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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **284**

01/22/2015 Authored by O'Driscoll

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; making administrative changes to the Teachers Retirement
1.3 Association; changing maximum excluded earnings limits from calendar year
1.4 to fiscal year; extending the interest-free period for leave of absence service
1.5 credit purchases; making federal conformity changes affecting all state pension
1.6 plans; amending Minnesota Statutes 2014, sections 354.445; 354.72, subdivision
1.7 2; 356.635, subdivision 9, by adding a subdivision.

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

1.9 Section 1. Minnesota Statutes 2014, section 354.445, is amended to read:

1.10 **354.445 NO ANNUITY REDUCTION.**

1.11 (a) The annuity reduction provisions of section 354.44, subdivision 5, do not apply
1.12 to a person who:

1.13 (1) retires from the Minnesota State Colleges and Universities system with at least
1.14 ten years of combined service credit in a system under the jurisdiction of the Board of
1.15 Trustees of the Minnesota State Colleges and Universities;

1.16 (2) was employed on a full-time basis immediately preceding retirement as a faculty
1.17 member or as an unclassified administrator in that system;

1.18 (3) was not a recipient of an early retirement incentive under section 136F.481;

1.19 (4) begins drawing an annuity from the Teachers Retirement Association; and

1.20 (5) returns to work on not less than a one-third time basis and not more than a
1.21 two-thirds time basis in the system from which the person retired under an agreement in
1.22 which the person may not earn a salary of more than \$62,000 in a calendar fiscal year
1.23 through employment after retirement in the system from which the person retired.

1.24 (b) Initial participation, the amount of time worked, and the duration of participation
1.25 under this section must be mutually agreed upon by the president of the institution where

2.1 the person returns to work and the employee. The president may require up to one-year
 2.2 notice of intent to participate in the program as a condition of participation under this
 2.3 section. The president shall determine the time of year the employee shall work. The
 2.4 employer or the president may not require a person to waive any rights under a collective
 2.5 bargaining agreement as a condition of participation under this section.

2.6 (c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a)
 2.7 and (b) may not, based on employment to which the waiver in this section applies, earn
 2.8 further service credit in a Minnesota public defined benefit plan and is not eligible to
 2.9 participate in a Minnesota public defined contribution plan, other than a volunteer fire plan
 2.10 governed by chapter 424A. No employer or employee contribution to any of these plans
 2.11 may be made on behalf of such a person.

2.12 (d) For a person eligible under paragraphs (a) and (b) who earns more than \$62,000
 2.13 in a ~~calendar~~ fiscal year through employment after retirement due to employment by the
 2.14 Minnesota State Colleges and Universities system, the annuity reduction provisions of
 2.15 section 354.44, subdivision 5, apply only to income over \$62,000.

2.16 (e) A person who returns to work under this section is a member of the appropriate
 2.17 bargaining unit and is covered by the appropriate collective bargaining contract. Except
 2.18 as provided in this section, the person's coverage is subject to any part of the contract
 2.19 limiting rights of part-time employees.

2.20 **EFFECTIVE DATE.** (a) This section is effective retroactively from January 1, 2015.

2.21 (b) For purposes of the January 1, 2015, to June 30, 2015, period, the \$62,000
 2.22 exempt income limit must be prorated.

2.23 Sec. 2. Minnesota Statutes 2014, section 354.72, subdivision 2, is amended to read:

2.24 Subd. 2. **Purchase procedure.** (a) A teacher may purchase credit for allowable and
 2.25 formula service in the plan for a period specified in subdivision 1 if the teacher makes a
 2.26 payment as specified in paragraph (b), (c), or (d), whichever applies. The employing unit,
 2.27 at its option, may pay the employer portion of the amount on behalf of its employees.

