



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Ed Burek, Deputy Director
RE: Amendment S1249-12A to S.F. 1249 (Pappas); H.F. 1433 (Nelson): SPTRFA;
Creating an Additional State Aid Program; Contribution Increases; Benefit Revisions
DATE: March 18, 2013

Amendment S1249-12A to S.F. 1249 (Pappas); H.F. 1433 (Nelson)

Amendment S1249-12A, requested by the Executive Director of the St. Paul Teachers Retirement Fund Association (SPTRFA) following the Commission's discussion of S.F. 1249 (Pappas); H.F. 1433 (Nelson) at its March 12, 2013 meeting, reduces the proposed new SPTRFA separation from service requirement 90 days; delays the implementation of the full SPTRFA employer contribution increase until 2017; requires the SPTRFA reemployed annuitant to make employee contributions to the SPTRFA; replaces the proposed new variable state aid of \$3-10 million with a fixed annual \$7 million; requires interest to be paid on any benefits forfeited by returning to employment before the length of separation requirement is met; delays the start of the accrual increase from July 1, 2014, to July 1, 2015; specifies that for retirement ages between age 65 and 66 the applicable actuarial reduction early retirement factor will be determined by linear interpretation; and corrects the salary increase and payroll growth assumptions to agree with 2012 Commission action.

Differences Between S.F. 1249 (Pappas); H.F. 1433 (Nelson) as Introduced and as Amended by S1249-12A

If amendment S1249-12A is adopted by the Commission (a draft engrossment of the resulting amended bill is attached as S1249-E1), the significant differences between the bill as introduced and heard by the Commission on Tuesday March 12, 2013, and as amended by S1249-12A, are as follows:

1. Different State Aid Procedure and Amount. The original bill would create a new state aid program providing the SPTRFA with between \$3 and \$10 million annually, dependent upon investment returns. If the fund's annual return is equal to or less than the 8% or 8.5% rate of return actuarial assumption, the SPTRFA would receive \$10 million. For every 1% by which the SPTRFA exceeds the actuarial assumed return, the fund would receive \$500,000 less in aid, but with a floor, and the aid must not be less than \$3 million. Under the amended bill, the new state aid is a fixed annual amount of \$7 million.
2. Revisions in Timing of SPTRFA Employee and Employer Contribution Increases. Under the original bill, the SPTRFA employee and employer contribution rates are increased by 0.5% in 2015 and 2016. Under the amended bill, the increase in the employer contribution rates is slower, 0.5% in 2015, 0.25% in 2016, and another 0.25% in 2017.
3. Reemployed Annuitant Contributions. The original bill requires the school district to pay employer contributions on SPTRFA reemployed annuitants. The amended bill requires both employee and employer contributions from SPTRFA reemployed annuitants, and the individual will accrue no service credit and amounts are not refundable.
4. Revised Separation Requirements. The original bill establishes a 180-day separation requirement to qualify for a SPTRFA retirement annuity, and those who return to service with the school district before satisfying that requirement must repay benefits received. Under the amended bill, the separation requirement is 90 days rather than 180 days, and interest will be charged on any benefits forfeited by returning to work too early.
5. Timing Difference for Accrual Rate Increase. Under the original bill, accrual rates for service rendered after June 30, 2014, for SPTRFA teachers is increased from 1.7% to 1.9% on level benefit computations, and from 1.2% to 1.4% for the first ten years of service and 1.9% rather than 1.7% per year thereafter on step computations. Under the amended bill, the increases are delayed until July 1, 2015.
6. Salary Increase and Payroll Growth Assumptions. The original bill did not include any correction of salary increase or payroll growth assumptions. In the amended bill, salary increase and payroll growth assumptions in statute are revised to agree with August 2012 Commission action.

Summary of Resulting S.F. 1249 (Pappas); H.F. 1433 (Nelson), if Amended by S1249-12A (S1249-E1)

If Amendment S1249-12A is adopted, the amended bill would make the following changes:

1. Moves MTRFA Aid to the TRA Chapter. The special direct state aid provision for the Minneapolis Teachers Retirement Fund Association (MTRFA) is moved from Chapter 354A, the first class city teacher plan chapter, to Chapter 353, the Teachers Retirement Association (TRA) chapter.
2. New Aid to SPTRFA. Creates \$7,000,000 annually in new state aid for the SPTRFA.

3. Increases SPTRFA Employee and Employer Contribution Rates. Increases SPTRFA employee and employer contribution rates by 1% each. The employee contribution rate is increased in half-step increments beginning July 2015. The employer contribution rate is increased by 0.5% in July 2015, by 0.25% in July 2016, and by another 0.25% on July 1, 2016.
4. Reemployed Annuitant Contributions. Requires SPTRFA annuitants who are reemployed by the school district to pay employee contributions and the school district must pay employer contributions. No service credit accrues and amounts are not refundable.
5. New SPTRFA Separation from Service Requirement. Establishes a 90-day separation requirement to qualify for a SPTRFA retirement annuity, and requires mandatory repayment of benefit received plus interest by those who return to St. Paul school district employment before 90 days.
6. Benefit Forfeiture Rather Than Reemployed Annuitant Holding Account. Requires benefit forfeiture rather than the creation of a reemployed annuitant earnings account for SPTRFA members who retire after June 30, 2013, and are reemployed by the school district.
7. Accrual Rate Increase. Increases accrual rates for service rendered after June 30, 2015, for SPTRFA teachers from 1.7% to 1.9% on level benefit computations, and from 1.2% to 1.4% for the first ten years of service and 1.9% rather than 1.7% per year thereafter on step computations.
8. Movement Away from Full Actuarial Reduction for Early Retirement. Revises the full actuarial reduction provision to require more than an actuarial reduction at younger ages and less than an actuarial reduction at older ages for the Duluth Teachers Retirement Fund Association (DTRFA) and SPTRFA.
9. Corrects Salary Increase and Payroll Growth Assumptions. Salary increase and payroll growth assumptions in statute are revised to agree with actions taken by the Commission in August 2012.
10. Eventual Termination of Aid Programs. Terminates aid programs to first class city teacher plans after full funding is reached.

Section-by-Section Summary of S.F. 2149/H.F. 1433 as amended by S1249-12A (draft engrossment S2149-E1)

