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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 1987

01/30/2012 Authored by Lanning

The bill was read for the first time and referred to the Committee on Government Operations and Elections

1.1 A bill for an act  
1.2 relating to retirement; Teachers Retirement Association and other plans; revising  
1.3 Teachers Retirement Association post-retirement adjustment initial eligibility  
1.4 procedure; recodifying Teachers Retirement Association aid provisions; creating  
1.5 new Teachers Retirement Association contribution and aid payment deficiency  
1.6 recovery procedures; revising federal code compliance provisions applicable  
1.7 to all plans; making other changes of an administrative nature; amending  
1.8 Minnesota Statutes 2010, sections 126C.41, subdivision 3; 352.91, subdivision  
1.9 3d; 354.51, subdivision 5; 354A.12, subdivision 3c; 356.415, subdivision 1d;  
1.10 356.611, subdivisions 3, 3a, 4, by adding a subdivision; 423A.02, subdivision 3;  
1.11 Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8; proposing  
1.12 coding for new law in Minnesota Statutes, chapter 354; repealing Minnesota  
1.13 Statutes 2010, sections 128D.18; 354A.12, subdivision 3b.

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

1.15 ARTICLE 1

1.16 ADMINISTRATIVE REVISIONS

1.17 Section 1. Minnesota Statutes 2010, section 352.91, subdivision 3d, is amended to read:

1.18 Subd. 3d. **Other correctional personnel.** (a) "Covered correctional service" means  
1.19 service by a state employee in one of the employment positions at a correctional facility or  
1.20 at the Minnesota Security Hospital specified in paragraph (b) if at least 75 percent of the  
1.21 employee's working time is spent in direct contact with inmates or patients and the fact of  
1.22 this direct contact is certified to the executive director by the appropriate commissioner.

1.23 (b) The employment positions are:

- 1.24 (1) automotive mechanic;
- 1.25 (2) baker;
- 1.26 (3) central services administrative specialist, intermediate;
- 1.27 (4) central services administrative specialist, principal;

- 2.1 (5) chaplain;
- 2.2 (6) chief cook;
- 2.3 (7) cook;
- 2.4 (8) cook coordinator;
- 2.5 (9) ~~corrections~~ clinical program therapist 1;
- 2.6 (10) ~~corrections~~ clinical program therapist 2;
- 2.7 (11) ~~corrections~~ clinical program therapist 3;
- 2.8 (12) ~~corrections~~ clinical program therapist 4;
- 2.9 (13) corrections inmate program coordinator;
- 2.10 (14) corrections transitions program coordinator;
- 2.11 (15) corrections security caseworker;
- 2.12 (16) corrections security caseworker career;
- 2.13 (17) corrections teaching assistant;
- 2.14 (18) delivery van driver;
- 2.15 (19) dentist;
- 2.16 (20) electrician supervisor;
- 2.17 (21) general maintenance worker lead;
- 2.18 (22) general repair worker;
- 2.19 (23) library/information research services specialist;
- 2.20 (24) library/information research services specialist senior;
- 2.21 (25) library technician;
- 2.22 (26) painter lead;
- 2.23 (27) plant maintenance engineer lead;
- 2.24 (28) plumber supervisor;
- 2.25 (29) psychologist 1;
- 2.26 (30) psychologist 3;
- 2.27 (31) recreation therapist;
- 2.28 (32) recreation therapist coordinator;
- 2.29 (33) recreation program assistant;
- 2.30 (34) recreation therapist senior;
- 2.31 (35) sports medicine specialist;
- 2.32 (36) work therapy assistant;
- 2.33 (37) work therapy program coordinator; and
- 2.34 (38) work therapy technician.

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

3.1 Sec. 2. Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8, is  
 3.2 amended to read:

3.3 Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use  
 3.4 the applicable following preretirement interest assumption and the applicable following  
 3.5 postretirement interest assumption:

3.6		preretirement	postretirement
3.7		interest	interest
3.8	plan	rate assumption	rate assumption
3.9	general state employees retirement plan	8.5%	6.0%
3.10	correctional state employees retirement plan	8.5	6.0
3.11	State Patrol retirement plan	8.5	6.0
3.12	legislators retirement plan	8.5	6.0
3.13	elective state officers retirement plan	8.5	6.0
3.14	judges retirement plan	8.5	6.0
3.15	general public employees retirement plan	8.5	6.0
3.16	public employees police and fire retirement plan	8.5	6.0
3.17	local government correctional service		
3.18	retirement plan	8.5	6.0
3.19	teachers retirement plan	8.5	6.0
3.20	Duluth teachers retirement plan	8.5	8.5
3.21	St. Paul teachers retirement plan	8.5	8.5
3.22	Fairmont Police Relief Association	5.0	5.0
3.23	Virginia Fire Department Relief Association	5.0	5.0
3.24	Bloomington Fire Department Relief		
3.25	Association	6.0	6.0
3.26	local monthly benefit volunteer firefighters		
3.27	relief associations	5.0	5.0

