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State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 1330

03/06/2013 Authored by Murphy, M.; Huntley; Nelson; Simonson and Kahn 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; Duluth Teachers Retirement Fund Association; increasing
1.3 member and employer contribution rates; increasing the post-July 1, 2013,
1.4 benefit accrual rate; modifying 2010 postretirement adjustment reductions;
1.5 amending Minnesota Statutes 2012, sections 354A.12, subdivisions 1, 2a;
1.6 354A.27, subdivision 7, by adding a subdivision; 354A.31, subdivision 4a;
1.7 repealing Minnesota Statutes 2012, section 354A.27, subdivision 6.

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

1.9 Section 1. Minnesota Statutes 2012, section 354A.12, subdivision 1, is amended to read:

1.10 Subdivision 1. Employee contributions. (a) The contribution required to be paid
1.11 by each member of a teachers retirement fund association is the percentage of total salary
1.12 specified below for the applicable association and program:

Table with 2 columns: Association and Program, Percentage of Total Salary. Rows include Duluth Teachers Retirement Fund Association (old law and new law, coordinated programs) and St. Paul Teachers Retirement Fund Association (basic program, coordinated program).

2.1 coordinated program after June 30, 2013 6.25 percent
 2.2 coordinated program after June 30, 2014 6.50 percent

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

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

2.8 Sec. 2. Minnesota Statutes 2012, section 354A.12, subdivision 2a, is amended to read:

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

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

2.16 Duluth Teachers Retirement Fund Association

2.17 before July 1, ~~2011~~ 2013 5.79 6.79 percent
 2.18 effective July 1, ~~2011~~ 2013 6.29 7.29 percent
 2.19 effective July 1, ~~2012~~ 2014 6.79 7.50 percent

2.20 St. Paul Teachers Retirement Fund Association

2.21 before July 1, 2011 4.50 percent
 2.22 after June 30, 2011 4.75 percent
 2.23 after June 30, 2012 5.0 percent
 2.24 after June 30, 2013 5.25 percent
 2.25 after June 30, 2014 5.5 percent

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

2.29 before July 1, 2011 8.0 percent of salary
 2.30 after June 30, 2011 8.25 percent of salary
 2.31 after June 30, 2012 8.5 percent of salary
 2.32 after June 30, 2013 8.75 percent of salary
 2.33 after June 30, 2014 9.0 percent of salary

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

3.1 (4) for a coordinated member of the St. Paul Teachers Retirement Fund Association,
 3.2 the employing unit shall make an additional employer contribution to the respective fund
 3.3 in an amount equal to the applicable percentage of the coordinated member's salary,
 3.4 as provided below:

3.5 St. Paul Teachers Retirement Fund Association 3.84 percent

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

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

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

3.15 Sec. 3. Minnesota Statutes 2012, section 354A.27, is amended by adding a subdivision
 3.16 to read:

3.17 Subd. 6a. **Postretirement adjustment transition.** (a) If the funded ratio of the
 3.18 retirement plan based on the actuarial value of assets is at least 90 percent as reported
 3.19 in the most recent actuarial valuation prepared under sections 356.214 and 356.215,
 3.20 this subdivision expires and subsequent postretirement adjustments are governed by
 3.21 subdivision 7.

3.22 (b) Each annuity or benefit recipient of the retirement plan who has been receiving
 3.23 that annuity or benefit for at least 12 months as of the applicable January 1 is eligible to
 3.24 receive a postretirement adjustment of two percent, payable on January 1.

3.25 Sec. 4. Minnesota Statutes 2012, section 354A.27, subdivision 7, is amended to read:

3.26 Subd. 7. **Calculation of postretirement adjustments.** (a) This subdivision applies
 3.27 if subdivision 6 6a has expired.

3.28 (b) A percentage adjustment must be computed and paid under this subdivision to
 3.29 eligible persons under subdivision 5. This adjustment is determined by reference to the
 3.30 Consumer Price Index for urban wage earners and clerical workers all items index as
 3.31 reported by the Bureau of Labor Statistics within the United States Department of Labor
 3.32 each year as part of the determination of annual cost-of-living adjustments to recipients
 3.33 of federal old-age, survivors, and disability insurance. For calculations of cost-of-living
 3.34 adjustments under paragraph (c), the term "average third quarter Consumer Price Index

4.1 value" means the sum of the monthly index values as initially reported by the Bureau of
 4.2 Labor Statistics for the months of July, August, and September, divided by 3.

