



TO: House Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Director *EB*

RE: H.F. 2952 (Murphy, M.), First Engrossment; Financial Sustainability Provisions, as Recommended by the House State and Local Government Operations Reform, Technology and Elections Committee

DATE: March 24, 2010

General Summary of H.F. 2952 (Murphy, M.), First Engrossment

H.F. 2952 (Murphy, M.), the first engrossment, as recommended by the House State and Local Government Operations Reform, Technology and Elections Committee on March 18, 2010, contains the following benefit reductions and changes, contribution increases, and other provisions formulated and recommended by the governing boards of the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA), the Teachers Retirement Association (TRA), the St. Paul Teachers Retirement Fund Association (SPTRFA), and the Duluth Teachers Retirement Fund Association (DTRFA):

1. Contribution Increases.

- a. MSRS Plans. The member contribution rate for the State Patrol Retirement Plan is increased by 0.8 percent of salary, the employer contribution rate for the State Patrol Retirement Plan is increased by 1.2 percent of salary, and an additional employer contribution of 10.0 percent of salary is created for the State Patrol Retirement Plan.
- b. PERA Plans. The member contribution rate for the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) is increased from 6.0 percent to 6.25 percent and for the Public Employees Police and Fire Retirement Plan (PERA-P&F) is increased from 9.4 percent to 9.6 percent. The employer contribution rate for PERA-General is increased from 6.0 percent to 6.25 percent and for PERA-P&F is increased from 14.1 percent to 14.4 percent. The automatic PERA-General contribution adjustment provision enacted in 2006 is modified to cover larger potential contribution increases in the event of large contribution deficiencies.
- c. TRA. The Teachers Retirement Association (TRA) member contribution rates would be increased on a phase-in basis by two percent of covered salary over four years, with 0.5 percent increases occurring every July 1 beginning July 1, 2011. Employing unit contribution rates for TRA would be increased by two percent of covered salary on a phase-in basis over four years, with 0.5 percent increases occurring every July 1 beginning July 1, 2011. After July 1, 2015, if the TRA actuarial valuation indicates a contribution rate deficiency (i.e., total support as a percentage of covered salary compared to total financial requirements expressed as a percentage of covered salary) of at least 0.5 percent of covered payroll, with the approval of (or inaction by) the Legislative Commission on Pensions and Retirement, the member contribution rate will increase by 0.25 percent of covered salary and the employer contribution rate will increase by 0.25 percent of covered salary, with the downward adjustment if there is a contribution sufficiency.
- d. DTRFA. The Duluth Teachers Retirement Fund Association (DTRFA) member contribution rate would be increased from 5.5 percent to 6.5 percent in two annual steps. The DTRFA employer contributions would be increased from 5.79 percent to 6.79 percent in two annual steps.
- e. SPTRFA. The St. Paul Teachers Retirement Fund Association (SPTRFA) basic program member contribution rate is increased from 8.0 percent to 9.0 percent and the SPTRFA coordinated program member contribution is increased from 5.5 percent to 6.5 percent in two annual steps. The SPTRFA basic program employer contribution is increased from 8.0 percent to 10.0 percent in four annual steps. The SPTRFA coordinated program employer contribution is increased from 4.5 percent to 6.5 percent in three steps over four years. Direct state aid to the fund and supplemental contributions terminate upon full funding of the plan.

