

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 930

(SENATE AUTHORS: ROSEN and Pappas)

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OFFICIAL STATUS
Introduction and first reading
Referred to State Government Finance and Policy and Elections

1.1 A bill for an act
1.2 relating to retirement; Teachers Retirement Association financial solvency
1.3 measures; increasing employer contribution rates; modifying the investment return
1.4 actuarial assumption; reducing deferral amount and implementing forfeiture
1.5 procedure for reemployed annuitants; extending the amortization target date;
1.6 reducing postretirement adjustment increase rates; eliminating postretirement
1.7 adjustment trigger procedures; authorizing additional funding for school districts
1.8 to pay for higher teacher retirement employer contribution costs; modifying interest
1.9 rates charged on certain payments; amending Minnesota Statutes 2016, sections
1.10 126C.10, subdivision 37; 354.42, subdivision 3; 354.44, subdivision 5; 354.50,
1.11 subdivision 2; 354.51, subdivision 5; 354.52, subdivision 4; 354.53, subdivision
1.12 5; 356.215, subdivisions 8, 11; 356.415, subdivision 1d; proposing coding for new
1.13 law in Minnesota Statutes, chapter 356; repealing Minnesota Statutes 2016, section
1.14 356.415, subdivision 1.

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

1.16 Section 1. Minnesota Statutes 2016, section 126C.10, subdivision 37, is amended to read:

1.17 Subd. 37. **Pension adjustment revenue.** A school district's pension adjustment revenue
1.18 equals the sum of:

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

1.20 (i) the difference between the teacher retirement fund employer contribution rate
1.21 established in section 354.42 or 354A.12 for the current fiscal year and the employer
1.22 contribution rate for fiscal year 2017; and

1.23 (ii) the salaries paid to employees who are members of the Teachers Retirement
1.24 Association or the St. Paul Teachers Retirement Association for the previous fiscal year;
1.25 and

1.26 (2) the greater of zero or the product of:

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

2.5 ~~(2)~~ (ii) the district's adjusted pupil units for the fiscal year.

2.6 **EFFECTIVE DATE.** This section is effective for fiscal year 2018 and later.

2.7 Sec. 2. Minnesota Statutes 2016, section 354.42, subdivision 3, is amended to read:

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

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

2.15 (b) The regular employer contribution to the fund by Independent School District No.
 2.16 709, Duluth, is an amount equal to the applicable percentage of salary of each old law or
 2.17 new law coordinated member specified for the coordinated program in paragraph (c).

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

2.21	Period	Coordinated Member	Basic Member
2.22	from July 1, 2013, until June 30, 2014	7 percent	11 percent
2.23	<u>after June 30, 2014 from July 1, 2014,</u>		
2.24	<u>through June 30, 2017</u>	7.5 percent	11.5 percent
2.25	<u>from July 1, 2017, through June 30, 2018</u>	<u>8.0 percent</u>	<u>11.5 percent</u>
2.26	<u>from July 1, 2018, through June 30, 2019</u>	<u>8.5 percent</u>	<u>11.5 percent</u>
2.27	<u>from July 1, 2019, through June 30, 2020</u>	<u>9.0 percent</u>	<u>11.5 percent</u>
2.28	<u>after June 30, 2020</u>	<u>9.5 percent</u>	<u>11.5 percent</u>

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

3.1 (e) After June 30, 2015, if a contribution rate revision is made under subdivisions 4a,
 3.2 4b, and 4c, the employer contributions under paragraphs (a), (b), and (c) must be adjusted
 3.3 accordingly.

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

3.5 Sec. 3. Minnesota Statutes 2016, section 354.44, subdivision 5, is amended to read:

3.6 Subd. 5. **Resumption of teaching service after retirement.** (a) ~~Any~~ If a person who
 3.7 ~~retired is receiving a retirement annuity under the provisions of this chapter and has thereafter~~
 3.8 ~~resumed resumes~~ teaching in with any employer unit to which this chapter applies:

3.9 (1) the person is eligible to continue to receive annuity payments in accordance with the
 3.10 ~~annuity~~ except that all or a portion of the annuity payments must be deferred during the
 3.11 calendar year immediately following the fiscal year in which the person's salary from the
 3.12 teaching service is in an amount greater than exceeds \$46,000. The amount of the annuity
 3.13 deferral is one-half of the salary amount in excess of \$46,000 and must be deducted from
 3.14 the annuity payable for the calendar year immediately following the fiscal year in which
 3.15 the excess amount was earned; and

3.16 (2) if the person resumed teaching on or after July 1, 2017, the employer shall make the
 3.17 regular employer contributions specified in section 354.42, subdivision 3, paragraph (c),
 3.18 based on the person's salary as defined in paragraph (e), clauses (1) and (2).

