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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4596

03/24/2022

Authored by Dettmer

The bill was read for the first time and referred to the Committee on State Government Finance and Elections

1.1 A bill for an act

1.2 relating to retirement; Teachers Retirement Association and St. Paul Teachers

1.3 Retirement Fund Association; reinstating the rule of 90 and increasing employee

1.4 contributions to pay for rule of 90 benefit; appropriating money; amending

1.5 Minnesota Statutes 2020, sections 354.42, subdivisions 2, 3; 354.44, subdivision

1.6 6; 354A.12, subdivision 2a; Minnesota Statutes 2021 Supplement, sections 354A.12,

1.7 subdivision 1; 354A.31, subdivision 7.

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

1.9 Section 1. Minnesota Statutes 2020, section 354.42, subdivision 2, is amended to read:

1.10 Subd. 2. **Employee contribution.** (a) The employee contribution to the fund is the

1.11 following percentage of the member's salary:

1.12	Period	Basic Program	Coordinated Program
1.13	from July 1, 2014, through June 30, 2023		
1.14	<u>2022</u>	11 percent	7.5 percent
1.15	<u>from July 1, 2022, through June 30, 2023</u>	<u>11.62 percent</u>	<u>8.12 percent</u>
1.16	after June 30, 2023	11.25 <u>11.87</u> percent	7.75 <u>8.37</u> percent

1.17 (b) When an employee contribution rate changes for a fiscal year, the new contribution

1.18 rate is effective for the entire salary paid for each employer unit with the first payroll cycle

1.19 reported.

1.20 (c) This contribution must be made by deduction from salary. Where any portion of a

1.21 member's salary is paid from other than public funds, the member's employee contribution

1.22 must be based on the entire salary received.

1.23 **EFFECTIVE DATE.** This section is effective July 1, 2022.

2.1 Sec. 2. Minnesota Statutes 2020, section 354.42, subdivision 3, is amended to read:

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

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

2.9 (b) The regular employer contribution to the fund by Independent School District No.
2.10 709, Duluth, is an amount equal to the applicable percentage of salary of each old law or
2.11 new law coordinated member specified for the coordinated program in paragraph (c).

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

2.15	Period	Coordinated Member	Basic Member
2.16	from July 1, 2014, through June 30, 2018	7.5 percent	11.5 percent
2.17	from July 1, 2018, through June 30, 2019	7.71 percent	11.71 percent
2.18	from July 1, 2019, through June 30, 2020	7.92 percent	11.92 percent
2.19	from July 1, 2020, through June 30, 2021	8.13 percent	12.13 percent
2.20	from July 1, 2021, through June 30, 2022	8.34 percent	12.34 percent
2.21	from July 1, 2022, through June 30, 2023	8.55 <u>9.17</u> percent	12.55 <u>13.17</u> percent
2.22	after June 30, 2023	8.75 <u>9.37</u> percent	12.75 <u>13.37</u> percent

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

2.26 **EFFECTIVE DATE.** This section is effective July 1, 2022.

2.27 Sec. 3. Minnesota Statutes 2020, section 354.44, subdivision 6, is amended to read:

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

2.32 (b) This paragraph, in conjunction with paragraph (c), applies to a person who first
2.33 became a member of the association or a member of a pension fund listed in section 356.30,

3.1 subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e),
 3.2 produces a higher annuity amount, in which case paragraph (d) applies. The average salary
 3.3 as defined in section 354.05, subdivision 13a, multiplied by the following percentages per
 3.4 year of formula service credit shall determine the amount of the annuity to which the member
 3.5 qualifying therefor is entitled for service rendered before July 1, 2006:

3.6	Period	Coordinated Member	Basic Member
3.7	Each year of service	1.2 percent per year	2.2 percent per year
3.8	during first ten		
3.9	Each year of service	1.7 percent per year	2.7 percent per year
3.10	thereafter		

