

municipal electric utilities their proportionate share of the expenses incurred in the review and disposition of resource plans, adjudication of service area disputes and the costs incurred in the adjudication of complaints over service standards, practices, and rates. Cooperative electric associations electing to become subject to rate regulation by the commission pursuant to section 216B.026, subdivision 4, are also subject to this section. Neither a cooperative electric association nor a municipal electric utility is liable for costs and expenses in a calendar year in excess of the limitation on costs that may be assessed against public utilities under subdivision 2. A cooperative electric association or municipal electric utility may object to and appeal bills of the commission and department as provided in subdivision 4.

Presented to the governor May 20, 1993

Signed by the governor May 24, 1993, 12:18 p.m.

CHAPTER 357—S.F.No. 553

An act relating to retirement; Minneapolis and St. Paul teacher retirement fund associations; providing additional funding from various sources; assessing active and retired members for certain teacher retirement fund associations supplemental administrative expenses; modifying certain post retirement adjustments; authorizing contributions by the city of Minneapolis; appropriating money; authorizing certain tax levies by special school district No. 1; amending Minnesota Statutes 1992, sections 354A.12, subdivisions 2, 2a, and by adding subdivisions; and Laws 1959, chapter 462, section 3, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 354A; repealing Laws 1987, chapter 372, article 3, section 1.

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

Section 1. Minnesota Statutes 1992, section 354A.12, subdivision 2, is amended to read:

Subd. 2. **RETIREMENT CONTRIBUTION LEVY DISALLOWED.** Except as provided in subdivision 3b, paragraph (d), with respect to special school district No. 1, notwithstanding any law to the contrary, levies for teachers retirement fund associations in cities of the first class, including levies for any employer social security taxes for teachers covered by the Duluth teachers retirement fund association or the Minneapolis teachers retirement fund association or the St. Paul teachers retirement fund association, are disallowed.

Sec. 2. Minnesota Statutes 1992, 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:

New language is indicated by underline, deletions by ~~strikeout~~.

(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
Minneapolis teachers retirement fund association	4.50 percent
St. Paul teachers retirement fund association	4.50 percent;

(3) for any basic 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 in an amount equal to the designated percentage of the salary of the basic member as provided below:

Minneapolis teachers retirement fund association	8.50 percent
St. Paul teachers retirement fund association	8.00 percent

(4) for a basic 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 designated percentage of the salary of the basic member, as provided below:

Minneapolis teachers retirement fund association	
<u>July 1, 1993 - June 30, 1994</u>	4.85 percent
<u>July 1, 1994, and thereafter</u>	<u>3.64 percent</u>
St. Paul teachers retirement fund association	
<u>July 1, 1993 - June 30, 1995</u>	4.63 percent
<u>July 1, 1995, and thereafter</u>	<u>3.64 percent</u>

(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:

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Duluth teachers retirement fund association	1.29 percent
Minneapolis teachers retirement fund association	
<u>July 1, 1992 - June 30, 1993</u>	<u>0.00 percent</u>
<u>July 1, 1993, and thereafter</u>	<u>1.00</u>
<u>July 1, 1993 - June 30, 1994</u>	<u>0.50 percent</u>
<u>July 1, 1994, and thereafter</u>	<u>3.64 percent</u>
St. Paul teachers retirement fund association	
<u>July 1, 1992 - June 30, 1993</u>	<u>0.00 percent</u>
<u>July 1, 1993, and thereafter</u>	<u>1.00</u>
<u>July 1, 1993 - June 30, 1994</u>	<u>0.5 percent</u>
<u>July 1, 1994 - June 30, 1995</u>	<u>1.50 percent</u>
<u>July 1, 1995, and thereafter</u>	<u>3.64 percent</u>

(b) For basic members of the Minneapolis teachers retirement fund association and the St. Paul teachers retirement fund association who retire on or after July 1, 1993, the employing unit shall continue to make an additional employer contribution to the retirement fund in an amount equal to the average salary of the employing unit's basic members multiplied by the relevant percentages in paragraph (a), clause (4).

