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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3375

03/21/2016 Authored by Thissen and Erhardt

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; St. Paul Teachers Retirement Fund Association;
1.3 implementing a contribution rate stabilizer mechanism; amending Minnesota
1.4 Statutes 2014, section 354A.12, subdivisions 1, 2a, by adding subdivisions.

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

1.6 Section 1. Minnesota Statutes 2014, section 354A.12, subdivision 1, is amended to read:

1.7 Subdivision 1. **Employee contributions.** (a) The contribution required to be paid
1.8 by each member of the St. Paul Teachers Retirement Fund Association is the percentage
1.9 of total salary specified below for the applicable association and program:

1.10	Program	Percentage of Total Salary
1.11	St. Paul Teachers Retirement Fund Association	
1.12	basic program after June 30, 2014	9 percent
1.13	basic program after June 30, 2015	9.5 percent
1.14	basic program after June 30, 2016	10 percent
1.15	coordinated program after June 30, 2014	6.5 percent
1.16	coordinated program after June 30, 2015	7 percent
1.17	coordinated program after June 30, 2016	7.5 percent

1.18 (b) Contributions must be made by deduction from salary and must be remitted
1.19 directly to the St. Paul Teachers Retirement Fund Association at least once each month.

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

1.23 (d) If a contribution rate revision is made under subdivisions 11 and 13, the
1.24 employee contributions under this subdivision must be adjusted accordingly.

2.1 Sec. 2. Minnesota Statutes 2014, section 354A.12, subdivision 2a, is amended to read:

2.2 Subd. 2a. **Employer regular and additional contributions.** (a) The employing
2.3 units shall make the following employer contributions to the teachers retirement fund
2.4 association:

2.5 (1) for any coordinated member of the St. Paul Teachers Retirement Fund
2.6 Association, the employing unit shall make a regular employer contribution to the
2.7 retirement fund association in an amount equal to the designated percentage of the salary
2.8 of the coordinated member as provided below:

2.9	after June 30, 2014	5.5 percent
2.10	after June 30, 2015	6 percent
2.11	after June 30, 2016	6.25 percent
2.12	after June 30, 2017	6.5 percent

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

2.16	after June 30, 2014	9 percent of salary
2.17	after June 30, 2015	9.5 percent of salary
2.18	after June 30, 2016	9.75 percent of salary
2.19	after June 30, 2017	10 percent of salary

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

2.23 (4) for a coordinated member of the St. Paul Teachers Retirement Fund Association,
2.24 the employing unit shall make an additional employer contribution to the respective fund
2.25 in an amount equal to 3.84 percent of the coordinated member's salary.

2.26 (b) The regular and additional employer contributions must be remitted directly to
2.27 the St. Paul Teachers Retirement Fund Association at least once each month. Delinquent
2.28 amounts are payable with interest under the procedure in subdivision 1a.

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

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

2.35 (e) If a contribution rate revision is made under subdivisions 11 and 13, the employer
2.36 contributions under this subdivision must be adjusted accordingly.

3.1 Sec. 3. Minnesota Statutes 2014, section 354A.12, is amended by adding a subdivision
3.2 to read:

3.3 Subd. 10. **Contribution sufficiency/deficiency.** (a) For purposes of this section, a
3.4 contribution sufficiency exists if the total of the employee contributions, the employer
3.5 contributions, and any additional employer contributions, if applicable, exceeds the total
3.6 of the normal cost, the administrative expenses, and the amortization contribution of the
3.7 retirement plan as reported in the most recent actuarial valuation of the retirement plan
3.8 prepared by the approved actuary retained under section 356.214 and prepared under
3.9 section 356.215 and the standards for actuarial work of the Legislative Commission on
3.10 Pensions and Retirement.

3.11 (b) For purposes of this section, a contribution deficiency exists if the total of
3.12 the employee contributions, the employer contributions, and any additional employer
3.13 contributions are less than the total of the normal cost, the administrative expenses, and
3.14 the amortization contribution of the retirement plan as reported in the most recent actuarial
3.15 valuation of the retirement plan prepared by the approved actuary retained under section
3.16 356.214 and prepared under section 356.215 and the standards for actuarial work adopted
3.17 by the Legislative Commission on Pensions and Retirement.