3.28 (b) Before July 1, 2010, the actuarial valuation must use the applicable following  
 3.29 single rate future salary increase assumption, the applicable following modified single  
 3.30 rate future salary increase assumption, or the applicable following graded rate future  
 3.31 salary increase assumption:

3.32 (1) single rate future salary increase assumption

3.33	plan	future salary increase assumption
3.34	legislators retirement plan	5.0%
3.35	judges retirement plan	4.0
3.36	Fairmont Police Relief Association	3.5
3.37	Virginia Fire Department Relief Association	3.5
3.38	Bloomington Fire Department Relief	
3.39	Association	4.0

3.40 (2) age-related select and ultimate future salary increase assumption or graded rate  
 3.41 future salary increase assumption

4.1	plan	future salary increase assumption
4.2	correctional state employees retirement plan	assumption D
4.3	State Patrol retirement plan	assumption C
4.4	local government correctional service retirement plan	assumption C
4.5	Duluth teachers retirement plan	assumption A
4.6	St. Paul teachers retirement plan	assumption B

4.7 For plans other than the Duluth teachers  
 4.8 retirement plan, the select calculation  
 4.9 is: during the designated select period, a  
 4.10 designated percentage rate is multiplied by  
 4.11 the result of the designated integer minus T,  
 4.12 where T is the number of completed years of  
 4.13 service, and is added to the applicable future  
 4.14 salary increase assumption. ~~The designated~~  
 4.15 ~~select period is five years and the designated~~  
 4.16 ~~integer is five for the general state employees~~  
 4.17 ~~retirement plan.~~ The designated select period  
 4.18 is ten years and the designated integer is ten  
 4.19 for all ~~other~~ retirement plans covered by  
 4.20 this clause. The designated percentage rate  
 4.21 is: (1) 0.2 percent for the correctional state  
 4.22 employees retirement plan, the State Patrol  
 4.23 retirement plan, and the local government  
 4.24 correctional service retirement plan; and (2)  
 4.25 ~~0.6 percent for the general state employees~~  
 4.26 ~~retirement plan; and (3) 0.3 percent for the~~  
 4.27 ~~teachers retirement plan, the Duluth Teachers~~  
 4.28 ~~Retirement Fund Association, and the St.~~  
 4.29 Paul Teachers Retirement Fund Association.  
 4.30 The select calculation for the Duluth Teachers  
 4.31 Retirement Fund Association is 8.00 percent  
 4.32 per year for service years one through seven,  
 4.33 7.25 percent per year for service years seven  
 4.34 and eight, and 6.50 percent per year for  
 4.35 service years eight and nine.

4.36 The ultimate future salary increase assumption is:

	age	A	B	C	D
5.1	16	8.00%	6.90%	7.7500%	7.2500%
5.2	17	8.00	6.90	7.7500	7.2500
5.3	18	8.00	6.90	7.7500	7.2500
5.4	19	8.00	6.90	7.7500	7.2500
5.5	20	6.90	6.90	7.7500	7.2500
5.6	21	6.90	6.90	7.1454	6.6454
5.7	22	6.90	6.90	7.0725	6.5725
5.8	23	6.85	6.85	7.0544	6.5544
5.9	24	6.80	6.80	7.0363	6.5363
5.10	25	6.75	6.75	7.0000	6.5000
5.11	26	6.70	6.70	7.0000	6.5000
5.12	27	6.65	6.65	7.0000	6.5000
5.13	28	6.60	6.60	7.0000	6.5000
5.14	29	6.55	6.55	7.0000	6.5000
5.15	30	6.50	6.50	7.0000	6.5000
5.16	31	6.45	6.45	7.0000	6.5000
5.17	32	6.40	6.40	7.0000	6.5000
5.18	33	6.35	6.35	7.0000	6.5000
5.19	34	6.30	6.30	7.0000	6.5000
5.20	35	6.25	6.25	7.0000	6.5000
5.21	36	6.20	6.20	6.9019	6.4019
5.22	37	6.15	6.15	6.8074	6.3074
5.23	38	6.10	6.10	6.7125	6.2125
5.24	39	6.05	6.05	6.6054	6.1054
5.25	40	6.00	6.00	6.5000	6.0000
5.26	41	5.90	5.95	6.3540	5.8540
5.27	42	5.80	5.90	6.2087	5.7087
5.28	43	5.70	5.85	6.0622	5.5622
5.29	44	5.60	5.80	5.9048	5.4078
5.30	45	5.50	5.75	5.7500	5.2500
5.31	46	5.40	5.70	5.6940	5.1940
5.32	47	5.30	5.65	5.6375	5.1375
5.33	48	5.20	5.60	5.5822	5.0822
5.34	49	5.10	5.55	5.5404	5.0404
5.35	50	5.00	5.50	5.5000	5.0000
5.36	51	4.90	5.45	5.4384	4.9384
5.37	52	4.80	5.40	5.3776	4.8776
5.38	53	4.70	5.35	5.3167	4.8167
5.39	54	4.60	5.30	5.2826	4.7826
5.40	55	4.50	5.25	5.2500	4.7500
5.41	56	4.40	5.20	5.2500	4.7500
5.42	57	4.30	5.15	5.2500	4.7500

