

A bill for an act

relating to retirement; Duluth Teachers Retirement Fund Association; increasing member and employer contribution rates; increasing the post-July 1, 2013, benefit accrual rate; modifying 2010 postretirement adjustment reductions; amending Minnesota Statutes 2012, sections 354A.12, subdivisions 1, 2a, 3a, 3c, by adding a subdivision; 354A.27, subdivision 7, by adding a subdivision; 354A.31, subdivisions 3, 4a; 356.47, subdivision 1; repealing Minnesota Statutes 2012, section 354A.27, subdivision 6.

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

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

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

Association and Program	Percentage of Total Salary
Duluth Teachers Retirement Fund Association	
old law and new law	
coordinated programs	
before July 1, <del>2011</del> <u>2013</u>	<del>5.5</del> <u>6.5</u> percent
effective July 1, <del>2011</del> <u>2013</u>	<del>6.0</del> <u>7.0</u> percent
effective July 1, <del>2012</del> <u>2014</u>	<del>6.5</del> <u>7.5</u> percent
St. Paul Teachers Retirement Fund Association	
basic program before July 1, 2011	8 percent
basic program after June 30, 2011	8.25 percent
basic program after June 30, 2012	8.5 percent
basic program after June 30, 2013	8.75 percent
basic program after June 30, 2014	9.0 percent
coordinated program before July 1, 2011	5.5 percent
coordinated program after June 30, 2011	5.75 percent

2.1	coordinated program after June 30, 2012	6.0 percent
2.2	coordinated program after June 30, 2013	6.25 percent
2.3	coordinated program after June 30, 2014	6.50 percent

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

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

2.9 **EFFECTIVE DATE.** This section is effective July 1, 2013.

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

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

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

2.18 Duluth Teachers Retirement Fund Association

2.19	before July 1, <del>2011</del> <u>2013</u>	<del>5.79</del> <u>6.79</u> percent
2.20	effective July 1, <del>2011</del> <u>2013</u>	<del>6.29</del> <u>7.29</u> percent
2.21	effective July 1, <del>2012</del> <u>2014</u>	<del>6.79</del> <u>7.50</u> percent

2.22 St. Paul Teachers Retirement Fund Association

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

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

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

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

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

3.8 St. Paul Teachers Retirement Fund Association 3.84 percent

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

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

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

3.18 **EFFECTIVE DATE.** This section is effective July 1, 2013.

3.19 Sec. 3. Minnesota Statutes 2012, section 354A.12, subdivision 3a, is amended to read:

3.20 Subd. 3a. **Special direct state aid to first class city teachers retirement fund**  
3.21 **associations.** (a) The state shall pay ~~\$346,000~~ as special direct state aid \$6,346,000 to  
3.22 the Duluth Teachers Retirement Fund Association, \$2,827,000 to the St. Paul Teachers  
3.23 Retirement Fund Association and, for the former Minneapolis Teachers Retirement Fund  
3.24 Association, \$12,954,000 to the Teachers Retirement Association.

3.25 (b) The direct state aids under this subdivision are payable October 1 annually. The  
3.26 commissioner of management and budget shall pay the direct state aid. The amount  
3.27 required under this subdivision is appropriated annually from the general fund to the  
3.28 commissioner of management and budget.

3.29 **EFFECTIVE DATE.** This section is effective July 1, 2013.

3.30 Sec. 4. Minnesota Statutes 2012, section 354A.12, is amended by adding a subdivision  
3.31 to read:

3.32 Subd. 2c. **Duluth Teachers Retirement Fund Association; employer**  
3.33 **contributions for reemployed annuitants.** The school district shall make the regular

4.1 employer contributions and additional employer contributions specified in subdivision 2a  
4.2 on behalf of any retired member of the Duluth Teachers Retirement Fund Association who  
4.3 is reemployed by Independent School District No. 709, including providing service to the  
4.4 school district as an independent contractor or as an employee of an independent contractor.

4.5 **EFFECTIVE DATE.** This section is effective July 1, 2013.