3.19 (b) If the person is retired for only a fractional part of the fiscal year during the initial
 3.20 year of retirement, the ~~maximum reemployment salary exempt from triggering a deferral~~
 3.21 ~~as threshold dollar amount specified in this subdivision~~ paragraph (a), clause (1), must be
 3.22 prorated for that fiscal year.

3.23 (c) After a person has reached the Social Security normal retirement age, no deferral
 3.24 requirement is applicable regardless of the amount of salary.

3.25 (d) The amount of the retirement annuity deferral must be handled or disposed of as
 3.26 provided in section 356.47.

3.27 (e) For the purpose of this subdivision, salary from teaching service ~~includes~~ means:

3.28 (1) all salary or income earned as a teacher as defined in section 354.05, subdivision 2,
 3.29 paragraph (a), clause (1). ~~Salary from teaching service also includes, but is not limited to;~~

3.30 ~~(1) (2)~~ (2) all income for services performed as a consultant, independent contractor, or
 3.31 third-party supplier; to an employer to which this chapter applies or as an employee of a

4.1 consultant, independent contractor, or third-party supplier; to an employer ~~unit covered by~~
 4.2 ~~the provisions of~~ to which this chapter applies; and

4.3 ~~(2) the~~ (3) if greater of either the income received than clause (1) or (2), an amount based
 4.4 on the rate paid ~~with respect to~~ a person in an administrative position, or as a consultant,
 4.5 independent contractor, or third-party supplier, or as an employee of a consultant, independent
 4.6 contractor, or third-party supplier, ~~in~~ to an employer unit with approximately the same
 4.7 number of pupils and at the same level as the position occupied by the person who resumes
 4.8 teaching service.

4.9 (f) Notwithstanding other paragraphs of this subdivision, if the reemployed annuitant
 4.10 has a former spouse receiving a portion of the annuity under section 518.58, subdivision 1,
 4.11 the portion payable to the former spouse must not be deferred.

4.12 **EFFECTIVE DATE.** This section is effective July 1, 2017.

4.13 Sec. 4. Minnesota Statutes 2016, section 354.50, subdivision 2, is amended to read:

4.14 Subd. 2. **Interest charge.** If a member desires to repay the refunds, payment shall include
 4.15 interest at ~~an annual rate of 8.5 percent~~ the applicable annual rate or rates specified in section
 4.16 356.59, subdivision 4, compounded annually, from date of withdrawal to the date payment
 4.17 is made and shall be credited to the fund.

4.18 **EFFECTIVE DATE.** This section is effective July 1, 2017.

4.19 Sec. 5. Minnesota Statutes 2016, section 354.51, subdivision 5, is amended to read:

4.20 Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the event
 4.21 that full required member contributions are not deducted from the salary of a teacher,
 4.22 payment of shortages in member deductions on salary earned are the sole obligation of the
 4.23 employing unit and are payable by the employing unit upon notification by the executive
 4.24 director of the shortage. The amount of the shortage shall be paid with interest at ~~an annual~~
 4.25 ~~rate of 8.5 percent~~ the applicable annual rate or rates specified in section 356.59, subdivision
 4.26 4, compounded annually, from the end of the fiscal year in which the shortage occurred to
 4.27 the end of the month in which payment is made and the interest must be credited to the
 4.28 fund. The employing unit shall also pay the employer contributions as specified in section
 4.29 354.42, subdivisions 3 and 5 for the shortages. If the shortage payment is not paid by the
 4.30 employing unit within 60 days of notification, and if the executive director does not use the
 4.31 recovery procedure in section 354.512, the executive director shall certify the amount of
 4.32 the shortage to the applicable county auditor, who shall spread a levy in the amount of the

5.1 shortage payment over the taxable property of the taxing district of the employing unit if
 5.2 the employing unit is supported by property taxes. Payment may not be made for shortages
 5.3 in member deductions on salary paid or payable under paragraph (b) or for shortages in
 5.4 member deductions for persons employed by the Minnesota State Colleges and Universities
 5.5 system in a faculty position or in an eligible unclassified administrative position and whose
 5.6 employment was less than 25 percent of a full academic year, exclusive of the summer
 5.7 session, for the applicable institution that exceeds the most recent 36 months.

