

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 1088

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DATE	D-PG	OFFICIAL STATUS
04/04/2011	1156	Introduction and first reading Referred to State Government Innovation and Veterans

1.1 A bill for an act
1.2 relating to retirement; St. Paul Teachers Retirement Fund Association; revising
1.3 postretirement adjustment procedures; reducing refund interest rate; terminating
1.4 interest payments on reemployed annuitant savings accounts; lowering deferred
1.5 annuity augmentation rate; amending Minnesota Statutes 2010, sections
1.6 354A.29, by adding subdivisions; 354A.37; 356.47, subdivision 3; repealing
1.7 Minnesota Statutes 2010, section 354A.29, subdivision 3.

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

1.9 Section 1. Minnesota Statutes 2010, section 354A.29, is amended by adding a
1.10 subdivision to read:

1.11 Subd. 7. Eligibility for payment of postretirement adjustments. (a) Annually,
1.12 after June 30, the board of trustees of the St. Paul Teachers Retirement Fund Association
1.13 must determine the amount of any postretirement adjustment using the procedures in this
1.14 subdivision and subdivision 8 or 9, whichever is applicable.

1.15 (b) On January 1, each eligible person who has been receiving an annuity or benefit
1.16 under the articles of incorporation, the bylaws, or this chapter for at least three calendar
1.17 months as of the end of the last day of the previous calendar year is eligible to receive a
1.18 postretirement increase as specified in subdivision 8 or 9.

1.19 **EFFECTIVE DATE.** This section is effective July 1, 2011.

1.20 Sec. 2. Minnesota Statutes 2010, section 354A.29, is amended by adding a subdivision
1.21 to read:

1.22 Subd. 8. Calculation of postretirement adjustments; transitional provision. (a)
1.23 For purposes of computing postretirement adjustments for eligible benefit recipients of the
1.24 St. Paul Teachers Retirement Fund Association, the accrued liability funding ratio based

2.1 on the actuarial value of assets of the plan as determined by the most recent actuarial
2.2 valuation prepared under sections 356.214 and 356.215 determines the postretirement
2.3 increase, as follows:

2.4	<u>Funding ratio</u>	<u>Postretirement increase</u>
2.5	<u>Less than 80 percent</u>	<u>1 percent</u>
2.6	<u>At least 80 percent but less</u>	
2.7	<u>than 90 percent</u>	<u>2 percent</u>

2.8 (b) The amount determined under paragraph (a) is the full postretirement increase
2.9 to be applied as a permanent increase to the regular payment of each eligible member
2.10 on January 1 of the next calendar year. For any eligible member whose effective date
2.11 of benefit commencement occurred during the calendar year before the postretirement
2.12 increase is applied, the full increase amount must be prorated on the basis of whole
2.13 calendar quarters in benefit payment status in the calendar year prior to the January 1 on
2.14 which the postretirement increase is applied, calculated to the third decimal place.

2.15 (c) If the accrued liability funding ratio based on the actuarial value of assets is at
2.16 least 90 percent, this subdivision expires and subsequent postretirement increases must be
2.17 paid as specified in subdivision 9.

2.18 **EFFECTIVE DATE.** This section is effective July 1, 2011.

2.19 Sec. 3. Minnesota Statutes 2010, section 354A.29, is amended by adding a subdivision
2.20 to read:

2.21 **Subd. 9. Calculation of postretirement adjustments.** (a) This subdivision applies
2.22 if subdivision 8 has expired.

2.23 (b) A percentage adjustment must be computed and paid under this subdivision to
2.24 eligible persons under subdivision 7. This adjustment is determined by reference to the
2.25 Consumer Price Index for urban wage earners and clerical workers all items index as
2.26 reported by the Bureau of Labor Statistics within the United States Department of Labor
2.27 each year as part of the determination of annual cost-of-living adjustments to recipients of
2.28 federal old-age, survivors, and disability insurance. For calculations of postretirement
2.29 adjustments under paragraph (c), the term "average third quarter Consumer Price Index
2.30 value" means the sum of the monthly index values as initially reported by the Bureau of
2.31 Labor Statistics for the months of July, August, and September, divided by three.

