

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 2193

(SENATE AUTHORS: CHAMBERLAIN)

| DATE | D-PG | OFFICIAL STATUS |
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| 03/01/2012 | 4077 | Introduction and first reading Referred to State Government Innovation and Veterans |

A bill for an act

relating to retirement; statewide and major local Minnesota defined benefit retirement plans; limiting contribution rate reductions or benefit improvements in certain instances; requiring funding recommendations from plan administrators in certain instances; amending Minnesota Statutes 2010, sections 352.03, by adding a subdivision; 352.04, subdivisions 2, 3; 352.045, subdivision 3; 352.85, subdivision 3; 352.86, subdivision 7; 352.87, subdivision 7; 352.92, subdivisions 1, 2; 352B.02, subdivisions 1a, 1c; 352B.03, by adding a subdivision; 353.03, by adding a subdivision; 353.27, subdivisions 2, 3, 3a, 3b; 353E.03; 354.06, by adding a subdivision; 354.42, subdivisions 2, 3, 4b; 354A.021, by adding a subdivision; 354A.12, subdivisions 1, 2a; 490.122, by adding a subdivision; 490.123, subdivisions 1a, 1b; Minnesota Statutes 2011 Supplement, section 353.65, subdivisions 2, 3; proposing coding for new law in Minnesota Statutes, chapter 356.

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

Section 1. Minnesota Statutes 2010, section 352.03, is amended by adding a subdivision to read:

Subd. 16. **Application of limitation.** Any modification of any benefit plan provision in this chapter is subject to section 356.2175.

Sec. 2. Minnesota Statutes 2010, section 352.04, subdivision 2, is amended to read:

Subd. 2. **Employee contributions.** (a) The employee contribution to the fund must be equal to the following percent of salary:

| | |
|-------------------------------------|-------|
| before July 1, 2007 | 4.00 |
| from July 1, 2007, to June 30, 2008 | 4.25 |
| from July 1, 2008, to June 30, 2009 | 4.50 |
| from July 1, 2009, to June 30, 2010 | 4.75 |
| from July 1, 2010, and thereafter | 5.00- |

(b) These contributions must be made by deduction from salary as provided in subdivision 4.

(c) Any change in the contribution rate is subject to section 356.2175.

Sec. 3. Minnesota Statutes 2010, section 352.04, subdivision 3, is amended to read:

Subd. 3. **Employer contributions.** (a) The employer contribution to the fund must be equal to the following percent of salary:

| | |
|-------------------------------------|-------|
| before July 1, 2007 | 4.00 |
| from July 1, 2007, to June 30, 2008 | 4.25 |
| from July 1, 2008, to June 30, 2009 | 4.50 |
| from July 1, 2009, to June 30, 2010 | 4.75 |
| from July 1, 2010, and thereafter | 5.00- |

(b) Any change in the contribution rate is subject to section 356.2175.

Sec. 4. Minnesota Statutes 2010, section 352.045, subdivision 3, is amended to read:

Subd. 3. **Contribution rate revision.** (a) Notwithstanding the contribution rate provisions stated in plan law, the employee and employer contribution rates must be adjusted:

(1) if, after July 1, 2011, the regular actuarial valuations of the applicable plan under section 356.215 indicate that there is a contribution sufficiency under subdivision 2 equal to or greater than 0.5 percent of covered payroll for two consecutive years, the employee and employer contribution rates for the applicable plan must be decreased as determined under subdivision 4 to a level such that the sufficiency equals no more than 0.25 percent of covered payroll based on the most recent actuarial valuation; or

(2) if, after July 1, 2011, the regular actuarial valuations of the applicable plan under section 356.215 indicate that there is a deficiency equal to or greater than 0.5 percent of covered payroll for two consecutive years, the employee and employer contribution rates for the applicable plan must be increased as determined under subdivision 4 to a level such that no deficiency exists based on the most recent actuarial valuation.

(b) Any contribution rate reduction under this section is subject to section 356.2175.

Sec. 5. Minnesota Statutes 2010, section 352.85, subdivision 3, is amended to read:

Subd. 3. **Additional contributions.** (a) The special retirement annuities and disability benefits authorized by this section shall be financed by an employee contribution from the covered Department of Military Affairs employee of 1.6 percent and an employer contribution from the Department of Military Affairs of 1.6 percent. These contributions

are in addition to the contributions required by section 352.04, subdivisions 2 and 3. They must be made as provided in section 352.04, subdivisions 4, 5, and 6.