Sec.	Pg.Ln	Stat. Provision	Plan	Summary
1	1.16	New 354.436	TRA	The appropriation paid to TRA on behalf of the Minneapolis Teachers Retirement Fund Association is move from the first class city teacher chapter to a new section in the TRA chapter.
2	2.4	354A.011, Subd. 11	SPTRFA	The "retirement" definition is revised by requiring a 90-day separation from service for those who terminate employment and are covered by SPTRFA.
3	2.17	354A.12, Subd. 1	SPTRFA	The SPTRFA coordinated and basic member contribution rates are increased by 1% of pay in 0.5% increments starting in 2015.
4	3.13	354A.12, Subd. 2a	SPTRFA	The SPTRFA coordinated and basic employer contributions are increased by 1% of pay beginning with a 0.5% increment starting in 2015, followed by 0.25% increments in 2016 and 2017.
5	4.27	354A.12, New Subd. 2c	SPTRFA	A new subdivision is added to the SPTRFA contribution provision requiring employer and employer additional contributions on behalf of any SPTRFA annuitant reemployed by the St. Paul school district, and employee contributions by the reemployed annuitant. No service credit accrues and amounts are not refundable.
6	5.5	354A.12, Subd. 3a	SPTRFA	A state aid subdivision is revised by creating a new aid to the SPTRFA of \$7 million annually.
7	5.16	354A.12, Subd. 3c	SPTRFA, DTRFA	An aid termination date provision is amended to include eventual termination of the new aid specified in Section 6 and other provisions, and by clarifying the provision.
8	6.1	354A.12, Subd. 7	SPTRFA	The SPTRFA is authorized to recover by direct repayment any annuity amounts which should not have been paid due to the member failing to remain separated from St. Paul school district employment for at least 90 days prior to the reemployment. Repayment is with interest.
9	7.4	354A.31, Subd. 3	SPTRFA	The first class city teacher plan reemployed annuitant holding account provision is revised by stating that for SPTRFA members who retire after June 30, 2013, amounts which under prior law were deferred and placed in an account will instead be forfeited to the SPTRFA.
10	8.10	354A.31, Subd. 4	SPTRFA	The SPTRFA retirement annuity computation provision is revised by increasing accrual rates on service rendered after 6/30/2015 from 1.2% to 1.4% for the first ten years of service and from 1.7% to 1.9% on later years of service for step formula annuities, and from 1.7% to 1.9% on level formula annuities.
11	9.4	354A.31, Subd. 7	SPTRFA, DTRFA	The first class city teacher plan actuarial reduction for early retirement provision is amended by revising reductions to require less than an actuarial reduction for retirements after age 60, and more than an actuarial reduction for earlier retirements.
12	10.7	354A.35, Subd. 2	SPTRFA	A death while under age 55 provision is amended by revising the reduction procedures used to compute the survivor annuity.
13	11.13	356.215, Subd. 8	SPTRFA	The salary and payroll increase assumptions are revised to agree with revisions adopted by the Commission in August 2012.
14	16.13	356.47, Subd. 1	SPTRFA	A reemployed annuitant account application provision in Ch. 356 is clarifying by specifying that the section will apply only to pre-71/2013 SPTRFA retirees.
15	16.23	423A.02, Subd. 5	SPTRFA	An amortization aid termination of aid provision in Ch. 423A applicable to the SPTRFA is revised by clarifying termination dates.
16	16.30	Uncoded	SPTRFA	Bylaw amendment authorization. The SPTRFA Board is authorized to revise its bylaws to revise the reduction factors used for early retirements, consistent with Section 11.

- 1.1 moves to amend S.F. No. 1249; H.F. No. 1433, as follows:
- 1.2 Page 1, line 21, after "aid" insert "annually on October 1"
- 1.3 Page 2, line 10, delete "180" and insert "90"
- 1.4 Page 2, line 11, after "service" insert "provided to the school district"
- 1.5 Page 3, line 28, delete "6.5" and insert "6.25"
- 1.6 Page 3, after line 28, insert:
- 1.7 "after June 30, 2017 6.5 percent"
- 1.8 Page 4, line 2, delete "10.0" and insert "9.75"
- 1.9 Page 4, after line 2, insert:
- 1.10 "after June 30, 2017 10.0 percent of salary"
- 1.11 Page 4, line 23, before "employer" insert "employee and"
- 1.12 Page 4, line 24, delete "The school district" and insert "Independent School District
- 1.13 No. 625"
- 1.14 Page 4, line 27, after "service" insert "to the school district"
- 1.15 Page 4, line 28, after the period insert "The reemployed annuitant shall make a
- 1.16 contribution to the St. Paul Teachers Retirement Fund Association fund equivalent to the
- 1.17 employee contribution determined under subdivision 1. The reemployed annuitant shall
- 1.18 accrue no service credit and the amounts are not refundable."
- 1.19 Page 4, line 31, reinstate the stricken language
- 1.20 Page 4, line 33, strike "\$2,827,000" and insert "\$9,827,000"
- 1.21 Page 5, line 3, reinstate "~~(b) The~~" and reinstate everything after "state"
- 1.22 Page 5, line 4, reinstate everything before "~~direct~~" and reinstate "~~.-The~~" and before
- 1.23 the period insert "aids specified in this subdivision" and after "~~amount~~" insert "amounts "
- 1.24 Page 5, line 5, reinstate "required" and reinstate everything after "is" and before "
- 1.25 appropriated" insert "are"
- 1.26 Page 5, reinstate line 6
- 1.27 Page 5, delete lines 7 to 22
- 1.28 Page 5, delete lines 24 to 26
- 1.29 Page 6, line 22, after the period insert "The repayment must include interest at the rate
- 1.30 of 0.71 percent per month from the first of the month in which a monthly benefit amount
- 1.31 was paid to the first of the month in which the amount is repaid, with annual compounding."
- 1.32 Page 8, lines 28 and 32, delete "2014" and insert "2015"
- 1.33 Page 9, line 7, delete "2014" and insert "2015"
- 1.34 Page 9, line 12, strike "Actuarial"
- 1.35 Page 10, after line 10, insert:

2.1 "For normal retirement ages between ages 65 and 66, the early retirement factors
 2.2 will be determined by linear interpolation between the early retirement factors applicable
 2.3 for normal retirement ages 65 and 66."

2.4 Page 11, line 9, delete "three" and insert "2.5"

2.5 Page 11, after line 16, insert:

2.6 "Sec. 13. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

2.7 Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use
 2.8 the applicable following preretirement interest assumption and the applicable following
 2.9 postretirement interest assumption:

2.10 (1) select and ultimate interest rate assumption

	ultimate preretirement interest rate assumption	ultimate postretirement interest rate assumption
plan		
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
elective state officers retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5

2.32 Except for the legislators retirement plan and the elective state officers retirement
 2.33 plan, the select preretirement interest rate assumption for the period after June 30, 2012,
 2.34 through June 30, 2017, is 8.0 percent. Except for the legislators retirement plan and the
 2.35 elective state officers retirement plan, the select postretirement interest rate assumption for
 2.36 the period after June 30, 2012, through June 30, 2017, is 5.5 percent, except for the Duluth
 2.37 teachers retirement plan and the St. Paul teachers retirement plan, each with a select
 2.38 postretirement interest rate assumption for the period after June 30, 2012, through June
 2.39 30, 2017, of 8.0 percent.

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

3.1		interest rate
3.2	plan	assumption
3.3	Bloomington Fire Department Relief Association	6.0
3.4	local monthly benefit volunteer firefighters relief	5.0
3.5	associations	

3.6 (b) The actuarial valuation must use the applicable following single rate future salary
 3.7 increase assumption, the applicable following modified single rate future salary increase
 3.8 assumption, or the applicable following graded rate future salary increase assumption:

3.9 (1) single rate future salary increase assumption

3.10	plan	future salary increase assumption
3.11	legislators retirement plan	5.0%
3.12	judges retirement plan	3.0
3.13	Bloomington Fire Department Relief	4.0
3.14	Association	

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

3.17	plan	future salary increase assumption
3.18	local government correctional service retirement plan	assumption C
3.19	Duluth teachers retirement plan	assumption A
3.20	St. Paul teachers retirement plan	assumption B

3.21 For plans other than the Duluth teachers
 3.22 retirement plan, the select calculation
 3.23 is: during the designated select period, a
 3.24 designated percentage rate is multiplied by
 3.25 the result of the designated integer minus T,
 3.26 where T is the number of completed years
 3.27 of service, and is added to the applicable
 3.28 future salary increase assumption. The
 3.29 designated select period is ten years and the
 3.30 designated integer is ten for ~~all retirement~~
 3.31 ~~plans covered by this clause~~ the Duluth
 3.32 Teachers Retirement Fund Association
 3.33 and for the local government correctional
 3.34 service retirement plan and 15 for the St.
 3.35 Paul Teachers Retirement Fund Association.
 3.36 The designated percentage rate is ~~0.3~~ 0.2
 3.37 percent for the St. Paul Teachers Retirement

4.1 Fund Association. The select calculation
 4.2 for the Duluth Teachers Retirement Fund
 4.3 Association is 8.00 percent per year for
 4.4 service years one through seven, 7.25 percent
 4.5 per year for service years seven and eight,
 4.6 and 6.50 percent per year for service years
 4.7 eight and nine.

