

SENATE  
STATE OF MINNESOTA  
EIGHTY-EIGHTH SESSION

S.F. No. 2641

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
03/13/2014	6212	Introduction and first reading Referred to State and Local Government

1.1 A bill for an act  
 1.2 relating to retirement; modifying interest rate and postretirement adjustment  
 1.3 rate actuarial assumptions; replacing an implicit postretirement adjustment rate  
 1.4 actuarial assumption with an explicit actuarial assumption; amending Minnesota  
 1.5 Statutes 2013 Supplement, section 356.215, subdivision 8; repealing Minnesota  
 1.6 Statutes 2012, section 356.415, subdivision 3.

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

1.8 Section 1. Minnesota Statutes 2013 Supplement, section 356.215, subdivision 8,  
 1.9 is amended to read:

1.10 Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use  
 1.11 the applicable following ~~preretirement~~ interest assumption and the applicable following  
 1.12 ~~postretirement~~ interest assumption:

1.13 (1) select and ultimate interest rate assumption

	ultimate preretirement interest rate assumption	ultimate postretirement interest rate assumption
1.14 plan		
1.15 general state employees retirement plan	8.5%	6.0%
1.16 correctional state employees retirement plan	8.5	6.0
1.17 State Patrol retirement plan	8.5	6.0
1.18 legislators retirement plan, and for the	0.0	0.0
1.19 constitutional officers calculation of total plan		
1.20 liabilities		
1.21 judges retirement plan	8.5	6.0
1.22 general public employees retirement plan	8.5	6.0
1.23 public employees police and fire retirement plan	8.5	6.0
1.24 local government correctional service	8.5	6.0
1.25 retirement plan		
1.26 teachers retirement plan	8.5	6.0

2.1	Duluth teachers retirement plan	8.5	8.5
2.2	St. Paul teachers retirement plan	8.5	8.5

2.3 Except for the legislators retirement plan and the constitutional officers calculation  
 2.4 of total plan liabilities, the select preretirement interest rate assumption for the period  
 2.5 after June 30, 2012, through June 30, 2017, is 8.0 percent. ~~Except for the legislators  
 2.6 retirement plan and the constitutional officers calculation of total plan liabilities, the select  
 2.7 postretirement interest rate assumption for the period after June 30, 2012, through June  
 2.8 30, 2017, is 5.5 percent, except for the Duluth teachers retirement plan and the St. Paul  
 2.9 teachers retirement plan, each with a select postretirement interest rate assumption for the  
 2.10 period after June 30, 2012, through June 30, 2017, of 8.0 percent.~~

2.11 (2) single rate preretirement and postretirement interest rate assumption

2.12	plan	interest rate
2.13		assumption
2.14	Bloomington Fire Department Relief Association	6.0
2.15	local monthly benefit volunteer firefighters relief	5.0
2.16	associations	

2.17 (b)(1) If the retirement plan has met the applicable minimum funded percentage for  
 2.18 the full percentage postretirement adjustment rate under section 354A.27, subdivision  
 2.19 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a, 1b, 1c, 1d, 1e, or 1f, as of the  
 2.20 valuation date, and the applicable percentage postretirement adjustment rate specified in  
 2.21 section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1, is in  
 2.22 effect, the actuarial valuation must use the applicable full postretirement adjustment rate  
 2.23 as the postretirement adjustment rate actuarial assumption.

2.24 (2) If clause (1) does not apply, the actuarial valuation must use the applicable  
 2.25 postretirement adjustment rate actuarial assumption for the applicable period or periods:

2.26	<u>plan</u>	<u>rate and duration</u>
2.27	<u>general state employees retirement plan</u>	<u>2.0% until December 31,</u>
2.28		<u>2040, 2.5% thereafter</u>
2.29	<u>correctional state employees retirement plan</u>	<u>2.0% until December 31,</u>
2.30		<u>2038, 2.5% thereafter</u>
2.31	<u>State Patrol retirement plan</u>	<u>1.0% until December 31,</u>
2.32		<u>2037, 2.5% thereafter</u>
2.33	<u>legislators retirement plan, including constitutional officers</u>	<u>2.0% until December 31,</u>
2.34		<u>2040, 2.5% thereafter</u>
2.35	<u>judges retirement plan</u>	<u>1.75% until December 31,</u>
2.36		<u>2039, 2.5% thereafter</u>
2.37	<u>general public employees retirement plan</u>	<u>1.0% until December 31,</u>
2.38		<u>2031, 2.5% thereafter</u>
2.39	<u>public employees police and fire retirement plan</u>	<u>1.0% until December 31,</u>
2.40		<u>2039, 2.5% thereafter</u>