3.18 Sec. 4. Minnesota Statutes 2014, section 354A.12, is amended by adding a subdivision
3.19 to read:

3.20 Subd. 11. **Contribution rate revision.** (a) Notwithstanding the contribution rate
3.21 provisions under subdivisions 1 and 2a, the Board of Trustees of the St. Paul Teachers
3.22 Retirement Fund Association may adjust the employee and employer contribution rates if
3.23 the regular actuarial valuation of the plan under section 356.215 indicates that there is
3.24 a contribution sufficiency under subdivision 10 equal to or greater than one percent of
3.25 covered payroll or if the regular valuation of the plan under section 356.215 indicates that
3.26 there is a deficiency equal to or greater than one-half of one percent of covered payroll.
3.27 Any decrease in employee and employer contribution rates must not result in the total of
3.28 contribution rates that is less than the total of normal cost and administrative expenses.

3.29 (b) To determine if an adjustment is to be made, the board of trustees shall consult
3.30 with the approved actuary retained under section 356.214 and shall take into consideration
3.31 factors that include, but are not limited to, the contribution rates based on the actuarial
3.32 value of assets and contribution rates based on the market value of assets; the funded
3.33 ratio based on the actuarial value of assets and based on the market value of assets;
3.34 the number of years remaining to the amortization target date; the recent experience
3.35 of the investment markets; and the results of the 30-year funding, disbursements, and

4.1 contributions projections prepared every other year as required under the standards for
4.2 actuarial work adopted by the Legislative Commission on Pensions and Retirement.

4.3 Sec. 5. Minnesota Statutes 2014, section 354A.12, is amended by adding a subdivision
4.4 to read:

4.5 Subd. 12. **Contribution sufficiency measures.** (a) A contribution sufficiency of up
4.6 to one percent of covered payroll must be held in reserve to be used to offset any future
4.7 actuarially required contributions that are more than the total combined employee and
4.8 employer contributions being collected.

4.9 (b) Before any reduction in contributions to eliminate a sufficiency in excess of up
4.10 to one percent of covered payroll may be recommended, the executive director must
4.11 review any need for a change in actuarial assumptions, as recommended by the actuary
4.12 retained under section 356.214 in the most recent experience study of the retirement plan,
4.13 that may result in an increase in the actuarially required contribution and must report to
4.14 the Legislative Commission on Pensions and Retirement any recommendation by the
4.15 board to use the sufficiency exceeding one percent of covered payroll to offset the impact
4.16 of an actuarial assumption change recommended by the actuary retained under section
4.17 356.214, subdivision 1, and reviewed by the actuary retained by the commission under
4.18 section 356.214, subdivision 4.

4.19 (c) A contribution sufficiency in excess of one percent of covered pay must not be
4.20 used to increase benefits, and a benefit increase must not be proposed that would initiate
4.21 an automatic adjustment under this section to increase contributions. A proposed benefit
4.22 improvement must include a recommendation, prepared by the actuary retained under
4.23 section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative
4.24 Commission on Pensions and Retirement under section 356.214, subdivision 4, on the
4.25 manner in which the benefit modification is to be funded.

4.26 Sec. 6. Minnesota Statutes 2014, section 354A.12, is amended by adding a subdivision
4.27 to read:

4.28 Subd. 13. **Reporting; commission review.** A contribution rate adjustment must be
4.29 reported to the chair and the executive director of the Legislative Commission on Pensions
4.30 and Retirement by February 1 of the fiscal year in which an adjustment determination is
4.31 made under subdivision 11. If the Legislative Commission on Pensions and Retirement
4.32 does not recommend against the adjustment or does not recommend a modification to the
4.33 adjustment, the adjustment is effective on the July 1 next following the determination that
4.34 a contribution deficiency or sufficiency exists under subdivision 10.