4.8 The ultimate future salary increase assumption is:

4.9 age	A	B	C
4.10 16	8.00% <u>6.00%</u>	6.90% <u>5.90%</u>	9.00%
4.11 17	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
4.12 18	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
4.13 19	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
4.14 20	6.90 <u>6.00</u>	6.90 <u>5.90</u>	9.00
4.15 21	6.90 <u>6.00</u>	6.90 <u>5.90</u>	8.75
4.16 22	6.90 <u>6.00</u>	6.90 <u>5.90</u>	8.50
4.17 23	6.85 <u>6.00</u>	6.85 <u>5.85</u>	8.25
4.18 24	6.80 <u>6.00</u>	6.80 <u>5.80</u>	8.00
4.19 25	6.75 <u>6.00</u>	6.75 <u>5.75</u>	7.75
4.20 26	6.70 <u>6.00</u>	6.70 <u>5.70</u>	7.50
4.21 27	6.65 <u>6.00</u>	6.65 <u>5.65</u>	7.25
4.22 28	6.60 <u>6.00</u>	6.60 <u>5.60</u>	7.00
4.23 29	6.55 <u>6.00</u>	6.55 <u>5.55</u>	6.75
4.24 30	6.50 <u>6.00</u>	6.50 <u>5.50</u>	6.75
4.25 31	6.45 <u>6.00</u>	6.45 <u>5.45</u>	6.50
4.26 32	6.40 <u>6.00</u>	6.40 <u>5.40</u>	6.50
4.27 33	6.35 <u>6.00</u>	6.35 <u>5.35</u>	6.50
4.28 34	6.30 <u>6.00</u>	6.30 <u>5.30</u>	6.25
4.29 35	6.25 <u>6.00</u>	6.25 <u>5.25</u>	6.25
4.30 36	6.20 <u>5.86</u>	6.20 <u>5.20</u>	6.00
4.31 37	6.15 <u>5.73</u>	6.15 <u>5.15</u>	6.00
4.32 38	6.10 <u>5.59</u>	6.10 <u>5.10</u>	6.00
4.33 39	6.05 <u>5.45</u>	6.05 <u>5.05</u>	5.75
4.34 40	6.00 <u>5.31</u>	6.00 <u>5.00</u>	5.75
4.35 41	5.90 <u>5.18</u>	5.95 <u>4.95</u>	5.75
4.36 42	5.80 <u>5.04</u>	5.90 <u>4.90</u>	5.50
4.37 43	5.70 <u>4.90</u>	5.85 <u>4.85</u>	5.25
4.38 44	5.60 <u>4.76</u>	5.80 <u>4.80</u>	5.25
4.39 45	5.50 <u>4.63</u>	5.75 <u>4.75</u>	5.00
4.40 46	5.40 <u>4.49</u>	5.70 <u>4.70</u>	5.00
4.41 47	5.30 <u>4.35</u>	5.65 <u>4.65</u>	5.00
4.42 48	5.20 <u>4.21</u>	5.60 <u>4.60</u>	5.00

5.1	49	5.10 <u>4.08</u>	5.55 <u>4.55</u>	5.00
5.2	50	5.00 <u>3.94</u>	5.50 <u>4.50</u>	5.00
5.3	51	4.90 <u>3.80</u>	5.45 <u>4.45</u>	5.00
5.4	52	4.80 <u>3.66</u>	5.40 <u>4.40</u>	5.00
5.5	53	4.70 <u>3.53</u>	5.35 <u>4.35</u>	5.00
5.6	54	4.60 <u>3.39</u>	5.30 <u>4.30</u>	5.00
5.7	55	4.50 <u>3.25</u>	5.25 <u>4.25</u>	4.75
5.8	56	4.40 <u>3.25</u>	5.20 <u>4.20</u>	4.75
5.9	57	4.30 <u>3.25</u>	5.15 <u>4.15</u>	4.50
5.10	58	4.20 <u>3.25</u>	5.10 <u>4.10</u>	4.25
5.11	59	4.10 <u>3.25</u>	5.05 <u>4.05</u>	4.25
5.12	60	4.00 <u>3.25</u>	5.00 <u>4.00</u>	4.25
5.13	61	3.90 <u>3.25</u>	5.00 <u>4.00</u>	4.25
5.14	62	3.80 <u>3.25</u>	5.00 <u>4.00</u>	4.25
5.15	63	3.70 <u>3.25</u>	5.00 <u>4.00</u>	4.25
5.16	64	3.60 <u>3.25</u>	5.00 <u>4.00</u>	4.25
5.17	65	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
5.18	66	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
5.19	67	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
5.20	68	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
5.21	69	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
5.22	70	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00

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

5.24	general state employees retirement plan of the	assumption A
5.25	Minnesota State Retirement System	
5.26	general employees retirement plan of the Public	assumption B
5.27	Employees Retirement Association	
5.28	Teachers Retirement Association	assumption C
5.29	public employees police and fire retirement plan	assumption D
5.30	State Patrol retirement plan	assumption E
5.31	correctional state employees retirement plan of the	assumption F
5.32	Minnesota State Retirement System	

5.33	service						
5.34	length	A	B	C	D	E	F
5.35	1	10.50%	12.03%	12.00%	13.00%	8.00%	6.00%
5.36	2	8.10	8.90	9.00	11.00	7.50	5.85
5.37	3	6.90	7.46	8.00	9.00	7.00	5.70
5.38	4	6.20	6.58	7.50	8.00	6.75	5.55
5.39	5	5.70	5.97	7.25	6.50	6.50	5.40
5.40	6	5.30	5.52	7.00	6.10	6.25	5.25
5.41	7	5.00	5.16	6.85	5.80	6.00	5.10
5.42	8	4.70	4.87	6.70	5.60	5.85	4.95
5.43	9	4.50	4.63	6.55	5.40	5.70	4.80

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

6.23 (c) The actuarial valuation must use the applicable following payroll growth
6.24 assumption for calculating the amortization requirement for the unfunded actuarial
6.25 accrued liability where the amortization retirement is calculated as a level percentage
6.26 of an increasing payroll:

6.27	plan	payroll growth assumption
6.28	general state employees retirement plan of the	3.75%
6.29	Minnesota State Retirement System	
6.30	correctional state employees retirement plan	3.75
6.31	State Patrol retirement plan	3.75
6.32	judges retirement plan	3.00
6.33	general employees retirement plan of the Public	3.75
6.34	Employees Retirement Association	
6.35	public employees police and fire retirement plan	3.75
6.36	local government correctional service retirement plan	3.75
6.37	teachers retirement plan	3.75
6.38	Duluth teachers retirement plan	4.50 <u>3.50</u>
6.39	St. Paul teachers retirement plan	5.00 <u>4.00</u>

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

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

7.1 (2) is accompanied by the concurring recommendation of the actuary retained under
7.2 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the
7.3 most recent actuarial valuation report if section 356.214 does not apply; and
7.4 (3) has been approved or deemed approved under subdivision 18.

