c) applies, after</u> | | |
| 3.4 | <u>June 30, 2014</u> | <u>7.5 percent</u> | <u>9 percent</u> |

3.5 (b) When an employee contribution rate changes for a fiscal year, the new
 3.6 contribution rate is effective for the entire salary paid for each employer unit with the
 3.7 first payroll cycle reported.

3.8 (c) After July 1, 2012, a scheduled contribution increase under paragraph (a),
 3.9 clause (4) or (5), is suspended if the most recent actuarial valuation prepared under
 3.10 section 356.215 indicates that there is no contribution deficiency when the total employee
 3.11 contributions, employer contributions under subdivision 3, and direct state aid under
 3.12 section 354A.12 and chapter 422A are compared to the actuarial required contributions of
 3.13 the retirement plan.

3.14 ~~(b)~~ (d) This contribution must be made by deduction from salary. Where any
 3.15 portion of a member's salary is paid from other than public funds, the member's employee
 3.16 contribution must be based on the entire salary received.

3.17 **EFFECTIVE DATE.** This section is effective July 1, 2011.

3.18 Sec. 4. Minnesota Statutes 2008, section 354.42, subdivision 3, is amended to read:

3.19 Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special
 3.20 School District No. 1, Minneapolis, after July 1, 2006, and before July 1, 2007, is an
 3.21 amount equal to 5.0 percent of the salary of each of its teachers who is a coordinated
 3.22 member and 9.0 percent of the salary of each of its teachers who is a basic member. After
 3.23 July 1, 2007, and before July 1, 2011, the regular employer contribution to the fund by
 3.24 Special School District No. 1, Minneapolis, is an amount equal to 5.5 percent of salary of
 3.25 each coordinated member and 9.5 percent of salary of each basic member. The additional
 3.26 employer contribution to the fund by Special School District No. 1, Minneapolis, after
 3.27 July 1, 2006, is an amount equal to 3.64 percent of the salary of each teacher who is a
 3.28 coordinated member or is a basic member. The regular employer contribution to the
 3.29 fund by Special School District No. 1, Minneapolis, is an amount equal to the following
 3.30 percentage of the salary of each teacher:

| 3.31 | <u>Period</u> | <u>Coordinated Member</u> | <u>Basic Member</u> |
|------|---|---------------------------|---------------------|
| 3.32 | <u>(1) before July 1, 2011</u> | <u>5.5 percent</u> | <u>9.5 percent</u> |
| 3.33 | <u>(2) after June 30, 2011, and before July</u> | | |
| 3.34 | <u>1, 2012</u> | <u>6 percent</u> | <u>9.5 percent</u> |
| 3.35 | <u>(3) after June 30, 2012, and before July</u> | | |
| 3.36 | <u>1, 2013</u> | <u>6.5 percent</u> | <u>9.5 percent</u> |

4.1 (4) unless paragraph (d) applies, after
 4.2 June 30, 2013, and before July 1, 2014 7 percent 9.5 percent

4.3 (5) unless paragraph (d) applies, after
 4.4 June 30, 2014 7.5 percent 9.5 percent

4.5 (b) When an employer contribution rate changes for a fiscal year, the new
 4.6 contribution rate is effective for the entire salary paid for each employer unit with the
 4.7 first payroll cycle reported.

4.8 ~~(b)~~ (c) The employer contribution to the fund for every other employer is an amount
 4.9 equal to 5.0 percent of the salary of each coordinated member and 9.0 percent of the salary
 4.10 of each basic member before July 1, 2007, and 5.5 percent of the salary of each coordinated
 4.11 member and 9.5 percent of the salary of each basic member after June 30, 2007-, and
 4.12 before July 1, 2011. The regular employer contribution to the fund by every other
 4.13 employer is an amount equal to the following percentage of the salary of each teacher:

| <u>Period</u> | <u>Coordinated Member</u> | <u>Basic Member</u> |
|--|---------------------------|---------------------|
| 4.14 <u>(1) after June 30, 2011, and before July</u> | | |
| 4.15 <u>1, 2012</u> | <u>6 percent</u> | <u>9.5 percent</u> |
| 4.16 <u>(2) after June 30, 2012, and before July</u> | | |
| 4.17 <u>1, 2013</u> | <u>6.5 percent</u> | <u>9.5 percent</u> |
| 4.18 <u>(3) unless paragraph (d) applies, after</u> | | |
| 4.19 <u>June 30, 2013, and before July 1, 2014</u> | <u>7 percent</u> | <u>9.5 percent</u> |
| 4.20 <u>(4) unless paragraph (d) applies, after</u> | | |
| 4.21 <u>June 30, 2014</u> | <u>7.5 percent</u> | <u>9.5 percent</u> |

4.22

4.23 (d) After July 1, 2012, a scheduled contribution increase under paragraph (a), clause
 4.24 (4) or (5), and paragraph (c), clause (3) or (4), is suspended if the most recent actuarial
 4.25 valuation prepared under section 356.215 indicates that there is no contribution deficiency
 4.26 when the total employee contributions, employer contributions under subdivision 3, and
 4.27 direct state aid under section 354A.12 and chapter 422A are compared to the actuarial
 4.28 required contributions of the retirement plan.