6.1	58	4.20	5.10	5.2500	4.7500
6.2	59	4.10	5.05	5.2500	4.7500
6.3	60	4.00	5.00	5.2500	4.7500
6.4	61	3.90	5.00	5.2500	4.7500
6.5	62	3.80	5.00	5.2500	4.7500
6.6	63	3.70	5.00	5.2500	4.7500
6.7	64	3.60	5.00	5.2500	4.7500
6.8	65	3.50	5.00	5.2500	4.7500
6.9	66	3.50	5.00	5.2500	4.7500
6.10	67	3.50	5.00	5.2500	4.7500
6.11	68	3.50	5.00	5.2500	4.7500
6.12	69	3.50	5.00	5.2500	4.7500
6.13	70	3.50	5.00	5.2500	4.7500

6.14 (3) service-related ultimate future salary increase assumption

6.15	general state employees retirement plan of the				assumption A
6.16	Minnesota State Retirement System				
6.17	general employees retirement plan of the Public				assumption B
6.18	Employees Retirement Association				
6.19	Teachers Retirement Association				assumption C
6.20	public employees police and fire retirement plan				assumption D

6.21	service				
6.22	length	A	B	C	D
6.23	1	10.75%	12.25%	12.00%	13.00%
6.24	2	8.35	9.15	9.00	11.00
6.25	3	7.15	7.75	8.00	9.00
6.26	4	6.45	6.85	7.50	8.00
6.27	5	5.95	6.25	7.25	6.50
6.28	6	5.55	5.75	7.00	6.10
6.29	7	5.25	5.45	6.85	5.80
6.30	8	4.95	5.15	6.70	5.60
6.31	9	4.75	4.85	6.55	5.40
6.32	10	4.65	4.65	6.40	5.30
6.33	11	4.45	4.45	6.25	5.20
6.34	12	4.35	4.35	6.00	5.10
6.35	13	4.25	4.15	5.75	5.00
6.36	14	4.05	4.05	5.50	4.90
6.37	15	3.95	3.95	5.25	4.80
6.38	16	3.85	3.85	5.00	4.80
6.39	17	3.75	3.75	4.75	4.80
6.40	18	3.75	3.75	4.50	4.80
6.41	19	3.75	3.75	4.25	4.80
6.42	20	3.75	3.75	4.00	4.80
6.43	21	3.75	3.75	3.90	4.70

7.1	22	3.75	3.75	3.80	4.60
7.2	23	3.75	3.75	3.70	4.50
7.3	24	3.75	3.75	3.60	4.50
7.4	25	3.75	3.75	3.50	4.50
7.5	26	3.75	3.75	3.50	4.50
7.6	27	3.75	3.75	3.50	4.50
7.7	28	3.75	3.75	3.50	4.50
7.8	29	3.75	3.75	3.50	4.50
7.9	30 or more	3.75	3.75	3.50	4.50

7.10 (c) Before July 2, 2010, the actuarial valuation must use the applicable following  
 7.11 payroll growth assumption for calculating the amortization requirement for the unfunded  
 7.12 actuarial accrued liability where the amortization retirement is calculated as a level  
 7.13 percentage of an increasing payroll:

7.14	plan	payroll growth assumption
7.15	general state employees retirement plan of the	
7.16	Minnesota State Retirement System	3.75%
7.17	correctional state employees retirement plan	4.50
7.18	State Patrol retirement plan	4.50
7.19	legislators retirement plan	4.50
7.20	judges retirement plan	4.00
7.21	general employees retirement plan of the Public	
7.22	Employees Retirement Association	3.75
7.23	public employees police and fire retirement plan	3.75
7.24	local government correctional service retirement plan	4.50
7.25	teachers retirement plan	3.75
7.26	Duluth teachers retirement plan	4.50
7.27	St. Paul teachers retirement plan	5.00

7.28 (d) After July 1, 2010, the assumptions set forth in paragraphs (b) and (c) continue to  
 7.29 apply, unless a different salary assumption or a different payroll increase assumption:

7.30 (1) has been proposed by the governing board of the applicable retirement plan;

7.31 (2) is accompanied by the concurring recommendation of the actuary retained under  
 7.32 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the  
 7.33 most recent actuarial valuation report if section 356.214 does not apply; and

7.34 (3) has been approved or deemed approved under subdivision 18.

