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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3181

03/30/2023 Authored by Davids and Urdahl 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; Teachers Retirement Association; St. Paul Teachers
1.3 Retirement Fund Association; modifying the retirement annuity statutes to authorize
1.4 an unreduced normal retirement annuity when age and service equal at least 90;
1.5 amending Minnesota Statutes 2022, sections 353.29, subdivision 3; 354.44,
1.6 subdivision 6; 354A.31, subdivision 7.

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

1.8 Section 1. Minnesota Statutes 2022, section 353.29, subdivision 3, is amended to read:

1.9 Subd. 3. Retirement annuity formula. (a) This paragraph, in conjunction with section
1.10 353.30, subdivisions 1a, 1b, and 1c, applies to any member who first became a public
1.11 employee or a member of a pension fund listed in section 356.30, subdivision 3, before July
1.12 1, 1989, unless paragraph (b), in conjunction with section 353.30, subdivision 5, produces
1.13 a higher annuity amount, in which case paragraph (b) applies. The average salary as defined
1.14 in section 353.01, subdivision 17a, multiplied by 2.2 percent for each year of allowable
1.15 service for the first ten years and thereafter by 2.7 percent per year of allowable service and
1.16 completed months less than a full year for a basic member, and 1.2 percent for each year
1.17 of allowable service for the first ten years and thereafter by 1.7 percent per year of allowable
1.18 service and completed months less than a full year for a coordinated member determines
1.19 the amount of the normal retirement annuity.

1.20 (b) This paragraph applies to a member who has become at least 55 years old and first
1.21 became a public employee after June 30, 1989, and to any other member whose annuity
1.22 amount, when calculated under this paragraph and in conjunction with section 353.30,
1.23 subdivision 5, is higher than it is when calculated under paragraph (a), in conjunction with
1.24 section 353.30, subdivisions 1a, 1b, and 1c. The average salary, as defined in section 353.01,

2.1 ~~subdivision 17a, multiplied by 2.7 percent for each year of allowable service and completed~~  
 2.2 ~~months less than a full year for a basic member and 1.7 percent per year of allowable service~~  
 2.3 ~~and completed months less than a full year for a coordinated member, determines the amount~~  
 2.4 ~~of the normal retirement annuity.~~ or to an employee of a Minnesota school district as defined  
 2.5 in section 123A.24, subdivision 2, or 123A.55. A member whose attained age plus credited  
 2.6 allowable service totals 90 years is entitled, upon application, to a retirement annuity in an  
 2.7 amount equal to the normal annuity provided in paragraph (a) without any reduction by  
 2.8 reason of early retirement.

2.9 Sec. 2. Minnesota Statutes 2022, section 354.44, subdivision 6, is amended to read:

2.10 Subd. 6. **Computation of formula program retirement annuity.** (a) The formula  
 2.11 retirement annuity must be computed in accordance with the applicable provisions of the  
 2.12 formulas stated in paragraph (b) or (d) on the basis of each member's average salary under  
 2.13 section 354.05, subdivision 13a, for the period of the member's formula service credit.

2.14 (b) This paragraph, in conjunction with paragraph (c), applies to a person who first  
 2.15 became a member of the association or a member of a pension fund listed in section 356.30,  
 2.16 subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e),  
 2.17 produces a higher annuity amount, in which case paragraph (d) applies. The average salary  
 2.18 as defined in section 354.05, subdivision 13a, multiplied by the following percentages per  
 2.19 year of formula service credit shall determine the amount of the annuity to which the member  
 2.20 qualifying therefor is entitled for service rendered before July 1, 2006:

2.21	Period	Coordinated Member	Basic Member
2.22	Each year of service	1.2 percent per year	2.2 percent per year
2.23	during first ten		
2.24	Each year of service	1.7 percent per year	2.7 percent per year
2.25	thereafter		

2.26 For service rendered on or after July 1, 2006, by a member other than a member who  
 2.27 was a member of the former Duluth Teachers Retirement Fund Association between January  
 2.28 1, 2006, and June 30, 2015, and for service rendered on or after July 1, 2013, by a member  
 2.29 who was a member of the former Duluth Teachers Retirement Fund Association between  
 2.30 January 1, 2013, and June 30, 2015, the average salary as defined in section 354.05,  
 2.31 subdivision 13a, multiplied by the following percentages per year of service credit, determines  
 2.32 the amount the annuity to which the member qualifying therefor is entitled:

	Period	Coordinated Member	Basic Member
3.1			
3.2	Each year of service	1.4 percent per year	2.2 percent per year
3.3	during first ten		
3.4	Each year of service after	1.9 percent per year	2.7 percent per year
3.5	ten years of service		

3.6 (c)(1) This paragraph applies only to a person who first became a member of the  
 3.7 association or a member of a pension fund listed in section 356.30, subdivision 3, before  
 3.8 July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction  
 3.9 with this paragraph than when calculated under paragraph (d), in conjunction with paragraph  
 3.10 (e).