4.29 **EFFECTIVE DATE.** This section is effective July 1, 2011.

4.30 Sec. 5. Minnesota Statutes 2008, section 354.42, is amended by adding a subdivision
 4.31 to read:

4.32 Subd. 4a. **Application.** This section applies to the Teachers Retirement Association
 4.33 under this chapter.

4.34 Sec. 6. Minnesota Statutes 2008, section 354.42, is amended by adding a subdivision
 4.35 to read:

5.1 Subd. 4b. **Determination.** (a) For purposes of this section, a contribution
 5.2 sufficiency exists if, for purposes of the applicable plan, the total of the employee
 5.3 contributions, the employer contributions, and any additional employer contributions, if
 5.4 applicable, exceeds the total of the normal cost, the administrative expenses, and the
 5.5 amortization contribution of the retirement plan as reported in the most recent actuarial
 5.6 valuation of the retirement plan prepared by the actuary retained under section 356.214
 5.7 and prepared under section 356.215 and the standards for actuarial work of the Legislative
 5.8 Commission on Pensions and Retirement.

5.9 (b) For purposes of this section, a contribution deficiency exists if, for the applicable
 5.10 plan, the total employee contributions, the employer contributions, and any additional
 5.11 employer contributions are less than the total of the normal cost, the administrative
 5.12 expenses, and the amortization contribution of the retirement plan as reported in the most
 5.13 recent actuarial valuation of the retirement plan prepared by the actuary retained under
 5.14 section 356.214 and prepared under section 356.215 and the standards for actuarial work
 5.15 of the Legislative Commission on Pensions and Retirement.

5.16 Sec. 7. Minnesota Statutes 2008, section 354.42, is amended by adding a subdivision
 5.17 to read:

5.18 Subd. 4c. **Contribution rate revision.** Notwithstanding the contribution rate
 5.19 provisions stated in plan law, the employee and employer contribution rates must be
 5.20 adjusted:

5.21 (1) if after July 1, 2014, the regular actuarial valuations of the applicable plan under
 5.22 section 356.215 indicate that there is a contribution sufficiency under subdivision 2 equal
 5.23 to or greater than 0.5 percent of covered payroll for two consecutive years, the employee
 5.24 and employer contribution rates for the applicable plan must be decreased as determined
 5.25 under subdivision 4 to a level such that the sufficiency equals no more than 0.25 percent of
 5.26 covered payroll based on the most recent actuarial valuation; or

5.27 (2) if after July 1, 2014, the regular actuarial valuations of the applicable plan under
 5.28 section 356.215 indicate that there is a deficiency equal to or greater than 0.5 percent of
 5.29 covered payroll for two consecutive years, the employee and employer contribution rates
 5.30 for the applicable plan must be increased as determined under subdivision 4 to a level such
 5.31 that no deficiency exists based on the most recent actuarial valuation.

5.32 Sec. 8. Minnesota Statutes 2008, section 354.42, is amended by adding a subdivision
 5.33 to read:

6.1 Subd. 4d. **Reporting, commission review.** (a) The contribution rate increase
 6.2 or decrease must be determined by the executive director of the Teachers Retirement
 6.3 Association, must be reported to the chair and the executive director of the Legislative
 6.4 Commission on Pensions and Retirement on or before the next February 1, and, if the
 6.5 Legislative Commission on Pensions and Retirement does not recommend against the
 6.6 rate change or does not recommend a modification in the rate change, is effective on the
 6.7 next July 1 following the determination by the executive director that a contribution
 6.8 deficiency or sufficiency has existed for two consecutive fiscal years based on the most
 6.9 recent actuarial valuations under section 356.215. If the actuarially required contribution
 6.10 exceeds or is less than the total support provided by the combined employee and employer
 6.11 contribution rates for the applicable plan by more than 0.5 percent of covered payroll, the
 6.12 applicable plan employee and employer contribution rates must be adjusted incrementally
 6.13 over one or more years to a level such that there remains a contribution sufficiency of no
 6.14 more than 0.25 percent of covered payroll.

6.15 (b) No incremental adjustment may exceed 0.25 percent of payroll for either the
 6.16 employee or employer contribution rates per year in which any adjustment is implemented.
 6.17 For an applicable plan, a contribution rate adjustment under this section must not be
 6.18 made until at least two years have passed since fully implementing a previous adjustment
 6.19 under this section.