2. Post-Retirement Increase Rate Reduction.

- a. MSRS. Until the respective MSRS-administered plan achieves a 90 percent funding ratio (market value of assets as a percentage of actuarial accrued liability), the annual post-retirement adjustment rate is reduced from 2.5 percent to 2.0 percent for the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), the Legislators Retirement Plan, the Constitutional Officers Retirement Plan, the State Patrol Retirement Plan, and the Judges Retirement Plan.
- b. PERA Plans, Except PERA-P&F. Until the respective PERA-administered retirement plan other than the Public Employees Police and Fire Retirement Plan (PERA-P&F), achieves a 90 percent funding ratio on a market value of assets basis, the annual post-retirement adjustment rate is reduced from 2.5 percent to 1.0 percent for PERA-General and the Local Government Correctional Service Retirement Plan (PERA-Correctional).
- c. PERA-P&F. In January 2011 and January 2012, the post-retirement adjustment will be one percent in each year. In January 2013, and until the retirement fund is 90 percent funded on a market value basis, and if the retirement fund falls below 90 percent funded on a market value basis, the post-retirement adjustment will be equal to the percentage increase in the Consumer Price Index-Urban Workers All Items up to 1.5 percent annually. Upon attaining 90 percent funded on a market value basis, the post-retirement adjustment will be equal to the percentage increase in the Consumer Price Index-Urban Workers All Items up to 2.5 percent annually.
- d. TRA. The automatic 2.5 percent annual post-retirement adjustment enacted in 2008 and implemented in 2009 with the dissolution of the Minnesota Post Retirement Investment Fund, is suspended for the Teachers Retirement Association (TRA) for January 1, 2011, and for January 1, 2012 until the plan becomes 90 percent funded on a market value of assets.
- e. DTRFA. The automatic two percent post-retirement increase is terminated and replaced by a new mechanism. The procedure providing post-retirement adjustments based on earnings in excess of 8.5% five-year return is replaced by a transitional provision providing no post-retirement adjustment if funding ratio based on market is less than 80%, a one percent increase if funding ratio is at least 80% but less than 90%, and a two percent increase if the ratio is at least 90%. When the funding ratio based on actuarial value is at least 90%, the transition system is terminated and replaced by an inflation match up to five percent. After the transitional provision has terminated, DTRFA will provide a post-retirement adjustment matching inflation up to five percent. Minnesota Statutes, Section 354.27, Subdivision 1, an unnecessary prior DTRFA transitional post-retirement adjustment authority provision, is repealed.

3. Reinstitution of Minimum Waiting Period for the Initial Post-Retirement Adjustment. A retiree or other benefit recipient of any retirement plan administered by MSRS and of TRA would be required to be in receipt of the annuity or benefit for at least six months before qualifying for the initial post-retirement adjustment.

4. Refund Interest Rate Reduction. The rate of interest on refunds paid from any retirement plan administered by MSRS, PERA, or TRA is reduced from six percent annually to four percent annually.

5. Deferred Annuity Augmentation Rate Reduction.

- a. MSRS. The rate of compound increase during the deferred period on deferred retirement annuities is reduced from its current rates (three percent before age 55 and five percent after age 54 for pre-2006 hires and 2.5 percent at any age for post-2005 hires) to two percent for the Legislators Retirement Plan, MSRS-General, MSRS-Correctional, and the State Patrol Retirement Plan.
- b. PERA. The rate of compound increase during the deferral period on deferred retirement annuities is reduced from current rates (three percent before age 55 and five percent after age 54 for pre-2006 hires and 2.5 percent at any age for post-2005 hires) to no augmentation for PERA-General, PERA-P&F, and PERA-Correctional.
- c. TRA. The current TRA deferred annuity augmentation rates of three percent per year until age 55 and five percent per year after age 55 for pre-July 1, 2006, hires and of 2.5 percent for post-June 30, 2006, hires are reduced to two percent per year.

- d. DTRFA. The DTRFA deferred annuity augmentation rate is reduced to two percent for all periods occurring after July 1, 2010.
6. Elimination of the Reemployed Retiree Earnings Limitation Deferral Account Interest. The interest payable on the deferred benefit account for reemployed retirees who exceed the earnings limitation, set at a six percent compound rate, is eliminated for MSRS-General, MSRS-Correctional, PERA-General, PERA-P&F, PERA-Correctional, TRA, and DTRFA.
7. Increased Vesting Requirements.
- a. MSRS. The minimum allowable service credit required to obtain entitlement to a retirement annuity or other retirement benefit is increased from three years to five years for plan members newly hired after June 30, 2010, for MSRS-General and the State Patrol Retirement Plan, and from three years to ten years for plan members newly hired after June 30, 2010, for MSRS-Correctional.
- b. PERA. For post-June 30, 2010, hires covered by PERA-General, the vesting period for retirement annuity and other benefit entitlement is increased from the current three years to five years of allowable service. For post-June 30, 2010, hires covered by PERA-P&F and PERA-Correctional, the vesting period for retirement annuity and certain other benefit entitlements is shifted from three-year cliff vesting to scaling-up vesting (50 percent with five years of allowable service to 100 percent with ten years of allowable service).
- c. DTRFA. For post-June 30, 2010, hires, the DTRFA vesting requirement will be five years rather than three years.
8. Increased Early Retirement Reduction Factor. The amount of the retirement annuity per year before the normal retirement age is reduced upon early retirement is increased from 1.2 percent to 2.4 percent for members of the State Patrol Retirement Plan newly hired after June 30, 2010, and from 2.4 percent to 5.0 percent for members of MSRS-Correctional if employed before July 1, 2010, and retiring after June 30, 2015, or if employed after June 30, 2010.
9. Reduced Benefit Accrual Formula Percentage Rate. The percentage rate applied to a final average salary and multiplied by the number of years of allowable service in calculating a single-life retirement annuity for MSRS-Correctional is reduced from 2.4 percent per year to 2.2 percent per year for newly hired plan members after June 30, 2010.
10. Amortization Date Extension. The amortization date for MSRS-General is extended from 2020 to 2040.
11. Revised Salary Increase Actuarial Assumption. The PERA-General salary increase and payroll increase assumptions are revised as recommended by its consulting actuary in the 2004-2008 PERA-General Quadrennial Experience Study.
12. Study of Retirement Plan Investment and Fiduciary Provisions. The State Auditor is directed to convene a study group to review the investment authority and fiduciary provisions for large and small retirement plans, with recommendations due by January 15, 2011.

