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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 721

02/01/2017 Authored by Murphy, M.; Clark and Slocum
The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act
1.2 relating to retirement; Teachers Retirement Association; administrative provisions;
1.3 revising the definition of teacher; extending the retirement application deadline;
1.4 creating a procedure for payment upon the death of member's former spouse;
1.5 revising reporting requirements; modifying augmentation provisions for periods
1.6 of uninterrupted service; clarifying part-time teacher provisions; making other
1.7 changes of an administrative nature; amending Minnesota Statutes 2016, sections
1.8 354.05, subdivision 2; 354.44, subdivision 3; 354.45, by adding a subdivision;
1.9 354.512; 354.52, subdivision 4d; 354.55, subdivision 11; 354.66, subdivision 2;
1.10 354.72, subdivision 1.

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

1.12 Section 1. Minnesota Statutes 2016, section 354.05, subdivision 2, is amended to read:

1.13 Subd. 2. **Teacher.** (a) "Teacher" means:

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

1.16 (i) a public school of the state other than in Independent School District No. 625 ~~or in~~
1.17 ~~Independent School District No. 709, or in any;~~

1.18 (ii) a charter school, ~~irrespective of the location of the school, or in any;~~

1.19 (iii) a charitable, penal, or correctional ~~institutions~~ institution of a governmental
1.20 subdivision; or

1.21 (iv) the Perpich Center for Arts Education, except that any employee of the Perpich
1.22 Center for Arts Education who was covered by the Minnesota State Retirement System
1.23 general state employees retirement plan as of July 1, 2016, shall continue to be covered by
1.24 that plan and not by the Teachers Retirement Association;

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

2.3 (3) a person who renders service as a charter school director or chief administrative
2.4 officer; provided, however, that if the charter school director or chief administrative officer
2.5 is covered by the Public Employees Retirement Association general employees retirement
2.6 plan on July 1, 2017, the charter school director or chief administrative officer shall continue
2.7 to be covered by that plan and not by the Teachers Retirement Association;

2.8 ~~(2)~~ (4) an employee of the Teachers Retirement Association;

2.9 ~~(3)~~ (5) a person who renders teaching service on a part-time basis and who also renders
2.10 other services for a single employing unit where the teaching service comprises at least 50
2.11 percent of the combined employment salary is a member of the association for all services
2.12 with the single employing unit or, if less than 50 percent of the combined employment
2.13 salary, the executive director determines all of the combined service is covered by the
2.14 association; or

2.15 ~~(4)~~ (6) a person who is not covered by the plans established under chapter 352D, 354A,
2.16 or 354B and who is employed by the Board of Trustees of the Minnesota State Colleges
2.17 and Universities system in an unclassified position as:

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

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

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

2.22 (iv) a teacher or a research assistant.

2.23 (b) "Teacher" does not mean:

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

2.26 ~~(2) a person who renders part-time teaching service or who is a customized trainer as~~
2.27 ~~defined by the Minnesota State Colleges and Universities system if (i) the service is incidental~~
2.28 ~~to the regular nonteaching occupation of the person; and (ii) the employer stipulates annually~~
2.29 ~~in advance that the part-time teaching service or customized training service will not exceed~~
2.30 ~~300 hours in a fiscal year and retains the stipulation in its records; and (iii) the part-time~~
2.31 ~~teaching service or customized training service actually does not exceed 300 hours in a~~
2.32 ~~fiscal year;~~

3.1 ~~(3) a person exempt from licensure under section 122A.30;~~

3.2 ~~(4) (2)~~ annuitants of the teachers retirement plan who are employed after retirement by
3.3 an employing unit that participates in the teachers retirement plan during the course of that
3.4 reemployment;

3.5 ~~(5) (3)~~ a person who is employed by the University of Minnesota;

3.6 ~~(6) (4)~~ a member or an officer of any general governing or managing board or body of
3.7 an employing unit that participates in the teachers retirement plan; or

3.8 ~~(7) (5)~~ a person employed by Independent School District No. 625 ~~or Independent School~~
3.9 ~~District No. 709~~ as a teacher as defined in section 354A.011, subdivision 27.

3.10 **EFFECTIVE DATE.** This section is effective July 1, 2017.

3.11 Sec. 2. Minnesota Statutes 2016, section 354.44, subdivision 3, is amended to read:

3.12 Subd. 3. **Application for retirement.** A member or a person authorized to act on behalf
3.13 of the member may make application for retirement provided the age and service
3.14 requirements under subdivision 1 are satisfied on or before the member's retirement annuity
3.15 accrual date under subdivision 4. The application may be made no earlier than ~~420~~ 180 days
3.16 before the termination of teaching service. The application must be made on a form prescribed
3.17 by the executive director and is not complete until all necessary supporting documents are
3.18 received by the executive director.

