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HOUSE FILE No. **3673**

March 3, 2008

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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; Duluth Teachers Retirement Fund Association; extending
the rule of 90 benefit tier to post-1989 hires; amending Minnesota Statutes 2006,
sections 354A.011, subdivision 15a; 354A.12, subdivisions 1, 2a; 354A.31,
subdivisions 1, 4a, 6, 7.

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

Section 1. Minnesota Statutes 2006, section 354A.011, subdivision 15a, is amended to
read:

Subd. 15a. **Normal retirement age.** (a) "Normal retirement age" means age
65 for a person who first became a member of the coordinated program of the St. Paul
Teachers Retirement Fund Association before July 1, 1989, or a person who first became a
member of the new law coordinated program of the Duluth Teachers Retirement Fund
Association, regardless of the person's date of first membership, or a person who first
became a member of a member of a one of the other pension fund plans listed in section
356.30, subdivision 3, before July 1, 1989.

(b) For a person who first became a member of the coordinated program of the St.
Paul Teachers Retirement Fund Association or the new law coordinated program of the
Duluth Teachers Retirement Fund Association after June 30, 1989, normal retirement age
means the higher of age 65 or retirement age, as defined in United States Code, title 42,
section 416(l), as amended, but not to exceed age 66.

(c) For a person who is a member of the basic program of the St. Paul Teachers
Retirement Fund Association or the old law coordinated program of the Duluth Teachers
Retirement Fund Association, normal retirement age means the age at which a teacher
becomes eligible for a normal retirement annuity computed upon meeting the age and

2.1 service requirements specified in the applicable provisions of the articles of incorporation
 2.2 or bylaws of the respective teachers retirement fund association.

2.3 **EFFECTIVE DATE.** This section is effective July 1, 2008.

2.4 Sec. 2. Minnesota Statutes 2006, section 354A.12, subdivision 1, is amended to read:

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

Association and Program	Percentage of Total Salary
Duluth Teachers Retirement Association	
old law and new law coordinated programs	
<u>before July 1, 2009</u>	5.5 percent
<u>after June 30, 2009</u>	... percent
St. Paul Teachers Retirement Association	
basic program	8 percent
coordinated program	5.5 percent

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

2.18 **EFFECTIVE DATE.** This section is effective July 1, 2008.

2.19 Sec. 3. Minnesota Statutes 2006, section 354A.12, subdivision 2a, is amended to read:

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

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

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

Duluth Teachers Retirement Fund Association	4.50 percent
St. Paul Teachers Retirement Fund Association	4.50 percent

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

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

3.4 (5) for a coordinated member of a teachers retirement fund association in a city
 3.5 of the first class, the employing unit shall make an additional employer contribution to
 3.6 the respective fund in an amount equal to the applicable percentage of the coordinated
 3.7 member's salary, as provided below:

3.8	Duluth Teachers Retirement Fund Association	
3.9	<u>before July 1, 2009</u>	1.29 percent
3.10	<u>after June 30, 2009</u>	... percent
3.11	St. Paul Teachers Retirement Fund Association	
3.12	July 1, 1993 - June 30, 1994	0.50 percent
3.13	July 1, 1994 - June 30, 1995	1.50 percent
3.14	July 1, 1997, and thereafter	3.84 percent

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

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

3.21 **EFFECTIVE DATE.** This section is effective July 1, 2008.

3.22 Sec. 4. Minnesota Statutes 2006, section 354A.31, subdivision 1, is amended to read:

3.23 Subdivision 1. **Age and service requirements.** (a) Any coordinated member or
 3.24 former coordinated member who has ceased to render teaching service for the school
 3.25 district in which the teachers retirement fund association exists and who has either attained
 3.26 the age of at least 55 years with not less than three years of allowable service credit or
 3.27 received credit for not less than 30 years of allowable service regardless of age, shall be
 3.28 entitled upon written application to a retirement annuity.

3.29 (b) Regardless of the person's date of first membership before July 1, 1989, or after
 3.30 June 30, 1989, a member or former member of the Duluth Teachers Retirement Fund
 3.31 Association who ceases or has ceased to render teaching service with an employing unit
 3.32 covered by the association who has credit for at least 30 years of allowable service,
 3.33 irrespective of age, is entitled, upon filing a written application, to a retirement annuity
 3.34 under this section.

3.35 **EFFECTIVE DATE.** This section is effective July 1, 2008.