(b) Any change in the contribution rates is subject to section 356.2175.

Sec. 6. Minnesota Statutes 2010, section 352.86, subdivision 7, is amended to read:

Subd. 7. **Additional contributions.** (a) An employee covered by this section must pay an additional employee contribution of 1.6 percent of salary. The Department of Transportation must pay an additional employer contribution of 1.6 percent of salary. These contributions are in addition to the contributions required by section 352.04, subdivisions 2 and 3. They must be made in the manner provided for in section 352.04, subdivisions 4, 5, and 6.

(b) Any change in the contribution rates is subject to section 356.2175.

Sec. 7. Minnesota Statutes 2010, section 352.87, subdivision 7, is amended to read:

Subd. 7. **Additional contributions.** (a) The special retirement annuity and disability coverage under this section must be financed by an employee contribution of 2.78 percent of covered salary and an employer contribution of 4.20 percent of covered salary. These contributions are in addition to the contributions required by section 352.04, subdivisions 2 and 3, and must be made in the manner provided for in section 352.04, subdivisions 4, 5, and 6.

(b) Any change in the contribution rates is subject to section 356.2175.

Sec. 8. Minnesota Statutes 2010, section 352.92, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) Employee contributions of covered correctional employees must be in an amount equal to the following percent of salary:

| | |
|-------------------------------------|-------|
| before July 1, 2007 | 5.69 |
| from July 1, 2007, to June 30, 2008 | 6.40 |
| from July 1, 2008, to June 30, 2009 | 7.00 |
| from July 1, 2009, to June 30, 2010 | 7.70 |
| from July 1, 2010, and thereafter | 8.60- |

(b) These contributions must be made by deduction from salary as provided in section 352.04, subdivision 4.

(c) Any change in the contribution rate is subject to section 356.2175.

Sec. 9. Minnesota Statutes 2010, section 352.92, subdivision 2, is amended to read:

Subd. 2. **Employer contributions.** (a) The employer shall contribute for covered correctional employees an amount equal to the following percent of salary:

| | | |
|-----|-------------------------------------|--------|
| 4.1 | before July 1, 2007 | 7.98 |
| 4.2 | from July 1, 2007, to June 30, 2008 | 9.10 |
| 4.3 | from July 1, 2008, to June 30, 2009 | 10.10 |
| 4.4 | from July 1, 2009, to June 30, 2010 | 11.10 |
| 4.5 | from July 1, 2010, and thereafter | 12.10- |

4.6 (b) Any change in the contribution rate is subject to section 356.2175.

4.7 Sec. 10. Minnesota Statutes 2010, section 352B.02, subdivision 1a, is amended to read:

4.8 Subd. 1a. **Member contributions.** (a) The member contribution is the following
4.9 percentage of the member's salary:

| | | |
|------|--|---------------|
| 4.10 | (1) before the first day of the first pay period beginning | |
| 4.11 | after July 1, 2011 | 10.40 percent |
| 4.12 | (2) on or after the first day of the first pay period | |
| 4.13 | beginning after July 1, 2011 | 12.40 percent |

4.14 (b) These contributions must be made by deduction from salary as provided in
4.15 section 352.04, subdivision 4.

4.16 (c) Any change in the contribution rate is subject to section 356.2175.

4.17 Sec. 11. Minnesota Statutes 2010, section 352B.02, subdivision 1c, is amended to read:

4.18 Subd. 1c. **Employer contributions.** (a) In addition to member contributions,
4.19 department heads shall pay a sum equal to the specified percentage of the salary upon
4.20 which deductions were made, which constitutes the employer contribution to the fund
4.21 as follows:

| | | |
|------|--|---------------|
| 4.22 | (1) before the first day of the first pay period beginning | |
| 4.23 | after July 1, 2011 | 15.60 percent |
| 4.24 | (2) on or after the first day of the first pay period | |
| 4.25 | beginning after July 1, 2011 | 18.60 percent |

4.26 (b) Department contributions must be paid out of money appropriated to departments
4.27 for this purpose.

4.28 (c) Any change in the contribution rate is subject to section 356.2175.