2.32 (c) Before January 1 of each year, the executive director must calculate the amount
2.33 of the postretirement adjustment by dividing the most recent average third quarter index
2.34 value by the same average third quarter index value from the previous year, subtract one

3.1 from the resulting quotient, and express the result as a percentage amount, which must be
3.2 rounded to the nearest one-tenth of one percent.

3.3 (d) The amount calculated under paragraph (c) is the full postretirement adjustment
3.4 to be applied as a permanent increase to the regular payment of each eligible member
3.5 on January 1 of the next calendar year. For any eligible member whose effective date
3.6 of benefit commencement occurred during the calendar year before the postretirement
3.7 adjustment is applied, the full increase amount must be prorated on the basis of whole
3.8 calendar quarters in benefit payment status in the calendar year prior to the January 1 on
3.9 which the postretirement adjustment is applied, calculated to the third decimal place.

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

3.11 **EFFECTIVE DATE.** This section is effective July 1, 2011.

3.12 Sec. 4. Minnesota Statutes 2010, section 354A.37, is amended to read:

3.13 **354A.37 REFUNDS; DEFERRED ANNUITY.**

3.14 Subdivision 1. **Eligibility for refund.** Any coordinated member who ceases to
3.15 render teaching service for the school district in which the teachers retirement fund
3.16 association is located shall be entitled to a refund in lieu of any other annuity or benefit
3.17 from the teachers retirement fund association, other than an annuity from a tax shelter
3.18 annuity program and fund as authorized ~~pursuant to~~ under section 354A.021, subdivision
3.19 5. The amount of the refund ~~shall~~ must be calculated ~~pursuant to~~ under subdivision 3. The
3.20 application for the refund ~~shall~~ must not be made prior to 30 days after the cessation of
3.21 teaching services if the coordinated member has not resumed active teaching services for
3.22 the district. Payment of the refund ~~shall~~ must be made within 90 days after receipt of the
3.23 refund application by the board.

3.24 Subd. 2. **Eligibility for deferred retirement annuity.** (a) Any coordinated member
3.25 who ceases to render teaching services for the school district in which the teachers
3.26 retirement fund association is located, with sufficient allowable service credit to meet
3.27 the minimum service requirements specified in section 354A.31, subdivision 1, shall be
3.28 entitled to a deferred retirement annuity in lieu of a refund ~~pursuant to~~ under subdivision
3.29 1. The deferred retirement annuity ~~shall~~ must be computed ~~pursuant to~~ under section
3.30 354A.31 and shall be augmented as provided in this subdivision. The deferred annuity
3.31 ~~shall commence~~ commences upon application after the person on deferred status attains at
3.32 least the minimum age specified in section 354A.31, subdivision 1.

3.33 (b) The monthly annuity amount that had accrued when the member ceased to
3.34 render teaching service must be augmented from the first day of the month following the

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4.1 month during which the member ceased to render teaching service to the effective date
4.2 of retirement. There is no augmentation if this period is less than three months. ~~For a~~
4.3 ~~member of the St. Paul Teachers Retirement Fund Association, the rate of augmentation~~
4.4 ~~is three percent compounded annually until January 1 of the year following the year in~~
4.5 ~~which the former member attains age 55, and five percent compounded annually after that~~
4.6 ~~date to the effective date of retirement if the employee became an employee before July~~
4.7 ~~1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee~~
4.8 ~~after June 30, 2006. For a member of the Duluth Teachers Retirement Fund Association,~~
4.9 The rate of augmentation is three percent compounded annually until January 1 of the year
4.10 following the year in which the former member attains age 55, five percent compounded
4.11 annually after that date to July 1, 2012, and two percent compounded annually after
4.12 that date to the effective date of retirement if the employee became an employee before
4.13 July 1, 2006, and at 2.5 percent compounded annually to July 1, 2012, and two percent
4.14 compounded annually after that date to the effective date of retirement if the employee
4.15 ~~becomes~~ became an employee after June 30, 2006. If a person has more than one period of
4.16 uninterrupted service, a separate average salary determined under section 354A.31 must
4.17 be used for each period, and the monthly annuity amount related to each period must be
4.18 augmented as provided in this subdivision. The sum of the augmented monthly annuity
4.19 amounts determines the total deferred annuity payable. If a person repays a refund, the
4.20 service restored by the repayment must be considered as continuous with the next period
4.21 of service for which the person has credit with the fund. If a person does not render
4.22 teaching services in any one fiscal year or more consecutive fiscal years and then resumes
4.23 teaching service, the formula percentages used from the date of resumption of teaching
4.24 service are those applicable to new members. The mortality table and interest assumption
4.25 used to compute the annuity are the table established by the fund to compute other
4.26 annuities, and the interest assumption under section 356.215 in effect when the member
4.27 retires. A period of uninterrupted service for the purpose of this subdivision means a
4.28 period of covered teaching service during which the member has not been separated from
4.29 active service for more than one fiscal year.