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

7.36 Sec. 3. Minnesota Statutes 2010, section 356.415, subdivision 1d, is amended to read:

7.37 Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.**

7.38 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers

8.1 Retirement Association are entitled to a postretirement adjustment annually on January  
8.2 1, as follows:

8.3 (1) for January 1, 2011, and January 1, 2012, no postretirement increase is payable;

8.4 (2) for January 1, 2013, and each successive January 1 until funding stability is  
8.5 restored, a postretirement increase of two percent must be applied each year, effective  
8.6 on January 1, to the monthly annuity or benefit amount of each annuitant or benefit  
8.7 recipient who has been receiving an annuity or a benefit for at least 18 full months prior  
8.8 to the January 1 increase;

8.9 (3) for January 1, 2013, and each successive January 1 until funding stability is  
8.10 restored, for each annuitant or benefit recipient who has been receiving an annuity or a  
8.11 benefit for at least six full months before the January 1 increase, an annual postretirement  
8.12 increase of 1/12 of two percent for each month the person has been receiving an annuity or  
8.13 benefit must be applied, effective January 1, ~~following the year in~~ for which the person has  
8.14 been retired for at least six months but less than 12 18 months;

8.15 (4) for each January 1 following the restoration of funding stability, a postretirement  
8.16 increase of 2.5 percent must be applied each year, effective January 1, to the monthly  
8.17 annuity or benefit amount of each annuitant or benefit recipient who has been receiving an  
8.18 annuity or a benefit for at least 18 full months prior to the January 1 increase; and

8.19 (5) for each January 1 following the restoration of funding stability, for each  
8.20 annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six  
8.21 full months before the January 1 increase, an annual postretirement increase of 1/12 of  
8.22 2.5 percent for each month the person has been receiving an annuity or benefit must be  
8.23 applied, effective January 1, ~~following the year in~~ for which the person has been retired  
8.24 for at least six months but less than 12 18 months.

8.25 (b) Funding stability is restored when the market value of assets of the Teachers  
8.26 Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities of  
8.27 the Teachers Retirement Association in the most recent prior actuarial valuation prepared  
8.28 under section 356.215 and the standards for actuarial work by the approved actuary  
8.29 retained by the Teachers Retirement Association under section 356.214.

8.30 (c) An increase in annuity or benefit payments under this section must be made  
8.31 automatically unless written notice is filed by the annuitant or benefit recipient with the  
8.32 executive director of the Teachers Retirement Association requesting that the increase  
8.33 not be made.

8.34 (d) The retirement annuity payable to a person who retires before becoming eligible  
8.35 for Social Security benefits and who has elected the optional payment as provided in  
8.36 section 354.35 must be treated as the sum of a period-certain retirement annuity and a life

9.1 retirement annuity for the purposes of any postretirement adjustment. The period-certain  
 9.2 retirement annuity plus the life retirement annuity must be the annuity amount payable  
 9.3 until age 62, 65, or normal retirement age, as selected by the member at retirement, for an  
 9.4 annuity amount payable under section 354.35. A postretirement adjustment granted on  
 9.5 the period-certain retirement annuity must terminate when the period-certain retirement  
 9.6 annuity terminates.

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

9.8 Sec. 4. Minnesota Statutes 2010, section 356.611, subdivision 3, is amended to read:

9.9 Subd. 3. **Maximum benefit limitations.** ~~A member's~~ An annuitant's annual benefit,  
 9.10 if necessary, must be reduced to the extent required by section 415(b) of the federal  
 9.11 Internal Revenue Code, as adjusted by the United States secretary of the treasury under  
 9.12 section 415(d) of the federal Internal Revenue Code for any applicable increases in the  
 9.13 cost of living, including applicable increases in the cost of living after the member's  
 9.14 termination of employment. ~~For purposes of section 415 of the federal Internal Revenue~~  
 9.15 ~~Code, the limitation year of a pension plan covered by this section must be the fiscal year~~  
 9.16 ~~or calendar year of that plan, whichever is applicable.~~ If an annuitant participated in more  
 9.17 than one pension plan maintained by the same employer, the benefits under each plan must  
 9.18 be reduced proportionately, if necessary, to satisfy the applicable limitation.

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

9.20 Sec. 5. Minnesota Statutes 2010, section 356.611, subdivision 3a, is amended to read:

9.21 Subd. 3a. **Maximum annual addition limitation, defined contribution plans.** The  
 9.22 annual additions on behalf of a member to ~~the~~ a defined contribution plan established  
 9.23 ~~under chapter 352D or 353D~~ for any limitation year ~~beginning after December 31, 2001,~~  
 9.24 shall not exceed the ~~lesser of 100 percent of the member's compensation, as defined for~~  
 9.25 ~~purposes of~~ applicable limitation on annual additions under section 415(c) of the federal  
 9.26 Internal Revenue Code; ~~or \$40,000,~~ as adjusted by the United States secretary of the  
 9.27 treasury under section 415(d) of the federal Internal Revenue Code.

