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

A bill for an act

relating to retirement; extending certain rule of 90 benefits to coordinated members of teachers retirement associations; amending Minnesota Statutes 2006, sections 354.42, subdivisions 2, 3; 354.44, subdivision 6; 354A.011, subdivision 7a; 354A.12, subdivisions 1, 2a; 354A.31, subdivisions 4, 6, by adding a subdivision; repealing Minnesota Statutes 2006, section 354A.31, subdivision 4a.

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

Section 1. Minnesota Statutes 2006, section 354.42, subdivision 2, is amended to read:

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

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

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

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

Sec. 2. Minnesota Statutes 2006, section 354.42, subdivision 3, is amended to read:

Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special School District No. 1, Minneapolis, after July 1, 2006, and before July 1, 2007, is an amount equal to ~~5.0~~ ... percent of the salary of each of its teachers who is a coordinated member and 9.0 percent of the salary of each of its teachers who is a basic member. After July 1, 2007, the regular employer contribution to the fund by Special School District No.

2.1 1, Minneapolis, is an amount equal to ~~5.5~~ ... percent of salary of each coordinated member
 2.2 and 9.5 percent of salary of each basic member. The additional employer contribution to
 2.3 the fund by Special School District No. 1, Minneapolis, after July 1, 2006, is an amount
 2.4 equal to 3.64 percent of the salary of each teacher who is ~~a coordinated member or is a~~
 2.5 basic member, and ... percent of the salary of each teacher who is a coordinated member.

2.6 (b) The employer contribution to the fund for every other employer is an amount
 2.7 equal to ~~5.0~~ ... percent of the salary of each coordinated member and 9.0 percent of the
 2.8 salary of each basic member before July 1, 2007, and ~~5.5~~ ... percent of the salary of
 2.9 each coordinated member and 9.5 percent of the salary of each basic member after June
 2.10 30, 2007.

2.11 Sec. 3. Minnesota Statutes 2006, section 354.44, subdivision 6, is amended to read:

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

2.16 (b) This paragraph, in conjunction with paragraph (c), applies to a person who first
 2.17 became a member of the association or a member of a pension fund listed in section
 2.18 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with
 2.19 paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The
 2.20 average salary as defined in section 354.05, subdivision 13a, multiplied by the following
 2.21 percentages per year of formula service credit shall determine the amount of the annuity to
 2.22 which the member qualifying therefor is entitled for service rendered before July 1, 2006:

2.23		Coordinated Member	Basic Member
2.24	Each year of service	the percent specified	the percent
2.25	during first ten	in section 356.315,	specified in
2.26		subdivision 1, per year	section 356.315,
2.27			subdivision 3, per
2.28			year
2.29	Each year of service	the percent specified	the percent
2.30	thereafter	in section 356.315,	specified in
2.31		subdivision 2, per year	section 356.315,
2.32			subdivision 4, per
2.33			year

2.34 For service rendered on or after July 1, 2006, the average salary as defined in section
 2.35 354.05, subdivision 13a, multiplied by the following percentages per year of service
 2.36 credit, determines the amount the annuity to which the member qualifying therefor is:

3.1		Coordinated Member	Basic Member
3.2	Each year of service	the percent specified	the percent
3.3	during first ten	in section 356.315,	specified in
3.4		subdivision 1a, per year	section 356.315,
3.5			subdivision 3, per
3.6			year
3.7	Each year of service after	the percent specified	the percent
3.8	ten years of service	in section 356.315,	specified in
3.9		subdivision 2b, per year	section 356.315,
3.10			subdivision 4, per
3.11			year

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

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

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

3.26 (d) This paragraph applies to a member who has become at least 55 years old and
 3.27 first became a member of the association after June 30, 1989, and to any other member
 3.28 who has become at least 55 years old and whose annuity amount when calculated under
 3.29 this paragraph and in conjunction with paragraph (e), is higher than it is when calculated
 3.30 under paragraph (b), in conjunction with paragraph (c). For a basic member, the average
 3.31 salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified
 3.32 by section 356.315, subdivision 4, for each year of service for a basic member shall
 3.33 determine the amount of the retirement annuity to which the basic member is entitled.
 3.34 The annuity of a basic member who was a member of the former Minneapolis Teachers
 3.35 Retirement Fund Association as of June 30, 2006, must be determined according to the
 3.36 annuity formula under the articles of incorporation of the former Minneapolis Teachers
 3.37 Retirement Fund Association in effect as of that date. For a coordinated member, the
 3.38 average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent
 3.39 specified in section 356.315, subdivision 2, for each year of service rendered before July

4.1 1, 2006, and by the percent specified in section 356.315, subdivision 2b, for each year of
4.2 service rendered on or after July 1, 2006, determines the amount of the retirement annuity
4.3 to which the coordinated member is entitled.