5.8 (b) For a person who is employed by the Minnesota State Colleges and Universities
 5.9 system in a faculty position or in an eligible unclassified administrative position and whose
 5.10 employment was less than 25 percent of a full academic year, exclusive of the summer
 5.11 session, for the applicable institution, upon the person's election under section 354B.21 of
 5.12 retirement coverage under this chapter, the shortage in member deductions on the salary
 5.13 for employment by the Minnesota State Colleges and Universities system institution of less
 5.14 than 25 percent of a full academic year, exclusive of the summer session, for the applicable
 5.15 institution for the most recent 36 months and the associated employer contributions must
 5.16 be paid by the Minnesota State Colleges and Universities system institution, plus ~~annual~~
 5.17 ~~compound~~ interest at the ~~rate of 8.5 percent~~ applicable annual rate or rates specified in
 5.18 section 356.59, subdivision 4, compounded annually, from the end of the fiscal year in
 5.19 which the shortage occurred to the end of the month in which the Teachers Retirement
 5.20 Association coverage election is made. An individual electing coverage under this paragraph
 5.21 shall repay the amount of the shortage in member deductions, plus interest, through deduction
 5.22 from salary or compensation payments within the first year of employment after the election
 5.23 under section 354B.21, subject to the limitations in section 16D.16. The Minnesota State
 5.24 Colleges and Universities system may use any means available to recover amounts which
 5.25 were not recovered through deductions from salary or compensation payments. No payment
 5.26 of the shortage in member deductions under this paragraph may be made for a period longer
 5.27 than the most recent 36 months.

5.28 **EFFECTIVE DATE.** This section is effective July 1, 2017.

5.29 Sec. 6. Minnesota Statutes 2016, section 354.52, subdivision 4, is amended to read:

5.30 Subd. 4. **Reporting and remittance requirements.** An employer shall remit all amounts
 5.31 due to the association and furnish a statement indicating the amount due and transmitted
 5.32 with any other information required by the executive director. If an amount due is not
 5.33 received by the association within 14 calendar days of the payroll warrant, the ~~amount~~
 5.34 ~~accrues interest at an annual rate of 8.5 percent~~ employer shall pay interest on the amount

6.1 due at the applicable annual rate or rates specified in section 356.59, subdivision 4,
 6.2 compounded annually, from the due date until the amount is received by the association.
 6.3 All amounts due and other employer obligations not remitted within 60 days of notification
 6.4 by the association must be certified to the commissioner of management and budget who
 6.5 shall deduct the amount from any state aid or appropriation amount applicable to the
 6.6 employing unit.

6.7 **EFFECTIVE DATE.** This section is effective July 1, 2017.

6.8 Sec. 7. Minnesota Statutes 2016, section 354.53, subdivision 5, is amended to read:

6.9 Subd. 5. **Interest requirements.** The employer shall pay interest on all equivalent
 6.10 employee and employer contribution amounts payable under this section. ~~Interest must be~~
 6.11 ~~computed at a rate of 8.5 percent~~ at the applicable annual rate or rates specified in section
 6.12 356.59, subdivision 4, compounded annually, from the end of each fiscal year of the leave
 6.13 or the break in service to the end of the month in which the payment is received.

6.14 **EFFECTIVE DATE.** This section is effective July 1, 2017.