6.20 **EFFECTIVE DATE.** This section is effective July 1, 2011.

6.21 Sec. 9. Minnesota Statutes 2008, section 354.44, subdivision 6, is amended to read:

6.22 **Subd. 6. Computation of formula program retirement annuity.** (a) The formula
 6.23 retirement annuity must be computed in accordance with the applicable provisions of the
 6.24 formulas stated in paragraph (b) or (d) on the basis of each member's average salary under
 6.25 section 354.05, subdivision 13a, for the period of the member's formula service credit.

6.26 (b) This paragraph, in conjunction with paragraph (c), applies to a person who first
 6.27 became a member of the association or a member of a pension fund listed in section
 6.28 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with
 6.29 paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The
 6.30 average salary as defined in section 354.05, subdivision 13a, multiplied by the following
 6.31 percentages per year of formula service credit shall determine the amount of the annuity to
 6.32 which the member qualifying therefor is entitled for service rendered before July 1, 2006:

| | | | |
|-----|-----------------------------|-------------------------|-------------------------|
| 7.1 | | Coordinated Member | Basic Member |
| 7.2 | Each year of service during | the percent specified | the percent specified |
| 7.3 | first ten | in section 356.315, | in section 356.315, |
| 7.4 | | subdivision 1, per year | subdivision 3, per year |
| 7.5 | Each year of service | the percent specified | the percent specified |
| 7.6 | thereafter | in section 356.315, | in section 356.315, |
| 7.7 | | subdivision 2, per year | subdivision 4, per year |

7.8 For service rendered on or after July 1, 2006, the average salary as defined in section
 7.9 354.05, subdivision 13a, multiplied by the following percentages per year of service credit,
 7.10 determines the amount the annuity to which the member qualifying therefor is entitled:

| | | | |
|------|-----------------------------|--------------------------|-------------------------|
| 7.11 | | Coordinated Member | Basic Member |
| 7.12 | Each year of service during | the percent specified | the percent specified |
| 7.13 | first ten | in section 356.315, | in section 356.315, |
| 7.14 | | subdivision 1a, per year | subdivision 3, per year |
| 7.15 | Each year of service after | the percent specified | the percent specified |
| 7.16 | ten years of service | in section 356.315, | in section 356.315, |
| 7.17 | | subdivision 2b, per year | subdivision 4, per year |

7.18 (c)(i) This paragraph applies only to a person who first became a member of the
 7.19 association or a member of a pension fund listed in section 356.30, subdivision 3, before
 7.20 July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in
 7.21 conjunction with this paragraph than when calculated under paragraph (d), in conjunction
 7.22 with paragraph (e).

7.23 (ii) Where any member retires prior to normal retirement age under a formula
 7.24 annuity, the member shall be paid a retirement annuity in an amount equal to the normal
 7.25 annuity provided in paragraph (b) reduced by one-quarter of one percent for each month
 7.26 that the member is under normal retirement age at the time of retirement except that for
 7.27 any member who has 30 or more years of allowable service credit, the reduction shall be
 7.28 applied only for each month that the member is under age 62.

7.29 (iii) Any member whose attained age plus credited allowable service totals 90 years
 7.30 is entitled, upon application, to a retirement annuity in an amount equal to the normal
 7.31 annuity provided in paragraph (b), without any reduction by reason of early retirement.

7.32 (d) This paragraph applies to a member who has become at least 55 years old and
 7.33 first became a member of the association after June 30, 1989, and to any other member
 7.34 who has become at least 55 years old and whose annuity amount when calculated under
 7.35 this paragraph and in conjunction with paragraph (e), is higher than it is when calculated
 7.36 under paragraph (b), in conjunction with paragraph (c). For a basic member, the average
 7.37 salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified
 7.38 by section 356.315, subdivision 4, for each year of service for a basic member shall
 7.39 determine the amount of the retirement annuity to which the basic member is entitled.

8.1 The annuity of a basic member who was a member of the former Minneapolis Teachers
8.2 Retirement Fund Association as of June 30, 2006, must be determined according to the
8.3 annuity formula under the articles of incorporation of the former Minneapolis Teachers
8.4 Retirement Fund Association in effect as of that date. For a coordinated member, the
8.5 average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent
8.6 specified in section 356.315, subdivision 2, for each year of service rendered before July
8.7 1, 2006, ~~and~~ by the percent specified in section 356.315, subdivision 2b, for each year
8.8 of service rendered on or after July 1, 2006, and before July 1, 2011, and by the percent
8.9 specified in section 356.315, subdivision 2c, for each year of service rendered after June
8.10 30, 2011, determines the amount of the retirement annuity to which the coordinated
8.11 member is entitled. If the member has 30 or more years of service credit, the minimum
8.12 age requirement of this paragraph does not apply.