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

7.6 Renumber the sections in sequence

7.7 Delete the title and insert:

7.8 "A bill for an act
7.9 relating to retirement; St. Paul Teachers Retirement Fund Association;
7.10 increasing state aid by \$7,000,000 annually; increasing employee and employer
7.11 contributions; requiring employee and employer contributions for reemployed
7.12 annuitants; requiring a 90-day separation to qualify for a retirement annuity;
7.13 requiring forfeiture of reemployed annuitant accounts by post-June 30, 2013,
7.14 retirees; increasing accrual rates on post-June 30, 2015, service; revising early
7.15 retirement factors; moving the Teachers Retirement Association aid authorization
7.16 to a new section; correcting certain salary and payroll growth assumptions;
7.17 appropriating money; amending Minnesota Statutes 2012, sections 354A.011,
7.18 subdivision 21; 354A.12, subdivisions 1, 2a, 3a, 3c, 7, by adding a subdivision;
7.19 354A.31, subdivisions 3, 4, 7; 354A.35, subdivision 2; 356.215, subdivision 8;
7.20 356.47, subdivision 1; 423A.02, subdivision 5; proposing coding for new law
7.21 in Minnesota Statutes, chapter 354."

1.1 A bill for an act

1.2 relating to retirement; St. Paul Teachers Retirement Fund Association;
1.3 increasing state aid by \$7,000,000 annually; increasing employee and employer
1.4 contributions; requiring employee and employer contributions for reemployed
1.5 annuitants; requiring a 90-day separation to qualify for a retirement annuity;
1.6 requiring forfeiture of reemployed annuitant accounts by post-June 30, 2013,
1.7 retirees; increasing accrual rates on post-June 30, 2015, service; revising early
1.8 retirement factors; moving the Teachers Retirement Association aid authorization
1.9 to a new section; correcting certain salary and payroll growth assumptions;
1.10 appropriating money; amending Minnesota Statutes 2012, sections 354A.011,
1.11 subdivision 21; 354A.12, subdivisions 1, 2a, 3a, 3c, 7, by adding a subdivision;
1.12 354A.31, subdivisions 3, 4, 7; 354A.35, subdivision 2; 356.215, subdivision 8;
1.13 356.47, subdivision 1; 423A.02, subdivision 5; proposing coding for new law in
1.14 Minnesota Statutes, chapter 354.

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

1.16 Section 1. **[354.436] DIRECT STATE AID ON BEHALF OF THE FORMER**
1.17 **MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.**

1.18 **Subdivision 1. Aid authorization.** The state shall pay \$12,954,000 to the Teachers
1.19 Retirement Association on behalf of the former Minneapolis Teachers Retirement Fund
1.20 Association.

1.21 **Subd. 2. Aid appropriation.** The commissioner of management and budget shall
1.22 pay the aid annually on October 1. The amount required is appropriated annually from the
1.23 general fund to the commissioner of management and budget.

1.24 **Subd. 3. Aid expiration.** The aid specified in this section terminates and this
1.25 section expires when the current assets of the Teachers Retirement Association fund equal
1.26 or exceed the actuarial accrued liabilities of the fund as determined in the most recent
1.27 actuarial valuation report for the Teachers Retirement Association fund by the actuary

2.1 retained under section 356.214, or on the established date for full funding under section
2.2 356.215, subdivision 11, whichever occurs earlier.

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

2.4 Sec. 2. Minnesota Statutes 2012, section 354A.011, subdivision 21, is amended to read:

2.5 Subd. 21. **Retirement.** (a) "Retirement" means the time after the date of cessation
2.6 of active teaching service by a teacher who is ~~thereafter~~ then entitled to an accrued
2.7 retirement annuity ~~commencing~~ beginning as designated by the board of trustees and
2.8 payable ~~pursuant to an~~ upon filing a valid application for an annuity ~~filed~~ with the board.
2.9 The applicable provisions of law, articles of incorporation and bylaws in effect on the date
2.10 of cessation of active teaching service thereafter determine the rights of the person.

2.11 (b) For members of the St. Paul Teachers Retirement Fund Association, a right to
2.12 a retirement annuity requires a complete and continuous separation for 90 days from
2.13 employment in any form with Independent School District No. 625, including service
2.14 provided to the school district as an independent contractor or as an employee of an
2.15 independent contractor.

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

2.17 Sec. 3. Minnesota Statutes 2012, section 354A.12, subdivision 1, is amended to read:

2.18 Subdivision 1. **Employee contributions.** (a) The contribution required to be paid
2.19 by each member of a teachers retirement fund association is the percentage of total salary
2.20 specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth Teachers Retirement Fund Association	
old law and new law	
coordinated programs	
before July 1, 2011	5.5 percent
effective July 1, 2011	6.0 percent
effective July 1, 2012	6.5 percent
St. Paul Teachers Retirement Fund Association	
basic program before July 1, 2011	8 percent
basic program after June 30, 2011	8.25 percent
basic program after June 30, 2012	8.5 percent
basic program after June 30, 2013	8.75 percent
basic program after June 30, 2014	9.0 percent
<u>basic program after June 30, 2015</u>	<u>9.5 percent</u>
<u>basic program after June 30, 2016</u>	<u>10.0 percent</u>
coordinated program before July 1, 2011	5.5 percent

3.1	coordinated program after June 30, 2011	5.75 percent
3.2	coordinated program after June 30, 2012	6.0 percent
3.3	coordinated program after June 30, 2013	6.25 percent
3.4	coordinated program after June 30, 2014	6.50 percent
3.5	<u>coordinated program after June 30, 2015</u>	<u>7.0 percent</u>
3.6	<u>coordinated program after June 30, 2016</u>	<u>7.50 percent</u>

3.7 (b) Contributions shall be made by deduction from salary and must be remitted
3.8 directly to the respective teachers retirement fund association at least once each month.

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

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

3.13 Sec. 4. Minnesota Statutes 2012, section 354A.12, subdivision 2a, is amended to read:

3.14 Subd. 2a. **Employer regular and additional contributions.** (a) The employing
3.15 units shall make the following employer contributions to teachers retirement fund
3.16 associations:

3.17 (1) for any coordinated member of one of the following teachers retirement fund
3.18 associations in a city of the first class, the employing unit shall make a regular employer
3.19 contribution to the respective retirement fund association in an amount equal to the
3.20 designated percentage of the salary of the coordinated member as provided below:

3.21 Duluth Teachers Retirement Fund Association

3.22	before July 1, 2011	5.79 percent
3.23	effective July 1, 2011	6.29 percent
3.24	effective July 1, 2012	6.79 percent

3.25 St. Paul Teachers Retirement Fund Association

3.26	before July 1, 2011	4.50 percent
3.27	after June 30, 2011	4.75 percent
3.28	after June 30, 2012	5.0 percent
3.29	after June 30, 2013	5.25 percent
3.30	after June 30, 2014	5.5 percent
3.31	<u>after June 30, 2015</u>	<u>6.0 percent</u>
3.32	<u>after June 30, 2016</u>	<u>6.25 percent</u>
3.33	<u>after June 30, 2017</u>	<u>6.5 percent</u>

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

4.1	before July 1, 2011	8.0 percent of salary
4.2	after June 30, 2011	8.25 percent of salary
4.3	after June 30, 2012	8.5 percent of salary
4.4	after June 30, 2013	8.75 percent of salary
4.5	after June 30, 2014	9.0 percent of salary
4.6	<u>after June 30, 2015</u>	<u>9.5 percent of salary</u>
4.7	<u>after June 30, 2016</u>	<u>9.75 percent of salary</u>
4.8	<u>after June 30, 2017</u>	<u>10.0 percent of salary</u>

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

4.12 (4) for a coordinated member of the St. Paul Teachers Retirement Fund Association,
4.13 the employing unit shall make an additional employer contribution to the respective fund
4.14 in an amount equal to the applicable percentage of the coordinated member's salary,
4.15 as provided below:

4.16 St. Paul Teachers Retirement Fund Association 3.84 percent

4.17 (b) The regular and additional employer contributions must be remitted directly to
4.18 the respective teachers retirement fund association at least once each month. Delinquent
4.19 amounts are payable with interest under the procedure in subdivision 1a.