6.15 Sec. 8. Minnesota Statutes 2016, section 356.215, subdivision 8, is amended to read:

6.16 Subd. 8. ~~Interest and salary~~ **Actuarial assumptions.** (a) The actuarial valuation must
 6.17 use the applicable following ~~interest~~ investment return assumption:

6.18 (1) for the teachers retirement plan:

6.19 (i) the select investment return assumption for the period July 1, 2017, to June 30, 2022,
 6.20 is 7.5 percent; and

6.21 (ii) the ultimate ~~interest rate~~ investment return assumption is eight percent; and

6.22		ultimate interest rate
6.23	plan	assumption
6.24	teachers retirement plan	8.5%

6.25 ~~The select preretirement interest rate assumption for the period through June 30, 2017,~~
 6.26 ~~is eight percent.~~

6.27 (2) ~~single rate interest rate~~ for all plans other than the teachers retirement plan, the
 6.28 investment return assumption is:

6.29		interest rate
6.30		investment return
6.31	plan	assumption
6.32	general state employees retirement plan	8%

7.1	correctional state employees retirement plan	8
7.2	State Patrol retirement plan	8
7.3	legislators retirement plan, and for the	0
7.4	constitutional officers calculation of total plan	
7.5	liabilities	
7.6	judges retirement plan	8
7.7	general public employees retirement plan	8
7.8	public employees police and fire retirement plan	8
7.9	local government correctional service retirement	8
7.10	plan	
7.11	St. Paul teachers retirement plan	8
7.12	Bloomington Fire Department Relief Association	6
7.13	local monthly benefit volunteer firefighter relief	5
7.14	associations	
7.15	monthly benefit retirement plans in the statewide	6
7.16	volunteer firefighter retirement plan	
7.17	(b)(1) If funding stability has been attained, The <u>actuarial valuation for each of the</u>	
7.18	<u>covered retirement plans listed in section 356.415, subdivision 2, must use a take into account</u>	
7.19	<u>the postretirement adjustment rate actuarial assumption equal to the postretirement adjustment</u>	
7.20	<u>rate or rates applicable to the plan as specified in section 354A.27, subdivision 7; 354A.29,</u>	
7.21	<u>subdivision 9; 7, or 356.415, subdivision 1, whichever applies.</u>	
7.22	(2) If funding stability has not been attained, the valuation must use a select postretirement	
7.23	adjustment rate actuarial assumption equal to the postretirement adjustment rate specified	
7.24	in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a,	
7.25	1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the approved actuary	
7.26	estimates that the plan will attain the defined funding stability measure, and thereafter an	
7.27	ultimate postretirement adjustment rate actuarial assumption equal to the postretirement	
7.28	adjustment rate under section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415,	
7.29	subdivision 1, for the applicable period or periods beginning when funding stability is	
7.30	projected to be attained.	
7.31	(c) The actuarial valuation must use the applicable following single rate future salary	
7.32	increase assumption, the applicable following modified single rate future salary increase	
7.33	assumption, or the applicable following graded rate future salary increase assumption:	
7.34	(1) single rate future salary increase assumption	
7.35	plan	future salary increase assumption
7.36	legislators retirement plan	5%
7.37	judges retirement plan	2.75

8.1 Bloomington Fire Department Relief Association 4

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

8.4 plan future salary increase assumption

8.5 local government correctional service retirement plan assumption B

8.6 St. Paul teachers retirement plan assumption A

8.7 For plans other than the St. Paul teachers
8.8 retirement plan and the local government
8.9 correctional service retirement plan, the select
8.10 calculation is: during the designated select
8.11 period, a designated percentage rate is
8.12 multiplied by the result of the designated
8.13 integer minus T, where T is the number of
8.14 completed years of service, and is added to
8.15 the applicable future salary increase
8.16 assumption. The designated select period is
8.17 ten years and the designated integer is ten for
8.18 the local government correctional service
8.19 retirement plan and 15 for the St. Paul
8.20 Teachers Retirement Fund Association. The
8.21 designated percentage rate is 0.2 percent for
8.22 the St. Paul Teachers Retirement Fund
8.23 Association.

8.24 The ultimate future salary increase assumption is:

8.25	age	A	B
8.26	16	5.9%	8.75%
8.27	17	5.9	8.75
8.28	18	5.9	8.75
8.29	19	5.9	8.75
8.30	20	5.9	8.75
8.31	21	5.9	8.5
8.32	22	5.9	8.25
8.33	23	5.85	8
8.34	24	5.8	7.75
8.35	25	5.75	7.5