8.13 (e) This paragraph applies to a person who has become at least 55 years old and first
8.14 becomes a member of the association after June 30, 1989, and to any other member who
8.15 has become at least 55 years old and whose annuity is higher when calculated under
8.16 paragraph (d) in conjunction with this paragraph than when calculated under paragraph
8.17 (b), in conjunction with paragraph (c). An employee who retires under the formula
8.18 annuity before the normal retirement age as defined by section 354.05, subdivision 38,
8.19 shall be paid the normal annuity provided in paragraph (d) reduced so that the reduced
8.20 annuity is the actuarial equivalent of the annuity that would be payable to the employee if
8.21 the employee deferred receipt of the annuity and the annuity amount were augmented at
8.22 an annual rate of three percent compounded annually from the day the annuity begins to
8.23 accrue until the normal retirement age if the employee became an employee before July
8.24 1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee
8.25 after June 30, 2006. If the member has 30 or more years of service credit, the minimum
8.26 age requirement of this paragraph does not apply.

8.27 (f) No retirement annuity is payable to a former employee with a salary that exceeds
8.28 95 percent of the governor's salary unless and until the salary figures used in computing
8.29 the highest five successive years average salary under paragraph (a) have been audited by
8.30 the Teachers Retirement Association and determined by the executive director to comply
8.31 with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

8.32 **EFFECTIVE DATE.** This section is effective July 1, 2011.

8.33 Sec. 10. Minnesota Statutes 2008, section 354A.011, subdivision 15a, is amended to
8.34 read:

9.1 Subd. 15a. **Normal retirement age.** "Normal retirement age" means age 65 for a
 9.2 ~~person who first became a member of the coordinated program of the St. Paul Teachers~~
 9.3 ~~Retirement Fund Association or the new law coordinated program of the Duluth Teachers~~
 9.4 ~~Retirement Fund Association or a member of a pension fund listed in section 356.30;~~
 9.5 ~~subdivision 3, before July 1, 1989. For a person who first became a member of the~~
 9.6 ~~coordinated program of the St. Paul Teachers Retirement Fund Association or the new law~~
 9.7 ~~coordinated program of the Duluth Teachers Retirement Fund Association after June 30,~~
 9.8 ~~1989, normal retirement age means the higher of age 65 or retirement age, as defined in~~
 9.9 ~~United States Code, title 42, section 416(1), as amended, but not to exceed age 66. For a~~
 9.10 person with 30 years of service, normal retirement age means age 62. For a person who is
 9.11 a member of the basic program of the St. Paul Teachers Retirement Fund Association or
 9.12 the old law coordinated program of the Duluth Teachers Retirement Fund Association,
 9.13 normal retirement age means the age at which a teacher becomes eligible for a normal
 9.14 retirement annuity computed upon meeting the age and service requirements specified
 9.15 in the applicable provisions of the articles of incorporation or bylaws of the respective
 9.16 teachers retirement fund association.

9.17 **EFFECTIVE DATE.** This section is effective July 1, 2011.

9.18 Sec. 11. Minnesota Statutes 2008, section 354A.12, subdivision 1, is amended to read:

9.19 Subdivision 1. **Employee contributions.** (a) The contribution required to be paid
 9.20 by each member of a teachers retirement fund association shall not be less than the
 9.21 percentage of total salary specified below for the applicable association and program:

| Association and Program | Percentage of Total Salary |
|---|----------------------------|
| Duluth Teachers Retirement Fund Association | |
| old law and new law | |
| coordinated programs | 5.5 percent |
| <u>(1) before July 1, 2011</u> | <u>5.5 percent</u> |
| <u>(2) after June 30, 2011, and before July 1, 2012</u> | <u>6 percent</u> |
| <u>(3) after June 30, 2012, and before July 1, 2013</u> | <u>6.5 percent</u> |
| <u>(4) unless paragraph (b) applies, after June 30,</u> | |
| <u>2013, and before July 1, 2014</u> | <u>7 percent</u> |
| <u>(5) unless paragraph (b) applies, after June 30,</u> | |
| <u>2014</u> | <u>7.5 percent</u> |
| St. Paul Teachers Retirement Fund Association | |
| basic program | 8 percent |
| coordinated program | 5.5 percent |
| <u>(6) before July 1, 2011</u> | <u>5.5 percent</u> |
| <u>(7) after June 30, 2011, and before July 1, 2012</u> | <u>6 percent</u> |
| <u>(8) after June 30, 2012, and before July 1, 2013</u> | <u>6.5 percent</u> |

| | | |
|------|--|--------------------|
| 10.1 | <u>(9) unless paragraph (b) applies, after June 30,</u> | |
| 10.2 | <u>2013, and before July 1, 2014</u> | <u>7 percent</u> |
| 10.3 | <u>(10) unless paragraph (b) applies, after June 30,</u> | |
| 10.4 | <u>2014</u> | <u>7.5 percent</u> |

10.5 (b) When an employee contribution rate changes for a fiscal year, the new
 10.6 contribution rate is effective for the entire salary paid for each employer unit with the
 10.7 first payroll cycle reported.