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

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

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

4.27 Sec. 5. Minnesota Statutes 2012, section 354A.12, is amended by adding a subdivision
4.28 to read:

4.29 **Subd. 2c. St. Paul Teachers Retirement Fund Association; employee and**
4.30 **employer contributions for reemployed annuitants.** Independent School District No.
4.31 625 shall make the regular employer contributions and additional employer contributions
4.32 specified in subdivision 2a on behalf of any retired member of the St. Paul Teachers
4.33 Retirement Fund Association who is reemployed by Independent School District No.
4.34 625, including providing service to the school district as an independent contractor or
4.35 as an employee of an independent contractor. The reemployed annuitant shall make a

5.1 contribution to the St. Paul Teachers Retirement Fund Association fund equivalent to the
5.2 employee contribution determined under subdivision 1. The reemployed annuitant shall
5.3 accrue no service credit and the amounts are not refundable.

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

5.5 Sec. 6. Minnesota Statutes 2012, section 354A.12, subdivision 3a, is amended to read:

5.6 Subd. 3a. **Special direct state aid to first class city teachers retirement**
5.7 **fund associations.** (a) The state shall pay as special direct state aid \$346,000 to the
5.8 Duluth Teachers Retirement Fund Association, and ~~\$2,827,000~~ \$9,827,000 to the St.
5.9 Paul Teachers Retirement Fund Association and, ~~for the former Minneapolis Teachers~~
5.10 ~~Retirement Fund Association, \$12,954,000 to the Teachers Retirement Association.~~

5.11 (b) ~~The direct state aids~~ under this subdivision are payable October 1 annually. The
5.12 commissioner of management and budget shall pay the ~~direct state aid~~ aids specified in
5.13 this subdivision. The ~~amount~~ amounts required ~~under this subdivision is~~ are appropriated
5.14 annually from the general fund to the commissioner of management and budget.

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

5.16 Sec. 7. Minnesota Statutes 2012, section 354A.12, subdivision 3c, is amended to read:

5.17 Subd. 3c. **Termination of supplemental contributions and direct matching**
5.18 **and state aid.** (a) The supplemental contributions payable to the St. Paul Teachers
5.19 Retirement Fund Association by Independent School District No. 625 under section
5.20 423A.02, subdivision 3, ~~or the direct~~ and all forms of state aid under subdivision 3a to the
5.21 St. Paul Teachers Retirement Fund Association must continue until the current assets of
5.22 the fund equal or exceed the actuarial accrued liability of the fund as determined in the
5.23 most recent actuarial report for the fund by the actuary retained under section 356.214 or
5.24 until June 30, 2037, whichever occurs earlier.

5.25 (b) The aid to the Duluth Teachers Retirement Fund Association under section
5.26 423A.02, subdivision 3, and all forms of state aid under subdivision 3a to the Duluth
5.27 Teachers Retirement Fund Association must continue until the current assets of the fund
5.28 equal or exceed the actuarial accrued liability of the fund as determined in the most
5.29 recent actuarial report for the fund by the actuary retained under section 356.214 or until
5.30 the established date for full funding under section 356.215, subdivision 11, whichever
5.31 occurs earlier.

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

6.1 Sec. 8. Minnesota Statutes 2012, section 354A.12, subdivision 7, is amended to read:

6.2 Subd. 7. **Recovery of benefit overpayments.** (a) If the executive director discovers,
6.3 within the time period specified in subdivision 8 following the payment of a refund or
6.4 the accrual date of any retirement annuity, survivor benefit, or disability benefit, that
6.5 benefit overpayment has occurred due to using invalid service or salary, or due to any
6.6 erroneous calculation procedure, the executive director must recalculate the annuity or
6.7 benefit payable and recover any overpayment. The executive director shall recover the
6.8 overpayment by requiring direct repayment or by suspending or reducing the payment of a
6.9 retirement annuity or other benefit payable under this chapter to the applicable person or
6.10 the person's estate, whichever applies, until all outstanding amounts have been recovered.
6.11 If a benefit overpayment or improper payment of benefits occurred caused by a failure
6.12 of the person to satisfy length of separation requirements for retirement under section
6.13 354A.011, subdivision 21, the executive director shall recover the improper payments by
6.14 requiring direct repayment. The repayment must include interest at the rate of 0.71 percent
6.15 per month from the first of the month in which a monthly benefit amount was paid to the
6.16 first of the month in which the amount is repaid, with annual compounding.

6.17 (b) In the event the executive director determines that an overpaid annuity or benefit
6.18 that is the result of invalid salary included in the average salary used to calculate the
6.19 payment amount must be recovered, the executive director must determine the amount of
6.20 the employee deductions taken in error on the invalid salary, with interest as determined
6.21 under 354A.37, subdivision 3, and must subtract that amount from the total annuity or
6.22 benefit overpayment, and the remaining balance of the overpaid annuity or benefit, if
6.23 any, must be recovered.

6.24 (c) If the invalid employee deductions plus interest exceed the amount of the
6.25 overpaid benefits, the balance must be refunded to the person to whom the benefit or
6.26 annuity is being paid.

6.27 (d) Any invalid employer contributions reported on the invalid salary must be
6.28 credited against future contributions payable by the employer.

6.29 (e) If a member or former member, who is receiving a retirement annuity or
6.30 disability benefit for which an overpayment is being recovered, dies before recovery of the
6.31 overpayment is completed and an optional annuity or refund is payable, the remaining
6.32 balance of the overpaid annuity or benefit must continue to be recovered from the payment
6.33 to the optional annuity beneficiary or refund recipient.

6.34 (f) The board of trustees shall adopt policies directing the period of time and manner
6.35 for the collection of any overpaid retirement or optional annuity, and survivor or disability

7.1 benefit, or a refund that the executive director determines must be recovered as provided
7.2 under this section.

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

7.4 Sec. 9. Minnesota Statutes 2012, section 354A.31, subdivision 3, is amended to read:

7.5 Subd. 3. **Resumption of teaching after commencement of a retirement annuity.**

7.6 (a) Any person who retired and is receiving a coordinated program retirement annuity
7.7 under the provisions of sections 354A.31 to 354A.41 or any person receiving a basic
7.8 program retirement annuity under the governing sections in the articles of incorporation
7.9 or bylaws and who has resumed teaching service for the school district in which the
7.10 teachers retirement fund association exists is entitled to continue to receive retirement
7.11 annuity payments, except that all or a portion of the annuity payments must be deferred
7.12 during the calendar year immediately following the calendar year in which the person's
7.13 salary from the teaching service is in an amount greater than \$46,000. The amount of the
7.14 annuity deferral is one-third the salary amount in excess of \$46,000 and must be deducted
7.15 from the annuity payable for the calendar year immediately following the calendar year
7.16 in which the excess amount was earned.

7.17 (b) If the person is retired for only a fractional part of the calendar year during the
7.18 initial year of retirement, the maximum reemployment salary exempt from triggering a
7.19 deferral as specified in this subdivision must be prorated for that calendar year.

7.20 (c) After a person has reached the Social Security normal retirement age, no deferral
7.21 requirement is applicable regardless of the amount of any compensation received for
7.22 teaching service for the school district in which the teachers retirement fund association
7.23 exists.

