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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 3752

02/24/2020 Authored by Her and Lee
The bill was read for the first time and referred to the Committee on Government Operations

1.1 A bill for an act
1.2 relating to retirement; Teachers Retirement Association; clarifying interest and
1.3 service credit provisions; correcting a statutory reference and early retirement
1.4 provisions for plan operation compliance; deleting obsolete provisions; making
1.5 other changes of an administrative nature; amending Minnesota Statutes 2018,
1.6 sections 354.05, subdivisions 2, 41; 354.44, subdivisions 4, 6; 354.46, subdivision
1.7 2; 354.49, subdivision 2; 354.543, subdivision 3; repealing Minnesota Statutes
1.8 2018, section 354.55, subdivision 10.

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

1.10 Section 1. Minnesota Statutes 2018, section 354.05, subdivision 2, is amended to read:

1.11 Subd. 2. Teacher. (a) "Teacher" means:

1.12 (1) a person who renders service as a teacher, supervisor, principal, superintendent,
1.13 librarian, nurse, counselor, social worker, therapist, or psychologist in:

1.14 (i) a public school of the state other than in Independent School District No. 625;

1.15 (ii) a charter school; or

1.16 ~~(iii) a charitable, penal, or correctional institution of a governmental subdivision; or~~

1.17 ~~(iv)~~ (iii) the Perpich Center for Arts Education, except that any employee of the Perpich
1.18 Center for Arts Education who was covered by the Minnesota State Retirement System
1.19 general state employees retirement plan as of July 1, 2018, shall continue to be covered by
1.20 that plan and not by the Teachers Retirement Association;

1.21 (2) a person who is engaged in educational administration in connection with the state
1.22 public school system, whether the position be a public office or as employment;

2.1 (3) a person who renders service as a charter school director or chief administrative
2.2 officer; provided, however, that if the charter school director or chief administrative officer
2.3 is covered by the Public Employees Retirement Association general employees retirement
2.4 plan on July 1, 2018, the charter school director or chief administrative officer shall continue
2.5 to be covered by that plan and not by the Teachers Retirement Association;

2.6 (4) an employee of the Teachers Retirement Association;

2.7 (5) a person who renders teaching service on a part-time basis and who also renders
2.8 other services for a single employing unit where the teaching service comprises at least 50
2.9 percent of the combined employment salary is a member of the association for all services
2.10 with the single employing unit or, if less than 50 percent of the combined employment
2.11 salary, the executive director determines all of the combined service is covered by the
2.12 association; or

2.13 (6) a person who is not covered by the plans established under chapter 352D, 354A, or
2.14 354B and who is employed by the Board of Trustees of the Minnesota State Colleges and
2.15 Universities system in an unclassified position as:

2.16 (i) a president, vice-president, or dean;

2.17 (ii) a manager or a professional in an academic or an academic support program other
2.18 than specified in item (i);

2.19 (iii) an administrative or a service support faculty position; or

2.20 (iv) a teacher or a research assistant.

2.21 (b) "Teacher" does not mean:

2.22 (1) a person who works for a school or institution as an independent contractor as defined
2.23 by the Internal Revenue Service;

2.24 (2) annuitants of the teachers retirement plan who are employed after retirement by an
2.25 employing unit that participates in the teachers retirement plan during the course of that
2.26 reemployment;

2.27 (3) a person who is employed by the University of Minnesota;

2.28 (4) a member or an officer of any general governing or managing board or body of an
2.29 employing unit that participates in the teachers retirement plan; or

2.30 (5) a person employed by Independent School District No. 625 as a teacher as defined
2.31 in section 354A.011, subdivision 27.

3.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.2 Sec. 2. Minnesota Statutes 2018, section 354.05, subdivision 41, is amended to read:

3.3 Subd. 41. **Annual base salary.** (a) "Annual base salary" means:

3.4 (1) for an independent school district or educational cooperative, the lowest full-time
3.5 Bachelor of Arts (BA) base contract salary for the previous fiscal year for that employing
3.6 unit;

3.7 (2) for a charter school, the lowest starting annual salary for a full-time ~~licensed~~ teacher
3.8 employed during the previous fiscal year for that employing unit; and

3.9 (3) for a state agency or professional organization, the lowest starting annual salary for
3.10 a full-time Teachers Retirement Association covered position for the previous fiscal year
3.11 for that employing unit.