10.8 (c) After July 1, 2012, a scheduled contribution increase under paragraph (a),
 10.9 clause (4), (5), (9), or (10), is suspended if the most recent actuarial valuation prepared
 10.10 under section 356.215 indicates that there is no contribution deficiency when the total
 10.11 employee contributions, employer contributions under subdivision 3, and direct state aid
 10.12 are compared to the actuarial required contributions of the retirement plan.

10.13 (d) Contributions shall be made by deduction from salary and must be remitted
 10.14 directly to the respective teachers retirement fund association at least once each month.

10.15 **EFFECTIVE DATE.** This section is effective July 1, 2011.

10.16 Sec. 12. Minnesota Statutes 2008, section 354A.12, subdivision 2a, is amended to read:

10.17 Subd. 2a. **Employer regular and additional contribution rates.** (a) The
 10.18 employing units shall make the following employer contributions to teachers retirement
 10.19 fund associations:

10.20 (1) for any coordinated member of a teachers retirement fund association in a city of
 10.21 the first class, the employing unit shall pay the employer Social Security taxes;

10.22 (2) for any coordinated member of one of the following teachers retirement fund
 10.23 associations in a city of the first class, the employing unit shall make a regular employer
 10.24 contribution to the respective retirement fund association in an amount equal to the
 10.25 designated percentage of the salary of the coordinated member as provided below:

| | | |
|-------|--|-------------------------|
| 10.26 | Duluth Teachers Retirement | |
| 10.27 | Fund Association | 4.50 percent |
| 10.28 | <u>(A) before July 1, 2011</u> | <u>4.5 percent</u> |
| 10.29 | <u>(B) after June 30, 2011, and</u> | |
| 10.30 | <u>before July 1, 2012</u> | <u>5 percent</u> |
| 10.31 | <u>(C) after June 30, 2012, and</u> | |
| 10.32 | <u>before July 1, 2013</u> | <u>5.5 percent</u> |
| 10.33 | <u>(D) unless clause (3) applies,</u> | |
| 10.34 | <u>after June 30, 2013, and before</u> | |
| 10.35 | <u>July 1, 2014</u> | <u>6 percent</u> |
| 10.36 | <u>(E) unless clause (3) applies,</u> | |
| 10.37 | <u>after June 30, 2014</u> | <u>6.5 percent</u> |
| 10.38 | St. Paul Teachers Retirement | |
| 10.39 | Fund Association | 4.50 percent |

| | | |
|-------|--|--------------------|
| 11.1 | <u>(F) before July 1, 2011</u> | <u>4.5 percent</u> |
| 11.2 | <u>(G) after June 30, 2011, and</u> | |
| 11.3 | <u>before July 1, 2012</u> | <u>5 percent</u> |
| 11.4 | <u>(H) after June 30, 2012, and</u> | |
| 11.5 | <u>before July 1, 2013</u> | <u>5.5 percent</u> |
| 11.6 | <u>(I) unless clause (3) applies,</u> | |
| 11.7 | <u>after June 30, 2013, and before</u> | |
| 11.8 | <u>July 1, 2014</u> | <u>6 percent</u> |
| 11.9 | <u>(J) unless clause (3) applies,</u> | |
| 11.10 | <u>after June 30, 2014</u> | <u>6.5 percent</u> |

11.11 (3) After July 1, 2012, a scheduled contribution increase under paragraph (a), clause
 11.12 (2), item (D), (E), (I), or (J), is suspended if the most recent actuarial valuation prepared
 11.13 under section 356.215 indicates that there is no contribution deficiency when the total
 11.14 employee contributions, employer contributions under subdivision 3, and direct state aid
 11.15 are compared to the actuarial required contributions of the retirement plan;

11.16 (4) for any basic member of the St. Paul Teachers Retirement Fund Association, the
 11.17 employing unit shall make a regular employer contribution to the respective retirement
 11.18 fund in an amount equal to 8.00 percent of the salary of the basic member;

11.19 ~~(4)~~ (5) for a basic member of the St. Paul Teachers Retirement Fund Association, the
 11.20 employing unit shall make an additional employer contribution to the respective fund in
 11.21 an amount equal to 3.64 percent of the salary of the basic member;