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

7.26 (e) Notwithstanding other paragraphs of this subdivision, for any retired St. Paul
7.27 Teachers Retirement Fund Association basic or coordinated program member whose
7.28 effective date of retirement is after June 30, 2013, amounts specified as deferred under
7.29 this subdivision must instead be forfeited to the St. Paul Teachers Retirement Fund
7.30 Association fund.

7.31 (e) (f) For the purpose of this subdivision, salary from teaching service includes: (i)
7.32 all income for services performed as a consultant or independent contractor; or income
7.33 resulting from working with the school district in any capacity; and (ii) the greater of either
7.34 the income received or an amount based on the rate paid with respect to an administrative
7.35 position, consultant, or independent contractor in the school district in which the teachers

8.1 retirement fund association exists and at the same level as the position occupied by the
8.2 person who resumes teaching service.

8.3 (f) (g) On or before February 15 of each year, each applicable employing unit
8.4 shall report to the teachers retirement fund association the amount of postretirement
8.5 salary as defined in this subdivision, earned as a teacher, consultant, or independent
8.6 contractor during the previous calendar year by each retiree of the teachers retirement
8.7 fund association for teaching service performed after retirement. The report must be in
8.8 a format approved by the executive secretary or director.

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

8.10 Sec. 10. Minnesota Statutes 2012, section 354A.31, subdivision 4, is amended to read:

8.11 Subd. 4. **Computation of normal coordinated retirement annuity; St. Paul**
8.12 **fund.** (a) This subdivision applies to the coordinated program of the St. Paul Teachers
8.13 Retirement Fund Association.

8.14 (b) The normal coordinated retirement annuity is an amount equal to a retiring
8.15 coordinated member's average salary under section 354A.011, subdivision 7a, multiplied
8.16 by the retirement annuity formula percentage.

8.17 (c) This paragraph, in conjunction with subdivision 6, applies to a person who first
8.18 became a member or a member in a pension fund listed in section 356.30, subdivision 3,
8.19 before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces
8.20 a higher annuity amount, in which case paragraph (d) will apply. For service rendered
8.21 before July 1, 2015, the retirement annuity formula percentage for purposes of this
8.22 paragraph is the percent specified in section 356.315, subdivision 1, per year for each year
8.23 of coordinated service for the first ten years and the percent specified in section 356.315,
8.24 subdivision 2, for each year of coordinated service thereafter. For service rendered after
8.25 June 30, 2015, the retirement annuity formula percentage for purposes of this paragraph
8.26 is the percent specified in section 356.315, subdivision 1a, per year for each year of
8.27 coordinated service for the first ten years and the percent specified in section 356.315,
8.28 subdivision 2b, for each year of coordinated service thereafter.

8.29 (d) This paragraph applies to a person who has become at least 55 years old and who
8.30 first becomes a member after June 30, 1989, and to any other member who has become
8.31 at least 55 years old and whose annuity amount, when calculated under this paragraph
8.32 and in conjunction with subdivision 7 is higher than it is when calculated under paragraph
8.33 (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula
8.34 percentage for purposes of this paragraph is the percent specified in section 356.315,
8.35 subdivision 2, for each year of coordinated service rendered before July 1, 2015, and

9.1 the percent specified in section 356.215, subdivision 2b, for each year of coordinated
9.2 service thereafter.

9.3 **EFFECTIVE DATE.** This section is effective July 1, 2014.

9.4 Sec. 11. Minnesota Statutes 2012, section 354A.31, subdivision 7, is amended to read:

9.5 Subd. 7. **Actuarial reduction for early retirement.** (a) This subdivision applies to
9.6 a person who has become at least 55 years old and first becomes a coordinated member
9.7 after June 30, 1989, and to any other coordinated member who has become at least 55
9.8 years old and whose annuity is higher when calculated using the retirement annuity
9.9 formula percentage in subdivision 4, paragraph (d), ~~and~~ or subdivision 4a, paragraph (d),
9.10 as applicable, in conjunction with this subdivision than when calculated under subdivision
9.11 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6.

9.12 (b) A coordinated member who retires before the ~~full-benefit~~ normal retirement
9.13 age shall be paid the retirement annuity calculated using the retirement annuity formula
9.14 percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), reduced so
9.15 that the reduced annuity is the actuarial equivalent of the annuity that would be payable
9.16 to the member if the member deferred receipt of the annuity and the annuity amount
9.17 were augmented at an annual rate of three percent compounded annually from the day
9.18 the annuity begins to accrue until the normal retirement age if the employee became an
9.19 employee before July 1, 2006, and at 2.5 percent compounded annually from the day the
9.20 annuity begins to accrue until the normal retirement age if the person initially becomes a
9.21 teacher after June 30, 2006. whichever is applicable, multiplied by the applicable early
9.22 retirement factor specified below:

	<u>Under age 62</u>		<u>Age 62 or older</u>	
	<u>or less than 30 years of service</u>		<u>with 30 years of service</u>	
<u>Normal retirement age:</u>	<u>65</u>	<u>66</u>	<u>65</u>	<u>66</u>
<u>Age at retirement</u>				
9.27 <u>55</u>	<u>0.5376</u>	<u>0.4592</u>		
9.28 <u>56</u>	<u>0.5745</u>	<u>0.4992</u>		
9.29 <u>57</u>	<u>0.6092</u>	<u>0.5370</u>		
9.30 <u>58</u>	<u>0.6419</u>	<u>0.5726</u>		
9.31 <u>59</u>	<u>0.6726</u>	<u>0.6062</u>		
9.32 <u>60</u>	<u>0.7354</u>	<u>0.6726</u>		
9.33 <u>61</u>	<u>0.7947</u>	<u>0.7354</u>		
9.34 <u>62</u>	<u>0.8507</u>	<u>0.7947</u>	<u>0.8831</u>	<u>0.8389</u>
9.35 <u>63</u>	<u>0.9035</u>	<u>0.8507</u>	<u>0.9246</u>	<u>0.8831</u>
9.36 <u>64</u>	<u>0.9533</u>	<u>0.9035</u>	<u>0.9635</u>	<u>0.9246</u>

10.1	<u>65</u>	<u>1.0000</u>	<u>0.9533</u>	<u>1.0000</u>	<u>0.9635</u>
10.2	<u>66</u>		<u>1.0000</u>		<u>1.0000</u>

10.3 For normal retirement ages between ages 65 and 66, the early retirement factors will
 10.4 be determined by linear interpolation between the early retirement factors applicable for
 10.5 normal retirement ages 65 and 66.

10.6 **EFFECTIVE DATE.** This section is effective July 1, 2013.

10.7 Sec. 12. Minnesota Statutes 2012, section 354A.35, subdivision 2, is amended to read:

10.8 Subd. 2. **Death while eligible to retire; surviving spouse optional annuity.** (a)

10.9 The surviving spouse of a vested coordinated member who dies prior to retirement may
 10.10 elect to receive, instead of a refund with interest under subdivision 1, an annuity equal
 10.11 to the 100 percent joint and survivor annuity the member could have qualified for had
 10.12 the member terminated service on the date of death. The surviving spouse eligible for
 10.13 a surviving spouse benefit under this paragraph may apply for the annuity at any time
 10.14 after the date on which the deceased employee would have attained the required age for
 10.15 retirement based on the employee's allowable service. A surviving spouse eligible for
 10.16 surviving spouse benefits under paragraph (b) or (c) may apply for an annuity at any time
 10.17 after the member's death. The member's surviving spouse shall be paid a joint and survivor
 10.18 annuity under section 354A.32 and computed under section 354A.31.