3.12 (b) If there is no previous fiscal year data because an employer unit is new and paragraph
3.13 (c) does not apply, the annual base salary for the first year of operation will be as provided
3.14 in paragraph (a), except that the base contract salary for the current fiscal year, rather than
3.15 the previous fiscal year, must be used.

3.16 (c) For a new employer unit created as a result of a merger or consolidation, the annual
3.17 base salary must be the lowest annual base salary as specified in paragraph (a) for any of
3.18 the employer units involved in the merger or consolidation.

3.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.20 Sec. 3. Minnesota Statutes 2018, section 354.44, subdivision 4, is amended to read:

3.21 Subd. 4. **Retirement annuity accrual date.** (a) ~~An annuity payment begins to accrue,~~
3.22 ~~provided that~~ If the applicable age and service requirements under subdivision 1 this section
3.23 ~~are satisfied, after the termination of teaching service, or after the application for retirement~~
3.24 ~~has been filed with the executive director,~~ an annuity payment begins to accrue as follows:

3.25 (1) on the day after the termination of teaching service;

3.26 (2) on the day of receipt of application if the application is filed with the executive
3.27 director after the six-month period that occurs immediately following the termination of
3.28 teaching service; or

3.29 (3) on July 1 for all school principals and other administrators who receive a full annual
3.30 contract salary during the fiscal year for performance of a full year's contract duties; ~~or.~~

4.1 ~~(4) if an application for retirement is filed with the executive director during the six-month~~
 4.2 ~~period that occurs immediately following the termination of teaching service, the annuity~~
 4.3 ~~may begin to accrue as if the application for retirement had been filed with the board on the~~
 4.4 ~~date teaching service terminated.~~

4.5 (b) A member, or a person authorized to act on behalf of the member, may specify a
 4.6 different date of retirement from that determined in paragraph (a), as follows:

4.7 (1) if the application is filed on or before the date of termination of teaching service, the
 4.8 accrual date ~~may be a date no~~ must not be earlier than the day after the termination of
 4.9 teaching service and no later than six months after the termination date; or

4.10 (2) if the application is filed during the six-month period that occurs immediately
 4.11 following the termination of teaching service, the ~~accrual date~~ annuity may begin to accrue
 4.12 retroactively, but no earlier than the day after termination of teaching service ~~terminated~~
 4.13 and no later than six months after the termination date.

4.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.15 Sec. 4. Minnesota Statutes 2018, section 354.44, subdivision 6, is amended to read:

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

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

4.27	Period	Coordinated Member	Basic Member
4.28 4.29	Each year of service during first ten	1.2 percent per year	2.2 percent per year
4.30 4.31	Each year of service thereafter	1.7 percent per year	2.7 percent per year

4.32 For service rendered on or after July 1, 2006, by a member other than a member who
 4.33 was a member of the former Duluth Teachers Retirement Fund Association between January

5.1 1, 2006, and June 30, 2015, and for service rendered on or after July 1, 2013, by a member
 5.2 who was a member of the former Duluth Teachers Retirement Fund Association between
 5.3 January 1, 2013, and June 30, 2015, the average salary as defined in section 354.05,
 5.4 subdivision 13a, multiplied by the following percentages per year of service credit, determines
 5.5 the amount the annuity to which the member qualifying therefor is entitled:

5.6	Period	Coordinated Member	Basic Member
5.7	Each year of service	1.4 percent per year	2.2 percent per year
5.8	during first ten		
5.9	Each year of service after	1.9 percent per year	2.7 percent per year
5.10	ten years of service		

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

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

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

5.25 (d) This paragraph applies to a member who has become at least 55 years old and first
 5.26 became a member of the association after June 30, 1989, and to any other member who has
 5.27 become at least 55 years old and whose annuity amount when calculated under this paragraph
 5.28 and in conjunction with paragraph (e), is higher than it is when calculated under paragraph
 5.29 (b), in conjunction with paragraph (c).

5.30 (1) For a basic member, the average salary, as defined in section 354.05, subdivision
 5.31 13a, multiplied by 2.7 percent for each year of service for a basic member determines the
 5.32 amount of the retirement annuity to which the basic member is entitled. The annuity of a
 5.33 basic member who was a member of the former Minneapolis Teachers Retirement Fund
 5.34 Association as of June 30, 2006, must be determined according to the annuity formula under

6.1 the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association
6.2 in effect as of that date.