cc: Representative Phyllis Kahn, State Government Finance Division Chair  
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## Section-by-Section Summary of H.F. 2952, 1<sup>st</sup> Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
1	1.33	SF2573 (Betzold); HF2952 (Murphy, M.)	Legislators Retirement Plan	3A.02, Subd. 4	The rate of compound increase during the deferred period on deferred retirement annuities is reduced from its current rates (3% before age 55 and 5% after age 54 for pre-2006 hires and 2.5% at any age for post-2005 hires) to 2%.
2	2.15	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-General	352.113, Subd. 1	The minimum allowable service credit required to obtain entitlement to a disability benefit is increased from three years to five years for plan members newly hired after 6/30/2010.
3	2.27	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-General	352.115, Subd. 1	The minimum allowable service credit required to obtain entitlement to a retirement annuity is increased from three years to five years for plan members newly hired after 6/30/2010.
4	3.2	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-General	352.12, Subd. 2	The minimum allowable service credit required to obtain entitlement to a survivor benefit is increased from three years to five years for plan members newly hired after 6/30/2010.
5	4.8	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS- General	352.22, Subd. 2	The rate of interest on refunds is reduced from 6% annually to 4% annually.
6	4.19	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-General	352.22, Subd. 3	The minimum allowable service credit required to obtain entitlement to a deferred retirement annuity is increased from three years to five years for plan members newly hired after 6/30/2010.
7	5.8	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-General	352.72, Subd. 1	The minimum allowable service credit required to obtain entitlement to a retirement annuity with multiple retirement plan service credit is increased from three years to five years for plan members newly hired after 6/30/2010.
8	5.32	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-General	352.72, Subd. 2	The rate of compound increase during the deferred period on deferred retirement annuities is reduced from its current rates (3% before age 55 and 5% after age 54 for pre-2006 hires and 2.5% at any age for post-2005 hires) to 2%.
9	7.4	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-General	352.75, Subd. 4	The rate of compound increase during the deferred period on deferred retirement annuities is reduced from its current rates (3% before age 55 and 5% after age 54 for pre-2006 hires and 2.5% at any age for post-2005 hires) to 2%.
10	8.5	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-Correctional	352.93, Subd. 1	The minimum allowable service credit required to obtain entitlement to a retirement annuity is increased from three years to ten years for plan members newly hired after 6/30/2010.
11	8.18	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-Correctional	352.93, Subd. 2a	The minimum allowable service credit required to obtain entitlement to a retirement annuity is increased from three years to ten years for plan members newly hired after 6/30/2010, and the amount of the retirement annuity per year before the normal retirement age is reduced upon early retirement is increased from 2.4% to 5% for plan members if employed before 7/1/2010 and retiring after 6/30/2015 or if employed after 6/30/2010.
12	8.32	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-Correctional	352.93, Subd. 3a	Clarifies the age parameters for the Social Security leveling optional annuity form.
13	9.9	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-Correctional	352.931, Subd. 1	The minimum allowable service credit required to obtain entitlement to a surviving spouse benefit is increased from three years to ten years for plan members newly hired after 6/30/2010.
14	10.4	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-Correctional	352.95, Subd. 2	The minimum allowable service credit required to obtain entitlement to a disability benefit is increased from three years to ten years for plan members newly hired after 6/30/2010.
15	10.21	SF2573 (Betzold); HF2952 (Murphy, M.)	State Patrol Retirement Plan	352B.02	The member contribution rate is increased by 0.8% of salary, the employer contribution rate is increased by 1.2% of salary, and an additional employer contribution of 10% of salary is imposed.
16	12.2	SF2573 (Betzold); HF2952 (Murphy, M.)	State Patrol Retirement Plan	352B.08, Subd. 1	The minimum allowable service credit required to obtain entitlement to a retirement annuity is increased from three years to five years for plan members newly hired after 6/30/2010.
17	12.15	SF2573 (Betzold); HF2952 (Murphy, M.)	State Patrol Retirement Plan	352B.08, Subd. 2a	The minimum allowable service credit required to obtain entitlement to an early retirement annuity is increased from three years to five years for plan members newly hired after 6/30/2010. The early retirement reduction rate for plan members newly hired after 6/30/2010 is increased from 1.2% per year under age 55 to 2.4% per year under age 55.
18	12.25	SF2573 (Betzold); HF2952 (Murphy, M.)	State Patrol Retirement Plan	352B.11, Subd. 2b	The minimum allowable service credit required to obtain entitlement to a survivor benefit is increased from three years to five years for plan members newly hired after 6/30/2010.

