

SENATE  
STATE OF MINNESOTA  
EIGHTY-NINTH SESSION

S.F. No. 2232

(SENATE AUTHORS: DAHLE)

<b>DATE</b>	<b>D-PG</b>	<b>OFFICIAL STATUS</b>
03/08/2016	4887	Introduction and first reading Referred to State and Local Government

A bill for an act

relating to retirement; Teachers Retirement Association; extending Rule of 90 benefits to post-June 30, 1989, hires; revising employee and employer contribution rates; amending Minnesota Statutes 2014, sections 354.05, subdivision 38; 354.42, subdivisions 2, 3; 354.44, subdivision 6.

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

Section 1. Minnesota Statutes 2014, section 354.05, subdivision 38, is amended to read:

Subd. 38. **Normal retirement age.** "Normal retirement age" means age 65 for a person who first became is a member of the association ~~or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a member of the 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.~~

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 2. Minnesota Statutes 2014, section 354.42, subdivision 2, is amended to read:

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

Period	Basic Program	Coordinated Program
from July 1, 2013, until June 30, 2014	10.5 percent	7 percent
<del>after June 30, from July 1, 2014, until</del> <u>June 30, 2017</u>	11 percent	7.5 percent
<u>from July 1, 2017, and thereafter</u>	<u>11 percent</u>	<u>... percent</u>

2.1 (b) When an employee contribution rate changes for a fiscal year, the new  
 2.2 contribution rate is effective for the entire salary paid for each employer unit with the  
 2.3 first payroll cycle reported.

2.4 (c) After June 30, 2015, if a contribution rate revision is required under subdivisions  
 2.5 4a, 4b, and 4c, the employee contributions under paragraphs (a) and (b) must be adjusted  
 2.6 accordingly.

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

2.10 Sec. 3. Minnesota Statutes 2014, section 354.42, subdivision 3, is amended to read:

2.11 Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special  
 2.12 School District No. 1, Minneapolis, is an amount equal to the applicable following  
 2.13 percentage of salary of each coordinated member and the applicable percentage of salary  
 2.14 of each basic member specified in paragraph (c).

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

2.18 (b) The regular employer contribution to the fund by Independent School District  
 2.19 No. 709, Duluth, is an amount equal to the applicable percentage of salary of each old law  
 2.20 or new law coordinated member specified for the coordinated program in paragraph (c).

2.21 (c) The employer contribution to the fund for every other employer is an amount  
 2.22 equal to the applicable following percentage of the salary of each coordinated member and  
 2.23 the applicable following percentage of the salary of each basic member:

2.24	Period	Coordinated Member	Basic Member
2.25	from July 1, 2013, until June 30, 2014	7 percent	11 percent
2.26	<del>after June 30, from July 1, 2014, until</del>		
2.27	<u>June 30, 2017</u>	7.5 percent	11.5 percent
2.28	<u>from July 1, 2017, and thereafter</u>	<u>... percent</u>	<u>11.5 percent</u>

2.29 (d) When an employer contribution rate changes for a fiscal year, the new  
 2.30 contribution rate is effective for the entire salary paid for each employer unit with the  
 2.31 first payroll cycle reported.

2.32 (e) After June 30, 2015, if a contribution rate revision is made under subdivisions  
 2.33 4a, 4b, and 4c, the employer contributions under paragraphs (a), (b), and (c) must be  
 2.34 adjusted accordingly.

2.35 **EFFECTIVE DATE.** This section is effective July 1, 2016.

3.1 Sec. 4. Minnesota Statutes 2014, section 354.44, subdivision 6, is amended to read:

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

3.6 (b) This paragraph, in conjunction with paragraph (c), applies to a ~~person who first~~  
3.7 ~~became a member of the association or a member of a pension fund listed in section~~  
3.8 ~~356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with~~  
3.9 paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The  
3.10 average salary as defined in section 354.05, subdivision 13a, multiplied by the following  
3.11 percentages per year of formula service credit shall determine the amount of the annuity to  
3.12 which the member qualifying therefor is entitled for service rendered before July 1, 2006:

3.13	Period	Coordinated Member	Basic Member
3.14	Each year of service	1.2 percent per year	2.2 percent per year
3.15	during first ten		
3.16	Each year of service	1.7 percent per year	2.7 percent per year
3.17	thereafter		

3.18 For service rendered on or after July 1, 2006, by a member other than a member  
3.19 who was a member of the former Duluth Teachers Retirement Fund Association between  
3.20 January 1, 2006, and June 30, 2015, and for service rendered on or after July 1, 2013, by a  
3.21 member who was a member of the former Duluth Teachers Retirement Fund Association  
3.22 between January 1, 2013, and June 30, 2015, the average salary as defined in section  
3.23 354.05, subdivision 13a, multiplied by the following percentages per year of service credit,  
3.24 determines the amount the annuity to which the member qualifying therefor is entitled:

3.25	Period	Coordinated Member	Basic Member
3.26	Each year of service	1.4 percent per year	2.2 percent per year
3.27	during first ten		
3.28	Each year of service after	1.9 percent per year	2.7 percent per year
3.29	ten years of service		

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

3.35 (ii) Where any member retires prior to normal retirement age under a formula  
3.36 annuity, the member shall be paid a retirement annuity in an amount equal to the normal  
3.37 annuity provided in paragraph (b) reduced by one-quarter of one percent for each month  
3.38 that the member is under normal retirement age at the time of retirement except that for

4.1 any member who has 30 or more years of allowable service credit, the reduction shall be  
4.2 applied only for each month that the member is under age 62.