6.3 (2) For a coordinated member, the average salary, as defined in section 354.05,
6.4 subdivision 13a, multiplied by 1.7 percent for each year of service rendered before July 1,
6.5 2006, and by 1.9 percent for each year of service rendered on or after July 1, 2006, for a
6.6 member other than a member who was a member of the former Duluth Teachers Retirement
6.7 Fund Association between January 1, 2006, and June 30, 2015, and by 1.9 percent for each
6.8 year of service rendered on or after July 1, 2013, for a member of the former Duluth Teachers
6.9 Retirement Fund Association between January 1, 2013, and June 30, 2015, determines the
6.10 amount of the retirement annuity to which the coordinated member is entitled.

6.11 ~~(e) This paragraph applies to a member who has become at least 55 years old and first~~
6.12 ~~becomes a member of the association after June 30, 1989, and to any other member who~~
6.13 ~~has become at least 55 years old and whose annuity is higher when calculated under~~
6.14 ~~paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b),~~
6.15 ~~in conjunction with paragraph (c). An employee who retires under the formula annuity~~
6.16 ~~before the normal retirement age shall be paid the normal annuity provided in paragraph~~
6.17 ~~(d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would~~
6.18 ~~be payable to the employee if the employee deferred receipt of the annuity and the annuity~~
6.19 ~~amount were augmented at an annual rate of three percent compounded annually from the~~
6.20 ~~day the annuity begins to accrue until the normal retirement age if the employee became~~
6.21 ~~an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee~~
6.22 ~~becomes an employee after June 30, 2006. Except in regards to section 354.46, this paragraph~~
6.23 ~~remains in effect until June 30, 2015.~~

6.24 ~~(f) Until June 30, 2019, this paragraph applies to a member who has become at least 55~~
6.25 ~~years old and first becomes a member of the association after June 30, 1989, and to any~~
6.26 ~~other member who has become at least 55 years old and whose annuity is higher when~~
6.27 ~~calculated under paragraph (d) in conjunction with this paragraph than when calculated~~
6.28 ~~under paragraph (b) in conjunction with paragraph (c). An employee who retires under the~~
6.29 ~~formula annuity before the normal retirement age is entitled to receive the normal annuity~~
6.30 ~~provided in paragraph (d), reduced as described in clause (1) or (2), as applicable.~~

6.31 (1) For a member who is at least age 62 and has at least 30 years of service, the annuity
6.32 shall be reduced by an early reduction factor of six percent for each year that the member's
6.33 age of retirement precedes normal retirement age. The resulting reduced annuity shall be
6.34 further adjusted to take into account the increase in the monthly amount that would have
6.35 occurred had the member retired early and deferred receipt of the annuity until normal

7.1 ~~retirement age and the annuity was augmented during the deferral period at 2.5 percent, if~~
7.2 ~~the member commenced employment after June 30, 2006, or at three percent, if the member~~
7.3 ~~commenced employment before July 1, 2006, compounded annually.~~

7.4 ~~(2) For a member who has not attained age 62 or has fewer than 30 years of service, the~~
7.5 ~~annuity shall be reduced for each year that the member's age of retirement precedes the~~
7.6 ~~normal retirement age by the following early reduction factors:~~

7.7 ~~(i) for the period during which the member is age 55 through age 59, the factor is four~~
7.8 ~~percent; and~~

7.9 ~~(ii) for the period during which the member is age 60 but not yet normal retirement age,~~
7.10 ~~the factor is seven percent.~~

7.11 ~~The resulting reduced annuity shall be further adjusted to take into account the increase~~
7.12 ~~in the monthly amount that would have occurred had the member retired early and deferred~~
7.13 ~~receipt of the annuity until normal retirement age and the annuity was augmented during~~
7.14 ~~the deferral period at 2.5 percent, if the member commenced employment after June 30,~~
7.15 ~~2006, or at three percent, if the member commenced employment before July 1, 2006,~~
7.16 ~~compounded annually.~~

7.17 ~~(g) For members who retire on or after July 1, 2019;~~ (e) This paragraph applies to a
7.18 person who has become at least 55 years old and first becomes a member of the association
7.19 after June 30, 1989, and to any other member who has become at least 55 years old and
7.20 whose annuity is higher when calculated under paragraph (d) in conjunction with this
7.21 paragraph than when calculated under paragraph (b) in conjunction with paragraph (c). An
7.22 employee who retires under the formula annuity before the normal retirement age is entitled
7.23 to receive the normal annuity provided in paragraph (d), reduced as described in clause (1)
7.24 or (2), as applicable.