## Section-by-Section Summary of H.F. 2952, 1<sup>st</sup> Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
19	13.22	SF2573 (Betzold); HF2952 (Murphy, M.)	State Patrol Retirement Plan	352B.30, Subd. 1	The minimum allowable service credit required to obtain entitlement to a retirement annuity with multiple retirement plan service credit is increased from three years to five years for plan members newly hired after 6/30/2010.
20	14.8	SF2573 (Betzold); HF2952 (Murphy, M.)	State Patrol Retirement Plan	352B.30, Subd. 2	The rate of compound increase during the deferred period on deferred retirement annuities is reduced from its current rates (3% before age 55 and 5% after age 54 for pre-2006 hires and 2.5% at any age for post-2005 hires) to 2%.
21	14.24	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS Privatized Employees	352F.07	The rate of interest on refunds is reduced from 6% annually to 4% annually.
22	15.4	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-administered defined benefit plans	353.01, New Subd. 47	Adds a definition of "vesting," set at three years for pre-7/1/2010 PERA-General plan members, five years for post-6/30/2010 PERA-General plan members, and scaled-up vesting between five years and ten years for PERA-P&F and PERA-Correctional plan members.
23	16.1	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.27, Subd. 2	Increases the coordinated program member contribution from 6.00% to 6.25%, effective 1/1/2011.
24	16.14	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.27, Subd. 3	Increases the coordinated program employer contribution from 6.00% to 6.25%, effective 1/1/2011.
25	16.25	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.27, Subd. 3b	Modifies the 2006 automatic contribution rate revision provision, provides for 0.5 or 0.75% of pay contribution increases with significant contribution deficiencies, requires a 1% of pay reserve if there is a future contribution sufficiency, requires implementation of any experience study related actuarial assumption changes before reducing contribution rates upon having a contribution sufficiency, and requires that funding for any future benefit increases be provided upon any future benefit increase proposal.
26	19.16	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.29, Subd. 1	Makes retirement annuity entitlement vesting consistent with vesting change in Sec. 22.
27	19.23	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.30, Subd. 1c	Makes retirement annuity entitlement vesting consistent with vesting change in Sec. 22.
28	20.1	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.32, Subd. 1	Makes refund interest rate change for death-related refund consistent with Sec. 32.
29	20.15	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.32, Subd. 1a	Makes the surviving spouse optional annuity entitlement vesting consistent with the vesting change in Sec. 22.
30	21.34	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.33, Subd. 1	Makes the disability benefit entitlement vesting consistent with the vesting change in Sec. 22.
31	22.10	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.34, Subd. 1	Makes refund interest rate change for post-termination refund consistent with Sec. 32.
32	22.28	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-administered retirement plans	353.34, Subd. 2	Reduces the refund interest rate from 6% to 4% for the post-6/30/2011 period.
33	23.9	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General	353.34, Subd. 3	Makes the deferred annuitant annuity entitlement vesting consistent with the vesting change in Sec. 22.
34	23.26	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-P&F	353.65, Subd. 2	Increases the member contribution rate from 9.4% of salary to 9.6% of salary beginning for calendar year 2011.
35	24.2	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-P&F	353.65, Subd. 3	Increases the employer contribution rate from 14.1% of salary to 14.4% of salary beginning for calendar year 2011.
36	24.9	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-P&F	353.651, Subd. 1	Makes the retirement annuity entitlement vesting consistent with the vesting change in Sec. 22.
37	24.16	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-P&F	353.651, Subd. 4	Makes the early reduced retirement annuity entitlement vesting consistent with the vesting change in Sec. 22.
38	24.30	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-P&F	353.657, Subd. 1	Makes the not-in-line-of-duty death survivor benefit entitlement vesting consistent with the vesting change in Sec. 22.
39	25.18	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-P&F	353.657, Subd. 2a	Makes the death-while-eligible death survivor benefit entitlement vesting consistent with the vesting change in Sec. 22.
40	26.21	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-administered retirement plans	353.71, Subd. 1	Makes the service-in-more-than-one-plan retirement annuity entitlement vesting consistent with the vesting change in Sec. 22.
41	27.8	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-administered retirement plans	353.71, Subd. 2	Reduces the deferred annuity augmentation rates to 0% for post-12/31/2010 deferral periods.