3.11 (2) Where any member retires prior to normal retirement age under a formula annuity,  
 3.12 the member shall be paid a retirement annuity in an amount equal to the normal annuity  
 3.13 provided in paragraph (b) reduced by one-quarter of one percent for each month that the  
 3.14 member is under normal retirement age at the time of retirement except that for any member  
 3.15 who has 30 or more years of allowable service credit, the reduction shall be applied only  
 3.16 for each month that the member is under age 62.

3.17 (3) Any member whose attained age plus credited allowable service totals 90 years is  
 3.18 entitled, upon application, to a retirement annuity in an amount equal to the normal annuity  
 3.19 provided in paragraph (b), without any reduction by reason of early retirement.

3.20 (d) This paragraph applies to a member who has become at least 55 years old and first  
 3.21 became a member of the association after June 30, 1989, and to any other member who has  
 3.22 become at least 55 years old and whose annuity amount when calculated under this paragraph  
 3.23 and in conjunction with paragraph (e), is higher than it is when calculated under paragraph  
 3.24 (b), in conjunction with paragraph (c).

3.25 (1) For a basic member, the average salary, as defined in section 354.05, subdivision  
 3.26 13a, multiplied by 2.7 percent for each year of service for a basic member determines the  
 3.27 amount of the retirement annuity to which the basic member is entitled. The annuity of a  
 3.28 basic member who was a member of the former Minneapolis Teachers Retirement Fund  
 3.29 Association as of June 30, 2006, must be determined according to the annuity formula under  
 3.30 the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association  
 3.31 in effect as of that date.

3.32 (2) For a coordinated member, the average salary, as defined in section 354.05,  
 3.33 subdivision 13a, multiplied by 1.7 percent for each year of service rendered before July 1,  
 3.34 2006, and by 1.9 percent for each year of service rendered on or after July 1, 2006, for a  
 3.35 member other than a member who was a member of the former Duluth Teachers Retirement

4.1 Fund Association between January 1, 2006, and June 30, 2015, and by 1.9 percent for each  
 4.2 year of service rendered on or after July 1, 2013, for a member of the former Duluth Teachers  
 4.3 Retirement Fund Association between January 1, 2013, and June 30, 2015, determines the  
 4.4 amount of the retirement annuity to which the coordinated member is entitled.

4.5 (e) This paragraph applies to a person who has become at least 55 years old and first  
 4.6 becomes a member of the association after June 30, 1989, and to any other member who  
 4.7 has become at least 55 years old and whose annuity is higher when calculated under  
 4.8 paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b)  
 4.9 in conjunction with paragraph (c). An employee who retires under the formula annuity  
 4.10 before the normal retirement age is entitled to receive the normal annuity provided in  
 4.11 paragraph (d), reduced as described in clause (1) or without reduction as described in clause  
 4.12 (2), as applicable.

4.13 ~~(1) For a member who is at least age 62 and has at least 30 years of service, the annuity~~  
 4.14 ~~shall be reduced by an early reduction factor of six percent for each year that the member's~~  
 4.15 ~~age of retirement precedes the normal retirement age. The resulting reduced annuity shall~~  
 4.16 ~~be further adjusted to take into account the increase in the monthly amount that would have~~  
 4.17 ~~occurred had the member retired early and deferred receipt of the annuity until normal~~  
 4.18 ~~retirement age and the annuity was augmented during the deferral period at 2.5 percent, if~~  
 4.19 ~~the member commenced employment after June 30, 2006, or at three percent, if the member~~  
 4.20 ~~commenced employment before July 1, 2006, compounded annually.~~

4.21 ~~(2)~~ (1) For a member who has not attained age 62 or has fewer than 30 years of service  
 4.22 is not entitled to a retirement annuity under clause (2), the annuity shall be reduced for each  
 4.23 year that the member's age of retirement precedes normal retirement age by the following  
 4.24 early reduction factors:

4.25 (i) for the period during which the member is age 55 through age 58, the factor is four  
 4.26 percent; and

4.27 (ii) for the period during which the member is at least age 59 but not yet normal retirement  
 4.28 age, the factor is seven percent.

4.29 The resulting annuity shall be further adjusted to take into account the increase in the  
 4.30 monthly amount that would have occurred had the member retired early and deferred receipt  
 4.31 of the annuity until normal retirement age and the annuity was augmented during the deferral  
 4.32 period at the applicable annual rate, compounded annually. The applicable annual rate is  
 4.33 the rate in effect for the month that includes the member's effective date of retirement and  
 4.34 shall be considered as fixed for the member for the period until the member reaches normal

5.1 retirement age. The applicable annual rate for June 2019 is 2.5 percent, if the member  
5.2 commenced employment after June 30, 2006, or three percent, if the member commenced  
5.3 employment before July 1, 2006, compounded annually, and decreases each month beginning  
5.4 July 2019 in equal monthly increments over the five-year period that begins July 1, 2019,  
5.5 and ends June 30, 2024, to zero percent effective for July 2024 and thereafter.

5.6 After June 30, 2024, the reduced annuity commencing before normal retirement age  
5.7 under this clause shall not take into account any augmentation.

5.8 (2) A member whose attained age plus credited allowable service totals 90 years is  
5.9 entitled, upon application, to a retirement annuity in an amount equal to the normal annuity  
5.10 provided in paragraph (d) without any reduction by reason of early retirement.