7.25 (1) For a member who is at least age 62 and has at least 30 years of service, the annuity
7.26 shall be reduced by an early reduction factor of six percent for each year that the member's
7.27 age of retirement precedes the normal retirement age. The resulting reduced annuity shall
7.28 be further adjusted to take into account the increase in the monthly amount that would have
7.29 occurred had the member retired early and deferred receipt of the annuity until normal
7.30 retirement age and the annuity was augmented during the deferral period at 2.5 percent, if
7.31 the member commenced employment after June 30, 2006, or at three percent, if the member
7.32 commenced employment before July 1, 2006, compounded annually.

8.1 (2) For a member who has not attained age 62 or has fewer than 30 years of service, the
 8.2 annuity shall be reduced for each year that the member's age of retirement precedes normal
 8.3 retirement age by the following early reduction factors:

8.4 (i) for the period during which the member is age 55 through age ~~59~~ 58, the factor is
 8.5 four percent; and

8.6 (ii) for the period during which the member is at least age 60 ~~60~~ 59 but not yet normal
 8.7 retirement age, the factor is seven percent.

8.8 The resulting annuity shall be further adjusted to take into account the increase in the
 8.9 monthly amount that would have occurred had the member retired early and deferred receipt
 8.10 of the annuity until normal retirement age and the annuity was augmented during the deferral
 8.11 period at the applicable annual rate, compounded annually. The applicable annual rate is
 8.12 the rate in effect for the month that includes the member's effective date of retirement and
 8.13 shall be considered as fixed for the member for the period until the member reaches normal
 8.14 retirement age. The applicable annual rate for June 2019 is 2.5 percent, if the member
 8.15 commenced employment after June 30, 2006, or three percent, if the member commenced
 8.16 employment before July 1, 2006, compounded annually, and decreases each month beginning
 8.17 July 2019 in equal monthly increments over the five-year period that begins July 1, 2019,
 8.18 and ends June 30, 2024, to zero percent effective for July 2024 and thereafter.

8.19 After June 30, 2024, the reduced annuity commencing before normal retirement age
 8.20 under this clause shall not take into account any augmentation.

8.21 ~~(h) After June 30, 2015, and before July 1, 2019, for a person who would have a reduced~~
 8.22 ~~retirement annuity under either paragraph (e) or (f) if they were applicable, the employee~~
 8.23 ~~is entitled to receive a reduced annuity which must be calculated using a blended reduction~~
 8.24 ~~factor augmented monthly by 1/60 of the difference between the reduction required under~~
 8.25 ~~paragraph (e) and the reduction required under paragraph (f).~~

8.26 ~~(i)~~ (f) No retirement annuity is payable to a former employee with a salary that exceeds
 8.27 95 percent of the governor's salary unless and until the salary figures used in computing the
 8.28 highest five successive years average salary under paragraph (a) have been audited by the
 8.29 Teachers Retirement Association and determined by the executive director to comply with
 8.30 the requirements and limitations of section 354.05, subdivisions 35 and 35a.

8.31 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
 8.32 the amendment to paragraph (g), clause (2), is effective retroactively from June 30, 2018.

9.1 Sec. 5. Minnesota Statutes 2018, section 354.46, subdivision 2, is amended to read:

9.2 Subd. 2. **Surviving spouse survivor coverage.** (a) If the active or deferred member was
9.3 at least age 55 and had credit for at least three years of allowable service on the date of
9.4 death, the surviving spouse is entitled to the second portion of a 100 percent joint and
9.5 survivor annuity specified under section 354.45, based on the age of the active or deferred
9.6 member at the time of death and the age of the surviving spouse at the time the benefit
9.7 accrues.

9.8 (b) If the active or deferred member was under age 55 and had credit for at least 30 years
9.9 of allowable service on the date of death, the surviving spouse may elect to receive the
9.10 second portion of a 100 percent joint and survivor annuity based on the age of the active or
9.11 deferred member on the date of death and the age of the surviving spouse at the time the
9.12 benefit accrues. If section 354.44, subdivision 6, applies, the annuity is payable using the
9.13 full early retirement reduction under section 354.44, subdivision 6, paragraph (c), clause
9.14 ~~(3)(ii)~~ (2), to age 55 and one-half of the early retirement reduction from age 55 to the age
9.15 payment begins.