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

9.29 Sec. 6. Minnesota Statutes 2010, section 356.611, subdivision 4, is amended to read:

9.30 Subd. 4. **Compensation.** ~~(a)~~ For purposes of this section, compensation means a  
 9.31 member's compensation actually paid or made available for any limitation year including  
 9.32 all items of remuneration described in federal treasury regulation section 1.415 (c)-2(b)

10.1 and excluding all items of remuneration described in federal treasury regulation section  
 10.2 1.415 (c)-2(c). Compensation for pension plan purposes for any limitation year shall not  
 10.3 exceed the applicable federal compensation limit described in subdivision 2.

10.4 ~~(b) Compensation for any period includes:~~

10.5 ~~(1) any elective deferral as defined in section 402(g)(3) of the federal Internal~~  
 10.6 ~~Revenue Code;~~

10.7 ~~(2) any elective amounts that are not includable in a member's gross income by~~  
 10.8 ~~reason of sections 125 or 457 of the federal Internal Revenue Code; and~~

10.9 ~~(3) any elective amounts that are not includable in a member's gross income by~~  
 10.10 ~~reason of section 132(f)(4) of the federal Internal Revenue Code.~~

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

10.12 Sec. 7. Minnesota Statutes 2010, section 356.611, is amended by adding a subdivision  
 10.13 to read:

10.14 **Subd. 5. Limitation year.** Unless otherwise specifically provided, for purposes of  
 10.15 section 415 of the federal Internal Revenue Code, the limitation year of a pension plan  
 10.16 covered by this section is the calendar year or fiscal year, whichever is applicable.

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

## 10.18 **ARTICLE 2**

### 10.19 **AID PROVISION RECODIFICATION; ADDING SHORTAGE** 10.20 **RECOVERY PROCEDURE**

10.21 Section 1. Minnesota Statutes 2010, section 126C.41, subdivision 3, is amended to read:

10.22 Subd. 3. **Retirement levies.** (a) In 1991 and each year thereafter, a district to which  
 10.23 this subdivision applies may levy an additional amount required for contributions to  
 10.24 the general employees retirement plan of the Public Employees Retirement Association  
 10.25 as the successor of the Minneapolis Employees Retirement Fund as a result of the  
 10.26 maximum dollar amount limitation on state contributions to that plan imposed under  
 10.27 section 353.505. The additional levy must not exceed the most recent amount certified by  
 10.28 the executive director of the Public Employees Retirement Association as the district's  
 10.29 share of the contribution requirement in excess of the maximum state contribution under  
 10.30 section 353.505.

10.31 (b) For taxes payable in 1994 and thereafter, Special School District No. 1,  
 10.32 Minneapolis, and Independent School District No. 625, St. Paul, may levy for the increase

11.1 in the employer retirement fund contributions, under Laws 1992, chapter 598, article 5,  
11.2 section 1.

11.3 (c) If the employer retirement fund contributions under section 354A.12, subdivision  
11.4 2a, are increased for fiscal year 1994 or later fiscal years, Special School District No. 1,  
11.5 Minneapolis, and Independent School District No. 625, St. Paul, may levy in payable  
11.6 1994 or later an amount equal to the amount derived by applying the net increase in  
11.7 the employer retirement fund contribution rate of the respective teacher retirement fund  
11.8 association between fiscal year 1993 and the fiscal year beginning in the year after the  
11.9 levy is certified to the total covered payroll of the applicable teacher retirement fund  
11.10 association. If an applicable school district levies under this paragraph, they may not  
11.11 levy under paragraph (b).

11.12 (d) In addition to the levy authorized under paragraph (c), Special School District  
11.13 No. 1, Minneapolis, may also levy payable in 1997 or later an amount equal to the  
11.14 contributions under section ~~423A.02~~ 354.435, subdivision ~~3~~ 2, and may also levy in  
11.15 payable 1994 or later an amount equal to the state aid contribution under section ~~354A.12~~  
11.16 354.435, subdivision ~~3b~~ 1. Independent School District No. 625, St. Paul, may levy  
11.17 payable in 1997 or later an amount equal to the supplemental contributions under section  
11.18 423A.02, subdivision 3.

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

11.20 Sec. 2. **[354.435] ADDITIONAL CONTRIBUTIONS BY SPECIAL SCHOOL**  
11.21 **DISTRICT NO. 1 AND CITY OF MINNEAPOLIS.**

11.22 **Subdivision 1. Special direct state matching aid.** (a) Special School District No. 1,  
11.23 Minneapolis, and the city of Minneapolis must make additional employer contributions  
11.24 to the Teachers Retirement Association in the amounts specified in paragraph (b). These  
11.25 contributions can be made from any available source. If made in whole or in part by a  
11.26 levy, the levy may be classified as that of a special taxing district for purposes of sections  
11.27 275.065 and 276.04, and for all other property tax purposes.