(e) The regular and additional employer contributions must be remitted directly to the respective teachers retirement fund association each month.

(d) (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.

Sec. 3. Minnesota Statutes 1992, section 354A.12, is amended by adding a subdivision to read:

Subd. 3a. SPECIAL DIRECT STATE AID TO ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION. (a) The state shall pay to the St. Paul teachers retirement fund association \$500,000 in fiscal year 1994. In each subsequent fiscal year, the payment to the St. Paul teachers retirement fund association must be increased at the same rate as the increase in the general education revenue formula allowance under section 124A.22, subdivision 2, in subsequent fiscal years.

(b) The direct state aid is payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually to the commissioner of finance.

Sec. 4. Minnesota Statutes 1992, section 354A.12, is amended by adding a subdivision to read:

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Subd. 3b. SPECIAL DIRECT STATE MATCHING AID TO THE MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION. (a) Special school district No. 1 may make an additional employer contribution to the Minneapolis teachers retirement fund association. The city of Minneapolis may make a contribution to the Minneapolis teachers retirement fund association. This contribution may be made by a levy of the board of estimate and taxation of the city of Minneapolis, and the levy, if made, is classified as that of a special taxing district for purposes of section 275.065.

(b) For every \$1,000 contributed in equal proportion by special school district No. 1 and by the city of Minneapolis to the Minneapolis teachers retirement fund association under paragraph (a), the state shall pay to the Minneapolis teachers retirement fund association \$1,000, but not to exceed \$2,500,000 in total in fiscal year 1994. The total amount available for each subsequent fiscal year must be increased at the same rate as the increase in the general education revenue formula allowance under section 124A.22, subdivision 2, in subsequent fiscal years. The superintendent of special school district No. 1, the mayor of the city of Minneapolis, and the executive director of the Minneapolis teachers retirement fund association shall jointly certify to the commissioner of finance the total amount that has been contributed by special school district No. 1 and by the city of Minneapolis to the Minneapolis teachers retirement fund association. Any certification to the commissioner of education must be made quarterly. If the total certifications for a fiscal year exceed the maximum annual direct state matching aid amount in any quarter, the amount of direct state matching aid payable to the Minneapolis teachers retirement fund association must be limited to the balance of the maximum annual direct state matching aid amount available. The amount required under this paragraph, subject to the maximum direct state matching aid amount, is appropriated annually to the commissioner of finance.

(c) The commissioner of finance may prescribe the form of the certifications required under paragraph (b).

Sec. 5. Minnesota Statutes 1992, section 354A.12, is amended by adding a subdivision to read:

Subd. 3c. TERMINATION OF DIRECT STATE MATCHING AID. (a) The direct state aid under subdivision 3a to the St. Paul teachers retirement association and the direct state aid under subdivision 3b to the Minneapolis teachers retirement fund association terminates for the respective fund at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained by the legislative commission on pensions and retirement, equals or exceeds the accrued liability funding ratio for the teachers retirement association, as determined in the most recent actuarial report for the teachers retirement association by the actuary retained by the legislative commission on pensions and retirement.

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(b) If the state aid is terminated for the St. Paul teachers retirement fund association or the Minneapolis teachers retirement fund association under paragraph (a), it may not again be received by that fund.

Sec. 6. Minnesota Statutes 1992, section 354A.12, is amended by adding a subdivision to read:

Subd. 3d. SUPPLEMENTAL ADMINISTRATIVE EXPENSE ASSESSMENT. (a) The active and retired membership of the Minneapolis teachers retirement fund association and of the St. Paul teachers retirement fund association is responsible for defraying supplemental administrative expenses other than investment expenses of the respective teacher retirement fund association.