3.19 **EFFECTIVE DATE.** This section is effective July 1, 2018.

3.20 Sec. 3. Minnesota Statutes 2016, section 354.45, is amended by adding a subdivision to
3.21 read:

3.22 **Subd. 3. Payment upon death of former spouse.** Upon the death of the former spouse
3.23 to whom payments are to be made before the end of the specified payment period, payments
3.24 shall be made according to the terms of a beneficiary form completed by the former spouse
3.25 or, if no beneficiary form, to the estate of the former spouse or as otherwise ordered by a
3.26 court of competent jurisdiction.

3.27 **EFFECTIVE DATE.** This section is effective July 1, 2017.

3.28 Sec. 4. Minnesota Statutes 2016, section 354.512, is amended to read:

3.29 **354.512 RECOVERY OF DEFICIENCIES.**

4.1 In addition to any other remedies permitted under law, if an employing unit or other
 4.2 entity required by law to make any form of payment to the Teachers Retirement Association
 4.3 fails to make full payment ~~within 60 days of notification~~, the executive director is authorized
 4.4 to certify the amount of deficiency to the commissioner of management and budget, who
 4.5 shall deduct the amount from any state aid or appropriation applicable to the employing
 4.6 unit or entity, and transmit the withheld aid or appropriation to the executive director for
 4.7 deposit in the fund.

4.8 **EFFECTIVE DATE.** This section is effective July 1, 2017.

4.9 Sec. 5. Minnesota Statutes 2016, section 354.52, subdivision 4d, is amended to read:

4.10 Subd. 4d. **Annual base salary reporting.** An employing unit must provide ~~the following~~
 4.11 annual base salary data, as defined in section 354.05, subdivision 41, to the association on
 4.12 or before June 30 of each fiscal year: ~~(1) annual base salary, as defined in section 354.05,~~
 4.13 ~~subdivision 41; and,~~

4.14 ~~(2) beginning and ending dates for the regular school work year.~~

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

4.16 Sec. 6. Minnesota Statutes 2016, section 354.55, subdivision 11, is amended to read:

4.17 Subd. 11. **Deferred annuity; augmentation.** (a) Any person covered under section
 4.18 354.44, subdivision 6, who ceases to render teaching service, may leave the person's
 4.19 accumulated deductions in the fund for the purpose of receiving a deferred annuity at
 4.20 retirement.

4.21 (b) The amount of the deferred retirement annuity is determined by section 354.44,
 4.22 subdivision 6, and augmented as provided in this subdivision. The required reserves for the
 4.23 annuity which had accrued when the member ceased to render teaching service must be
 4.24 augmented, as further specified in this subdivision, by the applicable interest rate compounded
 4.25 annually from the first day of the month following the month during which the member
 4.26 ceased to render teaching service to the effective date of retirement.

4.27 (c) No augmentation is not creditable if the deferral period is less than three months or
 4.28 if deferral commenced before July 1, 1971.

4.29 (d) For persons who became covered employees before July 1, 2006, with a deferral
 4.30 period commencing after June 30, 1971, the annuity must be augmented as follows:

4.31 (1) five percent interest compounded annually until January 1, 1981;

5.1 (2) three percent interest compounded annually from January 1, 1981, until January 1
5.2 of the year following the year in which the deferred annuitant attains age 55;

5.3 (3) five percent interest compounded annually from the date established in clause (2) to
5.4 the effective date of retirement or until June 30, 2012, whichever is earlier; and

5.5 (4) two percent interest compounded annually after June 30, 2012.

5.6 (e) For persons who become covered employees after June 30, 2006, the interest rate
5.7 used to augment the deferred annuity is 2.5 percent interest compounded annually until June
5.8 30, 2012, or until the effective date of retirement, whichever is earlier, and two percent
5.9 interest compounded annually after June 30, 2012.

5.10 ~~(f) If a person has more than one period of uninterrupted service, a separate average~~
5.11 ~~salary determined under section 354.44, subdivision 6, must be used for each period and~~
5.12 ~~the required reserves related to each period must be augmented as specified in this~~
5.13 ~~subdivision. The sum of the augmented required reserves is the present value of the annuity.~~
5.14 ~~For the purposes of this subdivision, "period of uninterrupted service" means a period of~~
5.15 ~~covered teaching service during which the member has not been separated from active~~
5.16 ~~service for more than one fiscal year.~~

5.17 ~~(g)~~ (f) If a person repays a refund, the service restored by the repayment must be
5.18 considered as continuous with the next period of service for which the person has allowable
5.19 service credit in the Teachers Retirement Association.

