

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 3503

DATE: March 23, 2010

Version: As Introduced

Authors: Newton and others

Subject: Authorizing school districts to levy for increases in pension contribution rates

Analyst: Tim Strom

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

Teachers, administrators, nurses, librarians, social workers, counselors, and other professional personnel employed in Minnesota's public schools, including charter schools, are provided retirement benefits through three teacher retirement fund associations. The largest of the funds is the statewide Teachers Retirement Association (TRA). The two smaller funds are separate retirement fund associations for teachers employed by the St. Paul and Duluth school districts. Prior to fiscal year 1987, the state paid all employer obligations to the teacher retirement funds and Social Security. For fiscal years 1987 and 1988, a new state aid formula for teacher retirement was instituted that required school districts to make employer contributions for amounts in excess of the state aid payments. Since fiscal year 1989, school districts have been required to make all employer contributions for teacher retirement and Social Security directly from their undesignated general fund revenue.

A separate bill, H.F. 2952, proposes to increase contribution rates to the TRA and PERA retirement funds. In most circumstances, H.F. 2952 phases-in over four years a two percentage point increase in the school employer contribution rates.

This bill authorizes a school district to levy for the cost of the increase in the employer contribution rates. Initial estimates are that the levy authority would amount to about \$18 million statewide for each 0.5 percent increase in the TRA contribution rate.

Section

- 1 Levy authority for increased employer contribution rates for pension plans.**
Authorizes school districts to levy for any increase in costs due to any legislatively enacted increase in the employer contribution rates for TRA and PERA.