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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3212

04/12/2023 Authored by Nelson, M., The bill was read for the first time and referred to the Committee on State and Local Government Finance and Policy

1.1 A bill for an act
1.2 relating to retirement; State Patrol retirement plan and public employees police
1.3 and fire retirement plan; reducing employee contribution rates; increasing
1.4 postretirement adjustments; modifying vesting and return to work requirements,
1.5 decreasing the employer contribution rate, and adding a supplemental employer
1.6 contribution for the public employees police and fire retirement plan; reducing the
1.7 investment rate of return actuarial assumption; reducing interest rates; increasing
1.8 and adding direct state aids; amending Minnesota Statutes 2022, sections 352B.02,
1.9 subdivision 1a; 353.01, subdivision 47; 353.65, subdivisions 2, 3, 3b, by adding
1.10 a subdivision; 356.215, subdivision 8; 356.415, subdivisions 1c, 1e; 356.59,
1.11 subdivisions 2, 3; proposing coding for new law in Minnesota Statutes, chapters
1.12 352B; 353.

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

1.14 ARTICLE 1
1.15 EMPLOYEE CONTRIBUTION RATE DECREASE

1.16 Section 1. Minnesota Statutes 2022, section 352B.02, subdivision 1a, is amended to read:

1.17 Subd. 1a. Member contributions. (a) The member contribution is the following
1.18 percentage of the member's salary:

Table with 2 columns: Period and Contribution Rate. Rows include: from July 1, 2014, to June 30, 2016 (13.4); from July 1, 2016, to June 30, 2018 (14.4); from July 1, 2018, to June 30, 2020 (14.9); after June 30 July 1, 2020, to June 30, 2023 (15.4); after June 30, 2023 (10.5)

1.24 (b) These contributions must be made by deduction from salary as provided in section
1.25 352.04, subdivision 4.

2.1 (c) Contribution increases under paragraph (a) must be paid starting the first day of the
 2.2 first full pay period after the effective date of the increase.

2.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.4 Sec. 2. Minnesota Statutes 2022, section 353.65, subdivision 2, is amended to read:

2.5 Subd. 2. **Employee contribution.** (a) For members other than members who were active
 2.6 members of the former Minneapolis Firefighters Relief Association on December 29, 2011,
 2.7 or for members other than members who were active members of the former Minneapolis
 2.8 Police Relief Association on December 29, 2011, the employee contribution is an amount
 2.9 equal to the following percentage of the total salary of each member, as follows:

2.10	before January 1, 2019	10.8 percent
2.11	from January 1, 2019, through December 31, 2019	11.3 percent
2.12	from January 1, 2020, and thereafter <u>to June 30, 2023</u>	11.8 percent
2.13	<u>after June 30, 2023</u>	<u>9.4 percent</u>

2.14 (b) For members who were active members of the former Minneapolis Firefighters Relief
 2.15 Association on December 29, 2011, the employee contribution is an amount equal to eight
 2.16 percent of the monthly unit value under section 353.01, subdivision 10a, multiplied by 80
 2.17 and expressed as a biweekly amount for each member. The employee contribution made
 2.18 by a member with at least 25 years of service credit as an active member of the former
 2.19 Minneapolis Firefighters Relief Association must be deposited in the postretirement health
 2.20 care savings account established under section 352.98.

2.21 (c) For members who were active members of the former Minneapolis Police Relief
 2.22 Association on December 29, 2011, the employee contribution is an amount equal to eight
 2.23 percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80
 2.24 and expressed as a biweekly amount for each member. The employee contribution made
 2.25 by a member with at least 25 years of service credit as an active member of the former
 2.26 Minneapolis Police Relief Association must be deposited in the postretirement health care
 2.27 savings account established under section 352.98.

2.28 (d) Contributions under this section must be made by deduction from salary in the manner
 2.29 provided in subdivision 4. Where any portion of a member's salary is paid from other than
 2.30 public funds, the member's employee contribution is based on the total salary received from
 2.31 all sources.