5.20 ~~(h)~~ (g) If a person does not render teaching service in any one fiscal year or more
5.21 consecutive fiscal years and then resumes teaching service, the formula percentages used
5.22 from the date of the resumption of teaching service must be those applicable to new members.

5.23 ~~(i)~~ (h) The mortality table and interest rate actuarial assumption used to compute the
5.24 annuity must be the applicable mortality table established by the board under section 354.07,
5.25 subdivision 1, and the interest rate actuarial assumption under section 356.215 in effect
5.26 when the member retires.

5.27 ~~(j)~~ (i) In no case may the annuity payable under this subdivision be less than the amount
5.28 of annuity payable under section 354.44, subdivision 6.

5.29 ~~(k)~~ (j) The requirements and provisions for retirement before normal retirement age
5.30 contained in section 354.44, subdivision 6, also apply to an employee fulfilling the
5.31 requirements with a combination of service as provided in section 354.60.

5.32 ~~(l)~~ (k) The augmentation provided by this subdivision applies to the benefit provided in
5.33 section 354.46, subdivision 2.

6.1 ~~(m)~~ (l) The augmentation provided by this subdivision does not apply to any period in
 6.2 which a person is on an approved leave of absence from an employer unit covered by the
 6.3 provisions of this chapter.

6.4 ~~(n)~~ (m) The retirement annuity or disability benefit of, or the survivor benefit payable
 6.5 on behalf of, a former teacher who terminated service before July 1, 1997, which is not first
 6.6 payable until after June 30, 1997, must be increased on an actuarial equivalent basis to
 6.7 reflect the change in the postretirement interest rate actuarial assumption under section
 6.8 356.215, subdivision 8, from five percent to six percent under a calculation procedure and
 6.9 tables adopted by the board as recommended by an approved actuary and approved by the
 6.10 actuary retained under section 356.214.

6.11 **EFFECTIVE DATE.** This section is effective July 1, 2018.

6.12 Sec. 7. Minnesota Statutes 2016, section 354.66, subdivision 2, is amended to read:

6.13 Subd. 2. **Qualified part-time teacher program participation requirements.** (a) A
 6.14 teacher in a Minnesota public elementary school, a Minnesota secondary school, or the
 6.15 Minnesota State Colleges and Universities system who has three years or more of allowable
 6.16 service in the association or three years or more of full-time teaching service in Minnesota
 6.17 public elementary schools, Minnesota secondary schools, or the Minnesota State Colleges
 6.18 and Universities system, by agreement with the board of the employing district or with the
 6.19 authorized representative of the board, may be assigned to teaching service in a part-time
 6.20 teaching position under subdivision 3. The agreement must be executed before October 1
 6.21 of the school year for which the teacher ~~requests to make retirement contributions under~~
 6.22 ~~subdivision 4~~ has been assigned to teaching service in a part-time teaching position under
 6.23 this section. A copy of the executed agreement must be filed with the executive director of
 6.24 the association. If the copy of the executed agreement is filed with the association after
 6.25 October 1 of the school year for which the teacher ~~requests to make retirement contributions~~
 6.26 ~~under subdivision 4~~ has been assigned to teaching service in a part-time teaching position,
 6.27 the employing unit shall pay the fine specified in section 354.52, subdivision 6, for each
 6.28 calendar day that elapsed since the October 1 due date, unless the association waives the
 6.29 fine. The association may not accept an executed agreement that is received by the association
 6.30 more than 15 months late. ~~The association may not waive the fine required by this section.~~

6.31 (b) Notwithstanding paragraph (a), if the teacher is also a legislator:

6.32 (1) the agreement in paragraph (a) must be executed before March 1 of the school year
 6.33 for which the teacher requests to make retirement contributions under subdivision 4; and

7.1 (2) the fines specified in paragraph (a) apply if the employing unit does not file the
7.2 executed agreement with the executive director of the association by March 1.

7.3 **EFFECTIVE DATE.** This section is effective July 1, 2017.

7.4 Sec. 8. Minnesota Statutes 2016, section 354.72, subdivision 1, is amended to read:

7.5 Subdivision 1. **Application.** This section applies to any strike period under section
7.6 354.05, subdivision 13, clause (6), and to any period of authorized leave of absence ~~without~~
7.7 ~~pay~~ under sections 354.093, 354.094, 354.095, and 354.096 for which the teacher obtains
7.8 credit for allowable service by making payment as specified in this section to the Teachers
7.9 Retirement Association fund. Each year of an extended leave of absence under section
7.10 354.094 is considered to be a separate leave for purposes of this section.