

A bill for an act

relating to retirement; Duluth Teachers Retirement Fund Association; extending the rule of 90 benefit tier to post-1989 hires; amending Minnesota Statutes 2006, sections 354A.011, subdivision 15a; 354A.12, subdivisions 1, 2a; 354A.31, subdivisions 1, 4a, 6, 7; 354A.35, subdivision 2; Minnesota Statutes 2007 Supplement, section 356.351, subdivision 2.

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

Section 1. Minnesota Statutes 2006, section 354A.011, subdivision 15a, is amended to read:

Subd. 15a. **Normal retirement age.** (a) "Normal retirement age" means age 65 for a person who first became a member of the coordinated program of the St. Paul Teachers Retirement Fund Association before July 1, 1989, or a person who first became a member of the new law coordinated program of the Duluth Teachers Retirement Fund Association, irrespective of the person's date of first membership, or a person who first became a member of a member of a one of the other pension fund plans listed in section 356.30, subdivision 3, before July 1, 1989.

(b) For a person who first became a member of the coordinated program of the St. Paul Teachers Retirement Fund Association ~~or the new law coordinated program of the Duluth Teachers Retirement Fund Association~~ after June 30, 1989, normal retirement age means the higher of age 65 or retirement age, as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66.

(c) For a person who is a member of the basic program of the St. Paul Teachers Retirement Fund Association or the old law coordinated program of the Duluth Teachers Retirement Fund Association, normal retirement age means the age at which a teacher becomes eligible for a normal retirement annuity computed upon meeting the age and

service requirements specified in the applicable provisions of the articles of incorporation or bylaws of the respective teachers retirement fund association.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 2. Minnesota Statutes 2006, 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 shall not be less than the percentage of total salary specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth Teachers Retirement Association	
old law and new law coordinated programs	
before July 1, 2009	5.5 percent
after June 30, 2009	... percent
St. Paul Teachers Retirement Association	
basic program	8 percent
coordinated program	5.5 percent

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

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 3. Minnesota Statutes 2006, section 354A.12, subdivision 2a, is amended to read:

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

(1) for any coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall pay the employer Social Security taxes in accordance with section 355.46, subdivision 3, clause (b);

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

Duluth Teachers Retirement Fund Association	4.50 percent
St. Paul Teachers Retirement Fund Association	4.50 percent

(3) for any basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount equal to 8.00 percent of the salary of the basic member;

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

(5) for a coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to the applicable percentage of the coordinated member's salary, as provided below:

Duluth Teachers Retirement Fund Association	
<u>before July 1, 2009</u>	1.29 percent
<u>after June 30, 2009</u>	<u>... percent</u>
St. Paul Teachers Retirement Fund Association	
July 1, 1993 - June 30, 1994	0.50 percent
July 1, 1994 - June 30, 1995	1.50 percent
July 1, 1997, and thereafter	3.84 percent

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

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

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 4. Minnesota Statutes 2006, section 354A.31, subdivision 1, is amended to read:

Subdivision 1. **Age and service requirements.** (a) Any coordinated member or former coordinated member who has ceased to render teaching service for the school district in which the teachers retirement fund association exists and who has either attained the age of at least 55 years with not less than three years of allowable service credit or received credit for not less than 30 years of allowable service regardless of age, shall be entitled upon written application to a retirement annuity.

(b) Irrespective of the person's date of first membership before July 1, 1989, or after June 30, 1989, a member or former member of the Duluth Teachers Retirement Fund Association who ceases or has ceased to render teaching service with an employing unit covered by the association who has credit for at least 30 years of allowable service, irrespective of age, is entitled, upon filing a written application, to a retirement annuity under this section.

EFFECTIVE DATE. This section is effective July 1, 2008.

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Sec. 5. Minnesota Statutes 2006, section 354A.31, subdivision 4a, is amended to read:

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

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

(c) This paragraph, in conjunction with subdivision 6, applies to a ~~person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, irrespective of the person's date of first membership,~~ unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1, per year for each year of coordinated service for the first ten years and the percent specified in section 356.315, subdivision 2, for each subsequent year of coordinated service.

(d) This paragraph applies to a ~~person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and~~ whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 2, for each year of coordinated service.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 6. Minnesota Statutes 2006, section 354A.31, subdivision 6, is amended to read:

Subd. 6. **Reduced retirement annuity.** (a) This subdivision applies only to a person who first became a coordinated member of the St. Paul Teachers Retirement Fund Association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), ~~or subdivision 4a, paragraph (c),~~ in conjunction with this subdivision than when calculated under subdivision 4, paragraph (d), ~~or subdivision 4a, paragraph (d),~~ in conjunction with subdivision 7. This subdivision also applies to a member of the Duluth Teachers Retirement Fund Association, irrespective of the person's date of first membership, whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4a, paragraph (c), in conjunction

with this subdivision than when calculated under subdivision 4a, paragraph (d), in conjunction with subdivision 7.