4.29 Sec. 12. Minnesota Statutes 2010, section 352B.03, is amended by adding a
4.30 subdivision to read:

4.31 Subd. 3. **Application of limitation.** Any modification of any benefit plan provision
4.32 in this chapter is subject to section 356.2175.

4.33 Sec. 13. Minnesota Statutes 2010, section 353.03, is amended by adding a subdivision
4.34 to read:

Subd. 6. **Application of limitation.** Any modification of any benefit plan provision in this chapter or chapter 353E is subject to section 356.2175.

Sec. 14. Minnesota Statutes 2010, section 353.27, subdivision 2, is amended to read:

Subd. 2. **General employees retirement plan; employee contribution.** (a) For a basic member of the general employees retirement plan of the Public Employees Retirement Association, the employee contribution is 9.10 percent of salary. For a coordinated member of the general employees retirement plan of the Public Employees Retirement Association, the employee contribution is the following percentage of salary plus any contribution rate adjustment under subdivision 3b:

| | |
|-----------------------------------|------|
| Effective before January 1, 2011 | 6.00 |
| Effective after December 31, 2010 | 6.25 |

(b) These contributions must be made by deduction from salary as defined in section 353.01, subdivision 10, in the manner provided in subdivision 4. If any portion of a member's salary is paid from other than public funds, the member's employee contribution must be based on the total salary received by the member from all sources.

(c) Any change in the contribution rate is subject to section 356.2175.

Sec. 15. Minnesota Statutes 2010, section 353.27, subdivision 3, is amended to read:

Subd. 3. **General employees retirement plan; employer contribution.** (a) For a basic member of the general employees retirement plan of the Public Employees Retirement Association, the employer contribution is 9.10 percent of salary. For a coordinated member of the general employees retirement plan of the Public Employees Retirement Association, the employer contribution is the following percentage of salary plus any contribution rate adjustment under subdivision 3b:

| | |
|-----------------------------------|------|
| Effective before January 1, 2011 | 6.00 |
| Effective after December 31, 2010 | 6.25 |

(b) This contribution must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(c) Any change in the contribution rate is subject to section 356.2175.

Sec. 16. Minnesota Statutes 2010, section 353.27, subdivision 3a, is amended to read:

Subd. 3a. **Additional employer contribution.** (a) An additional employer contribution to the general employees retirement fund of the Public Employees Retirement Association must be made equal to the following applicable percentage of the total salary amount for "basic members" and for "coordinated members":

| | Basic Program | Coordinated Program |
|----------------------------------|---------------|---------------------|
| Effective before January 1, 2006 | 2.68 | .43 |
| Effective January 1, 2006 | 2.68 | .50 |
| Effective January 1, 2009 | 2.68 | .75 |
| Effective January 1, 2010 | 2.68 | 1.00 |

These contributions must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(b) The coordinated program contribution rates set forth in paragraph (a) effective for January 1, 2010, must not be implemented if, following receipt of the July 1, 2009, annual actuarial valuation report under section 356.215, respectively, the actuarially required contributions are equal to or less than the total rates under this section in effect as of January 1, 2008.

(c) Any change in the contribution rate is subject to section 356.2175.

~~(c)~~ (d) This subdivision is repealed once the actuarial value of the assets of the general employees retirement plan of the Public Employees Retirement Association equal or exceed the actuarial accrued liability of the plan as determined by the actuary retained under sections 356.214 and 356.215. The repeal is effective on the first day of the first full pay period occurring after March 31 of the calendar year following the issuance of the actuarial valuation upon which the repeal is based.

Sec. 17. Minnesota Statutes 2010, section 353.27, subdivision 3b, is amended to read:

Subd. 3b. **Change in employee and employer contributions in certain instances.**

(a) For purposes of this section:

(1) a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement; and

(2) a contribution deficiency exists if the total of the employee contributions under subdivision 2, the employer contributions under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision is less than the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained

under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) Employee and employer contributions to the general employees retirement plan under subdivisions 2 and 3 must be adjusted:

(1) if, on or after July 1, 2010, the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicates that there is a contribution sufficiency under paragraph (a) greater than one percent of covered payroll and that the sufficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be decreased as determined under paragraph (c) to a level such that the sufficiency is no greater than one percent of covered payroll based on the most recent actuarial valuation; or

(2) if, on or after July 1, 2010, the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicates that there is a contribution deficiency equal to or greater than 0.5 percent of covered payroll and that the deficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be increased as determined under paragraph (d) to a level such that no deficiency exists based on the most recent actuarial valuation.