2.32 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.1 **ARTICLE 2**

3.2 **POSTRETIREMENT ADJUSTMENTS**

3.3 Section 1. Minnesota Statutes 2022, section 356.415, subdivision 1c, is amended to read:

3.4 Subd. 1c. **Annual postretirement adjustments; ~~PERA-~~ public employees police and**
 3.5 **fire retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients
 3.6 of the public employees police and fire retirement plan are entitled to an annual postretirement
 3.7 adjustment, effective as of each January 1, as follows:

3.8 (1) through December 31, 2023, for each annuitant or benefit recipient who will have
 3.9 been receiving an annuity or benefit for at least 36 full months as of the immediate preceding
 3.10 June 30, a postretirement increase of one percent must be applied each year to the amount
 3.11 of the monthly annuity or benefit of the annuitant or benefit recipient; ~~or~~

3.12 (2) through December 31, 2023, for each annuitant or benefit recipient who has been
 3.13 receiving the annuity or benefit for at least 25 full months, but less than 36 months as of
 3.14 the immediate preceding June 30, a postretirement increase of 1/12 of one percent for each
 3.15 full month that the person has been receiving an annuity or benefit during the fiscal year in
 3.16 which the annuity or benefit was effective must be applied each year to the amount of the
 3.17 monthly annuity or benefit of the annuitant or benefit recipient; or

3.18 (3) effective January 1, 2024, and thereafter, for each annuitant or benefit recipient who
 3.19 has been receiving an annuity or benefit for at least six full months as of the immediate
 3.20 preceding June 30, a postretirement increase of 1.5 percent must be applied each year to
 3.21 the amount of the monthly annuity or benefit of the annuitant or benefit recipient.

3.22 (b) An increase in annuity or benefit payments under this section must be made
 3.23 automatically unless written notice is filed by the annuitant or benefit recipient with the
 3.24 executive director of the Public Employees Retirement Association requesting that the
 3.25 increase not be made.

3.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.27 Sec. 2. Minnesota Statutes 2022, section 356.415, subdivision 1e, is amended to read:

3.28 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a)
 3.29 Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol
 3.30 retirement plan are entitled to an annual postretirement adjustment, effective as of each
 3.31 January 1, as follows:

4.1 (1) through December 31, 2023, a postretirement increase of one percent must be applied
 4.2 each year to the monthly annuity or benefit of each annuitant or benefit recipient who has
 4.3 been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the
 4.4 calendar year immediately before the adjustment; ~~and~~

4.5 (2) through December 31, 2023, for each annuitant or benefit recipient who has been
 4.6 receiving an annuity or a benefit for at least one full month, but less than 12 full months as
 4.7 of the June 30 of the calendar year immediately before the adjustment, an annual
 4.8 postretirement increase of 1/12 of one percent for each month that the person has been
 4.9 receiving an annuity or benefit must be applied to the amount of the monthly annuity or
 4.10 benefit of each annuitant or benefit recipient; and

4.11 (3) effective January 1, 2024, and thereafter, for each annuitant or benefit recipient who
 4.12 has been receiving an annuity or benefit for at least six full months as of the immediate
 4.13 preceding June 30, a postretirement increase of 1.5 percent must be applied each year to
 4.14 the amount of the monthly annuity or benefit of the annuitant or benefit recipient.

4.15 (b) An increase in annuity or benefit payments under this subdivision must be made
 4.16 automatically unless written notice is filed by the annuitant or benefit recipient with the
 4.17 executive director of the applicable covered retirement plan requesting that the increase not
 4.18 be made.

4.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.20 **ARTICLE 3**

4.21 **POLICE AND FIRE PLAN EMPLOYER CONTRIBUTION RATE**

4.22 Section 1. Minnesota Statutes 2022, section 353.65, subdivision 3, is amended to read:

4.23 Subd. 3. **Employer contribution and supplemental employer contribution.** (a) With
 4.24 respect to members other than members who were active members of the former Minneapolis
 4.25 Firefighters Relief Association on December 29, 2011, or for members other than members
 4.26 who were active members of the former Minneapolis Police Relief Association on December
 4.27 29, 2011, the employer contribution is an amount equal to the following percentage of the
 4.28 total salary of each member, as follows:

4.29	before January 1, 2019	16.2 percent
4.30	from January 1, 2019, through December 31, 2019	16.95 percent
4.31	from January 1, 2020, and thereafter <u>to June 30, 2023</u>	17.7 percent
4.32	<u>from July 1, 2023, and thereafter</u>	<u>14.1 percent</u>

5.1 (b) With respect to members who were active members of the former Minneapolis
 5.2 Firefighters Relief Association on December 29, 2011, the employer contribution is an
 5.3 amount equal to the amount of the member contributions under subdivision 2, paragraph
 5.4 (b).

5.5 (c) With respect to members who were active members of the former Minneapolis Police
 5.6 Relief Association on December 29, 2011, the employer contribution is an amount equal
 5.7 to the amount of the member contributions under subdivision 2, paragraph (c).