11.28 (b) Each fiscal year \$1,250,000 must be contributed by Special School District  
11.29 No. 1, Minneapolis, and \$1,250,000 must be contributed by the city of Minneapolis to  
11.30 the Teachers Retirement Association and the state shall match this total by paying to  
11.31 the Teachers Retirement Association \$2,500,000. The superintendent of Special School  
11.32 District No. 1, Minneapolis, the mayor of the city of Minneapolis, and the executive  
11.33 director of the Teachers Retirement Association shall jointly certify to the commissioner  
11.34 of management and budget the total amount that has been contributed by Special School  
11.35 District No. 1, Minneapolis, and by the city of Minneapolis to the Teachers Retirement

12.1 Association. Any certification to the commissioner of management and budget must  
 12.2 be made quarterly. If the certifications for a fiscal year exceed the maximum annual  
 12.3 direct state matching aid amount in any quarter, the amount of direct state matching aid  
 12.4 payable to the Teachers Retirement Association must be limited to the balance of the  
 12.5 maximum annual direct state matching aid amount available. The amount required under  
 12.6 this paragraph, subject to the maximum direct state matching aid amount, is appropriated  
 12.7 annually to the commissioner of management and budget.

12.8 (c) The commissioner of management and budget may prescribe the form of the  
 12.9 certifications required under paragraph (b).

12.10 Subd. 2. **Additional contributions.** In addition to any other required contributions,  
 12.11 on or before June 30 each fiscal year, Special School District No. 1, Minneapolis, and the  
 12.12 city of Minneapolis must each make an additional contribution to the Teachers Retirement  
 12.13 Association of \$1,000,000.

12.14 Subd. 3. **Procedure for recovery of deficient or delinquent amounts.** If Special  
 12.15 School District No. 1, Minneapolis, or the city of Minneapolis fails to pay the full amount  
 12.16 required under subdivision 1, paragraph (b), or subdivision 2, in a timely manner, the  
 12.17 executive director is authorized to use section 354.512, or any other process in law to  
 12.18 ensure full payment is obtained.

12.19 Subd. 4. **Expiration; repealer.** This section expires and is repealed effective the  
 12.20 first day of the fiscal year next following the fiscal year in which the Teachers Retirement  
 12.21 Association has no unfunded actuarial accrued liability as determined by the actuarial  
 12.22 valuation prepared under section 356.215, by the approved actuary retained under section  
 12.23 356.214.

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

12.25 Sec. 3. Minnesota Statutes 2010, section 354.51, subdivision 5, is amended to read:

12.26 Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the  
 12.27 event that full required member contributions are not deducted from the salary of a  
 12.28 teacher, payment must be made as follows:

12.29 (1) Payment of shortages in member deductions on salary earned after June 30,  
 12.30 1957, and before July 1, 1981, may be made any time before retirement. Payment must  
 12.31 include interest at an annual rate of 8.5 percent compounded annually from the end of the  
 12.32 fiscal year in which the shortage occurred to the end of the month in which payment is  
 12.33 made and the interest must be credited to the fund. If payment of a shortage in deductions  
 12.34 is not made, the formula service credit of the member must be prorated under section  
 12.35 354.05, subdivision 25, clause (3).

13.1 (2) Payment of shortages in member deductions on salary earned after June 30,  
 13.2 1981, are the sole obligation of the employing unit and are payable by the employing unit  
 13.3 upon notification by the executive director of the shortage with interest at an annual rate of  
 13.4 8.5 percent compounded annually from the end of the fiscal year in which the shortage  
 13.5 occurred to the end of the month in which payment is made and the interest must be  
 13.6 credited to the fund. Effective July 1, 1986, the employing unit shall also pay the employer  
 13.7 contributions as specified in section 354.42, subdivisions 3 and 5 for the shortages. If the  
 13.8 shortage payment is not paid by the employing unit within 60 days of notification, the  
 13.9 executive director ~~shall~~ may certify the amount of the shortage payment to the applicable  
 13.10 county auditor, who shall spread a levy in the amount of the shortage payment over the  
 13.11 taxable property of the taxing district of the employing unit if the employing unit is  
 13.12 supported by property taxes, ~~or to the commissioner of management and budget, who shall~~  
 13.13 ~~deduct the amount from any state aid or appropriation amount applicable to the employing~~  
 13.14 ~~unit if the employing unit is not supported by property taxes.~~

13.15 (3) Payment may not be made for shortages in member deductions on salary earned  
 13.16 before July 1, 1957, for shortages in member deductions on salary paid or payable under  
 13.17 paragraph (b), or for shortages in member deductions for persons employed by the  
 13.18 Minnesota State Colleges and Universities system in a faculty position or in an eligible  
 13.19 unclassified administrative position and whose employment was less than 25 percent  
 13.20 of a full academic year, exclusive of the summer session, for the applicable institution  
 13.21 that exceeds the most recent 36 months.