## Section-by-Section Summary of H.F. 2952, 1<sup>st</sup> Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
42	28.25	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-Correctional	353E.04, Subd. 1	Makes the retirement annuity entitlement vesting consistent with the vesting change in Sec. 22.
43	29.1	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-Correctional	353E.04, Subd. 4	Makes the reduced early retirement entitlement vesting consistent with the vesting change in Sec. 22.
44	29.10	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-Correctional	353E.07, Subd. 1	Makes the over age 49 disability benefit entitlement vesting consistent with the vesting change in Sec. 22.
45	29.21	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-Correctional	353E.07, Subd. 2	Makes the under age 50 disability benefit entitlement vesting consistent with the vesting change in Sec. 22.
46	30.1	SF2631 (Betzold); HF2999 (Murphy, M.)	Privatized employee provisions	353F.03	Makes a special vesting provision reference consistent with the vesting change in Sec. 22.
47	30.9	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.42, Subd. 2	Increases the Basic member contribution rate from 9% to 11% and the Coordinated member contribution rate from 5.5% to 7.5% in 0.5% annual increments from 7/1/2011 until 7/1/2014.
48	31.1	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.42, Subd. 3	Increases the employer contribution rate for Basic members from 9.5% to 11.5% and for Coordinated members from 5.5% to 7.5% in 0.5% annual increments from 7/1/2011 until 7/1/2014.
49	32.1	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.42, New Subd. 4a	Creates a procedure for determining whether or not there is a contribution deficiency or a contribution sufficiency.
50	32.19	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.42, New Subd. 4b	Provides for an automatic member and employer contribution rate increase of 0.25% each if there is a 2.00% of covered pay or smaller contribution deficiency and of 0.50% each if there is a greater than 2.00% of covered pay contribution deficiency.
51	33.5	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.42, New Subd. 4c	Requires that any contribution sufficiency of up to one percent of pay be reserved to offset any future funding requirement increase and requires any future proposed benefit increase include a recommendation on the additional funding for the modification.
52	33.29	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.42, New Subd. 4d	Requires Legislative Commission on Pensions and Retirement review and approval (or inaction) of any automatic member and employer contribution rate increase under Sec. 49 and 50.
53	34.7	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.47, Subd. 1	Reduces the interest on a refund payable upon the death of an active member where no larger survivor benefit is payable from 6% to 4%.
54	35.2	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.49, Subd. 2	Reduces the interest on a refund payable upon termination from 6% to 4%.
55	35.18	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	354.55, Subd. 11	Reduces the deferred annuity augmentation rate from 3% before age 56 and 5% after age 55 for pre-7/1/2006 hires and from 2.5% for post-6/30/2006 hires to 2%.
56	37.12	SF2404 (Pappas); HF2951 (Murphy, E.), and LCPR10-038 (Murphy, M.)	SPTRFA, DTRFA	354.12, Subd. 1	Increases DTRFA employee contributions from 5.5% to 6.5% of pay in two steps; increases SPTRFA basic member contribution rate from 8.5% to 9.0%, and the SPTRFA coordinated member rate from 5.5% to 6.5% in two steps.
57	38.1	SF2404 (Pappas); HF2951 (Murphy, E.), and LCPR10-038 (Murphy, M.)	SPTRFA, DTRFA	354A.12, Subd. 2a	Increases DTRFA employer contributions from 5.79% in total to 6.79% of pay in two steps; increases SPTRFA basic program employer contribution rate from 8.0% to 10.0% in four steps and the SPTRFA coordinated program employer contribution rate from 4.5% to 6.5% in three steps.
58	39.11	SF2404 (Pappas); HF2951 (Murphy, E.)	TRA, SPTRFA	354A.12, Subd. 3c	Terminates supplemental contributions and direct state aid to SPTRFA when it is fully funded, rather than when its funding ratio matches that of TRA.
59	40.1	LCPR10-038 (Murphy, M.)	DTRFA	354A.27, Subd. 5	Terminates automatic 2% post-retirement increase, to be replaced by the mechanisms described in Sec. 60 and 61.
60	40.14	LCPR10-038 (Murphy, M.)	DTRFA	354A.27, Subd. 6	Procedure providing post-retirement adjustments based on earnings in excess of 8.5% five-year return is replaced by a transitional provision providing no post-retirement adjustment if funding ratio based on market is less than 80%, a 1% increase if funding ratio is at least 80% but less than 90%, and a 2% increase if the ratio is at least 90%. When the funding ratio based on actuarial value is at least 90%, the transition system is terminated and replaced by an inflation match up to 5%.
61	14.15	LCPR10-038 (Murphy, M.)	DTRFA	354.27, New Subd. 7	After transitional provision has terminated, DTRFA will provide a post-retirement adjustment matching inflation up to 5%.
62	42.10	LCPR10-038 (Murphy, M.)	DTRFA	354A.31, Subd. 1	For new members, the DTRFA vesting requirement will be five years rather than three years