5.8 (d) Effective July 1, 2023, with respect to members other than members described in
 5.9 paragraphs (b) and (c), the employing governmental subdivision must pay to the public
 5.10 employees police and fire retirement plan a supplemental employer contribution. The
 5.11 supplemental employer contribution is 3.6 percent of the total salary of each member. The
 5.12 supplemental employer contribution remains in effect until the earlier of:

5.13 (1) December 31 following two consecutive annual actuarial valuations, prepared under
 5.14 section 356.215 by the actuary retained by the fund under section 356.214, which indicate
 5.15 that the actuarial value of assets of the fund equals or exceeds 100 percent of the actuarial
 5.16 accrued liabilities; or

5.17 (2) July 1, 2048.

5.18 (e) Contributions under this subdivision must be made from funds available to the
 5.19 employing governmental subdivision by the means and in the manner provided in section
 5.20 353.28.

5.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.22 ARTICLE 4

5.23 OTHER PERA POLICE AND FIRE PLAN PROVISIONS

5.24 Section 1. Minnesota Statutes 2022, section 353.01, subdivision 47, is amended to read:

5.25 Subd. 47. **Vesting.** (a) "Vesting" means obtaining a nonforfeitable entitlement to an
 5.26 annuity or benefit from a retirement plan administered by the Public Employees Retirement
 5.27 Association by having credit for sufficient allowable service under paragraph (b), (c), or
 5.28 (d), whichever applies.

5.29 (b) For purposes of qualifying for an annuity or benefit as a basic or coordinated plan
 5.30 member of the general employees retirement plan of the Public Employees Retirement
 5.31 Association:

6.1 (1) a public employee who first became a member of the association before July 1, 2010,
6.2 is 100 percent vested when the person has accrued credit for not less than three years of
6.3 allowable service in the general employees retirement plan; and

6.4 (2) a public employee who first becomes a member of the association after June 30,
6.5 2010, is 100 percent vested when the person has accrued credit for not less than five years
6.6 of allowable service in the general employees retirement plan.

6.7 (c) For purposes of qualifying for an annuity or benefit as a member of the local
6.8 government correctional service retirement plan:

6.9 (1) a public employee who first became a member of the association before July 1, 2010,
6.10 is 100 percent vested when the person has accrued credit for not less than three years of
6.11 allowable service in the local government correctional service retirement plan; and

6.12 (2) a public employee who first becomes a member of the association after June 30,
6.13 2010, is vested at the following percentages when the person has accrued credit for allowable
6.14 service in the local government correctional service retirement plan, as follows:

6.15 (i) 50 percent after five years;

6.16 (ii) 60 percent after six years;

6.17 (iii) 70 percent after seven years;

6.18 (iv) 80 percent after eight years;

6.19 (v) 90 percent after nine years; and

6.20 (vi) 100 percent after ten years.

6.21 (d) For purposes of qualifying for an annuity or benefit as a member of the public
6.22 employees police and fire retirement plan:

6.23 (1) a public employee who first became a member of the association before July 1, 2010,
6.24 is 100 percent vested when the person has accrued credit for not less than three years of
6.25 allowable service in the public employees police and fire retirement plan;

6.26 (2) a public employee to whom clause (4) does not apply and who first becomes became
6.27 a member of the association after June 30, 2010, and before July 1, 2014, is vested at the
6.28 following percentages when the person has accrued credited allowable service in the public
6.29 employees police and fire retirement plan, as follows:

6.30 (i) 50 percent after five years;

6.31 (ii) 60 percent after six years;

7.1 (iii) 70 percent after seven years;

7.2 (iv) 80 percent after eight years;

7.3 (v) 90 percent after nine years; and

7.4 (vi) 100 percent after ten years; ~~and~~

7.5 (3) a public employee to whom clause (4) does not apply and who first becomes a member
7.6 of the association after June 30, 2014, is vested at the following percentages when the person
7.7 has accrued credit for allowable service in the public employees police and fire retirement
7.8 plan, as follows:

7.9 (i) 50 percent after ten years;

7.10 (ii) 55 percent after 11 years;

7.11 (iii) 60 percent after 12 years;

7.12 (iv) 65 percent after 13 years;

7.13 (v) 70 percent after 14 years;

7.14 (vi) 75 percent after 15 years;

7.15 (vii) 80 percent after 16 years;

7.16 (viii) 85 percent after 17 years;

7.17 (ix) 90 percent after 18 years;

7.18 (x) 95 percent after 19 years; and

7.19 (xi) 100 percent after 20 or more years; and

7.20 (4) a public employee who first became a member of the association after June 30, 2010,
7.21 and who is a member of the association after June 30, 2023, is 100 percent vested when the
7.22 person has accrued credit for not less than ten years of allowable service in the public
7.23 employees police and fire retirement plan.