~~(a)~~ (b) Upon retirement at an age before normal retirement age with three years of service credit or prior to age 62 with at least 30 years of service credit, a coordinated member shall be entitled to a retirement annuity in an amount equal to the normal retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), reduced by one-quarter of one percent for each month that the coordinated member is under normal retirement age if the coordinated member has less than 30 years of service credit or is under the age of 62 if the coordinated member has at least 30 years of service credit.

~~(b)~~ (c) Any coordinated member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), without any reduction by reason of early retirement.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 7. Minnesota Statutes 2006, section 354A.31, subdivision 7, is amended to read:

Subd. 7. **Actuarial reduction for early retirement.** This subdivision applies to a person who is a member of the St. Paul Teachers Retirement Fund Association, who has become at least 55 years old, and first becomes a coordinated member after June 30, 1989, and to any other St. Paul Teachers Retirement Fund Association coordinated member who has become at least 55 years old and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), ~~and subdivision 4a, paragraph (d)~~, in conjunction with this subdivision than when calculated under subdivision 4, paragraph (c), ~~or subdivision 4a, paragraph (c)~~, in conjunction with subdivision 6. This subdivision also applies to a person who is a member of the Duluth Teachers Retirement Fund Association whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4a, paragraph (d), in conjunction with this subdivision than when calculated under subdivision 4a, paragraph (c), in conjunction with subdivision 6. A coordinated member who retires before the full benefit age shall be paid the retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the

normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the person initially becomes a teacher after June 30, 2006.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 8. Minnesota Statutes 2006, section 354A.35, subdivision 2, is amended to read:

Subd. 2. Death while eligible to retire; surviving spouse optional annuity. (a)

The surviving spouse of a coordinated member who has credit for at least three years of service and dies prior to retirement may elect to receive, instead of a refund with interest under subdivision 1, an annuity equal to the 100 percent joint and survivor annuity the member could have qualified for had the member terminated service on the date of death. The surviving spouse eligible for a surviving spouse benefit under this paragraph may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. A surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity at any time after the member's death. The member's surviving spouse shall be paid a joint and survivor annuity under section 354A.32 and computed under section 354A.31.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6, paragraph ~~(a)~~ (b), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If the member was under age 55 and has credit for at least three years of allowable service on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the early retirement reduction from age 55 to the date payment begins.

Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity or surviving spouse benefit payable under this section. The benefits are payable for the life of the surviving spouse, or upon expiration of the term certain benefit payment under subdivision 2b.

EFFECTIVE DATE. This section is effective July 1, 2008.

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Sec. 9. Minnesota Statutes 2007 Supplement, section 356.351, subdivision 2, is amended to read:

Subd. 2. **Incentive.** (a) For an employee eligible under subdivision 1, if approved under paragraph (b), the employer may provide an amount up to \$17,000, to an employee who terminates service, to be used:

(1) unless the appointing authority has designated the use under clause (2) or the use under clause (3) for the initial retirement incentive applicable to that employing entity under Laws 2007, chapter 134, after May 26, 2007, for deposit in the employee's account in the health care savings plan established by section 352.98;

(2) notwithstanding section 352.01, subdivision 11, or 354.05, subdivision 13, whichever applies, if the appointing authority has designated the use under this clause for the initial retirement incentive applicable to that employing entity under Laws 2007, chapter 134, after May 26, 2007, for purchase of service credit for unperformed service sufficient to enable the employee to retire under section 352.116, subdivision 1, paragraph (b); 353.30; 354.44, subdivision 6, paragraph (b), or 354A.31, subdivision 6, paragraph ~~(b)~~ (c), whichever applies; or

(3) if the appointing authority has designated the use under this clause for the initial retirement incentive applicable to the employing entity under Laws 2007, chapter 134, after May 26, 2007, for purchase of a lifetime annuity or an annuity for a specific number of years from the applicable retirement plan to provide additional benefits, as provided in paragraph (d).

(b) Approval to provide the incentive must be obtained from the commissioner of finance if the eligible employee is a state employee and must be obtained from the applicable governing board with respect to any other employing entity. An employee is eligible for the payment under paragraph (a), clause (2), if the employee uses money from a deferred compensation account that, combined with the payment under paragraph (a), clause (2), would be sufficient to purchase enough service credit to qualify for retirement under section 352.116, subdivision 1, paragraph (b); 353.30, subdivision 1a; 354.44, subdivision 6, paragraph (b), or 354A.31, subdivision 6, paragraph ~~(b)~~ (c), whichever applies.

(c) The cost to purchase service credit under paragraph (a), clause (2), must be made in accordance with section 356.551.

(d) The annuity purchase under paragraph (a), clause (3), must be made using annuity factors derived from the applicable factors used by the applicable retirement plan to transfer amounts to the Minnesota postretirement investment fund and to calculate

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8.1 optional annuity forms. The purchased annuity must be the actuarial equivalent of the
8.2 incentive amount.

8.3 **EFFECTIVE DATE.** This section is effective July 1, 2008.