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S.F. No. 3314

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DATE	D-PG	OFFICIAL STATUS
05/01/2023	6896	Introduction and first reading Referred to State and Local Government and Veterans
05/02/2023	6907	Author added Gustafson
05/04/2023	7018	Author added McEwen
05/09/2023	7069	Author added Maye Quade See HF1938

A bill for an act

relating to retirement; Teachers Retirement Association; higher education individual retirement account plan; lowering the normal retirement age to age 64; increasing employee and employer contributions; extending the end of the amortization period to 2053; increasing the pension adjustment revenue for school districts; appropriating money; amending Minnesota Statutes 2022, sections 126C.10, subdivision 37; 354.05, subdivision 38; 354.42, subdivisions 2, 3; 354B.23, subdivision 1; 356.215, subdivision 11.

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

Section 1. Minnesota Statutes 2022, section 126C.10, subdivision 37, is amended to read:

Subd. 37. **Pension adjustment revenue.** (a) A school district's pension adjustment revenue equals the sum of:

(1) the greater of zero or the product of:

(i) the difference between the district's adjustment under Minnesota Statutes 2012, section 127A.50, subdivision 1, for fiscal year 2014 per adjusted pupil unit and the state average adjustment under Minnesota Statutes 2012, section 127A.50, subdivision 1, for fiscal year 2014 per adjusted pupil unit; and

(ii) the district's adjusted pupil units for the fiscal year; and

(2) the product of the salaries paid to district employees who were members of the Teachers Retirement Association and the St. Paul Teachers' Retirement Fund Association for the prior fiscal year and the district's pension adjustment rate for the fiscal year. The pension adjustment rate for Independent School District No. 625, St. Paul, equals ~~0.84 percent for fiscal year 2019, 1.67 percent for fiscal year 2020, 1.88 percent for fiscal year 2021, 2.09 percent for fiscal year 2022,~~ 2.3 percent for fiscal year 2023, and 2.5 percent for

fiscal year 2024 and later. The pension adjustment rate for all other districts equals ~~0.21 percent for fiscal year 2019, 0.42 percent for fiscal year 2020, 0.63 percent for fiscal year 2021, 0.84 percent for fiscal year 2022,~~ 1.05 percent for fiscal year 2023, and ~~1.25~~ 2.25 percent for fiscal year 2024 and later.

(b) For fiscal year 2025 and later, the state total pension adjustment revenue under paragraph (a), clause (2), must not exceed the amount calculated under paragraph (a), clause (2), for fiscal year 2024. The commissioner must prorate the pension adjustment revenue under paragraph (a), clause (2), so as not to exceed the maximum.

(c) Notwithstanding section 123A.26, subdivision 1, a cooperative unit, as defined in section 123A.24, subdivision 2, qualifies for pension adjustment revenue under paragraph (a), clause (2), as if it was a district, and the aid generated by the cooperative unit shall be paid to the cooperative unit.

Sec. 2. Minnesota Statutes 2022, section 354.05, subdivision 38, is amended to read:

Subd. 38. **Normal retirement age.** "Normal retirement age" means age 65 for a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a member of the association after June 30, 1989, normal retirement age means ~~the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended, but not to exceed~~ age ~~66~~ 64.

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

Sec. 3. Minnesota Statutes 2022, section 354.42, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) The employee contribution to the fund is the following percentage of the member's salary:

Period	Basic Program	Coordinated Program
from July 1, 2014, through June 30, 2023	11 percent	7.5 percent
after June 30, 2023	~~11.25~~ 11.75 percent	~~7.75~~ 8.25 percent

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

(c) This contribution must be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution must be based on the entire salary received.

Sec. 4. Minnesota Statutes 2022, section 354.42, subdivision 3, is amended to read:

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

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

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

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

Period	Coordinated Member	Basic Member
~~from July 1, 2014, through June 30, 2018~~	~~7.5 percent~~	~~11.5 percent~~
~~from July 1, 2018, through June 30, 2019~~	~~7.71 percent~~	~~11.71 percent~~
~~from July 1, 2019, through June 30, 2020~~	~~7.92 percent~~	~~11.92 percent~~
~~from July 1, 2020, through June 30, 2021~~	~~8.13 percent~~	~~12.13 percent~~
~~from July 1, 2021, through June 30, 2022~~	~~8.34 percent~~	~~12.34 percent~~
from July 1, 2022, through June 30, 2023	8.55 percent	12.55 percent
after June 30, 2023	~~8.75~~ 9.75 percent	~~12.75~~ 13.75 percent

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

Sec. 5. Minnesota Statutes 2022, section 354B.23, subdivision 1, is amended to read:

Subdivision 1. **Member contribution rate.** (a) Except for a participant described under paragraph (b), the member contribution rate for participants in the individual retirement account plan is equal to the coordinated employee contribution rate in section 354.42, subdivision 2.