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

4.6 (d) This paragraph applies to a member who has become at least 55 years old and  
4.7 ~~first became a member of the association after June 30, 1989, and to any other member~~  
4.8 ~~who has become at least 55 years old and~~ whose annuity amount when calculated under  
4.9 this paragraph and in conjunction with paragraph (e), is higher than it is when calculated  
4.10 under paragraph (b), in conjunction with paragraph (c). For a basic member, the average  
4.11 salary, as defined in section 354.05, subdivision 13a, multiplied by 2.7 percent for each  
4.12 year of service for a basic member determines the amount of the retirement annuity to  
4.13 which the basic member is entitled. The annuity of a basic member who was a member of  
4.14 the former Minneapolis Teachers Retirement Fund Association as of June 30, 2006, must  
4.15 be determined according to the annuity formula under the articles of incorporation of the  
4.16 former Minneapolis Teachers Retirement Fund Association in effect as of that date. For a  
4.17 coordinated member, the average salary, as defined in section 354.05, subdivision 13a,  
4.18 multiplied by 1.7 percent for each year of service rendered before July 1, 2006, and by 1.9  
4.19 percent for each year of service rendered on or after July 1, 2006, for a member other than  
4.20 a member who was a member of the former Duluth Teachers Retirement Fund Association  
4.21 between January 1, 2006, and June 30, 2015, and by 1.9 percent for each year of service  
4.22 rendered on or after July 1, 2013, for a member of the former Duluth Teachers Retirement  
4.23 Fund Association between January 1, 2013, and June 30, 2015, determines the amount of  
4.24 the retirement annuity to which the coordinated member is entitled.

4.25 (e) This paragraph applies to a ~~person who has become at least 55 years old and first~~  
4.26 ~~becomes a member of the association after June 30, 1989, and to any other member who~~  
4.27 has become at least 55 years old and whose annuity is higher when calculated under  
4.28 paragraph (d) in conjunction with this paragraph than when calculated under paragraph  
4.29 (b), in conjunction with paragraph (c). An employee who retires under the formula annuity  
4.30 before the normal retirement age shall be paid the normal annuity provided in paragraph  
4.31 (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that  
4.32 would be payable to the employee if the employee deferred receipt of the annuity and the  
4.33 annuity amount were augmented at an annual rate of three percent compounded annually  
4.34 from the day the annuity begins to accrue until the normal retirement age if the employee  
4.35 became an employee before July 1, 2006, and at 2.5 percent compounded annually if the

5.1 employee becomes an employee after June 30, 2006. Except in regards to section 354.46,  
5.2 this paragraph remains in effect until June 30, 2015.

5.3 (f) After June 30, 2020, this paragraph applies to a ~~person who has become at least~~  
5.4 ~~55 years old and first becomes a member of the association after June 30, 1989, and to any~~  
5.5 ~~other~~ member who has become at least 55 years old and whose annuity is higher when  
5.6 calculated under paragraph (d) in conjunction with this paragraph than when calculated  
5.7 under paragraph (b) in conjunction with paragraph (c). An employee who retires under  
5.8 the formula annuity before the normal retirement age is entitled to receive the normal  
5.9 annuity provided in paragraph (d). For a person who is at least age 62 or older and has at  
5.10 least 30 years of service, the annuity must be reduced by an early reduction factor of six  
5.11 percent per year of the annuity that would be payable to the employee if the employee  
5.12 deferred receipt of the annuity and the annuity amount were augmented at an annual rate  
5.13 of three percent compounded annually from the day the annuity begins to accrue until the  
5.14 normal retirement age if the employee became an employee before July 1, 2006, and at 2.5  
5.15 percent compounded annually if the employee became an employee after June 30, 2006.  
5.16 For a person who is not at least age 62 or older and does not have at least 30 years of  
5.17 service, the annuity would be reduced by an early reduction factor of four percent per year  
5.18 for ages 55 through 59 and seven percent per year of the annuity that would be payable  
5.19 to the employee if the employee deferred receipt of the annuity and the annuity amount  
5.20 were augmented at an annual rate of three percent compounded annually from the day  
5.21 the annuity begins to accrue until the normal retirement age if the employee became an  
5.22 employee before July 1, 2006, and at 2.5 percent compounded annually if the employee  
5.23 became an employee after June 30, 2006.

5.24 (g) After June 30, 2015, and before July 1, 2020, for a person who would have  
5.25 a reduced retirement annuity under either paragraph (e) or (f) if they were applicable,  
5.26 the employee is entitled to receive a reduced annuity which must be calculated using  
5.27 a blended reduction factor augmented monthly by 1/60 of the difference between the  
5.28 reduction required under paragraph (e) and the reduction required under paragraph (f).

5.29 (h) No retirement annuity is payable to a former employee with a salary that exceeds  
5.30 95 percent of the governor's salary unless and until the salary figures used in computing  
5.31 the highest five successive years average salary under paragraph (a) have been audited by  
5.32 the Teachers Retirement Association and determined by the executive director to comply  
5.33 with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

5.34 **EFFECTIVE DATE.** This section is effective July 1, 2016.