4.4 (e) This paragraph applies to a person who has become at least 55 years old and first
4.5 becomes a member of the association after June 30, 1989, and to any other member who
4.6 has become at least 55 years old and whose annuity is higher when calculated under
4.7 paragraph (d) in conjunction with this paragraph than when calculated under paragraph
4.8 (b), in conjunction with paragraph (c). An employee who retires under the formula annuity
4.9 before the normal retirement age shall be paid the normal annuity provided in paragraph
4.10 (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would
4.11 be payable to the employee if the employee deferred receipt of the annuity and the annuity
4.12 amount were augmented at an annual rate of three percent compounded annually from the
4.13 day the annuity begins to accrue until the normal retirement age if the employee became
4.14 an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee
4.15 becomes an employee after June 30, 2006.

4.16 (f) Notwithstanding paragraph (c), clause (i), a member of the association who first
4.17 became a member of the association after June 30, 1989, and whose age plus credited
4.18 allowable service totals 90 years is eligible upon termination of teaching service to apply
4.19 for an annuity computed under paragraph (c), clause (iii).

4.20 (g) No retirement annuity is payable to a former employee with a salary that exceeds
4.21 95 percent of the governor's salary unless and until the salary figures used in computing
4.22 the highest five successive years average salary under paragraph (a) have been audited by
4.23 the Teachers Retirement Association and determined by the executive director to comply
4.24 with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

4.25 Sec. 4. Minnesota Statutes 2006, section 354A.011, subdivision 7a, is amended to read:

4.26 Subd. 7a. **Average salary.** "Average salary," for purposes of computing a normal
4.27 coordinated program retirement annuity under section 354A.31, subdivision 4 ~~or 4a~~,
4.28 means an amount equal to the average salary upon which contributions were made for the
4.29 highest five successive years of service credit but may not, in any event, include any more
4.30 than the equivalent of 60 monthly salary payments. Average salary must be based upon all
4.31 years of service credit if this service credit is less than five years.

4.32 Sec. 5. Minnesota Statutes 2006, section 354A.12, subdivision 1, is amended to read:

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

5.4	Association and Program	Percentage of
5.5		Total Salary
5.6	Duluth Teachers Retirement Association	
5.7	old law and new law	
5.8	coordinated programs	5.5 ... percent
5.9	St. Paul Teachers Retirement Association	
5.10	basic program	8 percent
5.11	coordinated program	5.5 ... percent

5.12 Contributions shall be made by deduction from salary and must be remitted directly
 5.13 to the respective teachers retirement fund association at least once each month.

5.14 Sec. 6. Minnesota Statutes 2006, section 354A.12, subdivision 2a, is amended to read:

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

5.18 (1) for any coordinated member of a teachers retirement fund association in a city
 5.19 of the first class, the employing unit shall pay the employer Social Security taxes in
 5.20 accordance with section 355.46, subdivision 3, clause (b);

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

5.25	Duluth Teachers Retirement	
5.26	Fund Association	4.50 ... percent
5.27	St. Paul Teachers Retirement	
5.28	Fund Association	4.50 ... percent

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

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

5.35 (5) for a coordinated member of a teachers retirement fund association in a city
 5.36 of the first class, the employing unit shall make an additional employer contribution to

6.1 the respective fund in an amount equal to the applicable percentage of the coordinated
6.2 member's salary, as provided below:

6.3	Duluth Teachers Retirement	
6.4	Fund Association	1.29 ... percent
6.5	St. Paul Teachers Retirement	
6.6	Fund Association	<u>... percent</u>
6.7	July 1, 1993 - June 30, 1994	0.50 percent
6.8	July 1, 1994 - June 30, 1995	1.50 percent
6.9	July 1, 1997, and thereafter	3.84 percent

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

6.13 (c) Payments of regular and additional employer contributions for school district
6.14 or technical college employees who are paid from normal operating funds must be made
6.15 from the appropriate fund of the district or technical college.

