

**354.42 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.**

Subdivision 1. [Repealed, 1974 c 289 s 59]

Subd. 1a. **Teachers retirement fund.** (a) Within the Teachers Retirement Association and the state treasury is created a special retirement fund, which must include all the assets of the Teachers Retirement Association and all revenue of the association.

(b) The teachers retirement fund must be credited with all employee and employer contributions, all investment revenue and gains, and all other income authorized by law.

(c) From the teachers retirement fund is appropriated the payments of annuities and benefits authorized by this chapter and the reasonable and necessary expenses of administering the fund and the association.

Subd. 2. **Employee contribution.** (a) The employee contribution to the fund is the following percentage of the member's salary:

| Period                                 | Basic Program | Coordinated Program |
|--|---------------|---------------------|
| from July 1, 2013, until June 30, 2014 | 10.5 percent  | 7 percent           |
| after June 30, 2014                    | 11 percent    | 7.5 percent         |

(b) When an employee contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid for each employer unit with the first payroll cycle reported.

(c) After June 30, 2015, if a contribution rate revision is required under subdivisions 4a, 4b, and 4c, the employee contributions under paragraphs (a) and (b) must be adjusted accordingly.

(d) This contribution must be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution must be based on the entire salary received.

Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to the applicable following percentage of salary of each coordinated member and the applicable percentage of salary of each basic member specified in paragraph (c).

The additional employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to 3.64 percent of the salary of each teacher who is a coordinated member or who is a basic member.

(b) The regular employer contribution to the fund by Independent School District No. 709, Duluth, is an amount equal to the applicable percentage of salary of each old law or new law coordinated member specified for the coordinated program in paragraph (c).

(c) The employer contribution to the fund for every other employer is an amount equal to the applicable following percentage of the salary of each coordinated member and the applicable following percentage of the salary of each basic member:

| Period                                 | Coordinated Member | Basic Member |
|--|--------------------|--------------|
| from July 1, 2013, until June 30, 2014 | 7 percent          | 11 percent   |
| after June 30, 2014                    | 7.5 percent        | 11.5 percent |

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

(e) After June 30, 2015, if a contribution rate revision is made under subdivisions 4a, 4b, and 4c, the employer contributions under paragraphs (a), (b), and (c) must be adjusted accordingly.

Subd. 4. [Repealed, 1969 c 485 s 40]

Subd. 4a. **Determination.** (a) For purposes of this section, a contribution sufficiency exists if the total of the employee contributions, the employer contributions, and any additional employer contributions, if applicable, exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) For purposes of this section, a contribution deficiency exists if the total of the employee contributions, the employer contributions, and any additional employer contributions are less than the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

Subd. 4b. **Contribution rate revision.** (a) Notwithstanding the contribution rate provisions under subdivisions 2 and 3, the Board of Trustees of the Teachers Retirement Association may adjust the employee and employer contribution rates if the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution sufficiency under subdivision 4a equal to or greater than one percent of covered payroll or if the regular valuation of the plan under section 356.215 indicates that there is a deficiency equal to or greater than one-half of one percent of covered payroll. Any decrease in employee and employer contribution rates must not result in the total of contribution rates that is less than the total of normal cost and administrative expenses.

(b) To determine if an adjustment is to be made, the board of trustees shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates based on actuarial value of assets and contribution rates based on the market value of assets; the funded ratio based on the actuarial value of assets and based on the market value of assets; the number of years remaining to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contributions projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

Subd. 4c. **Contribution sufficiency measures.** (a) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions being collected.

(b) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be recommended, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the retirement plan, that may result in an increase in the actuarially required contribution and must report to the Legislative Commission on Pensions and Retirement any recommendation by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(c) A contribution sufficiency in excess of one percent of covered pay must not be used to increase benefits, and a benefit increase must not be proposed that would initiate an automatic adjustment under this section to increase contributions. A proposed benefit improvement must include a recommendation, prepared by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement, as provided under section 356.214, subdivision 4, on the manner in which the benefit modification is to be funded.