4.1 Sec. 5. Minnesota Statutes 2006, section 354A.31, subdivision 4a, is amended to read:

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

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

4.8 (c) This paragraph, in conjunction with subdivision 6, applies to a ~~person who first~~
4.9 ~~became a member or a member in a pension fund listed in section 356.30, subdivision 3,~~
4.10 ~~before July 1, 1989, regardless of the person's date of first membership,~~ unless paragraph

4.11 (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case
4.12 paragraph (d) applies. The retirement annuity formula percentage for purposes of this
4.13 paragraph is the percent specified in section 356.315, subdivision 1, per year for each year
4.14 of coordinated service for the first ten years and the percent specified in section 356.315,
4.15 subdivision 2, for each subsequent year of coordinated service.

4.16 (d) This paragraph applies to a ~~person who is at least 55 years old and who first~~
4.17 ~~becomes a member after June 30, 1989, and to any other member who is at least 55 years~~
4.18 ~~old and~~ whose annuity amount, when calculated under this paragraph and in conjunction
4.19 with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction
4.20 with subdivision 6. The retirement annuity formula percentage for purposes of this
4.21 paragraph is the percent specified in section 356.315, subdivision 2, for each year of
4.22 coordinated service.

4.23 **EFFECTIVE DATE.** This section is effective July 1, 2008.

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

4.25 Subd. 6. **Reduced retirement annuity.** This subdivision applies only to a person
4.26 who first became a coordinated member of the St. Paul Teachers Retirement Fund
4.27 Association or a member of a pension fund listed in section 356.30, subdivision 3, before
4.28 July 1, 1989, and whose annuity is higher when calculated using the retirement annuity
4.29 formula percentage in subdivision 4, paragraph (c), ~~or subdivision 4a, paragraph (c),~~ in
4.30 conjunction with this subdivision than when calculated under subdivision 4, paragraph
4.31 (d), ~~or subdivision 4a, paragraph (d),~~ in conjunction with subdivision 7. This subdivision
4.32 also applies to a member of the Duluth Teachers Retirement Fund Association, regardless
4.33 of the person's date of first membership, whose annuity is higher when calculated using
4.34 the retirement annuity formula percentage in subdivision 4a, paragraph (c), in conjunction

5.1 with this subdivision than when calculated under subdivision 4a, paragraph (d), in
5.2 conjunction with subdivision 7.

5.3 (a) Upon retirement at an age before normal retirement age with three years of
5.4 service credit or prior to age 62 with at least 30 years of service credit, a coordinated
5.5 member shall be entitled to a retirement annuity in an amount equal to the normal
5.6 retirement annuity calculated using the retirement annuity formula percentage in
5.7 subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), reduced by one-quarter of
5.8 one percent for each month that the coordinated member is under normal retirement age if
5.9 the coordinated member has less than 30 years of service credit or is under the age of 62 if
5.10 the coordinated member has at least 30 years of service credit.

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

5.16 **EFFECTIVE DATE.** This section is effective July 1, 2008.

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

5.18 Subd. 7. **Actuarial reduction for early retirement.** This subdivision applies to a
5.19 person who is a member of the St. Paul Teachers Retirement Fund Association, who has
5.20 become at least 55 years old and first becomes a coordinated member after June 30, 1989,
5.21 and to any other St. Paul Teachers Retirement Fund Association coordinated member who
5.22 has become at least 55 years old and whose annuity is higher when calculated using the
5.23 retirement annuity formula percentage in subdivision 4, paragraph (d), ~~and subdivision 4a,~~
5.24 ~~paragraph (d),~~ in conjunction with this subdivision than when calculated under subdivision
5.25 4, paragraph (c), ~~or subdivision 4a, paragraph (c),~~ in conjunction with subdivision 6. This
5.26 subdivision also applies to a person who is a member of the Duluth Teachers Retirement
5.27 Fund Association whose annuity is higher when calculated using the retirement annuity
5.28 formula percentage in subdivision 4a, paragraph (d), in conjunction with this subdivision
5.29 than when calculated under subdivision 4a, paragraph (c), in conjunction with subdivision
5.30 6. A coordinated member who retires before the full benefit age shall be paid the retirement
5.31 annuity calculated using the retirement annuity formula percentage in subdivision 4,
5.32 paragraph (d), or subdivision 4a, paragraph (d), reduced so that the reduced annuity is the
5.33 actuarial equivalent of the annuity that would be payable to the member if the member
5.34 deferred receipt of the annuity and the annuity amount were augmented at an annual rate
5.35 of three percent compounded annually from the day the annuity begins to accrue until the

6.1 normal retirement age if the employee became an employee before July 1, 2006, and at 2.5
6.2 percent compounded annually from the day the annuity begins to accrue until the normal
6.3 retirement age if the person initially becomes a teacher after June 30, 2006.

6.4 **EFFECTIVE DATE.** This section is effective July 1, 2008.