11.22 ~~(5)~~ (6) for a coordinated member of a teachers retirement fund association in a city
 11.23 of the first class, the employing unit shall make an additional employer contribution to
 11.24 the respective fund in an amount equal to the applicable percentage of the coordinated
 11.25 member's salary, as provided below:

| | | |
|-------|------------------------------|--------------|
| 11.26 | Duluth Teachers Retirement | |
| 11.27 | Fund Association | 1.29 percent |
| 11.28 | St. Paul Teachers Retirement | |
| 11.29 | Fund Association | |
| 11.30 | July 1, 1993 - June 30, 1994 | 0.50 percent |
| 11.31 | July 1, 1994 - June 30, 1995 | 1.50 percent |
| 11.32 | July 1, 1997, and thereafter | 3.84 percent |

11.33 (b) When an employer contribution rate changes for a fiscal year, the new
 11.34 contribution rate is effective for the entire salary paid for each employer unit with the
 11.35 first payroll cycle reported.

11.36 (c) The regular and additional employer contributions must be remitted directly to
 11.37 the respective teachers retirement fund association at least once each month. Delinquent
 11.38 amounts are payable with interest under the procedure in subdivision 1a.

12.1 ~~(e)~~ (d) Payments of regular and additional employer contributions for school district
 12.2 or technical college employees who are paid from normal operating funds must be made
 12.3 from the appropriate fund of the district or technical college.

12.4 **EFFECTIVE DATE.** This section is effective July 1, 2011.

12.5 Sec. 13. Minnesota Statutes 2008, section 354A.12, is amended by adding a
 12.6 subdivision to read:

12.7 Subd. 3e. **Application.** This section applies to the Duluth Teachers Retirement Fund
 12.8 Association or the St. Paul Teachers Retirement Fund Association under this chapter.

12.9 Sec. 14. Minnesota Statutes 2008, section 354A.12, is amended by adding a
 12.10 subdivision to read:

12.11 Subd. 4a. **Determination.** (a) For purposes of this section, a contribution sufficiency
 12.12 exists if, for purposes of the applicable plan, the total of the employee contributions,
 12.13 the employer contributions, and any additional employer contributions, if applicable,
 12.14 exceeds the total of the normal cost, the administrative expenses, and the amortization
 12.15 contribution of the retirement plan as reported in the most recent actuarial valuation of the
 12.16 retirement plan prepared by the actuary retained under section 356.214 and prepared under
 12.17 section 356.215 and the standards for actuarial work of the Legislative Commission on
 12.18 Pensions and Retirement.

12.19 (b) For purposes of this section, a contribution deficiency exists if, for the applicable
 12.20 plan, the total employee contributions, employer contributions, and any additional
 12.21 employer contributions are less than the total of the normal cost, the administrative
 12.22 expenses, and the amortization contribution of the retirement plan as reported in the most
 12.23 recent actuarial valuation of the retirement plan prepared by the actuary retained under
 12.24 section 356.214 and prepared under section 356.215 and the standards for actuarial work
 12.25 of the Legislative Commission on Pensions and Retirement.

12.26 Sec. 15. Minnesota Statutes 2008, section 354A.12, is amended by adding a
 12.27 subdivision to read:

12.28 Subd. 4b. **Contribution rate revision.** Notwithstanding the contribution rate
 12.29 provisions stated in plan law, the employee and employer contribution rates must be
 12.30 adjusted:

12.31 (1) if after July 1, 2014, the regular actuarial valuations of the applicable plan under
 12.32 section 356.215 indicate that there is a contribution sufficiency under subdivision 2 equal
 12.33 to or greater than 0.5 percent of covered payroll for two consecutive years, the employee

13.1 and employer contribution rates for the applicable plan must be decreased as determined
 13.2 under subdivision 4 to a level such that the sufficiency equals no more than 0.25 percent of
 13.3 covered payroll based on the most recent actuarial valuation; or

13.4 (2) if after July 1, 2014, the regular actuarial valuations of the applicable plan under
 13.5 section 356.215 indicate that there is a deficiency equal to or greater than 0.5 percent of
 13.6 covered payroll for two consecutive years, the employee and employer contribution rates
 13.7 for the applicable plan must be increased as determined under subdivision 4 to a level such
 13.8 that no deficiency exists based on the most recent actuarial valuation.