Subd. 4d. **Reporting; commission review.** A contribution rate increase or decrease made under subdivision 4b must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement on or before the next February 1 and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination that a contribution deficiency or sufficiency exists based on the most recent actuarial valuation under section 356.215.

Subd. 5. [Repealed, 1997 c 233 art 1 s 50]

Subd. 6. [Repealed, 1974 c 289 s 59]

Subd. 7. **Erroneous salary deductions or direct payments.** (a) Any deductions taken from the salary of an employee for the retirement fund in excess of amounts required must be refunded to the employee upon the discovery of the error and after the verification of the error by the employing unit making the deduction. The corresponding excess employer contribution and excess additional employer contribution amounts attributable to the erroneous salary deduction must be refunded to the employing unit.

(b) If salary deductions and employer contributions were erroneously transmitted to the retirement fund and should have been transmitted to the plan covered by chapter 352D, 353D, 354B, or 354D, the executive director must transfer these salary deductions and employer contributions to the account of the appropriate person under the applicable plan. The transfer to the applicable defined contribution plan account must include interest at the rate of 0.71 percent per month, compounded annually, from the first day of the month following the month in which coverage should have commenced in the defined contribution plan until the end of the month in which the transfer occurs.

(c) A potential transfer under paragraph (b) that would cause the plan to fail to be a qualified plan under section 401(a) of the Internal Revenue Code, as amended, must not be made by the executive director. Within 30 days after being notified by the Teachers Retirement Association of an unmade potential transfer under this paragraph, the employer of the affected person must transmit an amount representing the applicable salary deductions and employer contributions, without interest, to the account of the applicable person under the appropriate plan. The retirement association must provide a credit for the amount of the erroneous salary deductions and employer contributions against future contributions from the employer.

(d) If a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or if a check has been returned to the funds of the employing unit

making the payment, a refund of the amount deducted, or any portion of it that is required to adjust the salary deductions, must be made to the employing unit.

(e) Erroneous direct payments of member-paid contributions or erroneous salary deductions that were not refunded during the regular payroll cycle processing must be refunded to the member, plus interest computed using the rate and method specified in section 354.49, subdivision 2.

(f) Any refund under this subdivision that would cause the plan to fail to be a qualified plan under section 401(a) of the Internal Revenue Code, as amended, may not be refunded and instead must be credited against future contributions payable by the employer. The employer is responsible for refunding to the applicable employee any amount that was erroneously deducted from the salary of the employee, with interest as specified in paragraph (e).

(g) If erroneous employee deductions and employer contributions are caused by an error in plan coverage involving the plan and any other plan specified in section 356.99, that section applies.

**History:** *Ex1957 c 16 s 4; Ex1959 c 50 s 30; 1965 c 821 s 8-10; 1967 c 834 s 4-6; 1969 c 485 s 13-16; 1973 c 270 s 9; 1973 c 728 s 14-16; 1974 c 289 s 20,21; 1977 c 313 s 1; 1978 c 781 s 3; 1979 c 293 s 1,2; 1984 c 564 s 29; 1987 c 259 s 34; 1989 c 319 art 2 s 12; 1990 c 570 art 12 s 29,30; 1990 c 591 art 2 s 5; 1994 c 508 art 1 s 4; 1994 c 524 s 1; 1994 c 528 art 3 s 15,16; 1995 c 141 art 3 s 20; 1997 c 233 art 1 s 48-50; 2004 c 267 art 5 s 1; 1Sp2005 c 8 art 10 s 59; 2006 c 277 art 3 s 6,7; 2009 c 169 art 1 s 63; art 4 s 22; 2010 c 359 art 1 s 48-53; art 2 s 13; 2014 c 296 art 6 s 6,7,49; 2015 c 68 art 5 s 3,4; art 13 s 31*