(c) If the actuarially required contribution of the general employees retirement plan is less than the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, by more than one percent of covered payroll, the general employees retirement plan coordinated program employee and employer contribution rates under subdivisions 2 and 3 must be decreased incrementally over one or more years by no more than 0.25 percent of pay each for employee and employer matching contribution rates to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this subdivision has been fully implemented.

(d) If the actuarially required contribution exceeds the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, the employee and matching employer contribution rates must be increased equally to eliminate that contribution deficiency. If the contribution deficiency is:

(1) less than two percent, the incremental increase may be up to 0.25 percent for the general employees retirement plan employee and matching employer contribution rates;

(2) greater than 1.99 percent and less than 4.01 percent, the incremental increase may be up to 0.5 percent for the employee and matching employer contribution rates; or

(3) greater than four percent, the incremental increase may be up to 0.75 percent for the employee and matching employer contribution.

(e) The general employees retirement plan contribution sufficiency or deficiency determination under paragraphs (a) to (d) must be made without the inclusion of the contributions to, the funded condition of, or the actuarial funding requirements of the MERF division.

(f) Any recommended adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following receipt of the most recent annual actuarial valuation prepared under section 356.215. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment becomes effective on the first day of the first full payroll period in the fiscal year following receipt of the most recent actuarial valuation that gave rise to the adjustment.

(g) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions under subdivisions 2, 3, and 3a.

(h) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be recommended, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially required contribution and must report to the Legislative Commission on Pensions and Retirement any recommendation by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(i) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an automatic adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary

retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

(j) Any change in the contribution rates is subject to section 356.2175.

Sec. 18. Minnesota Statutes 2011 Supplement, section 353.65, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For members other than members who were active members of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, or for members other than members who were active members of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, the employee contribution is 9.4 percent of the salary of the member in calendar year 2010 and is 9.6 percent of the salary of the member in each calendar year after 2010.

(b) For members who were active members of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10a, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Firefighters Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

(c) For members who were active members of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Police Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

(d) Contributions under this section must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

(e) Any change in the contribution rate is subject to section 356.2175.

Sec. 19. Minnesota Statutes 2011 Supplement, section 353.65, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) With respect to members other than members who were active members of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, or for members other than members who were active members of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, the employer contribution is 14.1 percent of the salary of the member in calendar year 2010 and is 14.4 percent of the salary of the member in each calendar year after 2010.

(b) With respect to members who were active members of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (b).

(c) With respect to members who were active members of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (c).

(d) Contributions under this subdivision must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(e) Any change in the contribution rate is subject to section 356.2175.

Sec. 20. Minnesota Statutes 2010, section 353E.03, is amended to read:

353E.03 CORRECTIONAL SERVICE PLAN CONTRIBUTIONS.

Subdivision 1. **Member contributions.** (a) A member of the local government correctional service retirement plan shall make an employee contribution in an amount equal to 5.83 percent of salary.

(b) Any change in the contribution rate is subject to section 356.2175.

Subd. 2. **Employer contributions.** (a) The employer shall contribute for a member of the local government correctional service retirement plan an amount equal to 8.75 percent of salary.

(b) Any change in the contribution rate is subject to section 356.2175.

11.1 Sec. 21. Minnesota Statutes 2010, section 354.06, is amended by adding a subdivision
11.2 to read:

11.3 Subd. 8. **Application of limitation.** Any modification of any benefit plan provision
11.4 in this chapter is subject to section 356.2175.