9.16 (c) If the active or deferred member was under age 55 and had credit for at least three
9.17 years of allowable service on the date of death, but did not yet qualify for retirement, the
9.18 surviving spouse may elect to receive the second portion of a 100 percent joint and survivor
9.19 annuity based on the age of the active or deferred member at the time of death and the age
9.20 of the surviving spouse at the time the benefit accrues. If section 354.44, subdivision 6,
9.21 applies, the annuity is calculated using the full early retirement reduction under section
9.22 354.44, subdivision 6, to age 55 and one-half of the early retirement reduction from age 55
9.23 to the age the annuity begins.

9.24 (d) The surviving spouse eligible for surviving spouse benefits under this subdivision
9.25 may apply for the annuity any time after the member's death. The benefit may not begin to
9.26 accrue more than six months before the date the application is filed with the executive
9.27 director and may not accrue before the member's death. The benefit is payable for life. Any
9.28 benefit under this subdivision is in lieu of benefits under subdivision 1, if applicable, and
9.29 in lieu of a refund of accumulated member contributions under section 354.47, subdivision
9.30 1.

9.31 (e) For purposes of this subdivision, a designated beneficiary must be a former spouse
9.32 or a biological or adopted child of the member.

9.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

10.1 Sec. 6. Minnesota Statutes 2018, section 354.49, subdivision 2, is amended to read:

10.2 Subd. 2. **Calculation.** (a) Except as provided in section 354.44, subdivision 1, any person
10.3 who ceases to be a member by reason of termination of teaching service, is entitled to receive
10.4 a refund in an amount equal to the accumulated deductions credited to the account plus
10.5 interest compounded annually using the following interest rates:

10.6 (1) before July 1, 1957, no interest accrues;

10.7 (2) July 1, 1957, to June 30, 2011, six percent;

10.8 (3) July 1, 2011, to June 30, 2018, four percent; and

10.9 (4) after June 30, 2018, three percent.

10.10 For the purpose of this subdivision, interest must be computed on fiscal year end balances
10.11 ~~to~~ through the first last day of the month prior to the month in which the refund is issued.

10.12 (b) If the person has received permanent disability payments under section 354.48, the
10.13 refund amount must be reduced by the amount of those payments.

10.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

10.15 Sec. 7. Minnesota Statutes 2018, section 354.543, subdivision 3, is amended to read:

10.16 Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase
10.17 period must be granted by the Teachers Retirement Association to the purchasing teacher
10.18 upon receipt of the purchase payment amount. Payment must be made before the teacher's
10.19 termination of teaching service. Purchasing allowable and formula service credit under this
10.20 section does not change the date the teacher first became a member of the association for
10.21 the purpose of computing an annuity under section 354.44, subdivision 6.

10.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

10.23 Sec. 8. **RETROACTIVE CLARIFICATION RELATING TO THE EARLY**
10.24 **RETIREMENT REDUCTION.**

10.25 Notwithstanding Minnesota Statutes, section 354.44, subdivision 6, paragraph (f), the
10.26 references in Minnesota Statutes, section 354.44, subdivision 6, paragraph (f), to "age 59"
10.27 shall be read as "age 58" and to "age 60" shall be read as "at least age 59."

10.28 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2013, to the
10.29 day of enactment.

11.1 Sec. 9. **REPEALER.**

11.2 Minnesota Statutes 2018, section 354.55, subdivision 10, is repealed.

11.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

354.55 OPTIONS TO CERTAIN MEMBERS.

Subd. 10. **Reduced benefits.** Any benefit to which any person may be entitled under this chapter may be reduced in amount upon application of the person entitled thereto to the executive director if the person relinquishes in writing all claim to that part of the full benefit which is the difference between the benefit which the person would be otherwise entitled to receive and the benefit which the person will receive after the benefit reduction. The reduced benefit is payment in full of all amounts due under this chapter for the month for which the payment is made and acceptance of the reduced benefit releases the retirement association from all obligation to pay to the person the difference between the amount of the reduced benefit and the full amount of the benefit which the person would otherwise have received. Any benefit reduced under the provisions of this subdivision may not again be restored.