3.11 For service rendered on or after July 1, 2006, by a member other than a member who
 3.12 was a member of the former Duluth Teachers Retirement Fund Association between January
 3.13 1, 2006, and June 30, 2015, and for service rendered on or after July 1, 2013, by a member
 3.14 who was a member of the former Duluth Teachers Retirement Fund Association between
 3.15 January 1, 2013, and June 30, 2015, the average salary as defined in section 354.05,
 3.16 subdivision 13a, multiplied by the following percentages per year of service credit, determines
 3.17 the amount the annuity to which the member qualifying therefor is entitled:

3.18	Period	Coordinated Member	Basic Member
3.19	Each year of service	1.4 percent per year	2.2 percent per year
3.20	during first ten		
3.21	Each year of service after	1.9 percent per year	2.7 percent per year
3.22	ten years of service		

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

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

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

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

4.6 (1) For a basic member, the average salary, as defined in section 354.05, subdivision
4.7 13a, multiplied by 2.7 percent for each year of service for a basic member determines the
4.8 amount of the retirement annuity to which the basic member is entitled. The annuity of a
4.9 basic member who was a member of the former Minneapolis Teachers Retirement Fund
4.10 Association as of June 30, 2006, must be determined according to the annuity formula under
4.11 the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association
4.12 in effect as of that date.

4.13 (2) For a coordinated member, the average salary, as defined in section 354.05,
4.14 subdivision 13a, multiplied by 1.7 percent for each year of service rendered before July 1,
4.15 2006, and by 1.9 percent for each year of service rendered on or after July 1, 2006, for a
4.16 member other than a member who was a member of the former Duluth Teachers Retirement
4.17 Fund Association between January 1, 2006, and June 30, 2015, and by 1.9 percent for each
4.18 year of service rendered on or after July 1, 2013, for a member of the former Duluth Teachers
4.19 Retirement Fund Association between January 1, 2013, and June 30, 2015, determines the
4.20 amount of the retirement annuity to which the coordinated member is entitled.

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

4.29 ~~(1) For a member who is at least age 62 and has at least 30 years of service, the annuity~~
4.30 ~~shall be reduced by an early reduction factor of six percent for each year that the member's~~
4.31 ~~age of retirement precedes the normal retirement age. The resulting reduced annuity shall~~
4.32 ~~be further adjusted to take into account the increase in the monthly amount that would have~~
4.33 ~~occurred had the member retired early and deferred receipt of the annuity until normal~~
4.34 ~~retirement age and the annuity was augmented during the deferral period at 2.5 percent, if~~

5.1 ~~the member commenced employment after June 30, 2006, or at three percent, if the member~~
5.2 ~~commenced employment before July 1, 2006, compounded annually.~~

5.3 ~~(2) (1)~~ For a member who ~~has not attained age 62 or has fewer than 30 years of service~~
5.4 is not entitled to a retirement annuity under clause (2), the annuity shall be reduced for each
5.5 year that the member's age of retirement precedes normal retirement age by the following
5.6 early reduction factors:

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

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

5.11 The resulting annuity shall be further adjusted to take into account the increase in the
5.12 monthly amount that would have occurred had the member retired early and deferred receipt
5.13 of the annuity until normal retirement age and the annuity was augmented during the deferral
5.14 period at the applicable annual rate, compounded annually. The applicable annual rate is
5.15 the rate in effect for the month that includes the member's effective date of retirement and
5.16 shall be considered as fixed for the member for the period until the member reaches normal
5.17 retirement age. The applicable annual rate for June 2019 is 2.5 percent, if the member
5.18 commenced employment after June 30, 2006, or three percent, if the member commenced
5.19 employment before July 1, 2006, compounded annually, and decreases each month beginning
5.20 July 2019 in equal monthly increments over the five-year period that begins July 1, 2019,
5.21 and ends June 30, 2024, to zero percent effective for July 2024 and thereafter.

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

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

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

5.32 **EFFECTIVE DATE.** This section is effective July 1, 2022.