11.5 Sec. 22. Minnesota Statutes 2010, section 354.42, subdivision 2, is amended to read:

11.6 Subd. 2. **Employee contribution.** (a) For a basic member, the employee
11.7 contribution to the fund is the following percentage of the member's salary:

| | | |
|-------|--|--------------|
| 11.8 | before July 1, 2011 | 9.0 percent |
| 11.9 | from July 1, 2011, until June 30, 2012 | 9.5 percent |
| 11.10 | from July 1, 2012, until June 30, 2013 | 10.0 percent |
| 11.11 | from July 1, 2013, until June 30, 2014 | 10.5 percent |
| 11.12 | after June 30, 2014 | 11.0 percent |

11.13 (b) For a coordinated member, the employee contribution is the following percentage
11.14 of the member's salary:

| | | |
|-------|--|-------------|
| 11.15 | before July 1, 2011 | 5.5 percent |
| 11.16 | from July 1, 2011, until June 30, 2012 | 6.0 percent |
| 11.17 | from July 1, 2012, until June 30, 2013 | 6.5 percent |
| 11.18 | from July 1, 2013, until June 30, 2014 | 7.0 percent |
| 11.19 | after June 30, 2014 | 7.5 percent |

11.20 (c) When an employee contribution rate changes for a fiscal year, the new
11.21 contribution rate is effective for the entire salary paid for each employer unit with the
11.22 first payroll cycle reported.

11.23 (d) After June 30, 2015, if a contribution rate revision is required under subdivisions
11.24 4a, 4b, and 4c, the employee contributions under paragraphs (a) and (b) must be adjusted
11.25 accordingly.

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

11.29 (f) Any change in the contribution rate is subject to section 356.2175.

11.30 Sec. 23. Minnesota Statutes 2010, section 354.42, subdivision 3, is amended to read:

11.31 Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special
11.32 School District No. 1, Minneapolis, is an amount equal to the applicable following
11.33 percentage of salary of each coordinated member and the applicable following percentage
11.34 of salary of each basic member:

| | | | |
|------|--|--------------------|--------------|
| 12.1 | Period | Coordinated Member | Basic Member |
| 12.2 | before July 1, 2011 | 5.5 percent | 9.5 percent |
| 12.3 | from July 1, 2011, until June 30, 2012 | 6.0 percent | 10.0 percent |
| 12.4 | from July 1, 2012, until June 30, 2013 | 6.5 percent | 10.5 percent |
| 12.5 | from July 1, 2013, until June 30, 2014 | 7.0 percent | 11.0 percent |
| 12.6 | after June 30, 2014 | 7.5 percent | 11.5 percent |

12.7 The additional employer contribution to the fund by Special School District No. 1,
12.8 Minneapolis, is an amount equal to 3.64 percent of the salary of each teacher who is a
12.9 coordinated member or is a basic member.

12.10 (b) The employer contribution to the fund for every other employer is an amount
12.11 equal to the applicable following percentage of the salary of each coordinated member and
12.12 the applicable following percentage of the salary of each basic member:

| | | | |
|-------|--|--------------------|--------------|
| 12.13 | Period | Coordinated Member | Basic Member |
| 12.14 | before July 1, 2011 | 5.5 percent | 9.5 percent |
| 12.15 | from July 1, 2011, until June 30, 2012 | 6.0 percent | 10.0 percent |
| 12.16 | from July 1, 2012, until June 30, 2013 | 6.5 percent | 10.5 percent |
| 12.17 | from July 1, 2013, until June 30, 2014 | 7.0 percent | 11.0 percent |
| 12.18 | after June 30, 2014 | 7.5 percent | 11.5 percent |

12.19 (c) When an employer contribution rate changes for a fiscal year, the new
12.20 contribution rate is effective for the entire salary paid for each employer unit with the
12.21 first payroll cycle reported.

12.22 (d) After June 30, 2015, if a contribution rate revision is made under subdivisions
12.23 4a, 4b, and 4c, the employer contributions under paragraphs (a) and (b) must be adjusted
12.24 accordingly.

12.25 (e) Any change in the contribution rate is subject to section 356.2175.