13.9 Sec. 16. Minnesota Statutes 2008, section 354A.12, is amended by adding a
 13.10 subdivision to read:

13.11 Subd. 4c. **Reporting, commission review.** (a) The contribution rate increase or
 13.12 decrease must be determined by the executive director of the Duluth Teachers Retirement
 13.13 Fund Association or the St. Paul Teachers Retirement Fund Association, and must be
 13.14 reported to the chair and the executive director of the Legislative Commission on Pensions
 13.15 and Retirement on or before the next February 1, and, if the Legislative Commission
 13.16 on Pensions and Retirement does not recommend against the rate change or does not
 13.17 recommend a modification in the rate change, is effective on the next July 1 following
 13.18 the determination by the executive director that a contribution deficiency or sufficiency
 13.19 has existed for two consecutive fiscal years based on the most recent actuarial valuations
 13.20 under section 356.215. If the actuarially required contribution exceeds or is less than
 13.21 the total support provided by the combined employee and employer contribution rates
 13.22 for the applicable plan by more than 0.5 percent of covered payroll, the applicable plan
 13.23 employee and employer contribution rates must be adjusted incrementally over one or
 13.24 more years to a level such that there remains a contribution sufficiency of no more than
 13.25 0.25 percent of covered payroll.

13.26 (b) No incremental adjustment may exceed 0.25 percent of payroll for either the
 13.27 employee or employer contribution rates per year in which any adjustment is implemented.
 13.28 For an applicable plan, a contribution rate adjustment under this section must not be
 13.29 made until at least two years have passed since fully implementing a previous adjustment
 13.30 under this section.

13.31 **EFFECTIVE DATE.** This section is effective July 1, 2011.

13.32 Sec. 17. Minnesota Statutes 2008, section 354A.31, subdivision 4, is amended to read:

14.1 Subd. 4. **Computation of normal coordinated retirement annuity; St. Paul**

14.2 **fund.** (a) This subdivision applies to the coordinated program of the St. Paul Teachers
14.3 Retirement Fund Association.

14.4 (b) The normal coordinated retirement annuity is an amount equal to a retiring
14.5 coordinated member's average salary under section 354A.011, subdivision 7a, multiplied
14.6 by the retirement annuity formula percentage.

14.7 (c) This paragraph, in conjunction with subdivision 6, applies to a person who first
14.8 became a member or a member in a pension fund listed in section 356.30, subdivision 3,
14.9 before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a
14.10 higher annuity amount, in which case paragraph (d) will apply. ~~The retirement annuity
14.11 formula percentage for purposes of this paragraph is the percent specified in section
14.12 356.315, subdivision 1, per year for each year of coordinated service for the first ten years
14.13 and the percent specified in section 356.315, subdivision 2, for each year of coordinated
14.14 service thereafter. The average salary multiplied by the following retirement annuity
14.15 formula percentage per year of allowable service shall determine the amount of the
14.16 annuity to which the member qualifying therefor is entitled for service rendered before
14.17 July 1, 2011:~~

| | | |
|-------|--|--|
| 14.18 | <u>Each year of service during first ten years</u> | <u>the percent specified in section 356.315,</u> |
| 14.19 | | <u>subdivision 1, per year</u> |
| 14.20 | <u>Each year of service thereafter</u> | <u>the percent specified in section 356.315,</u> |
| 14.21 | | <u>subdivision 2, per year</u> |

14.22 For service rendered on or after July 1, 2011, the average salary multiplied by the
14.23 following retirement annuity formula percentage per year of allowable service, determines
14.24 the amount of the annuity to which the member qualifying therefor is entitled:

| | | |
|-------|--|--|
| 14.25 | <u>Each year of service during first ten years</u> | <u>the percent specified in section 356.315,</u> |
| 14.26 | | <u>subdivision 1a, per year</u> |
| 14.27 | <u>Each year of service thereafter</u> | <u>the percent specified in section 356.315,</u> |
| 14.28 | | <u>subdivision 2b, per year</u> |

14.29 (d) This paragraph applies to a person who has become at least 55 years old and who
14.30 first becomes a member after June 30, 1989, and to any other member who has become
14.31 at least 55 years old and whose annuity amount, when calculated under this paragraph
14.32 and in conjunction with subdivision 7 is higher than it is when calculated under paragraph
14.33 (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula
14.34 percentage for purposes of this paragraph is the percent specified in section 356.315,
14.35 subdivision 2, for each year of coordinated service before July 1, 2011, and by the percent
14.36 specified in section 356.315, subdivision 2c, for each year of service rendered after

15.1 June 30, 2011. If the member has 30 or more years of service credit, the minimum age
15.2 requirement of this paragraph does not apply.

15.3 **EFFECTIVE DATE.** This section is effective July 1, 2011.

15.4 Sec. 18. Minnesota Statutes 2008, section 354A.31, subdivision 4a, is amended to read:

15.5 Subd. 4a. **Computation of normal coordinated retirement annuity; Duluth**
15.6 **fund.** (a) This subdivision applies to the new law coordinated program of the Duluth
15.7 Teachers Retirement Fund Association.