6.1 Sec. 4. Minnesota Statutes 2021 Supplement, section 354A.12, subdivision 1, is amended
6.2 to read:

6.3 Subdivision 1. **Employee contributions.** (a) The contribution required to be paid by
6.4 each member of the St. Paul Teachers Retirement Fund Association is the percentage of
6.5 total salary specified below for the applicable association and program:

6.6	Program	Percentage of Total Salary
6.7	St. Paul Teachers Retirement Fund Association	
6.8	basic program after June 30, 2016	10 percent
6.9	<u>basic program after June 30, 2022</u>	<u>10.62 percent</u>
6.10	basic program after June 30, 2023	10.25 <u>10.87</u> percent
6.11	coordinated program after June 30, 2016	7.5 percent
6.12	<u>coordinated program after June 20, 2022</u>	<u>8.12 percent</u>
6.13	coordinated program after June 30, 2023	7.75 <u>8.37</u> percent

6.14 (b) Contributions must be made by deduction from salary and must be remitted directly
6.15 to the St. Paul Teachers Retirement Fund Association at least once each month.

6.16 (c) When an employee contribution rate changes for a fiscal year, the new contribution
6.17 rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

6.18 **EFFECTIVE DATE.** This section is effective July 1, 2022.

6.19 Sec. 5. Minnesota Statutes 2020, section 354A.12, subdivision 2a, is amended to read:

6.20 Subd. 2a. **Employer regular and additional contributions.** (a) The employing units
6.21 shall make the following employer contributions to the teachers retirement fund association:

6.22 (1) for each coordinated member of the St. Paul Teachers Retirement Fund Association,
6.23 the employing unit shall make a regular employer contribution to the retirement fund
6.24 association in an amount equal to the designated percentage of the salary of the coordinated
6.25 member as provided below:

6.26	after June 30, 2016	6.25 percent
6.27	after June 30, 2017	6.5 percent
6.28	after June 30, 2018	7.335 percent
6.29	after June 30, 2019	8.17 percent
6.30	after June 30, 2020	8.38 percent
6.31	after June 30, 2021	8.59 percent
6.32	after June 30, 2022	8.8 <u>9.42</u> percent
6.33	after June 30, 2023	9 <u>9.62</u> percent

7.1 (2) for each basic member of the St. Paul Teachers Retirement Fund Association, the
 7.2 employing unit shall make a regular employer contribution to the respective retirement fund
 7.3 in an amount according to the schedule below:

7.4	after June 30, 2016	9.75 percent of salary
7.5	after June 30, 2017	10 percent of salary
7.6	after June 30, 2018	10.835 percent of salary
7.7	after June 30, 2019	11.67 percent of salary
7.8	after June 30, 2020	11.88 percent of salary
7.9	after June 30, 2021	12.09 percent of salary
7.10	after June 30, 2022	12.3 percent of salary
7.11	after June 30, 2023	12.5 percent of salary

7.12 (3) for each basic member of the St. Paul Teachers Retirement Fund Association, the
 7.13 employing unit shall make an additional employer contribution to the respective fund in an
 7.14 amount equal to 3.64 percent of the salary of the basic member;

7.15 (4) for each coordinated member of the St. Paul Teachers Retirement Fund Association,
 7.16 the employing unit shall make an additional employer contribution to the respective fund
 7.17 in an amount equal to 3.84 percent of the coordinated member's salary.

7.18 (b) The regular and additional employer contributions must be remitted directly to the
 7.19 St. Paul Teachers Retirement Fund Association at least once each month. Delinquent amounts
 7.20 are payable with interest under the procedure in subdivision 1a.

7.21 (c) Payments of regular and additional employer contributions for school district or
 7.22 technical college employees who are paid from normal operating funds must be made from
 7.23 the appropriate fund of the district or technical college.

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

7.26 **EFFECTIVE DATE.** This section is effective July 1, 2022.

7.27 Sec. 6. Minnesota Statutes 2021 Supplement, section 354A.31, subdivision 7, is amended
 7.28 to read:

7.29 Subd. 7. **Reduction for early retirement.** (a) This subdivision applies to a person who
 7.30 has become at least 55 years old and first becomes a coordinated member after June 30,
 7.31 1989, and to any other coordinated member who has become at least 55 years old and whose
 7.32 annuity is higher when calculated using the retirement annuity formula percentage in
 7.33 subdivision 4, paragraph (d), in conjunction with this subdivision than when calculated

8.1 under subdivision 4, paragraph (c), in conjunction with subdivision 6. An employee who
8.2 retires under the formula annuity before the normal retirement age shall be paid the normal
8.3 annuity reduced as described in paragraph (b) if the person retires on or after July 1, 2019,
8.4 or in paragraph (c) if the person retires before July 1, 2019, as applicable.