9.1	26	5.7	7.25
9.2	27	5.65	7
9.3	28	5.6	6.75
9.4	29	5.55	6.5
9.5	30	5.5	6.5
9.6	31	5.45	6.25
9.7	32	5.4	6.25
9.8	33	5.35	6.25
9.9	34	5.3	6
9.10	35	5.25	6
9.11	36	5.2	5.75
9.12	37	5.15	5.75
9.13	38	5.1	5.75
9.14	39	5.05	5.5
9.15	40	5	5.5
9.16	41	4.95	5.5
9.17	42	4.9	5.25
9.18	43	4.85	5
9.19	44	4.8	5
9.20	45	4.75	4.75
9.21	46	4.7	4.75
9.22	47	4.65	4.75
9.23	48	4.6	4.75
9.24	49	4.55	4.75
9.25	50	4.5	4.75
9.26	51	4.45	4.75
9.27	52	4.4	4.75
9.28	53	4.35	4.75
9.29	54	4.3	4.75
9.30	55	4.25	4.5
9.31	56	4.2	4.5
9.32	57	4.15	4.25
9.33	58	4.1	4
9.34	59	4.05	4
9.35	60	4	4
9.36	61	4	4
9.37	62	4	4
9.38	63	4	4

10.1	64	4	4
10.2	65	4	3.75
10.3	66	4	3.75
10.4	67	4	3.75
10.5	68	4	3.75
10.6	69	4	3.75
10.7	70	4	3.75

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

10.9	general state employees retirement plan of the Minnesota	assumption A
10.10	State Retirement System	
10.11	general employees retirement plan of the Public	assumption B
10.12	Employees Retirement Association	
10.13	Teachers Retirement Association	assumption C
10.14	public employees police and fire retirement plan	assumption D
10.15	State Patrol retirement plan	assumption E
10.16	correctional state employees retirement plan of the	assumption F
10.17	Minnesota State Retirement System	

10.18	service						
10.19	length	A	B	C	D	E	F
10.20	1	10.25%	11.78%	12%	12.75%	7.75%	5.75%
10.21	2	7.85	8.65	9	10.75	7.25	5.6
10.22	3	6.65	7.21	8	8.75	6.75	5.45
10.23	4	5.95	6.33	7.5	7.75	6.5	5.3
10.24	5	5.45	5.72	7.25	6.25	6.25	5.15
10.25	6	5.05	5.27	7	5.85	6	5
10.26	7	4.75	4.91	6.85	5.55	5.75	4.85
10.27	8	4.45	4.62	6.7	5.35	5.6	4.7
10.28	9	4.25	4.38	6.55	5.15	5.45	4.55
10.29	10	4.15	4.17	6.4	5.05	5.3	4.4
10.30	11	3.95	3.99	6.25	4.95	5.15	4.3
10.31	12	3.85	3.83	6	4.85	5	4.2
10.32	13	3.75	3.69	5.75	4.75	4.85	4.1
10.33	14	3.55	3.57	5.5	4.65	4.7	4
10.34	15	3.45	3.45	5.25	4.55	4.55	3.9
10.35	16	3.35	3.35	5	4.55	4.4	3.8
10.36	17	3.25	3.26	4.75	4.55	4.25	3.7
10.37	18	3.25	3.25	4.5	4.55	4.1	3.6
10.38	19	3.25	3.25	4.25	4.55	3.95	3.5

11.1	20	3.25	3.25	4	4.55	3.8	3.5
11.2	21	3.25	3.25	3.9	4.45	3.75	3.5
11.3	22	3.25	3.25	3.8	4.35	3.75	3.5
11.4	23	3.25	3.25	3.7	4.25	3.75	3.5
11.5	24	3.25	3.25	3.6	4.25	3.75	3.5
11.6	25	3.25	3.25	3.5	4.25	3.75	3.5
11.7	26	3.25	3.25	3.5	4.25	3.75	3.5
11.8	27	3.25	3.25	3.5	4.25	3.75	3.5
11.9	28	3.25	3.25	3.5	4.25	3.75	3.5
11.10	29	3.25	3.25	3.5	4.25	3.75	3.5
11.11	30 or more	3.25	3.25	3.5	4.25	3.75	3.5

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

11.15	plan	payroll growth assumption
11.16	general state employees retirement plan of the Minnesota	3.5%
11.17	State Retirement System	
11.18	correctional state employees retirement plan	3.5
11.19	State Patrol retirement plan	3.5
11.20	judges retirement plan	2.75
11.21	general employees retirement plan of the Public	3.5
11.22	Employees Retirement Association	
11.23	public employees police and fire retirement plan	3.5
11.24	local government correctional service retirement plan	3.5
11.25	teachers retirement plan	3.75
11.26	St. Paul teachers retirement plan	4

