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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE NO. **627**

February 5, 2007

Authored by Kranz, Solberg, Ward and Wardlow

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; extending certain benefits to certain members of the
1.3 Teachers Retirement Association; amending Minnesota Statutes 2006, sections
1.4 354.05, subdivision 38; 354.42, subdivisions 2, 3; 354.44, subdivision 6.

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

1.6 Section 1. Minnesota Statutes 2006, section 354.05, subdivision 38, is amended to read:

1.7 Subd. 38. **Normal retirement age.** "Normal retirement age" means age 65 ~~for a~~
1.8 ~~person who first became a member of the association or a member of a pension fund listed~~
1.9 ~~in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a~~
1.10 ~~member of the association after June 30, 1989, normal retirement age means the higher of~~
1.11 ~~age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as~~
1.12 ~~amended, but not to exceed age 66.~~

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

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

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

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

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

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

2.2 Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special
2.3 School District No. 1, Minneapolis, after July 1, 2006, and before July 1, 2007, is an
2.4 amount equal to ~~5.0~~ ... percent of the salary of each of its teachers who is a coordinated
2.5 member and 9.0 percent of the salary of each of its teachers who is a basic member. After
2.6 July 1, 2007, the regular employer contribution to the fund by Special School District No.
2.7 1, Minneapolis, is an amount equal to ~~5.5~~ ... percent of salary of each coordinated member
2.8 and 9.5 percent of salary of each basic member. The additional employer contribution to
2.9 the fund by Special School District No. 1, Minneapolis, after July 1, 2006, is an amount
2.10 equal to 3.64 percent of the salary of each teacher who is ~~a coordinated member or is a~~
2.11 basic member, and ... percent of the salary of each teacher who is a coordinated member.

2.12 (b) The employer contribution to the fund for every other employer is an amount
2.13 equal to ~~5.0~~ ... percent of the salary of each coordinated member and 9.0 percent of the
2.14 salary of each basic member before July 1, 2007, and ~~5.5~~ ... percent of the salary of
2.15 each coordinated member and 9.5 percent of the salary of each basic member after June
2.16 30, 2007.

2.17 Sec. 4. Minnesota Statutes 2006, section 354.44, subdivision 6, is amended to read:

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

2.22 (b) This paragraph, in conjunction with paragraph (c), applies to a person who ~~first~~
2.23 became ~~is~~ a member of the association ~~or a member of a pension fund listed in section~~
2.24 ~~356.30, subdivision 3, before July 1, 1989~~; unless paragraph (d), in conjunction with
2.25 paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The
2.26 average salary as defined in section 354.05, subdivision 13a, multiplied by the following
2.27 percentages per year of formula service credit shall determine the amount of the annuity to
2.28 which the member qualifying therefor is entitled for service rendered before July 1, 2006:

2.29		Coordinated Member	Basic Member
2.30	Each year of service	the percent specified	the percent
2.31	during first ten	in section 356.315,	specified in
2.32		subdivision 1, per year	section 356.315,
2.33			subdivision 3, per
2.34			year

3.1	Each year of service	the percent specified	the percent
3.2	thereafter	in section 356.315,	specified in
3.3		subdivision 2, per year	section 356.315,
3.4			subdivision 4, per
3.5			year

3.6 For service rendered on or after July 1, 2006, the average salary as defined in section
 3.7 354.05, subdivision 13a, multiplied by the following percentages per year of service
 3.8 credit, determines the amount the annuity to which the member qualifying therefor is:

3.9		Coordinated Member	Basic Member
3.10	Each year of service	the percent specified	the percent
3.11	during first ten	in section 356.315,	specified in
3.12		subdivision 1a, per year	section 356.315,
3.13			subdivision 3, per
3.14			year

3.15	Each year of service after	the percent specified	the percent
3.16	ten years of service	in section 356.315,	specified in
3.17		subdivision 2b, per year	section 356.315,
3.18			subdivision 4, per
3.19			year

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

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

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

3.34 (d) This paragraph applies to a member ~~who has become at least 55 years old and~~
 3.35 ~~first became a member of the association after June 30, 1989, and to any other member~~
 3.36 who has become at least 55 years old and whose annuity amount when calculated under
 3.37 this paragraph and in conjunction with paragraph (e), is higher than it is when calculated
 3.38 under paragraph (b), in conjunction with paragraph (c). For a basic member, the average
 3.39 salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified

4.1 by section 356.315, subdivision 4, for each year of service for a basic member shall
4.2 determine the amount of the retirement annuity to which the basic member is entitled.
4.3 The annuity of a basic member who was a member of the former Minneapolis Teachers
4.4 Retirement Fund Association as of June 30, 2006, must be determined according to the
4.5 annuity formula under the articles of incorporation of the former Minneapolis Teachers
4.6 Retirement Fund Association in effect as of that date. For a coordinated member, the
4.7 average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent
4.8 specified in section 356.315, subdivision 2, for each year of service rendered before July
4.9 1, 2006, and by the percent specified in section 356.315, subdivision 2b, for each year of
4.10 service rendered on or after July 1, 2006, determines the amount of the retirement annuity
4.11 to which the coordinated member is entitled.

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

4.24 (f) No retirement annuity is payable to a former employee with a salary that exceeds
4.25 95 percent of the governor's salary unless and until the salary figures used in computing
4.26 the highest five successive years average salary under paragraph (a) have been audited by
4.27 the Teachers Retirement Association and determined by the executive director to comply
4.28 with the requirements and limitations of section 354.05, subdivisions 35 and 35a.