10.19 (b) If the member was under age 55 and has credit for at least 30 years of allowable
 10.20 service on the date of death, the surviving spouse may elect to receive a 100 percent joint
 10.21 and survivor annuity based on the age of the member and surviving spouse on the date
 10.22 of death. The annuity is payable using the full early retirement reduction under section
 10.23 354A.31, subdivision 6, paragraph (a), to age 55 and one-half of the early retirement
 10.24 reduction from age 55 to the age payment begins.

10.25 (c) If a vested member of the Duluth Teachers Retirement Fund Association was
 10.26 under age 55 on the date of death but did not yet qualify for retirement, the surviving
 10.27 spouse may elect to receive the 100 percent joint and survivor annuity based on the age
 10.28 of the member and the survivor at the time of death. The annuity is payable using the
 10.29 full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and
 10.30 one-half of the early retirement reduction from age 55 to the date payment begins.

10.31 (d) If a vested member of the St. Paul Teachers Retirement Fund Association was
 10.32 under age 55 on the date of death but did not yet qualify for retirement, the surviving
 10.33 spouse may elect to receive the 100 percent joint and survivor annuity based on the age
 10.34 of the member and the survivor at the time of death. The annuity is payable using the

11.1 full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and
 11.2 one-half of the actuarial equivalent reduction from age 55 to the date payment begins.
 11.3 The actuarial equivalent reduction is calculated so that the reduced annuity is the actuarial
 11.4 equivalent of the annuity that would be payable to the member if the member deferred
 11.5 receipt of the annuity and the annuity amount were augmented at an annual rate of 2.5
 11.6 percent compounded annually from the day the annuity begins to accrue until the normal
 11.7 retirement age.

11.8 (d) (e) Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity
 11.9 or surviving spouse benefit payable under this section. The benefits are payable for the
 11.10 life of the surviving spouse, or upon expiration of the term certain benefit payment under
 11.11 subdivision 2b.

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

11.13 Sec. 13. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

11.14 Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use
 11.15 the applicable following preretirement interest assumption and the applicable following
 11.16 postretirement interest assumption:

11.17 (1) select and ultimate interest rate assumption

plan	ultimate preretirement interest rate assumption	ultimate postretirement interest rate assumption
11.22 general state employees retirement plan	8.5%	6.0%
11.23 correctional state employees retirement plan	8.5	6.0
11.24 State Patrol retirement plan	8.5	6.0
11.25 legislators retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
11.28 elective state officers retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
11.31 judges retirement plan	8.5	6.0
11.32 general public employees retirement plan	8.5	6.0
11.33 public employees police and fire retirement plan	8.5	6.0
11.34 local government correctional service 11.35 retirement plan	8.5	6.0
11.36 teachers retirement plan	8.5	6.0
11.37 Duluth teachers retirement plan	8.5	8.5
11.38 St. Paul teachers retirement plan	8.5	8.5

11.39 Except for the legislators retirement plan and the elective state officers retirement
 11.40 plan, the select preretirement interest rate assumption for the period after June 30, 2012,

12.1 through June 30, 2017, is 8.0 percent. Except for the legislators retirement plan and the
12.2 elective state officers retirement plan, the select postretirement interest rate assumption for
12.3 the period after June 30, 2012, through June 30, 2017, is 5.5 percent, except for the Duluth
12.4 teachers retirement plan and the St. Paul teachers retirement plan, each with a select
12.5 postretirement interest rate assumption for the period after June 30, 2012, through June
12.6 30, 2017, of 8.0 percent.

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

12.8	plan	interest rate assumption
12.10	Bloomington Fire Department Relief Association	6.0
12.11	local monthly benefit volunteer firefighters relief	5.0
12.12	associations	

12.13 (b) The actuarial valuation must use the applicable following single rate future salary
12.14 increase assumption, the applicable following modified single rate future salary increase
12.15 assumption, or the applicable following graded rate future salary increase assumption:

12.16 (1) single rate future salary increase assumption

12.17	plan	future salary increase assumption
12.18	legislators retirement plan	5.0%
12.19	judges retirement plan	3.0
12.20	Bloomington Fire Department Relief	4.0
12.21	Association	

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

12.24	plan	future salary increase assumption
12.25	local government correctional service retirement plan	assumption C
12.26	Duluth teachers retirement plan	assumption A
12.27	St. Paul teachers retirement plan	assumption B

12.28 For plans other than the Duluth teachers
12.29 retirement plan, the select calculation
12.30 is: during the designated select period, a
12.31 designated percentage rate is multiplied by
12.32 the result of the designated integer minus T,
12.33 where T is the number of completed years
12.34 of service, and is added to the applicable
12.35 future salary increase assumption. The
12.36 designated select period is ten years and the
12.37 designated integer is ten for ~~all retirement~~
12.38 ~~plans covered by this clause~~ the Duluth

13.1 Teachers Retirement Fund Association
 13.2 and for the local government correctional
 13.3 service retirement plan and 15 for the St.
 13.4 Paul Teachers Retirement Fund Association.
 13.5 The designated percentage rate is ~~0.3~~ 0.2
 13.6 percent for the St. Paul Teachers Retirement
 13.7 Fund Association. The select calculation
 13.8 for the Duluth Teachers Retirement Fund
 13.9 Association is 8.00 percent per year for
 13.10 service years one through seven, 7.25 percent
 13.11 per year for service years seven and eight,
 13.12 and 6.50 percent per year for service years
 13.13 eight and nine.

13.14 The ultimate future salary increase assumption is:

13.15 age	A	B	C
13.16 16	8.00% <u>6.00%</u>	6.90% <u>5.90%</u>	9.00%
13.17 17	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
13.18 18	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
13.19 19	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
13.20 20	6.90 <u>6.00</u>	6.90 <u>5.90</u>	9.00
13.21 21	6.90 <u>6.00</u>	6.90 <u>5.90</u>	8.75
13.22 22	6.90 <u>6.00</u>	6.90 <u>5.90</u>	8.50
13.23 23	6.85 <u>6.00</u>	6.85 <u>5.85</u>	8.25
13.24 24	6.80 <u>6.00</u>	6.80 <u>5.80</u>	8.00
13.25 25	6.75 <u>6.00</u>	6.75 <u>5.75</u>	7.75
13.26 26	6.70 <u>6.00</u>	6.70 <u>5.70</u>	7.50
13.27 27	6.65 <u>6.00</u>	6.65 <u>5.65</u>	7.25
13.28 28	6.60 <u>6.00</u>	6.60 <u>5.60</u>	7.00
13.29 29	6.55 <u>6.00</u>	6.55 <u>5.55</u>	6.75
13.30 30	6.50 <u>6.00</u>	6.50 <u>5.50</u>	6.75
13.31 31	6.45 <u>6.00</u>	6.45 <u>5.45</u>	6.50
13.32 32	6.40 <u>6.00</u>	6.40 <u>5.40</u>	6.50
13.33 33	6.35 <u>6.00</u>	6.35 <u>5.35</u>	6.50
13.34 34	6.30 <u>6.00</u>	6.30 <u>5.30</u>	6.25
13.35 35	6.25 <u>6.00</u>	6.25 <u>5.25</u>	6.25
13.36 36	6.20 <u>5.86</u>	6.20 <u>5.20</u>	6.00
13.37 37	6.15 <u>5.73</u>	6.15 <u>5.15</u>	6.00
13.38 38	6.10 <u>5.59</u>	6.10 <u>5.10</u>	6.00
13.39 39	6.05 <u>5.45</u>	6.05 <u>5.05</u>	5.75
13.40 40	6.00 <u>5.31</u>	6.00 <u>5.00</u>	5.75