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

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

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

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

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

12.1 Sec. 9. Minnesota Statutes 2016, section 356.215, subdivision 11, is amended to read:

12.2 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level
12.3 normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial
12.4 reporting purposes indicating the additional annual contribution sufficient to amortize the
12.5 unfunded actuarial accrued liability and must contain an exhibit for contribution
12.6 determination purposes indicating the additional contribution sufficient to amortize the
12.7 unfunded actuarial accrued liability. For the retirement plans listed in subdivision 8, paragraph
12.8 (c), but excluding the legislators retirement plan, the additional contribution must be
12.9 calculated on a level percentage of covered payroll basis by the established date for full
12.10 funding in effect when the valuation is prepared, assuming annual payroll growth at the
12.11 applicable percentage rate set forth in subdivision 8, paragraph (d). For all other retirement
12.12 plans and for the legislators retirement plan, the additional annual contribution must be
12.13 calculated on a level annual dollar amount basis.

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

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

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

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

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

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

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

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

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

13.31 (d) For the general employees retirement plan of the Public Employees Retirement
13.32 Association, the established date for full funding is June 30, 2031.

13.33 (e) For the Teachers Retirement Association, the established date for full funding is June
13.34 30, ~~2037~~ 2047.

14.1 (f) For the correctional state employees retirement plan of the Minnesota State Retirement
14.2 System, the established date for full funding is June 30, 2038.

14.3 (g) For the judges retirement plan, the established date for full funding is June 30, 2038.

14.4 (h) For the public employees police and fire retirement plan, the established date for full
14.5 funding is June 30, 2038.

14.6 (i) For the St. Paul Teachers Retirement Fund Association, the established date for full
14.7 funding is June 30, 2042. In addition to other requirements of this chapter, the annual
14.8 actuarial valuation must contain an exhibit indicating the funded ratio and the deficiency
14.9 or sufficiency in annual contributions when comparing liabilities to the market value of the
14.10 assets of the fund as of the close of the most recent fiscal year.

14.11 (j) For the general state employees retirement plan of the Minnesota State Retirement
14.12 System, the established date for full funding is June 30, 2040.

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

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

14.20 Sec. 10. Minnesota Statutes 2016, section 356.415, subdivision 1d, is amended to read:

14.21 Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.** (a)
14.22 Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers
14.23 Retirement Association are entitled to a postretirement adjustment annually ~~on~~, effective
14.24 as of each January 1, as follows:

14.25 (1) ~~for each January 1 until funding stability is restored, effective January 1, 2018,~~
14.26 through December 31, 2022, a postretirement increase of ~~two~~ one percent must be applied
14.27 each year, ~~effective on January 1,~~ to the monthly annuity or benefit amount of each annuitant
14.28 or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months
14.29 as of the June 30 of the calendar year immediately before the adjustment;

14.30 (2) ~~for each January 1 until funding stability is restored, effective January 1, 2018,~~
14.31 through December 31, 2022, for each annuitant or benefit recipient who has been receiving
14.32 an annuity or a benefit for at least one full month, but less than 12 full months as of the June

15.1 30 of the calendar year immediately before the adjustment, an annual postretirement increase
 15.2 of 1/12 of ~~two~~ one percent for each month the person has been receiving an annuity or
 15.3 benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit
 15.4 recipient;

15.5 (3) ~~for each January 1 following the restoration of funding stability, effective January~~
 15.6 1, 2023, and thereafter, a postretirement increase of 2.5 1.5 percent must be applied each
 15.7 year, ~~effective January 1,~~ to the monthly annuity or benefit amount of each annuitant or
 15.8 benefit recipient who has been receiving an annuity or a benefit for at least 12 full months
 15.9 as of the June 30 of the calendar year immediately before the adjustment; and

15.10 (4) ~~for each January 1 following the restoration of funding stability, effective January~~
 15.11 1, 2023, and thereafter, for each annuitant or benefit recipient who has been receiving an
 15.12 annuity or a benefit for at least one full month, but less than 12 full months as of the June
 15.13 30 of the calendar year immediately before the adjustment, an annual postretirement increase
 15.14 of 1/12 of ~~2.5~~ 1.5 percent for each month the person has been receiving an annuity or benefit
 15.15 must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