5.11 (f) No retirement annuity is payable to a former employee with a salary that exceeds 95  
5.12 percent of the governor's salary unless and until the salary figures used in computing the  
5.13 highest five successive years average salary under paragraph (a) have been audited by the  
5.14 Teachers Retirement Association and determined by the executive director to comply with  
5.15 the requirements and limitations of section 354.05, subdivisions 35 and 35a.

5.16 Sec. 3. Minnesota Statutes 2022, section 354A.31, subdivision 7, is amended to read:

5.17 Subd. 7. **Reduction for early retirement.** (a) This subdivision applies to a person who  
5.18 has become at least 55 years old and first becomes a coordinated member after June 30,  
5.19 1989, and to any other coordinated member who has become at least 55 years old and whose  
5.20 annuity is higher when calculated using the retirement annuity formula percentage in  
5.21 subdivision 4, paragraph (d), in conjunction with this subdivision than when calculated  
5.22 under subdivision 4, paragraph (c), in conjunction with subdivision 6. An employee who  
5.23 retires under the formula annuity before the normal retirement age shall be paid the normal  
5.24 annuity reduced as described in paragraph (b) if the person retires on or after July 1, 2019,  
5.25 or in paragraph (c) if the person retires before July 1, 2019, as applicable.

5.26 (b) A coordinated member who retires before the normal retirement age and on or after  
5.27 July 1, 2019, is entitled to receive a retirement annuity calculated using the retirement  
5.28 annuity formula percentage in subdivision 4, paragraph (d), reduced as described in clause  
5.29 (1) or without reduction as described in clause (2), as applicable.

5.30 (1) If upon retirement the member retires when the member is younger than age 62 or  
5.31 with fewer than 30 years of service is not entitled to a retirement annuity under clause (2),  
5.32 the annuity must be reduced by an early reduction factor for each year that the member's  
5.33 age of retirement precedes normal retirement age. The early reduction factors are four

6.1 percent per year for members whose age at retirement is at least 55 but not yet 59 and seven  
 6.2 percent per year for members whose age at retirement is at least 59 but not yet normal  
 6.3 retirement age. The resulting annuity must be further adjusted to take into account  
 6.4 augmentation as if the employee had deferred receipt of the annuity until normal retirement  
 6.5 age and the annuity were augmented at the applicable annual rate, compounded annually,  
 6.6 from the day the annuity begins to accrue until normal retirement age. The applicable annual  
 6.7 rate is the rate in effect on the employee's effective date of retirement and shall be considered  
 6.8 as fixed for the employee. The applicable annual rates are the following:

- 6.9 (i) until June 30, 2019, 2.5 percent;
- 6.10 (ii) a rate that changes each month, beginning July 1, 2019, through June 30, 2024, which  
 6.11 is determined by reducing the rate in item (i) to zero in equal monthly increments over the  
 6.12 five-year period; and
- 6.13 (iii) after June 30, 2024, zero percent.

6.14 After June 30, 2024, the reduced annuity commencing before normal retirement age  
 6.15 under this clause shall not take into account any augmentation.

6.16 ~~(2) If the member retires when the member is at least age 62 or older and has at least 30~~  
 6.17 ~~years of service, the member is entitled to receive a retirement annuity calculated using the~~  
 6.18 ~~retirement annuity formula percentage in subdivision 4, paragraph (d), multiplied by the~~  
 6.19 ~~applicable early retirement factor specified for members "Age 62 or older with 30 years of~~  
 6.20 ~~service" in the table in paragraph (e). Any coordinated member whose attained age plus~~  
 6.21 credited allowable service totals 90 years is entitled, upon application, to a retirement annuity  
 6.22 in an amount equal to the normal annuity provided in subdivision 4, paragraph (d), without  
 6.23 any reduction by reason of early retirement.

6.24 (c) A coordinated member who retires before the normal retirement age and before July  
 6.25 1, 2019, is entitled to receive a retirement annuity calculated using the retirement annuity  
 6.26 formula percentage in subdivision 4, paragraph (d), multiplied by the applicable early  
 6.27 retirement factor specified below:

	Under age 62		Age 62 or older	
	or less than 30 years of service		with 30 years of service	
6.30 Normal retirement age:	65	66	65	66
6.31 Age at retirement				
6.32         55	0.5376	0.4592		
6.33         56	0.5745	0.4992		
6.34         57	0.6092	0.5370		

7.1	58	0.6419	0.5726		
7.2	59	0.6726	0.6062		
7.3	60	0.7354	0.6726		
7.4	61	0.7947	0.7354		
7.5	62	0.8507	0.7947	0.8831	0.8389
7.6	63	0.9035	0.8507	0.9246	0.8831
7.7	64	0.9533	0.9035	0.9635	0.9246
7.8	65	1.0000	0.9533	1.0000	0.9635
7.9	66		1.0000		1.0000

7.10 For normal retirement ages between ages 65 and 66, the early retirement factors must  
7.11 be determined by linear interpolation between the early retirement factors applicable for  
7.12 normal retirement ages 65 and 66.