6.16 Sec. 7. Minnesota Statutes 2006, section 354A.31, subdivision 4, is amended to read:

6.17 Subd. 4. **Computation of normal coordinated retirement annuity; ~~St. Paul~~**
6.18 **~~fund.~~** (a) This subdivision applies to the coordinated program of the St. Paul Teachers
6.19 Retirement Fund Association and to the new law coordinated program of the Duluth
6.20 Teachers Retirement Fund Association.

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

6.24 (c) This paragraph, in conjunction with subdivision 6, applies to a person who first
6.25 became a member or a member in a pension fund listed in section 356.30, subdivision 3,
6.26 before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a
6.27 higher annuity amount, in which case paragraph (d) will apply. The retirement annuity
6.28 formula percentage for purposes of this paragraph is the percent specified in section
6.29 356.315, subdivision 1, per year for each year of coordinated service for the first ten years
6.30 and the percent specified in section 356.315, subdivision 2, for each year of coordinated
6.31 service thereafter.

6.32 (d) This paragraph applies to a person who has become at least 55 years old and who
6.33 first becomes a member after June 30, 1989, and to any other member who has become
6.34 at least 55 years old and whose annuity amount, when calculated under this paragraph
6.35 and in conjunction with subdivision 7 is higher than it is when calculated under paragraph
6.36 (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula

7.1 percentage for purposes of this paragraph is the percent specified in section 356.315,
 7.2 subdivision 2, for each year of coordinated service.

7.3 Sec. 8. Minnesota Statutes 2006, section 354A.31, subdivision 6, is amended to read:

7.4 Subd. 6. **Reduced retirement annuity.** This subdivision applies only to a person
 7.5 who first became a coordinated member or a member of a pension fund listed in section
 7.6 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated
 7.7 using the retirement annuity formula percentage in subdivision 4, paragraph (c), ~~or~~
 7.8 ~~subdivision 4a, paragraph (c);~~ in conjunction with this subdivision than when calculated
 7.9 under subdivision 4, paragraph (d), ~~or subdivision 4a, paragraph (d);~~ in conjunction with
 7.10 subdivision 7.

7.11 (a) Upon retirement at an age before normal retirement age with three years of
 7.12 service credit or prior to age 62 with at least 30 years of service credit, a coordinated
 7.13 member shall be entitled to a retirement annuity in an amount equal to the normal
 7.14 retirement annuity calculated using the retirement annuity formula percentage in
 7.15 subdivision 4, paragraph (c), ~~or subdivision 4a, paragraph (c);~~ reduced by one-quarter of
 7.16 one percent for each month that the coordinated member is under normal retirement age if
 7.17 the coordinated member has less than 30 years of service credit or is under the age of 62 if
 7.18 the coordinated member has at least 30 years of service credit.

7.19 (b) Any coordinated member whose attained age plus credited allowable service
 7.20 totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to
 7.21 the normal retirement annuity calculated using the retirement annuity formula percentage
 7.22 in subdivision 4, paragraph (c), ~~or subdivision 4a, paragraph (c);~~ without any reduction by
 7.23 reason of early retirement.

7.24 Sec. 9. Minnesota Statutes 2006, section 354A.31, is amended by adding a subdivision
 7.25 to read:

7.26 Subd. 7a. **Coordinated member eligibility exception.** Notwithstanding
 7.27 subdivision 4 regarding benefit computations for a person who first becomes a member
 7.28 before July 1, 1989, a coordinated member who first becomes a member after June 30,
 7.29 1989, who terminates from teaching service and files a valid application for retirement,
 7.30 and whose age plus years of allowable service totals 90, is eligible for an annuity
 7.31 computed under subdivision 6, paragraph (b).

7.32 Sec. 10. **REPEALER.**

7.33 Minnesota Statutes 2006, section 354A.31, subdivision 4a, is repealed.