15.16 ~~(b) Funding stability is restored when the market value of assets of the Teachers~~
 15.17 ~~Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities of~~
 15.18 ~~the Teachers Retirement Association in the two most recent prior actuarial valuations~~
 15.19 ~~prepared under section 356.215 and the standards for actuarial work by the approved actuary~~
 15.20 ~~retained by the Teachers Retirement Association under section 356.214.~~

15.21 ~~(c) After having met the definition of funding stability under paragraph (b), the increase~~
 15.22 ~~provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1,~~
 15.23 ~~or the increase under paragraph (a), clauses (3) and (4), is again to be applied in a subsequent~~
 15.24 ~~year or years if the market value of assets of the plan equals or is less than:~~

15.25 ~~(1) 85 percent of the actuarial accrued liabilities of the plan for two consecutive actuarial~~
 15.26 ~~valuations; or~~

15.27 ~~(2) 80 percent of the actuarial accrued liabilities of the plan for the most recent actuarial~~
 15.28 ~~valuation.~~

15.29 ~~(d)~~ (b) An increase in annuity or benefit payments under this section must be made
 15.30 automatically unless written notice is filed by the annuitant or benefit recipient with the
 15.31 executive director of the Teachers Retirement Association requesting that the increase not
 15.32 be made.

16.1 (e) (c) The retirement annuity payable to a person who retires before becoming eligible
 16.2 for Social Security benefits and who has elected the optional payment as provided in section
 16.3 354.35 must be treated as the sum of a period-certain retirement annuity and a life retirement
 16.4 annuity for the purposes of any postretirement adjustment. The period-certain retirement
 16.5 annuity plus the life retirement annuity must be the annuity amount payable until age 62,
 16.6 65, or normal retirement age, as selected by the member at retirement, for an annuity amount
 16.7 payable under section 354.35. A postretirement adjustment granted on the period-certain
 16.8 retirement annuity must terminate when the period-certain retirement annuity terminates.

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

16.10 Sec. 11. **[356.59] INTEREST RATES.**

16.11 **Subdivision 1. Applicable interest rates.** Whenever the payment of interest is required
 16.12 with respect to any payment, including refunds, remittances, shortages, contributions, or
 16.13 repayments, the rate of interest is the rate or rates specified in subdivisions 2 to 5 for each
 16.14 public retirement plan.

16.15 **Subd. 2. Minnesota State Retirement System.** The interest rates for all retirement plans
 16.16 administered by the Minnesota State Retirement System are as follows:

	<u>Annual</u>	<u>Monthly</u>
16.17 <u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
16.18 <u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>	<u>0.667 percent</u>
16.19 <u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

16.21 **Subd. 3. Public Employees Retirement Association.** The interest rates for all retirement
 16.22 plans administered by the Public Employees Retirement Association are as follows:

	<u>Annual</u>	<u>Monthly</u>
16.23 <u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
16.24 <u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>	<u>0.667 percent</u>
16.25 <u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

16.27 **Subd. 4. Teachers Retirement Association.** The interest rates for the retirement plan
 16.28 administered by the Teachers Retirement Association are as follows:

	<u>Annual</u>	<u>Monthly</u>
16.29 <u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>

16.31 **Subd. 5. St. Paul Teachers Retirement Fund Association.** The interest rates for the
 16.32 retirement plan administered by the St. Paul Teachers Retirement Fund Association are as
 16.33 follows:

	<u>Annual</u>	<u>Monthly</u>
17.1		
17.2	<u>8.5 percent</u>	<u>0.71 percent</u>
17.3	<u>8.0 percent</u>	<u>0.667 percent</u>
17.4	<u>7.5 percent</u>	<u>0.625 percent</u>

17.5 **EFFECTIVE DATE.** This section is effective July 1, 2017.

17.6 Sec. 12. **REPEALER.**

17.7 Minnesota Statutes 2016, section 356.415, subdivision 1, is repealed.

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

356.415 POSTRETIREMENT ADJUSTMENTS; STATEWIDE RETIREMENT PLANS.

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as otherwise provided in subdivision 1a, 1b, 1c, 1d, 1e, or 1f, retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied.

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