## Section-by-Section Summary of H.F. 2952, 1<sup>st</sup> Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
63	42.26	LCPR10-038 (Murphy, M.)	DTRFA	354A.35, Subd. 1	The DTRFA death refund interest rate is revised from 6% to 4% for periods after 7/1/2010.
64	43.8	LCPR10-038 (Murphy, M.)	DTRFA	354A.37, Subd. 2	The DTRFA deferred annuity augmentation rate is reduced to 2% for all periods occurring after 7/1/2010.
65	44.19	LCPR10-038 (Murphy, M.)	DTRFA	354A.37, Subd. 3	The DTRFA employee termination refund interest rate is reduced from 6% to 4%.
66	44.30	LCPR10-038 (Murphy, M.)	DTRFA	354A.37, Subd. 4	The DTRFA refund-in-lieu of annuity interest rate reduced from 6% to 4%.
67	45.9	SF2631 (Betzold); HF2999 (Murphy, M.)	Retirement plan actuarial work	356.215, Subd. 8	Replaces the PERA-General age-related select and ultimate select and ultimate future salary increase actuarial assumption with a service-related salary increase actuarial assumption.
68	50.21	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-General	356.215, Subd. 11	The amortization target date is extended from 2020 to 2040.
69	53.8	SF2573 (Betzold); HF2952 (Murphy, M.)	Combined service annuity	356.30, Subd. 1	Accommodates longer retirement plan vesting requirements in qualifying for a combined service annuity.
70	55.6	SF2573 (Betzold); HF2952 (Murphy, M.)	Combined service disability benefit	356.302, Subd. 3	Accommodates longer retirement plan vesting requirements in qualifying for a combined service disability benefit for general employees.
71	55.27	SF2573 (Betzold); HF2952 (Murphy, M.)	Combined service disability benefit	356.302, Subd. 4	Accommodates longer retirement plan vesting requirements in qualifying for a combined service disability benefit for public safety employees.
72	56.13	SF2573 (Betzold); HF2952 (Murphy, M.)	Combined service disability benefit	356.302, Subd. 5	Accommodates longer retirement plan vesting requirements in qualifying for a combined service disability benefit for combined general and public safety employees.
73	56.26	SF2573 (Betzold); HF2952 (Murphy, M.)	Combined service survivor benefit	356.303, Subd. 2	Accommodates longer retirement plan vesting requirements in qualifying for a combined service survivor benefit.
74	57.9	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS-Correctional	356.315, Subd. 5	The percentage rate applied to a final average salary and multiplied by the number of years of allowable service in calculating a single-life retirement annuity is reduced from 2.4 percent per year to 2.2 percent per year for newly hired plan members after 6/30/2010.
75	57.14	SF2499 (Betzold); HF2953 (Murphy, M.); SF2573 (Betzold); HF2952 (Murphy, M.); SF2631 (Betzold); HF2999 (Murphy, M.), Amendment related to SF2672 (Betzold)	Statewide retirement plans (MSRS, PERA, TRA)	356.415, Subd. 1	Excludes the various statewide retirement plans from the general statewide retirement plan post-retirement adjustment provision (which would provide a 2.5 percent annual increase) until financial sustainability is regained, defined as achieving a 90% funding ratio based on market value.
