

A bill for an act

relating to retirement; Teachers Retirement Association financial solvency measures; increasing employer contribution rates; reducing deferral amount and implementing forfeiture procedure for reemployed annuitants; extending the amortization target date; reducing postretirement adjustment increase rates; amending Minnesota Statutes 2014, sections 354.42, subdivision 3; 354.44, subdivision 5; Minnesota Statutes 2015 Supplement, sections 356.215, subdivision 11; 356.415, subdivision 1d.

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

Section 1. Minnesota Statutes 2014, section 354.42, subdivision 3, is amended to read:

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

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

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

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

Period	Coordinated Member	Basic Member
from July 1, 2013, until June 30, 2014	7 percent	11 percent

2.1	after June 30, 2014, <u>through June 30,</u>		
2.2	<u>2017</u>	7.5 percent	11.5 percent
2.3	<u>after June 30, 2017</u>	<u>8.5 percent</u>	

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

2.7 (e) After June 30, 2015, if a contribution rate revision is made under subdivisions
 2.8 4a, 4b, and 4c, the employer contributions under paragraphs (a), (b), and (c) must be
 2.9 adjusted accordingly.

2.10 (f) Effective July 1, 2017, the employer shall make the regular employer contributions
 2.11 specified in paragraph (c) on behalf of any retired member of the Teachers Retirement
 2.12 Association who resumes teaching in any employer unit to which this chapter applies.

2.13 **EFFECTIVE DATE.** This section is effective upon final enactment.

2.14 Sec. 2. Minnesota Statutes 2014, section 354.44, subdivision 5, is amended to read:

2.15 Subd. 5. **Resumption of teaching service after retirement.** (a) Any person who
 2.16 retired under the provisions of this chapter and has thereafter resumed teaching in any
 2.17 employer unit to which this chapter applies is eligible to continue to receive payments
 2.18 in accordance with the annuity except that all or a portion of the annuity payments must
 2.19 be deferred during the calendar year immediately following the fiscal year in which the
 2.20 person's salary from the teaching service is in an amount greater than \$46,000. The
 2.21 amount of the annuity deferral is ~~one-half~~ one-third of the salary amount in excess of
 2.22 \$46,000 and must be deducted from the annuity payable for the calendar year immediately
 2.23 following the fiscal year in which the excess amount was earned.

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

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

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

2.31 (e) For the purpose of this subdivision, salary from teaching service includes all
 2.32 salary or income earned as a teacher as defined in section 354.05, subdivision 2, paragraph
 2.33 (a), clause (1). Salary from teaching service also includes, but is not limited to:

3.1 (1) all income for services performed as a consultant, independent contractor,
3.2 or third-party supplier, or as an employee of a consultant, independent contractor, or
3.3 third-party supplier, to an employer unit covered by the provisions of this chapter; and

3.4 (2) the greater of either the income received or an amount based on the rate paid with
3.5 respect to an administrative position, consultant, independent contractor, or third-party
3.6 supplier, or as an employee of a consultant, independent contractor, or third-party supplier,
3.7 in an employer unit with approximately the same number of pupils and at the same level
3.8 as the position occupied by the person who resumes teaching service.

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

3.12 (g) Notwithstanding other paragraphs of this subdivision, after June 30, 2020, for
3.13 any retired member, amounts specified as deferred under this subdivision must instead be
3.14 forfeited to the teachers retirement fund.

3.15 **EFFECTIVE DATE.** This section is effective upon final enactment.

3.16 Sec. 3. Minnesota Statutes 2015 Supplement, section 356.215, subdivision 11, is
3.17 amended to read:

3.18 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating
3.19 the level normal cost, the actuarial valuation of the retirement plan must contain an
3.20 exhibit for financial reporting purposes indicating the additional annual contribution
3.21 sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit
3.22 for contribution determination purposes indicating the additional contribution sufficient
3.23 to amortize the unfunded actuarial accrued liability. For the retirement plans listed in
3.24 subdivision 8, paragraph (c), but excluding the legislators retirement plan, the additional
3.25 contribution must be calculated on a level percentage of covered payroll basis by the
3.26 established date for full funding in effect when the valuation is prepared, assuming annual
3.27 payroll growth at the applicable percentage rate set forth in subdivision 8, paragraph (d).
3.28 For all other retirement plans and for the legislators retirement plan, the additional annual
3.29 contribution must be calculated on a level annual dollar amount basis.

