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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
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HOUSE FILE No. **79**

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The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and  
Elections

1.1 A bill for an act  
1.2 relating to retirement; Teachers Retirement Association; containing provisions of  
1.3 an administrative nature; amending Minnesota Statutes 2006, sections 354.094,  
1.4 subdivision 1; 354.35; 354.45, subdivision 1a; 354.48, subdivision 3; 356.46,  
1.5 subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 354;  
1.6 repealing Minnesota Statutes 2006, section 354.49, subdivision 5.

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

1.8 Section 1. Minnesota Statutes 2006, section 354.094, subdivision 1, is amended to read:

1.9 Subdivision 1. **Service credit contributions.** (a) Upon granting any extended leave  
1.10 of absence under section 122A.46 or 136F.43, the employing unit granting the leave  
1.11 must certify the leave to the association on a form specified by the executive director. A  
1.12 member granted an extended leave of absence under section 122A.46 or 136F.43 may pay  
1.13 employee contributions and receive allowable service credit toward annuities and other  
1.14 benefits under this chapter, for each year of the leave, provided that the member and the  
1.15 employing board make the required employer contribution in any proportion they may  
1.16 agree upon, during the period of the leave. The employer may enter into an agreement  
1.17 with the exclusive bargaining representative of the teachers in the district under which,  
1.18 for an individual teacher, all or a portion of the employee's contribution is paid by the  
1.19 employer. Any such agreement must include a sunset of eligibility to qualify for the  
1.20 payment and must not be a part of the collective bargaining agreement. The leave period  
1.21 must not exceed five years. A member may not receive more than five years of allowable  
1.22 service credit under this section. The employee and employer contributions must be based  
1.23 upon the rates of contribution prescribed by section 354.42 for the salary received during  
1.24 the year immediately preceding the extended leave.

2.1 (b) Employee contribution payments for the years for which a member is receiving  
 2.2 service credit while on extended leave must be made on or before June 30 of each fiscal  
 2.3 year for which service credit is to be received, or in instances of late reporting by the  
 2.4 employer, within 30 days after the association gives notification to the member of the  
 2.5 amount due. If payment is to be made by a transfer of pretax assets authorized under  
 2.6 section 356.441, payment is These late payments, authorized after June 30 of the fiscal  
 2.7 year ~~providing that authorization for the asset transfer has been received by the applicable~~  
 2.8 ~~third party administrator by June 30, and the payment,~~ must include interest at a rate of  
 2.9 .708 percent per month from June 30 through the end of the month in which payment is  
 2.10 received. No payment is permitted after the following September 30 of the year of the  
 2.11 leave.

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

2.16 (d) Any school district paying the employee's retirement contributions under this  
 2.17 section ~~shall~~ must forward to the ~~applicable~~ Teachers Retirement Association or retirement  
 2.18 ~~fund~~ a copy of the agreement executed by the school district and the employee.

2.19 **Sec. 2. [354.105] PAYMENTS USING PRETAX TRANSFERS.**

2.20 If a current or past member is making a payment to the Teachers Retirement  
 2.21 Association to receive service credit under a provision of this chapter, chapter 356,  
 2.22 or applicable special law, and this payment is to be made by a transfer of pretax assets  
 2.23 authorized under section 356.441, payment is authorized after the due date, but not to  
 2.24 exceed 90 days, providing the authorization for the asset transfer has been received by  
 2.25 the applicable third party administrator by the due date, and the payment must include  
 2.26 interest at a rate of .708 percent per month from the due date through the end of the month  
 2.27 in which the Teachers Retirement Association receives the payment.

2.28 Sec. 3. Minnesota Statutes 2006, section 354.35, is amended to read:

2.29 **354.35 OPTIONAL ACCELERATED RETIREMENT ANNUITY BEFORE**  
 2.30 **NORMAL RETIREMENT AGE.**

2.31 Subdivision 1. **Normal retirement age definition.** For purposes of this section,  
 2.32 "normal retirement age" means normal retirement age as defined in United States Code,  
 2.33 title 42, section 416(1), as amended.