7.24 **EFFECTIVE DATE.** This section is effective July 1, 2023.

7.25 Sec. 2. **[353.6513] REEMPLOYMENT OF RETIREE.**

7.26 (a) Notwithstanding any state law to the contrary, including section 353.37, if an eligible
7.27 person described in paragraph (b) is receiving an annuity from the public employees police
7.28 and fire retirement plan, the eligible person may return to employment with a governmental

8.1 subdivision on or after the effective date without any reduction or suspension of the person's
8.2 annuity.

8.3 (b) An eligible person is a person who:

8.4 (1) has been separated from public service for at least 30 days; and

8.5 (2) is returning with the approval of the chief of the police or fire department or director
8.6 of the agency to a position that is covered by the public employees police and fire retirement
8.7 plan or the State Patrol retirement plan.

8.8 (c) This section expires December 31, 2032.

8.9 **EFFECTIVE DATE.** This section is effective July 1, 2023.

8.10 **ARTICLE 5**

8.11 **INVESTMENT RATE OF RETURN ASSUMPTION**

8.12 Section 1. Minnesota Statutes 2022, section 356.215, subdivision 8, is amended to read:

8.13 Subd. 8. **Actuarial assumptions.** (a) The actuarial valuation must use the applicable
8.14 following investment return assumption:

plan	investment return assumption
8.17 general state employees retirement plan	7.5%
8.18 correctional state employees retirement plan	7.5
8.19 State Patrol retirement plan	7.5 7
8.20 legislators retirement plan, and for the 8.21 constitutional officers calculation of total plan 8.22 liabilities	0
8.23 judges retirement plan	7.5
8.24 general public employees retirement plan	7.5
8.25 public employees police and fire retirement plan	7.5 7
8.26 local government correctional service retirement 8.27 plan	7.5
8.28 teachers retirement plan	7.5
8.29 St. Paul teachers retirement plan	7.5
8.30 Bloomington Fire Department Relief Association	6
8.31 local monthly benefit volunteer firefighter relief 8.32 associations	5
8.33 monthly benefit retirement plans in the statewide 8.34 volunteer firefighter retirement plan	6

9.1 (b) The actuarial valuation for each of the covered retirement plans listed in section
 9.2 356.415, subdivision 2, and the St. Paul Teachers Retirement Fund Association must take
 9.3 into account the postretirement adjustment rate or rates applicable to the plan as specified
 9.4 in section 354A.29, subdivision 7, or 356.415, whichever applies.

9.5 (c) The actuarial valuation must use the applicable salary increase and payroll growth
 9.6 assumptions found in the appendix to the standards for actuarial work adopted by the
 9.7 Legislative Commission on Pensions and Retirement pursuant to section 3.85, subdivision
 9.8 10. The appendix must be updated whenever new assumptions have been approved or
 9.9 deemed approved under subdivision 18.

9.10 (d) The assumptions set forth in the appendix to the standards for actuarial work continue
 9.11 to apply, unless a different salary assumption or a different payroll increase assumption:

9.12 (1) has been proposed by the governing board of the applicable retirement plan;

9.13 (2) is accompanied by the concurring recommendation of the actuary retained under
 9.14 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most
 9.15 recent actuarial valuation report if section 356.214 does not apply; and

9.16 (3) has been approved or deemed approved under subdivision 18.

9.17 **EFFECTIVE DATE.** This section is effective June 30, 2023.

9.18 Sec. 2. Minnesota Statutes 2022, section 356.59, subdivision 2, is amended to read:

9.19 Subd. 2. **Minnesota State Retirement System.** (a) The interest rates for all retirement
 9.20 plans administered by the Minnesota State Retirement System other than the State Patrol
 9.21 retirement plan are as follows:

	Annual	Monthly
9.22 before July 1, 2015	8.5 percent	0.71 percent
9.23 from July 1, 2015, to June 30, 2018	8.0 percent	0.667 percent
9.24 after June 30, 2018	7.5 percent	0.625 percent

9.26 (b) For the State Patrol retirement plan, the interest rates are as follows:

	<u>Annual</u>	<u>Monthly</u>
9.27 <u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
9.28 <u>from July 1, 2015, to June 30, 2018</u>	<u>8.0 percent</u>	<u>0.667 percent</u>
9.29 <u>from July 1, 2018, to June 30, 2023</u>	<u>7.5 percent</u>	<u>0.625 percent</u>
9.30 <u>after June 30, 2023</u>	<u>7.0 percent</u>	<u>0.583 percent</u>

9.32 **EFFECTIVE DATE.** This section is effective June 30, 2023.