13.22 (b) For a person who is employed by the Minnesota State Colleges and Universities  
 13.23 system in a faculty position or in an eligible unclassified administrative position and  
 13.24 whose employment was less than 25 percent of a full academic year, exclusive of the  
 13.25 summer session, for the applicable institution, upon the person's election under section  
 13.26 354B.21 of retirement coverage under this chapter, the shortage in member deductions  
 13.27 on the salary for employment by the Minnesota State Colleges and Universities system  
 13.28 institution of less than 25 percent of a full academic year, exclusive of the summer session,  
 13.29 for the applicable institution for the most recent 36 months and the associated employer  
 13.30 contributions must be paid by the Minnesota State Colleges and Universities system  
 13.31 institution, plus annual compound interest at the rate of 8.5 percent from the end of the  
 13.32 fiscal year in which the shortage occurred to the end of the month in which the Teachers  
 13.33 Retirement Association coverage election is made. ~~If the shortage payment is not made by~~  
 13.34 ~~the institution within 60 days of notification, the executive director shall certify the amount~~  
 13.35 ~~of the shortage payment to the commissioner of management and budget, who shall deduct~~  
 13.36 ~~the amount from any state appropriation to the system.~~ An individual electing coverage

14.1 under this paragraph shall repay the amount of the shortage in member deductions, plus  
 14.2 interest, through deduction from salary or compensation payments within the first year of  
 14.3 employment after the election under section 354B.21, subject to the limitations in section  
 14.4 16D.16. The Minnesota State Colleges and Universities system may use any means  
 14.5 available to recover amounts which were not recovered through deductions from salary or  
 14.6 compensation payments. No payment of the shortage in member deductions under this  
 14.7 paragraph may be made for a period longer than the most recent 36 months.

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

14.9 Sec. 4. **[354.512] RECOVERY OF DEFICIENCIES.**

14.10 In addition to any other remedies permitted under law, if an employing unit or  
 14.11 other entity required by law to make any form of payment to the Teachers Retirement  
 14.12 Association fails to make full payment within 60 days of notification, the executive  
 14.13 director is authorized to certify the amount of deficiency to the commissioner of  
 14.14 management and budget, who shall deduct the amount from any state aid or appropriation  
 14.15 applicable to the employing unit or entity, and transmit the withheld aid or appropriation  
 14.16 to the executive director for deposit in the fund.

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

14.18 Sec. 5. Minnesota Statutes 2010, section 354A.12, subdivision 3c, is amended to read:

14.19 Subd. 3c. **Termination of supplemental contributions and direct matching and**  
 14.20 **state aid.** ~~The supplemental contributions payable to the Minneapolis Teachers Retirement~~  
 14.21 ~~Fund Association by Special School District No. 1 and the city of Minneapolis under~~  
 14.22 ~~section 423A.02, subdivision 3, must be paid to the Teachers Retirement Association and~~  
 14.23 ~~must continue until the current assets of the fund equal or exceed the actuarial accrued~~  
 14.24 ~~liability of the fund as determined in the most recent actuarial report for the fund by~~  
 14.25 ~~the actuary retained under section 356.214, or 2037, whichever occurs earlier. The~~  
 14.26 supplemental contributions payable to the St. Paul Teachers Retirement Fund Association  
 14.27 by Independent School District No. 625 under section 423A.02, subdivision 3, or the  
 14.28 direct state aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association  
 14.29 must continue until the current assets of the fund equal or exceed the actuarial accrued  
 14.30 liability of the fund as determined in the most recent actuarial report for the fund by the  
 14.31 actuary retained under section 356.214 or until 2037, whichever occurs earlier.

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

15.1 Sec. 6. Minnesota Statutes 2010, section 423A.02, subdivision 3, is amended to read:

15.2 Subd. 3. **Reallocation of amortization or supplementary amortization state**

15.3 **aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year  
15.4 amortization aid and supplemental amortization aid distributed under subdivisions 1  
15.5 and 1a that is not distributed for any reason to a municipality for use by a local police  
15.6 or salaried fire relief association must be distributed by the commissioner of revenue  
15.7 according to this paragraph. The commissioner shall distribute 50 percent of the amounts  
15.8 derived under this paragraph to the Teachers Retirement Association, ten percent to the  
15.9 Duluth Teachers Retirement Fund Association, and 40 percent to the St. Paul Teachers  
15.10 Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the  
15.11 respective funds. These payments shall be made on or before June 30 each fiscal year. If  
15.12 the St. Paul Teachers Retirement Fund Association becomes fully funded, its eligibility  
15.13 for this aid ceases. Amounts remaining in the undistributed balance account at the end of  
15.14 the biennium if aid eligibility ceases cancel to the general fund.