3.1            **Subd. 2. Election of accelerated annuity.** (a) Any coordinated member who retires  
 3.2 before normal retirement age 65 may elect to receive an optional accelerated retirement  
 3.3 annuity from the association which provides for different annuity amounts over different  
 3.4 periods of retirement. The optional accelerated retirement annuity must take the form of  
 3.5 an annuity payable for the period before the member attains age 65, or normal retirement  
 3.6 age, in a greater amount than the amount of the annuity calculated under section 354.44 on  
 3.7 the basis of the age of the member at retirement, but the optional accelerated retirement  
 3.8 annuity must be the actuarial equivalent of the member's annuity computed on the basis of  
 3.9 the member's age at retirement. The greater amount must be paid until the retiree reaches  
 3.10 age 65, or normal retirement age, and at that time the payment from the association must  
 3.11 be reduced. For each year the retiree is under age 65, or normal retirement age, up to five  
 3.12 percent of the total life annuity required reserves may be used to accelerate the optional  
 3.13 retirement annuity under this section. ~~At retirement,~~

3.14            (b) Members who retire before age 62 may elect to have the ~~age specified in~~ annuity  
 3.15 under this section be subdivision accelerated to age 62 instead of 65 rather than normal  
 3.16 retirement age or age 65.

3.17            (c) The method of computing the optional accelerated retirement annuity provided in  
 3.18 this ~~section~~ subdivision is established by the board of trustees. In establishing the method  
 3.19 of computing the optional accelerated retirement annuity or any modification of that  
 3.20 procedure, the board of trustees must obtain the written approval of the actuary retained  
 3.21 under section 356.214. The written approval must be a part of the permanent records  
 3.22 of the board of trustees. The election of an optional accelerated retirement annuity is  
 3.23 exercised by making an application on a form provided by the executive director.

3.24            Sec. 4. Minnesota Statutes 2006, section 354.45, subdivision 1a, is amended to read:

3.25            Subd. 1a. **Bounce-back annuity.** (a) If a former member or disabilitant selects a  
 3.26 joint and survivor annuity option under subdivision 1 ~~after June 30, 1989~~, the former  
 3.27 member or disabilitant must receive a normal single life annuity if the designated optional  
 3.28 annuity beneficiary dies before the former member or disabilitant. Under this option, no  
 3.29 reduction may be made in the person's annuity to provide for restoration of the normal  
 3.30 single life annuity in the event of the death of the designated optional annuity beneficiary.

3.31            (b) ~~The annuity adjustment specified in paragraph (a) also applies to joint and~~  
 3.32 ~~survivor annuity options under subdivision 1 elected before July 1, 1989. The annuity~~  
 3.33 ~~adjustment under this paragraph occurs on July 1, 1989, or on the first day of the first~~  
 3.34 ~~month following the death of the designated optional annuity beneficiary, whichever is~~  
 3.35 ~~later. This paragraph may not be interpreted as authorizing retroactive payments. The~~

4.1 restoration of the normal single life annuity under this subdivision will take effect on July  
 4.2 1, 1989, or the first of the month following the date of death of the designated optional  
 4.3 annuity beneficiary, or on the first of the month following one year before the date on  
 4.4 which a certified copy of the death record of the designated optional annuity beneficiary is  
 4.5 received in the office of the Teachers Retirement Association, whichever date is later.

4.6 (c) Except as stated in paragraph (b), this subdivision should not be interpreted as  
 4.7 authorizing retroactive benefit payments.

4.8 Sec. 5. Minnesota Statutes 2006, section 354.48, subdivision 3, is amended to read:

4.9 Subd. 3. **Computation of benefits.** ~~(1)~~ (a) The amount of the disability benefit  
 4.10 granted to members covered under section 354.44, subdivision 2, ~~clauses (1) and (2)~~  
 4.11 paragraphs (b) and (c), is an amount equal to double the annuity which could be purchased  
 4.12 by the member's accumulated deductions plus interest on the amount computed as though  
 4.13 the teacher were at normal retirement age at the time the benefit begins to accrue and in  
 4.14 accordance with the law in effect ~~when the disability application is received~~ on the last day  
 4.15 for which salary is received. Any member who applies for a disability benefit after June  
 4.16 30, 1974, and who failed to make an election ~~pursuant to~~ under Minnesota Statutes 1971,  
 4.17 section 354.145, shall have the disability benefit computed under this ~~clause~~ paragraph, as  
 4.18 further specified in paragraphs (b) and (c), or ~~clause (2)~~ paragraph (d), whichever is larger.