4.6 Sec. 5. Minnesota Statutes 2012, section 354A.12, subdivision 3c, is amended to read:

4.7 Subd. 3c. **Termination of supplemental contributions and direct matching**  
4.8 **and state aid.** (a) The supplemental contributions payable to the St. Paul Teachers  
4.9 Retirement Fund Association by Independent School District No. 625 under section  
4.10 423A.02, subdivision 3, ~~or the direct~~ and all forms of state aid under subdivision 3a to the  
4.11 St. Paul Teachers Retirement Fund Association must continue until the current assets of  
4.12 the fund equal or exceed the actuarial accrued liability of the fund as determined in the  
4.13 most recent actuarial report for the fund by the actuary retained under section 356.214 or  
4.14 until June 30, 2037, whichever occurs earlier.

4.15 (b) The aid to the Duluth Teachers Retirement Fund Association under section  
4.16 423A.02, subdivision 3, and all forms of state aid under subdivision 3a to the Duluth  
4.17 Teachers Retirement Fund Association must continue until the current assets of the fund  
4.18 equal or exceed the actuarial accrued liability of the fund as determined in the most  
4.19 recent actuarial report for the fund by the actuary retained under section 356.214 or until  
4.20 the established date for full funding under section 356.215, subdivision 11, whichever  
4.21 occurs earlier.

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

4.23 Sec. 6. Minnesota Statutes 2012, section 354A.27, is amended by adding a subdivision  
4.24 to read:

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

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

5.1 **EFFECTIVE DATE.** This section is effective July 1, 2013, and applies to the  
5.2 January 1, 2014, postretirement increase.

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

5.4 Subd. 7. **Calculation of postretirement adjustments.** (a) This subdivision applies  
5.5 if subdivision ~~6~~ 6a has expired.

5.6 (b) A percentage adjustment must be computed and paid under this subdivision to  
5.7 eligible persons under subdivision 5. This adjustment is determined by reference to the  
5.8 Consumer Price Index for urban wage earners and clerical workers all items index as  
5.9 reported by the Bureau of Labor Statistics within the United States Department of Labor  
5.10 each year as part of the determination of annual cost-of-living adjustments to recipients  
5.11 of federal old-age, survivors, and disability insurance. For calculations of cost-of-living  
5.12 adjustments under paragraph (c), the term "average third quarter Consumer Price Index  
5.13 value" means the sum of the monthly index values as initially reported by the Bureau of  
5.14 Labor Statistics for the months of July, August, and September, divided by 3.

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

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

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

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

5.31 **EFFECTIVE DATE.** This section is effective July 1, 2013.

5.32 Sec. 8. Minnesota Statutes 2012, section 354A.31, subdivision 3, is amended to read:

5.33 Subd. 3. **Resumption of teaching after commencement of a retirement annuity.**

5.34 (a) Any person who retired and is receiving a coordinated program retirement annuity

6.1 under the provisions of sections 354A.31 to 354A.41 or any person receiving a basic  
6.2 program retirement annuity under the governing sections in the articles of incorporation  
6.3 or bylaws and who has resumed teaching service for the school district in which the  
6.4 teachers retirement fund association exists is entitled to continue to receive retirement  
6.5 annuity payments, except that all or a portion of the annuity payments must be deferred  
6.6 during the calendar year immediately following the calendar year in which the person's  
6.7 salary from the teaching service is in an amount greater than \$46,000. The amount of the  
6.8 annuity deferral is one-third the salary amount in excess of \$46,000 and must be deducted  
6.9 from the annuity payable for the calendar year immediately following the calendar year  
6.10 in which the excess amount was earned.

6.11 (b) If the person is retired for only a fractional part of the calendar year during the  
6.12 initial year of retirement, the maximum reemployment salary exempt from triggering a  
6.13 deferral as specified in this subdivision must be prorated for that calendar year.

6.14 (c) After a person has reached the Social Security normal retirement age, no deferral  
6.15 requirement is applicable regardless of the amount of any compensation received for  
6.16 teaching service for the school district in which the teachers retirement fund association  
6.17 exists.

6.18 (d) The amount of the retirement annuity deferral must be handled or disposed  
6.19 of as provided in section 356.47.

6.20 (e) Notwithstanding other paragraphs of this subdivision, for any retired Duluth  
6.21 Teachers Retirement Fund Association member whose effective date of retirement is after  
6.22 June 30, 2013, amounts specified as deferred under this subdivision must instead be  
6.23 forfeited to the Duluth Teachers Retirement Fund Association fund.