15.15 (b) In order to receive amortization and supplementary amortization aid under  
15.16 paragraph (a), prior to June 30 Independent School District No. 625, St. Paul, must make  
15.17 ~~contributions~~ an additional contribution of \$800,000 each year to the St. Paul Teachers  
15.18 Retirement Fund Association ~~in accordance with the following schedule:~~

Fiscal Year	Amount
<del>1996</del>	\$ 0
<del>1997</del>	\$ 0
<del>1998</del>	\$ 200,000
<del>1999</del>	\$ 400,000
2000	\$ 600,000
2001 and thereafter	\$ 800,000

15.26 ~~(c) Special School District No. 1, Minneapolis, and the city of Minneapolis must~~  
15.27 ~~each make contributions to the Teachers Retirement Association in accordance with the~~  
15.28 ~~following schedule:~~

Fiscal Year	City amount	School district amount
<del>1996</del>	\$ 0	\$ 0
<del>1997</del>	\$ 0	\$ 0
<del>1998</del>	\$ 250,000	\$ 250,000
<del>1999</del>	\$ 400,000	\$ 400,000
2000	\$ 550,000	\$ 550,000
2001	\$ 700,000	\$ 700,000
2002	\$ 850,000	\$ 850,000
2003 and thereafter	\$ 1,000,000	\$ 1,000,000

16.1 ~~(d)~~ (c) Thirty percent of the difference between \$5,720,000 and the current year  
 16.2 amortization aid and supplemental amortization aid under subdivisions 1 and 1a that is not  
 16.3 distributed for any reason to a municipality for use by a local police or salaried firefighter  
 16.4 relief association must be distributed under section 69.021, subdivision 7, paragraph (d),  
 16.5 as additional funding to support a minimum fire state aid amount for volunteer firefighter  
 16.6 relief associations.

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

16.8 Sec. 7. **RECOVERY OF PRIOR DEFICIENCIES.**

16.9 **Subdivision 1. Authorization.** Due to a determination by the Office of the  
 16.10 Legislative Auditor, Financial Audit Division, that the city of Minneapolis has failed to  
 16.11 pay, beginning in 1998, the full amounts required under Minnesota Statutes 2010, section  
 16.12 354A.12, subdivision 3b, and Minnesota Statutes 2010, section 423A.02, subdivision 3,  
 16.13 and earlier versions of these provisions, to the Minneapolis Teachers Retirement Fund  
 16.14 Association or to its successor organization, the Teachers Retirement Association, the  
 16.15 executive director of the Teachers Retirement Association is authorized to obtain payment  
 16.16 of the deficiency under procedures specified in this section.

16.17 **Subd. 2. Deficient amount.** The amount of the deficiency is the shortage amount as  
 16.18 determined by the Office of the Legislative Auditor, \$727,070, plus additional shortage, if  
 16.19 any, by the city of Minneapolis that has occurred since the auditor's determination.

16.20 **Subd. 3. Recovery procedure.** The executive director of the Teachers Retirement  
 16.21 Association is authorized to certify the deficiency amount to the commissioner of  
 16.22 management and budget, who shall deduct the amount of the deficiency from any state  
 16.23 aid for the city of Minneapolis, and transmit the withheld aid to the executive director for  
 16.24 deposit in the Teachers Retirement Association pension fund.

16.25 **Subd. 4. Interest.** If interest is not already included in the auditor's determined  
 16.26 amount, the executive director of the Teachers Retirement Association is authorized  
 16.27 to add, to the amount of the deficiency determined under subdivision 2 and certified  
 16.28 under subdivision 3, interest at the preretirement interest rate specified for the Teachers  
 16.29 Retirement Association in Minnesota Statutes, section 356.215, expressed in monthly  
 16.30 terms and compounded annually, from the first of the month following the date each  
 16.31 underpayment occurred until the first of the month following the date that the withheld  
 16.32 aid is transmitted to the Teachers Retirement Association.

16.33 **Subd. 5. Expiration.** Authority for the executive director of the Teachers  
 16.34 Retirement Association to certify shortages for collection under this section expires two  
 16.35 years from the date of enactment.

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

17.2 Sec. 8. **REPEALER.**

17.3 Minnesota Statutes 2010, sections 128D.18; and 354A.12, subdivision 3b, are  
17.4 repealed.

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

APPENDIX  
Article locations in 12-4699

ARTICLE 1 ADMINISTRATIVE REVISIONS ..... Page.Ln 1.15  
AID PROVISION RECODIFICATION; ADDING SHORTAGE  
ARTICLE 2 RECOVERY PROCEDURE ..... Page.Ln 10.18