4.19 (b) The benefit granted shall be determined by the following:

4.20 ~~(a)~~ (1) the amount of the accumulated deductions;

4.21 ~~(b)~~ (2) interest actually earned on these accumulated deductions to the date the  
 4.22 benefit begins to accrue;

4.23 ~~(c)~~ (3) interest for the years from the date the benefit begins to accrue to the date the  
 4.24 member attains normal retirement age at the rate of three percent;

4.25 ~~(d)~~ (4) annuity purchase rates based on an appropriate annuity table of mortality  
 4.26 established by the board as provided in section 354.07, subdivision 1, and using  
 4.27 the applicable postretirement interest rate assumption specified in section 356.215,  
 4.28 subdivision 8.

4.29 (c) In addition, a supplementary monthly benefit of \$25 to age 65 or the five-year  
 4.30 anniversary of the effective date of the disability benefit, whichever is later, must be  
 4.31 paid to basic members.

4.32 ~~(2)~~ (d) The disability benefit granted to members covered under section 354.44,  
 4.33 subdivision 6, shall be computed in the same manner as the annuity provided in section  
 4.34 354.44, subdivision 6. The disability benefit shall be the formula annuity without the

5.1 reduction for each month the member is under normal retirement age when the benefit  
5.2 begins to accrue as defined by the law in effect on the last day for which salary is paid.

5.3 ~~(3)~~ (e) For the purposes of computing a retirement annuity when the member  
5.4 becomes eligible, the amounts paid for disability benefits shall not be deducted from the  
5.5 individual member's accumulated deductions. If the disability benefits provided in this  
5.6 subdivision exceed the monthly average salary of the disabled member, the disability  
5.7 benefits shall be reduced to an amount equal to the disabled member's average salary.

5.8 Sec. 6. **[354.471] ACCOUNT TERMINATION; RESTORATION.**

5.9 Subdivision 1. **Account termination.** If an active or deferred member dies and  
5.10 there is no surviving spouse or other beneficiaries, or the spouse or beneficiaries cannot be  
5.11 located within five years of the date of death of the member, the accumulated employee  
5.12 and employer contributions and any other payments made to the Teachers Retirement  
5.13 Association fund by the individual or on behalf of the individual, and all investment  
5.14 earnings on these amounts, shall be credited to and become part of the retirement fund.

5.15 Subd. 2. **Restoration.** Following a forfeiture under subdivision 1, if a surviving  
5.16 spouse or other beneficiary of the deceased contacts the Teachers Retirement Association  
5.17 and, based on documentation determined by the executive director to be valid and  
5.18 adequate, establishes a right to a survivor annuity, death refund, or other benefit provided  
5.19 by this chapter, the account forfeited under subdivision 1 shall be fully or partially  
5.20 restored, as necessary.

5.21 Sec. 7. Minnesota Statutes 2006, section 356.46, subdivision 3, is amended to read:

5.22 **Subd. 3. Requirement of notice to member's spouse.** (a) Except as specified in  
5.23 paragraph (c), if a public pension plan provides optional retirement annuity forms which  
5.24 include a joint and survivor optional retirement annuity form potentially applicable to the  
5.25 surviving spouse of a member, the executive director of the public pension plan shall send  
5.26 a copy of the written statement required by subdivision 2 to the spouse of the member  
5.27 before the member's election of an optional retirement annuity.

5.28 (b) Following the election of a retirement annuity by the member, a copy of the  
5.29 completed retirement annuity application and retirement annuity beneficiary form, if  
5.30 applicable, must be sent by the executive director of the public pension plan to the  
5.31 spouse of the retiring member. A signed acknowledgment must be required from the  
5.32 spouse confirming receipt of a copy of the completed retirement annuity application and  
5.33 retirement annuity beneficiary form, unless the spouse's signature confirming the receipt is  
5.34 on the annuity application form. If the required signed acknowledgment is not received

6.1 from the spouse within 30 days, the executive director of the public pension plan must  
6.2 send another copy of the completed retirement annuity application and retirement annuity  
6.3 beneficiary form, if applicable, to the spouse by certified mail with restricted delivery.

6.4 (c) For the Teachers Retirement Association, the statement to the spouse that is  
6.5 required under paragraph (a) shall be sent before or upon the member's election of an  
6.6 optional annuity.

6.7 **Sec. 8. REPEALER.**

6.8 Minnesota Statutes 2006, section 354.49, subdivision 5, is repealed.

6.9 **Sec. 9. EFFECTIVE DATE.**

6.10 (a) Sections 1, 2, and 4 to 8 are effective July 1, 2007.

6.11 (b) Section 3 is effective July 1, 2008.