3.1	<u>local government correctional service retirement plan</u>	<u>1.0% until December 31,</u>
3.2		<u>2015, 2.5% thereafter</u>
3.3	<u>MERF division of the Public Employees Retirement</u>	<u>1.0% until December 31,</u>
3.4	<u>Association</u>	<u>2031, 2.5% thereafter</u>
3.5	<u>teachers retirement plan</u>	<u>2.0% until December 31,</u>
3.6		<u>2037, 2.5% thereafter</u>
3.7	<u>Duluth teachers retirement plan</u>	<u>1.0% until December 31,</u>
3.8		<u>2039, 2.5% thereafter</u>
3.9	<u>St. Paul teachers retirement plan</u>	<u>1.0% until December 31,</u>
3.10		<u>2038, 2.5% thereafter</u>

3.11            ~~(b)~~ (c) The actuarial valuation must use the applicable following single rate future  
3.12 salary increase assumption, the applicable following modified single rate future salary  
3.13 increase assumption, or the applicable following graded rate future salary increase  
3.14 assumption:

3.15            (1) single rate future salary increase assumption

3.16	plan	future salary increase assumption
3.17	legislators retirement plan	5.0%
3.18	judges retirement plan	3.0
3.19	Bloomington Fire Department Relief	4.0
3.20	Association	

3.21            (2) age-related future salary increase age-related select and ultimate future salary  
3.22 increase assumption or graded rate future salary increase assumption

3.23	plan	future salary increase assumption
3.24	local government correctional service retirement plan	assumption C
3.25	Duluth teachers retirement plan	assumption A
3.26	St. Paul teachers retirement plan	assumption B

3.27 For plans other than the Duluth teachers  
3.28 retirement plan, the select calculation  
3.29 is: during the designated select period, a  
3.30 designated percentage rate is multiplied by  
3.31 the result of the designated integer minus T,  
3.32 where T is the number of completed years  
3.33 of service, and is added to the applicable  
3.34 future salary increase assumption. The  
3.35 designated select period is ten years and  
3.36 the designated integer is ten for the Duluth  
3.37 Teachers Retirement Fund Association  
3.38 and for the local government correctional  
3.39 service retirement plan and 15 for the St.

4.1 Paul Teachers Retirement Fund Association.  
 4.2 The designated percentage rate is 0.2  
 4.3 percent for the St. Paul Teachers Retirement  
 4.4 Fund Association. The select calculation  
 4.5 for the Duluth Teachers Retirement Fund  
 4.6 Association is 8.00 percent per year for  
 4.7 service years one through seven, 7.25 percent  
 4.8 per year for service years seven and eight,  
 4.9 and 6.50 percent per year for service years  
 4.10 eight and nine.

4.11 The ultimate future salary increase assumption is:

4.12	age	A	B	C
4.13	16	6.00%	5.90%	9.00%
4.14	17	6.00	5.90	9.00
4.15	18	6.00	5.90	9.00
4.16	19	6.00	5.90	9.00
4.17	20	6.00	5.90	9.00
4.18	21	6.00	5.90	8.75
4.19	22	6.00	5.90	8.50
4.20	23	6.00	5.85	8.25
4.21	24	6.00	5.80	8.00
4.22	25	6.00	5.75	7.75
4.23	26	6.00	5.70	7.50
4.24	27	6.00	5.65	7.25
4.25	28	6.00	5.60	7.00
4.26	29	6.00	5.55	6.75
4.27	30	6.00	5.50	6.75
4.28	31	6.00	5.45	6.50
4.29	32	6.00	5.40	6.50
4.30	33	6.00	5.35	6.50
4.31	34	6.00	5.30	6.25
4.32	35	6.00	5.25	6.25
4.33	36	5.86	5.20	6.00
4.34	37	5.73	5.15	6.00
4.35	38	5.59	5.10	6.00
4.36	39	5.45	5.05	5.75
4.37	40	5.31	5.00	5.75
4.38	41	5.18	4.95	5.75
4.39	42	5.04	4.90	5.50
4.40	43	4.90	4.85	5.25
4.41	44	4.76	4.80	5.25

5.1	45	4.63	4.75	5.00
5.2	46	4.49	4.70	5.00
5.3	47	4.35	4.65	5.00
5.4	48	4.21	4.60	5.00
5.5	49	4.08	4.55	5.00
5.6	50	3.94	4.50	5.00
5.7	51	3.80	4.45	5.00
5.8	52	3.66	4.40	5.00
5.9	53	3.53	4.35	5.00
5.10	54	3.39	4.30	5.00
5.11	55	3.25	4.25	4.75
5.12	56	3.25	4.20	4.75
5.13	57	3.25	4.15	4.50
5.14	58	3.25	4.10	4.25
5.15	59	3.25	4.05	4.25
5.16	60	3.25	4.00	4.25
5.17	61	3.25	4.00	4.25
5.18	62	3.25	4.00	4.25
5.19	63	3.25	4.00	4.25
5.20	64	3.25	4.00	4.25
5.21	65	3.25	4.00	4.00
5.22	66	3.25	4.00	4.00
5.23	67	3.25	4.00	4.00
5.24	68	3.25	4.00	4.00
5.25	69	3.25	4.00	4.00
5.26	70	3.25	4.00	4.00