(b) Investment expenses of the teachers retirement fund association are those expenses incurred by or on behalf of the retirement fund in connection with the investment of the assets of the retirement fund other than investment security transaction costs. Other administrative expenses are all expenses incurred by or on behalf of the retirement fund for all other retirement fund functions other than the investment of retirement fund assets. Investment and other administrative expenses must be accounted for using generally accepted accounting principles and in a manner consistent with the comprehensive annual financial report of the teachers retirement fund association for the immediately previous fiscal year under section 356.20.

(c) Supplemental administrative expenses other than investment expenses of a first class city teacher retirement fund association are those expenses for the fiscal year that exceed the amount computed by applying the most recent percentage of pay administrative expense amount, other than investment expenses, for the teachers retirement association governed by chapter 354 to the covered payroll of the respective teachers retirement fund association for the fiscal year.

(d) The board of trustees of each first class city teachers retirement fund association shall allocate the total dollar amount of supplemental administrative expenses other than investment expenses among the various active and retired membership groups of the teachers retirement fund association and shall assess the various membership groups their respective share of the supplemental administrative expenses other than investment expenses, in amounts determined by the board of trustees. The supplemental administrative expense assessments must be paid by the membership group in a manner determined by the board of trustees of the respective teachers retirement association. Supplemental administrative expenses payable by the active members of the pension plan must be picked up by the employer in accordance with section 356.62.

(e) The supplemental administrative expense assessments must be deposited in the applicable teachers retirement fund upon receipt.

(f) Any omitted active membership group assessments that remain undeducted and unpaid to the teachers retirement fund association for 90 days must be paid by the respective school district. The school district may recover any omitted active membership group assessment amounts that it has previously paid.

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The teachers retirement fund association shall deduct any omitted retired membership group assessment amounts from the benefits next payable after the discovery of the omitted amounts.

Sec. 7. [354A.28] MODIFICATION IN MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION POST RETIREMENT ADJUSTMENT.

Subdivision 1. POST RETIREMENT ADJUSTMENT MODIFICATION. Any post retirement adjustment payable from the Minneapolis teachers retirement fund association after June 1, 1993, must be modified as provided in this section.

Subd. 2. ESTABLISHMENT. The Minneapolis teachers retirement fund association shall establish an annuity reserve fund for providing an investment vehicle for the reserves for various retirement annuities and benefits payable by the fund.

Subd. 3. ASSETS. The assets of the annuity reserve fund consist of the money representing the actuarially determined required reserves for various retirement annuities and benefits payable by the Minneapolis teachers retirement fund association.

Subd. 4. MANAGEMENT. The Minneapolis teachers retirement fund association annuity reserve fund must be managed by the board of trustees of the Minneapolis teachers retirement fund association.

Subd. 5. INVESTMENT. The assets of the annuity reserve fund must be invested, reinvested, and retained in the discretion of the board of trustees of the Minneapolis teachers retirement fund association in authorized investments under section 11A.24.

Subd. 6. ALLOCATION OF ASSETS. No later than the last business day of the month in which the benefit payment begins, the board of trustees of the Minneapolis teachers retirement fund association shall determine the reserves to be allocated to the respective annuity reserve fund in the following manner:

(1) the present value of the benefit payable to the annuitant or benefit recipient must be determined using the postretirement earnings assumptions specified for the first class city teachers retirement funds in section 356.215, and the mortality table applicable to the fund; and

(2) the amount determined in clause (1) must be multiplied by the funding ratio of the teachers retirement fund association determined for the previous fiscal year end, and the product must be identified as the amount allocated to the annuity reserve fund.

Subd. 7. WITHDRAWAL OF MONEY. If the executive director of the Minneapolis teachers retirement fund association concludes that money is required for the payment of retirement annuities or benefits, the executive direc-

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tor shall sell sufficient securities in the reserve fund or transfer available cash to pay benefits.

Subd. 8. CALCULATION OF POSTRETIREMENT ADJUSTMENTS.