10.1 Sec. 3. Minnesota Statutes 2022, section 356.59, subdivision 3, is amended to read:

10.2 Subd. 3. **Public Employees Retirement Association.** (a) The interest rates for all
 10.3 retirement plans administered by the Public Employees Retirement Association other than
 10.4 the public employees police and fire retirement plan are as follows:

10.5	before July 1, 2015	8.5 percent
10.6	from July 1, 2015, to June 30, 2018	8.0 percent
10.7	after June 30, 2018	7.5 percent

10.8 (b) For the public employees police and fire retirement plan, the interest rates are as
 10.9 follows:

	<u>Annual</u>	<u>Monthly</u>
10.10		
10.11	<u>before July 1, 2015</u>	<u>8.5 percent</u>
10.12	<u>from July 1, 2015, to June 30, 2018</u>	<u>0.71 percent</u>
10.13	<u>from July 1, 2018, to June 30, 2023</u>	<u>8.0 percent</u>
10.14	<u>after June 30, 2023</u>	<u>0.667 percent</u>
		<u>0.625 percent</u>
		<u>7.5 percent</u>
		<u>0.583 percent</u>
		<u>7.0 percent</u>

10.15 **EFFECTIVE DATE.** This section is effective June 30, 2023.

10.16 ARTICLE 6

10.17 DIRECT AIDS TO PENSION PLANS

10.18 Section 1. **[352B.025] DIRECT STATE AID; STATE PATROL RETIREMENT**
 10.19 **FUND.**

10.20 Subdivision 1. **Aid authorization.** Beginning in 2023, the state shall pay \$14,500,000
 10.21 annually to the State Patrol retirement fund.

10.22 Subd. 2. **Aid appropriation.** The commissioner of management and budget shall pay
 10.23 the aid amount under subdivision 1 on or before October 1, 2023, and October 1 of each
 10.24 year thereafter. The amount required is appropriated annually from the general fund to the
 10.25 commissioner of management and budget.

10.26 Subd. 3. **Aid expiration.** The aid under subdivision 1 continues until the earlier of:

10.27 (1) December 31 following two consecutive annual actuarial valuations, prepared under
 10.28 section 356.215 by the actuary retained by the fund under section 356.214, which indicate
 10.29 that the actuarial value of assets of the fund equals or exceeds 100 percent of the actuarial
 10.30 accrued liabilities; or

10.31 (2) July 1, 2048.

11.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.2 Sec. 2. Minnesota Statutes 2022, section 353.65, subdivision 3b, is amended to read:

11.3 Subd. 3b. **Direct state aid.** (a) The state shall pay ~~\$4,500,000~~ \$9,000,000 on ~~October~~
11.4 ~~1, 2018, and~~ October 1, ~~2019~~ 2023, to the public employees police and fire retirement plan.

11.5 (b) By October 1 of each year after ~~2019~~ 2023, the state shall pay ~~\$9,000,000~~ \$84,000,000
11.6 to the public employees police and fire retirement plan.

11.7 (c) The commissioner of management and budget shall pay the aid specified in this
11.8 subdivision. The amount required is annually appropriated from the general fund to the
11.9 commissioner of management and budget.

11.10 ~~(b) The aid under paragraph (a) continues until the earlier of:~~

11.11 ~~(1) the first day of the fiscal year following the fiscal year in which the actuarial value~~
11.12 ~~of assets of the fund equals or exceeds 100 percent of the actuarial accrued liabilities as~~
11.13 ~~reported by the actuary retained under section 356.214 in the annual actuarial valuation~~
11.14 ~~prepared under section 356.215; or~~

11.15 ~~(2) July 1, 2048.~~

11.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.17 Sec. 3. Minnesota Statutes 2022, section 353.65, is amended by adding a subdivision to
11.18 read:

11.19 Subd. 3c. **Aid expiration.** The aid under subdivision 3b continues until the earlier of:

11.20 (1) December 31 following two consecutive annual actuarial valuations prepared under
11.21 section 356.215 by the actuary retained by the fund under section 356.214 that indicate that
11.22 the actuarial value of assets of the fund equals or exceeds 100 percent of the actuarial accrued
11.23 liabilities; or

11.24 (2) July 1, 2048.

11.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.