4.30 (c) The augmentation provided by this subdivision applies to the benefit provided
4.31 in section 354A.35, subdivision 2. The augmentation provided by this subdivision does
4.32 not apply to any period in which a person is on an approved leave of absence from an
4.33 employer unit.

4.34 Subd. 3. **Computation of refund amount.** A former coordinated member ~~of the St.~~
4.35 ~~Paul Teachers Retirement Fund Association who qualifies for a refund under subdivision 1~~
4.36 ~~shall receive a refund equal to the amount of the former coordinated member's accumulated~~

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5.1 ~~employee contributions with interest at the rate of six percent per annum compounded~~
5.2 ~~annually. A former coordinated member of the Duluth Teachers Retirement Fund~~
5.3 ~~Association~~ who qualifies for a refund under subdivision 1 shall receive a refund equal
5.4 to the amount of the former coordinated member's accumulated employee contributions
5.5 with interest at the rate of six percent per annum compounded annually to July 1, 2010,
5.6 if the person is a former member of the Duluth Teachers Retirement Fund Association, or
5.7 to July 1, 2011, if the person is a former member of the St. Paul Teachers Retirement Fund
5.8 Association, and four percent per annum compounded annually thereafter.

5.9 Subd. 4. **Certain refunds at normal retirement age.** Any coordinated member
5.10 who has attained the normal retirement age with less than ten years of allowable service
5.11 credit and has terminated active teaching service shall be entitled to a refund in lieu of a
5.12 proportionate annuity ~~pursuant to~~ under section 356.32. The refund ~~for a member of the~~
5.13 ~~St. Paul Teachers Retirement Fund Association shall be equal to the coordinated member's~~
5.14 ~~accumulated employee contributions plus interest at the rate of six percent compounded~~
5.15 ~~annually. The refund for a member of the Duluth Teachers Retirement Fund Association~~
5.16 ~~shall~~ must be equal to the coordinated member's accumulated employee contributions plus
5.17 interest at the rate of six percent compounded annually to July 1, 2010, if the person is a
5.18 former member of the Duluth Teachers Retirement Fund Association, or to July 1, 2011, if
5.19 the person is a former member of the St. Paul Teachers Retirement Fund Association, and
5.20 four percent per annum compounded annually thereafter.

5.21 Subd. 5. **Unclaimed minimal refund amounts; disposition.** If a coordinated
5.22 member ceases to render teaching services for the school district in which the teachers
5.23 retirement fund association is located but does not apply for a refund ~~pursuant to~~ under
5.24 subdivision 1 within five years after the end of the plan year next following the cessation
5.25 of teaching services and if the amount of the refund that the former coordinated member
5.26 would have been entitled to ~~pursuant to~~ under subdivision 3 is \$500 or less, then the
5.27 amount of the refund and any accumulated interest ~~shall~~ must be credited to and become
5.28 a part of the retirement fund. If the former coordinated member subsequently renders
5.29 teaching services for the school district in which the teachers retirement fund association
5.30 is located and the amount of the refund that the former coordinated member would have
5.31 previously been entitled to ~~pursuant to~~ under subdivision 3 is at least \$5, then the amount
5.32 of the refund and any accumulated interest ~~shall be~~ must be restored to the member's
5.33 individual account. If the amount of the refund that the former coordinated member
5.34 would have previously been entitled to ~~pursuant to~~ under subdivision 3 is at least \$5 and
5.35 the former coordinated member applies for a refund ~~pursuant to~~ under subdivision 1 or
5.36 for an annuity ~~pursuant to~~ under sections 354A.31 and 354A.32 or section 356.30, the