(b) The member contribution rate is the rate described in paragraph (c) for a participant in the individual retirement account plan who:

(1) achieved tenure or its equivalent at a Minnesota state college or university before July 1, 2018; or

(2) is an employee in an eligible unclassified administrative position, is not a faculty member, and first contributed to the individual retirement account plan before July 1, 2018.

(c) The member contribution rate for a participant described in paragraph (b) is the following percentage of salary:

~~from July 1, 2019, to June 30, 2020~~	~~5.15~~
~~from July 1, 2020, to June 30, 2021~~	~~5.80~~
~~from July 1, 2021, to June 30, 2022~~	~~6.45~~
from July 1, 2022, to June 30, 2023	7.10
from July 1, 2023, to June 30, 2024	~~7.75~~ 8.25

After June 30, 2024, the member contribution rate is the rate specified in paragraph (a).

Sec. 6. Minnesota Statutes 2022, section 356.215, subdivision 11, is amended to read:

Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial reporting purposes indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit indicating the additional contribution sufficient to amortize the unfunded actuarial accrued liability. For the retirement plans listed in subdivision 8, paragraph (a), but excluding the legislators retirement plan, the Bloomington Fire Department Relief Association, and the local monthly benefit volunteer firefighter relief associations, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared, assuming annual payroll growth at the applicable percentage rate set forth in the appendix described in subdivision 8, paragraph (c). For the legislators retirement plan, the additional annual contribution must be calculated on a level annual dollar amount basis.

(b) For any retirement plan other than a retirement plan governed by paragraph (d), (e), (f), (g), (h), (i), or (j), if there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by itself or by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding is the first actuarial valuation date occurring after June 1, 2020.

(c) For any retirement plan, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by itself or by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding must be determined using the following procedure:

(i) the unfunded actuarial accrued liability of the fund must be determined in accordance with the plan provisions governing annuities and retirement benefits and the actuarial assumptions in effect before an applicable change;

(ii) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the unfunded actuarial accrued liability amount determined under item (i) by the established date for full funding in effect before the change must be calculated using the investment return assumption specified in subdivision 8 in effect before the change;

(iii) the unfunded actuarial accrued liability of the fund must be determined in accordance with any new plan provisions governing annuities and benefits payable from the fund and any new actuarial assumptions and the remaining plan provisions governing annuities and benefits payable from the fund and actuarial assumptions in effect before the change;

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable investment return assumption specified in subdivision 8 in effect after any applicable change;

(v) the level annual dollar or level percentage amortization contribution under item (iv) must be added to the level annual dollar amortization contribution or level percentage calculated under item (ii);

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the investment return assumption specified in subdivision 8 in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

(vii) the period determined under item (vi) must be added to the date as of which the actuarial valuation was prepared and the date obtained is the new established date for full funding.

(d) For the general employees retirement plan of the Public Employees Retirement Association, the established date for full funding is June 30, 2048.

(e) For the Teachers Retirement Association, the established date for full funding is June 30, ~~2048~~ 2053.

(f) For the correctional state employees retirement plan and the State Patrol retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, 2048.

(g) For the judges retirement plan, the established date for full funding is June 30, 2048.

(h) For the local government correctional service retirement plan and the public employees police and fire retirement plan, the established date for full funding is June 30, 2048.

(i) For the St. Paul Teachers Retirement Fund Association, the established date for full funding is June 30, 2048.

(j) For the general state employees retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, 2048.

(k) For the retirement plans for which the annual actuarial valuation indicates an excess of valuation assets over the actuarial accrued liability, the valuation assets in excess of the actuarial accrued liability must be recognized as a reduction in the current contribution requirements by an amount equal to the amortization of the excess expressed as a level percentage of pay over a 30-year period beginning anew with each annual actuarial valuation of the plan.

Sec. 7. **EDUCATION APPROPRIATION.**

Subdivision 1. **Department of Education.** The sums indicated are appropriated from the general fund to the Department of Education for the fiscal years designated. These sums are in addition to appropriations made for the same purpose in any other law.

Subd. 2. **General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

$	....	.....	2024
$	....	.....	2025

The 2024 appropriation includes $0 for 2023 and $....... for 2024.

The 2025 appropriation includes $....... for 2024 and $....... for 2025.