15.8 (b) The normal coordinated retirement annuity is an amount equal to a retiring
15.9 coordinated member's average salary under section 354A.011, subdivision 7a, multiplied
15.10 by the retirement annuity formula percentage.

15.11 (c) This paragraph, in conjunction with subdivision 6, applies to a person who first
15.12 became a member or a member in a pension fund listed in section 356.30, subdivision 3,
15.13 before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a
15.14 higher annuity amount, in which case paragraph (d) applies. ~~The retirement annuity~~
15.15 ~~formula percentage for purposes of this paragraph is the percent specified in section~~
15.16 ~~356.315, subdivision 1, per year for each year of coordinated service for the first ten~~
15.17 ~~years and the percent specified in section 356.315, subdivision 2, for each subsequent~~
15.18 ~~year of coordinated service.~~ The average salary multiplied by the following retirement
15.19 annuity formula percentage per year of allowable service shall determine the amount
15.20 of the annuity to which the member qualifying therefor is entitled for service rendered
15.21 before July 1, 2011:

| | | |
|-------|--|--|
| 15.22 | <u>Each year of service during first ten years</u> | <u>the percent specified in section 356.315,</u> |
| 15.23 | | <u>subdivision 1, per year</u> |
| 15.24 | <u>Each year of service thereafter</u> | <u>the percent specified in section 356.315,</u> |
| 15.25 | | <u>subdivision 2, per year</u> |

15.26 For service rendered on or after July 1, 2011, the average salary multiplied by the
15.27 following retirement annuity formula percentage per year of allowable service, determines
15.28 the amount of the annuity to which the member qualifying therefor is entitled:

| | | |
|-------|--|--|
| 15.29 | <u>Each year of service during first ten years</u> | <u>the percent specified in section 356.315,</u> |
| 15.30 | | <u>subdivision 1a, per year</u> |
| 15.31 | <u>Each year of service thereafter</u> | <u>the percent specified in section 356.315,</u> |
| 15.32 | | <u>subdivision 2b, per year</u> |

15.33 (d) This paragraph applies to a person who is at least 55 years old and who first
15.34 becomes a member after June 30, 1989, and to any other member who is at least 55 years
15.35 old and whose annuity amount, when calculated under this paragraph and in conjunction
15.36 with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction

16.1 with subdivision 6. The retirement annuity formula percentage for purposes of this
16.2 paragraph is the percent specified in section 356.315, subdivision 2, for each year of
16.3 coordinated service before July 1, 2011, and by the percent specified in section 356.315,
16.4 subdivision 2c, for each year of service rendered after June 30, 2011. If the member
16.5 has 30 or more years of service credit, the minimum age requirement of this paragraph
16.6 does not apply.

16.7 **EFFECTIVE DATE.** This section is effective July 1, 2011.

16.8 Sec. 19. Minnesota Statutes 2008, section 354A.31, subdivision 7, is amended to read:

16.9 Subd. 7. **Actuarial reduction for early retirement.** This subdivision applies to
16.10 a person who has become at least 55 years old and first becomes a coordinated member
16.11 after June 30, 1989, and to any other coordinated member who has become at least 55
16.12 years old and whose annuity is higher when calculated using the retirement annuity
16.13 formula percentage in subdivision 4, paragraph (d), and subdivision 4a, paragraph (d), in
16.14 conjunction with this subdivision than when calculated under subdivision 4, paragraph
16.15 (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6. A coordinated
16.16 member who retires before the full benefit age as defined by section 354A.011, subdivision
16.17 15a, shall be paid the retirement annuity calculated using the retirement annuity formula
16.18 percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), reduced so
16.19 that the reduced annuity is the actuarial equivalent of the annuity that would be payable
16.20 to the member if the member deferred receipt of the annuity and the annuity amount
16.21 were augmented at an annual rate of three percent compounded annually from the day
16.22 the annuity begins to accrue until the normal retirement age if the employee became an
16.23 employee before July 1, 2006, and at 2.5 percent compounded annually from the day the
16.24 annuity begins to accrue until the normal retirement age if the person initially becomes
16.25 a teacher after June 30, 2006. If the member has 30 or more years of service credit, the
16.26 minimum age requirement of this paragraph does not apply.

16.27 **EFFECTIVE DATE.** This section is effective July 1, 2011.

16.28 Sec. 20. Minnesota Statutes 2008, section 356.315, is amended by adding a subdivision
16.29 to read:

16.30 Subd. 2c. **Certain coordinated members.** The applicable benefit accrual rate
16.31 is 2.1 percent.

16.32 **EFFECTIVE DATE.** This section is effective July 1, 2011.