12.26 Sec. 24. Minnesota Statutes 2010, section 354.42, subdivision 4b, is amended to read:

12.27 Subd. 4b. **Contribution rate revision.** (a) Notwithstanding the contribution rate
12.28 provisions under subdivisions 2 and 3, the employee and employer contribution rates
12.29 may be adjusted as follows:

12.30 (1) if, after June 30, 2015, the regular actuarial valuation of the plan under section
12.31 356.215 indicates that there is a contribution sufficiency under subdivision 4a equal to or
12.32 greater than one percent of covered payroll and the sufficiency has existed for at least two
12.33 consecutive years, the employee and employer contribution rates for the plan may each be
12.34 decreased to a level such that the sufficiency equals no more than one percent of covered
12.35 payroll based on the most recent actuarial valuation; or

(2) if, after June 30, 2015, the regular valuation of the plan under section 356.215 indicates that there is a deficiency equal to or greater than 0.25 percent of covered payroll and the deficiency has existed for at least two consecutive years, the employee and employer contribution rates for the applicable plan may each be increased by:

- (i) 0.25 percent if the deficiency is less than 2.00 percent of covered payroll;
- (ii) 0.5 percent if the deficiency is equal to or greater than 2.00 percent of covered payroll and less than or equal to four percent; and
- (iii) 0.75 percent if the deficiency is greater than four percent.

(b) Any change in contribution rates under this subdivision is subject to section 356.2175.

Sec. 25. Minnesota Statutes 2010, section 354A.021, is amended by adding a subdivision to read:

Subd. 10. **Application of limitation.** Any modification of any benefit plan provision in this chapter is subject to section 356.2175.

Sec. 26. Minnesota Statutes 2010, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) The contribution required to be paid by each member of a teachers retirement fund association is the 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 | |
| before July 1, 2011 | 5.5 percent |
| effective July 1, 2011 | 6.0 percent |
| effective July 1, 2012 | 6.5 percent |
| St. Paul Teachers Retirement Fund Association | |
| basic program before July 1, 2011 | 8 percent |
| basic program after June 30, 2011 | 8.25 percent |
| basic program after June 30, 2012 | 8.5 percent |
| basic program after June 30, 2013 | 8.75 percent |
| basic program after June 30, 2014 | 9.0 percent |
| coordinated program before July 1, 2011 | 5.5 percent |
| coordinated program after June 30, 2011 | 5.75 percent |
| coordinated program after June 30, 2012 | 6.0 percent |
| coordinated program after June 30, 2013 | 6.25 percent |
| coordinated program after June 30, 2014 | 6.50 percent |

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

(c) When an employee contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

(d) Any change in the contribution rate is subject to section 356.2175.

Sec. 27. Minnesota Statutes 2010, section 354A.12, subdivision 2a, is amended to read:

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

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

Duluth Teachers Retirement Fund Association

| | |
|------------------------|--------------|
| before July 1, 2011 | 5.79 percent |
| effective July 1, 2011 | 6.29 percent |
| effective July 1, 2012 | 6.79 percent |

St. Paul Teachers Retirement Fund Association

| | |
|---------------------|--------------|
| before July 1, 2011 | 4.50 percent |
| after June 30, 2011 | 4.75 percent |
| after June 30, 2012 | 5.0 percent |
| after June 30, 2013 | 5.25 percent |
| after June 30, 2014 | 5.5 percent |

(2) for any basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount according to the schedule below:

| | |
|---------------------|------------------------|
| before July 1, 2011 | 8.0 percent of salary |
| after June 30, 2011 | 8.25 percent of salary |
| after June 30, 2012 | 8.5 percent of salary |
| after June 30, 2013 | 8.75 percent of salary |
| after June 30, 2014 | 9.0 percent of salary |

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

(4) for a coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund

15.1 in an amount equal to the applicable percentage of the coordinated member's salary,
15.2 as provided below:

15.3 St. Paul Teachers Retirement Fund Association 3.84 percent

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

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

15.10 (d) When an employer contribution rate changes for a fiscal year, the new
15.11 contribution rate is effective for the entire salary paid by the employer with the first
15.12 payroll cycle reported.

15.13 (e) Any change in the contribution rate is subject to section 356.2175.

15.14 Sec. 28. **[356.2175] LIMITATIONS ON CONTRIBUTION REDUCTIONS OR**
15.15 **BENEFIT INCREASES.**

15.16 For a retirement plan listed in section 356.30, subdivision 3, clauses (1), (2), (4),
15.17 or (7) to (13), if the assets of the retirement fund associated with the retirement plan,
15.18 either at market value or at actuarial value, are less than 120 percent of the actuarial
15.19 accrued liability of the retirement plan as disclosed in the most recent actuarial valuation
15.20 of the retirement plan prepared by the approved actuary retained under section 356.214 in
15.21 conformity with the requirements of section 356.215 and with the standards for actuarial
15.22 work promulgated by the Legislative Commission on Pensions and Retirement, the
15.23 following limitations apply:

15.24 (1) no reduction in member contribution rates or employer contribution rates is
15.25 effective until the actuarial valuation of the retirement plan prepared by the approved
15.26 actuary retained under sections 356.214 and 356.215 and the standards for actuarial work
15.27 for at least two successive actuarial valuations indicates that the actuarial value of the
15.28 assets of the retirement plan and the market value of the assets of the retirement plan both
15.29 exceed the actuarial accrued liability of the retirement plan by more than 20 percent
15.30 and are effective only if the total postreduction member and employer contribution
15.31 rates equal or exceed the normal cost of the retirement plan disclosed in the most recent
15.32 actuarial valuation; and

15.33 (2) no change in the benefit plan of the retirement plan that would cause an increase
15.34 in the actuarial accrued liability of the retirement plan is effective until the actuarial
15.35 valuation of the retirement plan prepared by the approved actuary retained under sections

356.214 and 356.215 and the standards for actuarial work indicate that the actuarial value of the assets of the retirement plan or the market value of the assets of the retirement plan both exceed the actuarial accrued liability of the retirement plan by more than 20 percent and are effective only if the total post-benefit change member and employer contribution rates exceed the normal cost of the retirement plan disclosed in the most recent actuarial valuation as adjusted by the estimated actuarial cost impact report prepared by the approved actuary retained under section 356.214 and conforming with the standards for actuarial work.

Sec. 29. **[356.2176] REQUIRED FUNDING DEFICIENCY**
RECOMMENDATIONS IN CERTAIN INSTANCES.

If a retirement plan listed in section 356.30, subdivision 3, clauses (1), (2), (4), or (7) to (13), has assets in the retirement fund associated with the retirement plan, either at market value or at actuarial value, that, for two consecutive years, are less than 70 percent of the actuarial accrued liability of the retirement plan as indicated in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 in conformity with the requirements of section 356.215 and with the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement, the chief administrative officer of the retirement plan shall prepare and file a report with the Legislative Commission on Pensions and Retirement with recommendations to address that funding deficiency. In addition to the option of increasing contribution rates by members and employers, the report must address one or more options for modifying benefit plan provisions sufficient to reverse the funding deficiency. The report must be filed with the executive director of the Legislative Commission on Pensions and Retirement on or before February 1 next following the receipt of the second actuarial valuation disclosing the funding deficiency.

Sec. 30. Minnesota Statutes 2010, section 490.122, is amended by adding a subdivision to read:

Subd. 4. **Application of limitation.** Any modification of any benefit plan provision in this chapter is subject to section 356.2175.

Sec. 31. Minnesota Statutes 2010, section 490.123, subdivision 1a, is amended to read:

Subd. 1a. **Member contribution rates.** (a) A judge who is covered by the federal Old Age, Survivors, Disability, and Health Insurance Program and whose service does not

17.1 exceed the service credit limit in section 490.121, subdivision 22, shall contribute to the
17.2 fund from each salary payment a sum equal to 8.00 percent of salary.

17.3 (b) The contribution under this subdivision is payable by salary deduction.
17.4 The deduction must be made by the state court administrator under section 352.04,
17.5 subdivisions 4, 5, and 8.

17.6 (c) Any change in the contribution rate is subject to section 356.2175.

17.7 Sec. 32. Minnesota Statutes 2010, section 490.123, subdivision 1b, is amended to read:

17.8 Subd. 1b. **Employer contribution rate.** (a) The employer contribution rate to the
17.9 fund on behalf of a judge is 20.5 percent of salary. The employer obligation continues
17.10 after a judge exceeds the service credit limit in section 490.121, subdivision 22.

17.11 (b) The employer contribution must be paid by the state court administrator. The
17.12 employer contribution is payable at the same time as member contributions are made
17.13 under subdivision 1a or as employee contributions are made to the unclassified program
17.14 governed by chapter 352D for judges whose service exceeds the limit in section 490.121,
17.15 subdivision 22, are remitted.

17.16 (c) Any change in the contribution rate is subject to section 356.2175.

17.17 Sec. 33. **EFFECTIVE DATE.**

17.18 Sections 1 to 32 are effective July 1, 2012.