5.27 (3) service-related ultimate future salary increase assumption

5.28 general state employees retirement plan of the assumption A  
5.29 Minnesota State Retirement System

5.30 general employees retirement plan of the Public assumption B  
5.31 Employees Retirement Association

5.32 Teachers Retirement Association assumption C

5.33 public employees police and fire retirement plan assumption D

5.34 State Patrol retirement plan assumption E

5.35 correctional state employees retirement plan of the assumption F  
5.36 Minnesota State Retirement System

5.37	service						
5.38	length	A	B	C	D	E	F
5.39	1	10.50%	12.03%	12.00%	13.00%	8.00%	6.00%
5.40	2	8.10	8.90	9.00	11.00	7.50	5.85
5.41	3	6.90	7.46	8.00	9.00	7.00	5.70
5.42	4	6.20	6.58	7.50	8.00	6.75	5.55
5.43	5	5.70	5.97	7.25	6.50	6.50	5.40

6.1	6	5.30	5.52	7.00	6.10	6.25	5.25
6.2	7	5.00	5.16	6.85	5.80	6.00	5.10
6.3	8	4.70	4.87	6.70	5.60	5.85	4.95
6.4	9	4.50	4.63	6.55	5.40	5.70	4.80
6.5	10	4.40	4.42	6.40	5.30	5.55	4.65
6.6	11	4.20	4.24	6.25	5.20	5.40	4.55
6.7	12	4.10	4.08	6.00	5.10	5.25	4.45
6.8	13	4.00	3.94	5.75	5.00	5.10	4.35
6.9	14	3.80	3.82	5.50	4.90	4.95	4.25
6.10	15	3.70	3.70	5.25	4.80	4.80	4.15
6.11	16	3.60	3.60	5.00	4.80	4.65	4.05
6.12	17	3.50	3.51	4.75	4.80	4.50	3.95
6.13	18	3.50	3.50	4.50	4.80	4.35	3.85
6.14	19	3.50	3.50	4.25	4.80	4.20	3.75
6.15	20	3.50	3.50	4.00	4.80	4.05	3.75
6.16	21	3.50	3.50	3.90	4.70	4.00	3.75
6.17	22	3.50	3.50	3.80	4.60	4.00	3.75
6.18	23	3.50	3.50	3.70	4.50	4.00	3.75
6.19	24	3.50	3.50	3.60	4.50	4.00	3.75
6.20	25	3.50	3.50	3.50	4.50	4.00	3.75
6.21	26	3.50	3.50	3.50	4.50	4.00	3.75
6.22	27	3.50	3.50	3.50	4.50	4.00	3.75
6.23	28	3.50	3.50	3.50	4.50	4.00	3.75
6.24	29	3.50	3.50	3.50	4.50	4.00	3.75
6.25	30 or more	3.50	3.50	3.50	4.50	4.00	3.75

6.26 (e) (d) The actuarial valuation must use the applicable following payroll growth  
 6.27 assumption for calculating the amortization requirement for the unfunded actuarial  
 6.28 accrued liability where the amortization retirement is calculated as a level percentage  
 6.29 of an increasing payroll:

6.30	plan	payroll growth assumption
6.31	general state employees retirement plan of the	3.75%
6.32	Minnesota State Retirement System	
6.33	correctional state employees retirement plan	3.75
6.34	State Patrol retirement plan	3.75
6.35	judges retirement plan	3.00
6.36	general employees retirement plan of the Public	3.75
6.37	Employees Retirement Association	
6.38	public employees police and fire retirement plan	3.75
6.39	local government correctional service retirement plan	3.75
6.40	teachers retirement plan	3.75
6.41	Duluth teachers retirement plan	3.50
6.42	St. Paul teachers retirement plan	4.00

7.1           ~~(d)~~ (e) The assumptions set forth in paragraphs ~~(b)~~ (c) and ~~(e)~~ (d) continue to apply,  
7.2 unless a different salary assumption or a different payroll increase assumption:

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

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

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

7.8           **EFFECTIVE DATE.** This section is effective June 30, 2014, and applies to  
7.9 actuarial valuation reports prepared on or after that date.

7.10          Sec. 2. **REPEALER.**

7.11          Minnesota Statutes 2012, section 356.415, subdivision 3, is repealed.

7.12          **EFFECTIVE DATE.** This section is effective June 30, 2014, and applies to  
7.13 actuarial valuation reports prepared on or after that date.

**356.415 POSTRETIREMENT ADJUSTMENTS; STATEWIDE RETIREMENT PLANS.**

Subd. 3. **Actuarial valuation reports until funding is stabilized.** Notwithstanding any provision of section 356.215, subdivision 8, to the contrary, until the actuarial valuations, prepared annually by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement, indicate that the market value of assets of the applicable covered plans equals or exceeds 90 percent of the actuarial accrued liabilities, the actuarial valuation reports must utilize a postretirement interest rate assumption that is equal to the difference between the preretirement interest rate assumption provided in section 356.215, subdivision 8, and the stated annual postretirement adjustment rate provided under this section, as applicable to each covered plan.