14.1	41	5.90 <u>5.18</u>	5.95 <u>4.95</u>	5.75
14.2	42	5.80 <u>5.04</u>	5.90 <u>4.90</u>	5.50
14.3	43	5.70 <u>4.90</u>	5.85 <u>4.85</u>	5.25
14.4	44	5.60 <u>4.76</u>	5.80 <u>4.80</u>	5.25
14.5	45	5.50 <u>4.63</u>	5.75 <u>4.75</u>	5.00
14.6	46	5.40 <u>4.49</u>	5.70 <u>4.70</u>	5.00
14.7	47	5.30 <u>4.35</u>	5.65 <u>4.65</u>	5.00
14.8	48	5.20 <u>4.21</u>	5.60 <u>4.60</u>	5.00
14.9	49	5.10 <u>4.08</u>	5.55 <u>4.55</u>	5.00
14.10	50	5.00 <u>3.94</u>	5.50 <u>4.50</u>	5.00
14.11	51	4.90 <u>3.80</u>	5.45 <u>4.45</u>	5.00
14.12	52	4.80 <u>3.66</u>	5.40 <u>4.40</u>	5.00
14.13	53	4.70 <u>3.53</u>	5.35 <u>4.35</u>	5.00
14.14	54	4.60 <u>3.39</u>	5.30 <u>4.30</u>	5.00
14.15	55	4.50 <u>3.25</u>	5.25 <u>4.25</u>	4.75
14.16	56	4.40 <u>3.25</u>	5.20 <u>4.20</u>	4.75
14.17	57	4.30 <u>3.25</u>	5.15 <u>4.15</u>	4.50
14.18	58	4.20 <u>3.25</u>	5.10 <u>4.10</u>	4.25
14.19	59	4.10 <u>3.25</u>	5.05 <u>4.05</u>	4.25
14.20	60	4.00 <u>3.25</u>	5.00 <u>4.00</u>	4.25
14.21	61	3.90 <u>3.25</u>	5.00 <u>4.00</u>	4.25
14.22	62	3.80 <u>3.25</u>	5.00 <u>4.00</u>	4.25
14.23	63	3.70 <u>3.25</u>	5.00 <u>4.00</u>	4.25
14.24	64	3.60 <u>3.25</u>	5.00 <u>4.00</u>	4.25
14.25	65	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
14.26	66	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
14.27	67	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
14.28	68	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
14.29	69	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
14.30	70	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00

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

14.32	general state employees retirement plan of the						assumption A
14.33	Minnesota State Retirement System						
14.34	general employees retirement plan of the Public						assumption B
14.35	Employees Retirement Association						
14.36	Teachers Retirement Association						assumption C
14.37	public employees police and fire retirement plan						assumption D
14.38	State Patrol retirement plan						assumption E
14.39	correctional state employees retirement plan of the						assumption F
14.40	Minnesota State Retirement System						

14.41	service						
14.42	length	A	B	C	D	E	F
14.43	1	10.50%	12.03%	12.00%	13.00%	8.00%	6.00%

15.1	2	8.10	8.90	9.00	11.00	7.50	5.85
15.2	3	6.90	7.46	8.00	9.00	7.00	5.70
15.3	4	6.20	6.58	7.50	8.00	6.75	5.55
15.4	5	5.70	5.97	7.25	6.50	6.50	5.40
15.5	6	5.30	5.52	7.00	6.10	6.25	5.25
15.6	7	5.00	5.16	6.85	5.80	6.00	5.10
15.7	8	4.70	4.87	6.70	5.60	5.85	4.95
15.8	9	4.50	4.63	6.55	5.40	5.70	4.80
15.9	10	4.40	4.42	6.40	5.30	5.55	4.65
15.10	11	4.20	4.24	6.25	5.20	5.40	4.55
15.11	12	4.10	4.08	6.00	5.10	5.25	4.45
15.12	13	4.00	3.94	5.75	5.00	5.10	4.35
15.13	14	3.80	3.82	5.50	4.90	4.95	4.25
15.14	15	3.70	3.70	5.25	4.80	4.80	4.15
15.15	16	3.60	3.60	5.00	4.80	4.65	4.05
15.16	17	3.50	3.51	4.75	4.80	4.50	3.95
15.17	18	3.50	3.50	4.50	4.80	4.35	3.85
15.18	19	3.50	3.50	4.25	4.80	4.20	3.75
15.19	20	3.50	3.50	4.00	4.80	4.05	3.75
15.20	21	3.50	3.50	3.90	4.70	4.00	3.75
15.21	22	3.50	3.50	3.80	4.60	4.00	3.75
15.22	23	3.50	3.50	3.70	4.50	4.00	3.75
15.23	24	3.50	3.50	3.60	4.50	4.00	3.75
15.24	25	3.50	3.50	3.50	4.50	4.00	3.75
15.25	26	3.50	3.50	3.50	4.50	4.00	3.75
15.26	27	3.50	3.50	3.50	4.50	4.00	3.75
15.27	28	3.50	3.50	3.50	4.50	4.00	3.75
15.28	29	3.50	3.50	3.50	4.50	4.00	3.75
15.29	30 or	3.50	3.50	3.50	4.50	4.00	3.75
15.30	more						

15.31 (c) The actuarial valuation must use the applicable following payroll growth
 15.32 assumption for calculating the amortization requirement for the unfunded actuarial
 15.33 accrued liability where the amortization retirement is calculated as a level percentage
 15.34 of an increasing payroll:

15.35	plan	payroll growth assumption
15.36	general state employees retirement plan of the	3.75%
15.37	Minnesota State Retirement System	
15.38	correctional state employees retirement plan	3.75
15.39	State Patrol retirement plan	3.75
15.40	judges retirement plan	3.00
15.41	general employees retirement plan of the Public	3.75
15.42	Employees Retirement Association	
15.43	public employees police and fire retirement plan	3.75

16.1	local government correctional service retirement plan	3.75
16.2	teachers retirement plan	3.75
16.3	Duluth teachers retirement plan	4.50 <u>3.50</u>
16.4	St. Paul teachers retirement plan	5.00 <u>4.00</u>

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

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

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

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

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

16.13 Sec. 14. Minnesota Statutes 2012, section 356.47, subdivision 1, is amended to read:

16.14 Subdivision 1. **Application.** This section applies to the balance of annual retirement
16.15 annuities on the amount of retirement annuity reductions after reemployed annuitant
16.16 earnings limitations for retirement plans governed by section 352.115, subdivision 10;
16.17 353.37; 354.44, subdivision 5; or 354A.31, subdivision 3, for the Duluth Teachers
16.18 Retirement Fund Association. This section also applies to the balance of annual retirement
16.19 annuities on the amount of retirement annuity reductions under section 354A.31,
16.20 subdivision 3, for members of the St. Paul Teachers Retirement Fund Association whose
16.21 effective date of retirement is before July 1, 2013.

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

16.23 Sec. 15. Minnesota Statutes 2012, section 423A.02, subdivision 5, is amended to read:

16.24 Subd. 5. **Termination of state aid programs.** The amortization state aid,
16.25 supplemental amortization state aid, and additional amortization state aid programs
16.26 terminate as of the December 31, next following the date of the actuarial valuation when
16.27 the assets of the St. Paul Teachers Retirement Fund Association equal the actuarial accrued
16.28 liability of that plan or ~~December 31, 2009~~ June 30, 2037, whichever is ~~later~~ earlier.

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

16.30 Sec. 16. **ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION BYLAW**
16.31 **AMENDMENT AUTHORIZATION.**

17.1 Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the St. Paul
17.2 Teachers Retirement Fund Association is authorized to amend its articles of incorporation
17.3 or its bylaws to apply the reduction factors stated in section 11 rather than the actuarial
17.4 reduction factors previously authorized.

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