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

8.9 (1) If upon retirement the member retires when the member is younger than age 62 or
8.10 with fewer than 30 years of service is not entitled to a retirement annuity under clause (2),
8.11 the annuity must be reduced by an early reduction factor for each year that the member's
8.12 age of retirement precedes normal retirement age. The early reduction factors are four
8.13 percent per year for members whose age at retirement is at least 55 but not yet 59 and seven
8.14 percent per year for members whose age at retirement is at least 59 but not yet normal
8.15 retirement age. The resulting annuity must be further adjusted to take into account
8.16 augmentation as if the employee had deferred receipt of the annuity until normal retirement
8.17 age and the annuity were augmented at the applicable annual rate, compounded annually,
8.18 from the day the annuity begins to accrue until normal retirement age. The applicable annual
8.19 rate is the rate in effect on the employee's effective date of retirement and shall be considered
8.20 as fixed for the employee. The applicable annual rates are the following:

8.21 (i) until June 30, 2019, 2.5 percent;

8.22 (ii) a rate that changes each month, beginning July 1, 2019, through June 30, 2024, which
8.23 is determined by reducing the rate in item (i) to zero in equal monthly increments over the
8.24 five-year period; and

8.25 (iii) after June 30, 2024, zero percent.

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

8.28 (2) ~~If the member retires when the member is at least age 62 or older and has at least 30~~
8.29 ~~years of service, the member is entitled to receive a retirement annuity calculated using the~~
8.30 ~~retirement annuity formula percentage in subdivision 4, paragraph (d), multiplied by the~~
8.31 ~~applicable early retirement factor specified for members "Age 62 or older with 30 years of~~
8.32 ~~service" in the table in paragraph (e) Any coordinated member whose attained age plus~~
8.33 ~~credited allowable service totals 90 years is entitled, upon application, to a retirement annuity~~

9.1 in an amount equal to the normal annuity provided in subdivision 4, paragraph (d), without
 9.2 any reduction by reason of early retirement.

9.3 (c) A coordinated member who retires before the normal retirement age and before July
 9.4 1, 2019, is entitled to receive a retirement annuity calculated using the retirement annuity
 9.5 formula percentage in subdivision 4, paragraph (d), multiplied by the applicable early
 9.6 retirement factor specified below:

	Under age 62		Age 62 or older	
	or less than 30 years of service		with 30 years of service	
Normal retirement age:	65	66	65	66
Age at retirement				
55	0.5376	0.4592		
56	0.5745	0.4992		
57	0.6092	0.5370		
58	0.6419	0.5726		
59	0.6726	0.6062		
60	0.7354	0.6726		
61	0.7947	0.7354		
62	0.8507	0.7947	0.8831	0.8389
63	0.9035	0.8507	0.9246	0.8831
64	0.9533	0.9035	0.9635	0.9246
65	1.0000	0.9533	1.0000	0.9635
66		1.0000		1.0000

9.23 For normal retirement ages between ages 65 and 66, the early retirement factors must
 9.24 be determined by linear interpolation between the early retirement factors applicable for
 9.25 normal retirement ages 65 and 66.

9.26 **EFFECTIVE DATE.** This section is effective July 1, 2022.

9.27 Sec. 7. **APPROPRIATION.**

9.28 (a) \$2,000,000,000 in fiscal year 2023 is appropriated from the general fund to the
 9.29 commissioner of management and budget for transfer to the Teachers Retirement Fund.

9.30 (b) \$82,000,000 in fiscal year 2023 is appropriated from the general fund to the
 9.31 commissioner of management and budget for transfer to the St. Paul Teachers Retirement
 9.32 Fund.

9.33 **EFFECTIVE DATE.** This section is effective July 1, 2022.