4.3 (c) Before January 1 of each year, the executive director must calculate the amount
 4.4 of the cost-of-living adjustment by dividing the most recent average third quarter index
 4.5 value by the same average third quarter index value from the previous year, subtract one
 4.6 from the resulting quotient, and express the result as a percentage amount, which must be
 4.7 rounded to the nearest one-tenth of one percent.

4.8 (d) The amount calculated under paragraph (c) is the full cost-of-living adjustment
 4.9 to be applied as a permanent increase to the regular payment of each eligible member
 4.10 on January 1 of the next calendar year. For any eligible member whose effective date
 4.11 of benefit commencement occurred during the calendar year before the cost-of-living
 4.12 adjustment is applied, the full increase amount must be prorated on the basis of whole
 4.13 calendar quarters in benefit payment status in the calendar year prior to the January 1 on
 4.14 which the cost-of-living adjustment is applied, calculated to the third decimal place.

4.15 (e) The adjustment must not be less than zero nor greater than five percent.

4.16 (f) If the funding ratio of the plan as determined in the most recent actuarial
 4.17 valuation using the actuarial value of assets is less than 80 percent there will be no
 4.18 postretirement adjustment the following January 1.

4.19 Sec. 5. Minnesota Statutes 2012, section 354A.31, subdivision 4a, is amended to read:

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

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

4.26 (c) This paragraph, in conjunction with subdivision 6, applies to a person who first
 4.27 became a member or a member in a pension fund listed in section 356.30, subdivision 3,
 4.28 before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a
 4.29 higher annuity amount, in which case paragraph (d) applies. The retirement annuity
 4.30 formula percentage for purposes of this paragraph is the percent specified in section
 4.31 356.315, subdivision 1, per year for each year of coordinated program service for the first
 4.32 ten years rendered through June 30, 2013, and the percent specified in section 356.315,
 4.33 subdivision 1a, per year for each year of coordinated program service rendered after June
 4.34 30, 2013, and the percent specified in section 356.315, subdivision 2, for each subsequent
 4.35 year of coordinated program service through June 30, 2013, and the percent specified in

5.1 section 356.315, subdivision 2b, per year for each year of coordinated program service
5.2 rendered after June 30, 2013.

5.3 (d) This paragraph applies to a person who is at least 55 years old and who first
5.4 becomes a member after June 30, 1989, and to any other member who is at least 55 years
5.5 old and whose annuity amount, when calculated under this paragraph and in conjunction
5.6 with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction
5.7 with subdivision 6. The retirement annuity formula percentage for purposes of this
5.8 paragraph is the percent specified in section 356.315, subdivision 2, for each year of
5.9 coordinated program service through June 30, 2013, and the percent specified in section
5.10 356.315, subdivision 2b, per year for each year of coordinated program service rendered
5.11 after June 30, 2013.

5.12 **Sec. 6. REPEALER.**

5.13 Minnesota Statutes 2012, section 354A.27, subdivision 6, is repealed.

5.14 **Sec. 7. EFFECTIVE DATE.**

5.15 (a) Sections 1 to 6 are effective July 1, 2013.

5.16 (b) Section 3 applies to the postretirement adjustment payable on January 1, 2014.

**354A.27 DULUTH TEACHERS RETIREMENT FUND ASSOCIATION;
POSTRETIREMENT ADJUSTMENT MECHANISM.**

Subd. 6. **Calculation of postretirement adjustments; transitional provision.** (a) For purposes of computing postretirement adjustments after July 1, 2010, for eligible benefit recipients of the Duluth Teachers Retirement Fund Association, the funding ratio of the plan, as determined by dividing the market value of assets by the actuarial accrued liability as reported in the most recent actuarial valuation prepared under sections 356.214 and 356.215, determines the postretirement increase as follows:

Funding Ratio	Postretirement Increase
less than 80 percent	0 percent
at least 80 percent but less than 90 percent	1 percent
at least 90 percent	2 percent

(b) If the funding ratio of the plan based on actuarial value, rather than market value, is at least 90 percent as reported in the most recent actuarial valuation prepared under sections 356.214 and 356.215, this subdivision expires and subsequent postretirement increases must be paid as specified under subdivision 7.