6.24 (e) (f) For the purpose of this subdivision, salary from teaching service includes: (i)  
6.25 all income for services performed as a consultant or independent contractor; or income  
6.26 resulting from working with the school district in any capacity; and (ii) the greater of either  
6.27 the income received or an amount based on the rate paid with respect to an administrative  
6.28 position, consultant, or independent contractor in the school district in which the teachers  
6.29 retirement fund association exists and at the same level as the position occupied by the  
6.30 person who resumes teaching service.

6.31 (f) (g) On or before February 15 of each year, each applicable employing unit  
6.32 shall report to the teachers retirement fund association the amount of postretirement  
6.33 salary as defined in this subdivision, earned as a teacher, consultant, or independent  
6.34 contractor during the previous calendar year by each retiree of the teachers retirement  
6.35 fund association for teaching service performed after retirement. The report must be in  
6.36 a format approved by the executive secretary or director.

7.1 **EFFECTIVE DATE.** This section is effective July 1, 2013.

7.2 Sec. 9. Minnesota Statutes 2012, section 354A.31, subdivision 4a, is amended to read:

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

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

7.9 (c) This paragraph, in conjunction with subdivision 6, applies to a person who first  
7.10 became a member or a member in a pension fund listed in section 356.30, subdivision 3,  
7.11 before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a  
7.12 higher annuity amount, in which case paragraph (d) applies. The retirement annuity  
7.13 formula percentage for purposes of this paragraph is the percent specified in section  
7.14 356.315, subdivision 1, per year for each year of coordinated program service for the first  
7.15 ten years rendered through June 30, 2013, and the percent specified in section 356.315,  
7.16 subdivision 1a, per year for each year of coordinated program service rendered after June  
7.17 30, 2013, and the percent specified in section 356.315, subdivision 2, for each subsequent  
7.18 year of coordinated program service through June 30, 2013, and the percent specified in  
7.19 section 356.315, subdivision 2b, per year for each year of coordinated program service  
7.20 rendered after June 30, 2013.

7.21 (d) This paragraph applies to a person who is at least 55 years old and who first  
7.22 becomes a member after June 30, 1989, and to any other member who is at least 55 years  
7.23 old and whose annuity amount, when calculated under this paragraph and in conjunction  
7.24 with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction  
7.25 with subdivision 6. The retirement annuity formula percentage for purposes of this  
7.26 paragraph is the percent specified in section 356.315, subdivision 2, for each year of  
7.27 coordinated program service through June 30, 2013, and the percent specified in section  
7.28 356.315, subdivision 2b, per year for each year of coordinated program service rendered  
7.29 after June 30, 2013.

7.30 **EFFECTIVE DATE.** This section is effective July 1, 2013.

7.31 Sec. 10. Minnesota Statutes 2012, section 356.47, subdivision 1, is amended to read:

7.32 Subdivision 1. **Application.** This section applies to the balance of annual retirement  
7.33 annuities on the amount of retirement annuity reductions after reemployed annuitant  
7.34 earnings limitations for retirement plans governed by section 352.115, subdivision 10;

8.1 353.37; 354.44, subdivision 5; or 354A.31, subdivision 3, for the St. Paul Teachers  
8.2 Retirement Fund Association. This section also applies to the balance of annual retirement  
8.3 annuities on the amount of retirement annuity reductions under section 354A.31,  
8.4 subdivision 3, for members of the Duluth Teachers Retirement Fund Association whose  
8.5 effective date of retirement is before July 1, 2013.

8.6 **EFFECTIVE DATE.** This section is effective July 1, 2013.

8.7 Sec. 11. **DULUTH TEACHERS RETIREMENT FUND ASSOCIATION BYLAW**  
8.8 **AMENDMENT AUTHORIZATION.**

8.9 Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the Duluth  
8.10 Teachers Retirement Fund Association is authorized to amend its articles of incorporation  
8.11 or its bylaws to specify the revised contribution rates under sections 1 and 2, required  
8.12 employee contributions on behalf of reemployed annuitants as specified under section 4,  
8.13 and revised treatment of reemployed annuitant holding accounts under sections 8 and 10.

8.14 **EFFECTIVE DATE.** This section is effective July 1, 2013.

8.15 Sec. 12. **REPEALER.**

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