76	58.11	SF2573 (Betzold); HF2952 (Murphy, M.)	MSRS plans	356.415, New Subd. 1a	Until financial stability is achieved, the annual post-retirement adjustment rate is reduced from 2.5% to 2.0%, and the benefit recipient must be in receipt of the annuity or benefit for at least six months before qualifying for an initial prorated post-retirement adjustment.
77	59.15	SF2631 (Betzold); HF2999 (Murphy, M.)	PERA-General, PERA Correctional	356.415, New Subd. 1b	Until financial stability is achieved the annual post-retirement adjustment rate is reduced from 2.5% to 1% for the applicable PERA plan.
78	60.32	SF2631 (Betzold); HF2999 (Murphy, M.), Commission Amendment S2573-3A, related to SF2672 (Betzold)	PERA-P&F	356.415, New Subd. 1c	Rather than the current automatic 2.5% post-retirement increase, a 1.0% increase will be paid in 2011 and 2012. In 2013 and thereafter until financial stability is achieved, the plan will provide an inflation match not to exceed 1.5%. When financial stability is achieved, the plan will pay an inflation match not to exceed 2.5%.
79	62.19	SF2499 (Betzold); HF2953 (Murphy, M.)	TRA	356.415, New Subd. 1d	TRA will pay no increase in 2011 and 2012. In 2013 and thereafter until financial stability is achieved, TRA will provide a 2.0% annual increase, with individuals in benefit receipt for at least six months but less than 12 months receiving a prorated increase. Upon achieving financial stability, the increase will be 2.5% per year for individuals in benefit receipt for at least 18 months, with a prorate increase paid to those in receipt for at least 12 months but less than 18 months.
80	63.31	SF2499 (Betzold); HF2953 (Murphy, M.); SF2573 (Betzold); HF2952 (Murphy, M.); SF2631 (Betzold); HF2999 (Murphy, M.), and LCPR10-038 (Murphy, M.)	DTRFA, MSRS-General, MSRS-Correctional, PERA-General, PERA-P&F, PERA-Correctional, TRA	356.47, Subd. 3	Reemployed annuitant earnings limitation deferral amount savings accounts for the applicable plans other than DTRFA will pay no interest after 1/1/2011; DTRFA will pay no interest after 6/30/2010.

## Section-by-Section Summary of H.F. 2952, 1<sup>st</sup> Engrossment

<u>Sec.</u>	<u>Pg.Ln</u>	<u>Source Bill(s)</u>	<u>Retirement Plan</u>	<u>Stat. Provision</u>	<u>Summary</u>
81	64.29	SF2404 (Pappas); HF2951 (Murphy, E.)	SPTRFA, TRA	423A.02, Subd. 3	The requirement that reallocated amortization and supplemental amortization aid be segregated and not used to fund a benefit improvement is removed.
82	66.6	SF2404 (Pappas); HF2951 (Murphy, E.)	All pension funds except those invested by SBI	Uncoded	The State Auditor must convene a study group to review small and large plan investment authority and fiduciary provisions and make recommendations to the Legislature by January 15, 2011.
83	66.22	LCPR10-038 (Murphy, M.)	DTRFA	Uncoded	The DTRFA is authorized to revise its bylaws to conform to the newly revised law.
84	66.28	LCPR10-038 (Murphy, M.)	DTRFA	Repealer	M.S., Sec. 354.27, Subd. 1, an unnecessary DTRFA transitional post-retirement adjustment authority provision, is repealed.