2.28 (b) If payment is received by the executive director by June 30 of the fiscal year
 2.29 of the strike period or by December 31 of the fiscal year following an authorized leave
 2.30 included under section 354.093, 354.095, or 354.096, payment must equal the total
 2.31 employee and employer contribution rates, including amortization contribution rates if
 2.32 applicable, multiplied by the member's average monthly salary rate on the date the leave
 2.33 or strike period commenced, ~~or for an extended leave under section 354.094, on the salary~~
 2.34 ~~received during the year immediately preceding the initial year of the leave,~~ multiplied
 2.35 by the months and portions of a month of the leave or strike period for which the teacher

3.1 seeks allowable service credit. This paragraph also applies to an extended leave under
 3.2 section 354.094, except that payment must be received by June 30 of the year of the leave,
 3.3 and the salary used in the computation is the salary received during the year immediately
 3.4 preceding the initial year of the leave.

3.5 (c) If payment is made after June 30 and before the following June 30 for a strike
 3.6 period, ~~or for leaves after December 31 of the fiscal year following a leave of absence~~
 3.7 ~~under section 354.093, 354.095, or 354.096, or for an extended leave of absence under~~
 3.8 ~~section 354.094, and before July 1,~~ the payment must include the amount determined in
 3.9 paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 for
 3.10 a strike period, or from December 31 for a leave under section 354.093, 354.095, or
 3.11 354.096, until the last day of the month in which payment is received. If payment is made
 3.12 on or after July 1 and before the following July 1 for an extended leave of absence under
 3.13 section 354.094, the payment must include the amount determined in paragraph (b) plus
 3.14 compound interest at a monthly rate of 0.71 percent from June 30 until the last day of
 3.15 the month in which payment is received.

3.16 (d) If payment is received by the executive director after the applicable last permitted
 3.17 date under paragraph (c), the payment amount is the amount determined under section
 3.18 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under
 3.19 this section may be made anytime before the effective date of retirement.

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

3.21 Sec. 3. Minnesota Statutes 2014, section 356.635, subdivision 9, is amended to read:

3.22 Subd. 9. **Military service.** Contributions, benefits, including death and disability
 3.23 benefits under section 401(a)(37) of the federal Internal Revenue Code, and service credit
 3.24 with respect to qualified military service must be provided according to section 414(u) of
 3.25 the federal Internal Revenue Code. For deaths occurring on or after January 1, 2007, while
 3.26 a member is performing qualified military service as defined in United States Code, title
 3.27 38, chapter 43, to the extent required by section 401(a)(37) of the federal Internal Revenue
 3.28 Code, survivors of a member in the system are entitled to any additional benefits that the
 3.29 system would have provided if the member had resumed employment and then died,
 3.30 including but not limited to accelerated vesting or survivor benefits that are contingent
 3.31 on the member's death while employed. In any event, a deceased member's period of
 3.32 qualified military service must be counted for vesting purposes.

3.33 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2007.

4.1 Sec. 4. Minnesota Statutes 2014, section 356.635, is amended by adding a subdivision
4.2 to read:

4.3 Subd. 10. **Benefit limitations.** For purposes of applying the limits of section
4.4 415(b) of the federal Internal Revenue Code, a retirement benefit that is payable in any
4.5 form other than a single life annuity and that is subject to section 417(e)(3) of the federal
4.6 Internal Revenue Code must be adjusted to an actuarially equivalent single life annuity
4.7 that equals, if the annuity starting date is in a plan year beginning after 2005, the annual
4.8 amount of the single life annuity commencing at the same annuity starting date that has
4.9 the same actuarial present value as the participant's form of benefit, using whichever of the
4.10 following produces the greatest annual amount:

4.11 (1) the interest rate and the mortality table or other tabular factor specified in the
4.12 plan for adjusting benefits in the same form;

4.13 (2) a 5.5 percent interest rate assumption and the applicable mortality table; or

4.14 (3) the applicable interest rate under section 417(e)(3) of the federal Internal
4.15 Revenue Code and the applicable mortality table, divided by 1.05.

4.16 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2005.