6.1 amount of the refund and any accumulated interest ~~shall~~ must be restored to the member's
6.2 individual account.

6.3 **EFFECTIVE DATE.** This section is effective July 1, 2011.

6.4 Sec. 5. Minnesota Statutes 2010, section 356.47, subdivision 3, is amended to read:

6.5 Subd. 3. **Payment.** (a) Beginning one year after the reemployment withholding
6.6 period ends relating to the reemployment that gave rise to the limitation, and the filing of a
6.7 written application, the retired member is entitled to the payment, in a lump sum, of the
6.8 value of the person's amount under subdivision 2, plus annual compound interest. For the
6.9 general state employees retirement plan, the correctional state employees retirement plan,
6.10 the general employees retirement plan of the Public Employees Retirement Association,
6.11 the public employees police and fire retirement plan, the local government correctional
6.12 employees retirement plan, and the teachers retirement plan, the annual interest rate is six
6.13 percent from the date on which the amount was deducted from the retirement annuity to
6.14 the date of payment or until January 1, 2011, whichever is earlier, and no interest after
6.15 January 1, 2011. For the Duluth Teachers Retirement Fund Association, the annual interest
6.16 is six percent from the date on which the amount was deducted from the retirement annuity
6.17 to the date of payment or until June 30, 2010, whichever is earlier, and with no interest
6.18 accrual after June 30, 2010. For the St. Paul Teachers Retirement Fund Association, the
6.19 annual interest is the rate of six percent from the date that the amount was deducted from
6.20 the retirement annuity to the date of payment or June 30, 2011, whichever is earlier, and
6.21 with no interest accrual after June 30, 2011.

6.22 (b) The written application must be on a form prescribed by the chief administrative
6.23 officer of the applicable retirement plan.

6.24 (c) If the retired member dies before the payment provided for in paragraph (a) is
6.25 made, the amount is payable, upon written application, to the deceased person's surviving
6.26 spouse, or if none, to the deceased person's designated beneficiary, or if none, to the
6.27 deceased person's estate.

6.28 (d) In lieu of the direct payment of the person's amount under subdivision 2, on
6.29 or after the payment date under paragraph (a), if the federal Internal Revenue Code so
6.30 permits, the retired member may elect to have all or any portion of the payment amount
6.31 under this section paid in the form of a direct rollover to an eligible retirement plan as
6.32 defined in section 402(c) of the federal Internal Revenue Code that is specified by the
6.33 retired member. If the retired member dies with a balance remaining payable under this
6.34 section, the surviving spouse of the retired member, or if none, the deceased person's

7.1 designated beneficiary, or if none, the administrator of the deceased person's estate may
7.2 elect a direct rollover under this paragraph.

7.3 **EFFECTIVE DATE.** This section is effective July 1, 2011.

7.4 Sec. 6. **BYLAW AUTHORIZATION.**

7.5 Consistent with the requirements of Minnesota Statutes, section 354A.12,
7.6 subdivision 4, the board of the St. Paul Teachers Retirement Fund Association is
7.7 authorized to revise the bylaws and articles of incorporation so that the requirements of
7.8 this act, where applicable, apply to the basic program.

7.9 **EFFECTIVE DATE.** This section is effective July 1, 2011.

7.10 Sec. 7. **REPEALER.**

7.11 Minnesota Statutes 2010, section 354A.29, subdivision 3, is repealed.

7.12 **EFFECTIVE DATE.** This section is effective July 1, 2011.