



Duluth Teachers' Retirement Fund Association

625 East Central Entrance • Duluth, MN 55811
Phone: 218-722-2894 • Fax: 218-722-8208 • www.dtrfa.org
J. Michael Stoffel, Executive Director

Legislative Update - May 24, 2013 **Pension Bill Signed into Law by Governor Dayton**

Omnibus Pension Bill Passes House & Senate – Signed by Governor Dayton

On May 17, the Senate passed Senate File 489, the omnibus pension bill, on a party-line vote of 38-27. The House of Representatives passed the bill on May 18 on a bipartisan 78-53 vote. On May 23, Governor Dayton signed the bill into law.

What is included in the Omnibus Pension Bill for the DTRFA?

SF489 is designed to stabilize the DTRFA and provide equity for members of the DTRFA by making uniform the benefits and contribution rates of the DTRFA with the TRA. The following provisions will affect members and employers in the DTRFA:

1. The DTRFA employee contribution rate will increase
 - a. from 6.5% to 7.0% effective 7/1/13
 - b. from 7.0% to 7.5% effective 7/1/14
2. The DTRFA employer contribution rate will increase
 - a. from 6.79% to 7.29% effective 7/1/13
 - b. from 7.29% to 7.5% effective 7/1/14
3. The DTRFA benefit formula multiplier will increase from 1.7% per year of service to 1.9% per year of service, effective for all service earned after 6/30/13.
4. A 1% cost of living adjustment will be reinstated for DTRFA retirees, beginning 1/1/14.
5. The DTRFA will receive additional direct aid from the State of Minnesota of \$6 million per year in fiscal years 2014 and 2015.
6. Early retirement reduction factors in the Tier II level formula plan will change resulting in higher reduction for members who retire at earlier ages (ages 55, 56...) and lower reductions for members who retire at older ages (ages 62, 63...).
7. DTRFA annuitants who return to employment with Duluth Public Schools and earn a salary more than \$46,000 will have a reduction in their annual pension the following year equal to one-third of the amount in excess of the \$46,000 limitation amount.
8. Duluth Public Schools and Lake Superior College will pay the employer contribution (but not employee contributions) to the DTRFA if they reemploy annuitants of the DTRFA.
9. Merger Study: The Boards and Directors of the three teacher retirement funds (DTRFA, the Teachers Retirement Association, and the St. Paul teachers' fund) are required to study a merger of those three systems. The study must include actuarial analysis to ensure that no single fund subsidizes another as a result of a merger, and that the three merging funds are fully funded. The study must consider administrative plans and time frames for an orderly transition, and must include methods for educating and informing all stakeholders. The report must include plans to protect the employees of the DTRFA and the St. Paul system as a result of any merger. The report is due to the legislature by January 6, 2014.