(a) Annually, after June 30, the board of trustees of the Minneapolis teachers retirement fund association shall use the procedures in this subdivision and subdivision 9 to determine the amount of any postretirement adjustment. The authority to pay the automatic two percent annual postretirement increase as specified in the articles and bylaws continues.

Subd. 9. ADDITIONAL INCREASE. (a) In addition to the postretirement increases granted under subdivision 8, an additional percentage increase must be computed and paid under this subdivision.

(b) The board of trustees shall determine the number of annuities or benefit recipients who have been receiving an annuity or benefit for at least 12 months as of the current June 30. These recipients are entitled to receive the surplus investment earnings additional postretirement increase.

(c) Annually, on June 30, the board of trustees of the teachers retirement fund association shall determine the amount of reserves in the annuity reserve fund as specified in subdivision 6.

(d) Annually, on June 30, the board of trustees of the Minneapolis teachers retirement fund association shall determine the five-year annualized rate of return attributable to the assets in the annuity reserve fund under the formula or formulas specified in section 11A.04, clause (11).

(e) The board of trustees shall determine the amount of excess five-year annualized rate of return over the preretirement interest assumption as specified in section 356.215.

(f) The additional increase must be determined by multiplying the quantity one minus the rate of contribution deficiency, as specified in the most recent actuarial report of the actuary retained by the legislative commission on pensions and retirement, times the rate of return excess as determined in paragraph (e).

(g) The additional increase is payable to all eligible annuitants or benefit recipients on January 1 following the June 30 determination date under paragraphs (c) and (d).

Sec. 8. Laws 1959, chapter 462, section 3, subdivision 4, is amended to read:

Subd. 4. The school district shall contract with the City of Minneapolis for such facilities and necessary services as are furnished by the Civil Service Commission, and unless the Board of Education and city governing body each adopts a resolution declaring that a particular function would be most efficiently and effectively handled separately, the board shall may contract on a pro-rata cost

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basis with the city for such facilities and services as are provided by the Purchasing Department, comptroller, treasurer, legal department, City Planning Commission, and other services supplied by such city, provided, however, that the board may contract for other legal services when the interest of the school district and the city are in conflict in any legal matter.

Sec. 9. STUDY OF TEACHERS RETIREMENT FUND ASSOCIATIONS PHASE-OUT OR CONSOLIDATION OPTIONS.

(a) The legislative commission on pensions and retirement shall study the options available for phasing-out or consolidating the first class city teacher retirement fund associations. The commission shall report its conclusions by February 1, 1994, to the chairs of the committee on governmental operations and reform of the senate, the committee on finance of the senate, the committee on governmental operations and gambling of the house of representatives, and the committee on ways and means of the house of representatives.

(b) The legislative commission on pensions and retirement shall establish a technical advisory group for the study composed of the commission staff, the directors of the first class city teacher retirement funds, a representative of the teacher bargaining unit of the respective school districts, a representative of each school district, and a representative of the department of finance. Each bargaining unit and school district shall notify the chair of the legislative commission on pensions and retirement of its designation of a representative.

(c) The executive director of the teachers retirement association and an employee representative to be selected by the board of the teachers retirement association must be members of the technical advisory group in paragraph (b). The board shall notify the chair of the legislative commission on pensions and retirement of its designation of an employee representative.

Sec. 10. REPEALER.

Laws 1987, chapter 372, article 3, section 1, is repealed.

Sec. 11. EFFECTIVE DATE.

Sections 1 to 5, 9, and 10 are effective on July 1, 1993. Sections 6 and 7 are effective for the Minneapolis teachers retirement fund association the day following first receipt of contributions from special school district No. 1, the city of Minneapolis, and matching state contributions under section 4. Section 6 is effective for the St. Paul teachers retirement fund association on July 1, 1993. Section 8 is effective the day following final enactment.

Presented to the governor May 20, 1993

Signed by the governor May 24, 1993, 5:45 p.m.

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