3.30 (b) For any retirement plan other than a retirement plan governed by paragraph (d),
3.31 (e), (f), (g), (h), (i), or (j), if there has not been a change in the actuarial assumptions
3.32 used for calculating the actuarial accrued liability of the fund, a change in the benefit
3.33 plan governing annuities and benefits payable from the fund, a change in the actuarial
3.34 cost method used in calculating the actuarial accrued liability of all or a portion of the
3.35 fund, or a combination of the three, which change or changes by itself or by themselves

4.1 without inclusion of any other items of increase or decrease produce a net increase in the
4.2 unfunded actuarial accrued liability of the fund, the established date for full funding is the
4.3 first actuarial valuation date occurring after June 1, 2020.

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

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

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

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

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

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

4.33 (vi) the period in which the unfunded actuarial accrued liability amount determined
4.34 in item (iii) is amortized by the total level annual dollar or level percentage amortization
4.35 contribution computed under item (v) must be calculated using the interest assumption
4.36 specified in subdivision 8 in effect after any applicable change, rounded to the nearest

5.1 integral number of years, but not to exceed 30 years from the end of the plan year in which
5.2 the determination of the established date for full funding using the procedure set forth in this
5.3 clause is made and not to be less than the period of years beginning in the plan year in which
5.4 the determination of the established date for full funding using the procedure set forth in
5.5 this clause is made and ending by the date for full funding in effect before the change; and

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

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

5.11 (e) For the Teachers Retirement Association, the established date for full funding is
5.12 June 30, ~~2037~~ 2046.

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

5.15 (g) For the judges retirement plan, the established date for full funding is June
5.16 30, 2038.

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

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

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

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

5.32 **EFFECTIVE DATE.** This section is effective upon final enactment.

5.33 Sec. 4. Minnesota Statutes 2015 Supplement, section 356.415, subdivision 1d, is
5.34 amended to read:

6.1 Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.**

6.2 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers
6.3 Retirement Association are entitled to a postretirement adjustment annually on January
6.4 1, as follows:

6.5 ~~(1) for each January 1 until funding stability is restored, effective January 1, 2017,~~
6.6 ~~through December 31, 2021, a postretirement increase of two one percent must be applied~~
6.7 ~~each year, effective on January 1, to the monthly annuity or benefit amount of each~~
6.8 ~~annuitant or benefit recipient who has been receiving an annuity or a benefit for at least~~
6.9 ~~12 full months as of the June 30 of the calendar year immediately before the adjustment;~~
6.10 ~~. For each annuitant or benefit recipient who has been receiving an annuity or a benefit~~
6.11 ~~for at least one full month, but less than 12 full months as of the June 30 of the calendar~~
6.12 ~~year immediately before the adjustment, an annual postretirement increase of 1/12 of one~~
6.13 ~~percent for each month person has been receiving an annuity or benefit must be applied.~~

6.14 ~~(2) for each January 1 until funding stability is restored, for each annuitant or benefit~~
6.15 ~~recipient who has been receiving an annuity or a benefit for at least one full month, but~~
6.16 ~~less than 12 full months as of the June 30 of the calendar year immediately before the~~
6.17 ~~adjustment, an annual postretirement increase of 1/12 of two percent for each month the~~
6.18 ~~person has been receiving an annuity or benefit must be applied;~~

6.19 ~~(3) (2) for each January 1 following the restoration of funding stability, effective~~
6.20 ~~January 1, 2022, and thereafter, a postretirement increase of 2.5 1.75 percent must be~~
6.21 ~~applied each year, effective January 1, to the monthly annuity or benefit amount of each~~
6.22 ~~annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12~~
6.23 ~~full months as of the June 30 of the calendar year immediately before the adjustment; and~~
6.24 ~~For each annuitant or benefit recipient who has been receiving an annuity or a benefit for~~
6.25 ~~at least one full month, but less than 12 full months as of the June 30 of the calendar year~~
6.26 ~~immediately before the adjustment, and annual postretirement increase of 1/12 of 1.75~~
6.27 ~~percent for each month the person has been receiving an annuity or benefit must be applied.~~

6.28 ~~(4) for each January 1 following the restoration of funding stability, for each~~
6.29 ~~annuitant or benefit recipient who has been receiving an annuity or a benefit for at least~~
6.30 ~~one month, but less than 12 full months as of the June 30 of the calendar year immediately~~
6.31 ~~before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each~~
6.32 ~~month the person has been receiving an annuity or benefit must be applied.~~

6.33 (b) Funding stability is restored when the market value of assets of the Teachers
6.34 Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities
6.35 of the Teachers Retirement Association in the two most recent prior actuarial valuations

7.1 prepared under section 356.215 and the standards for actuarial work by the approved
7.2 actuary retained by the Teachers Retirement Association under section 356.214.

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

7.7 (1) 85 percent of the actuarial accrued liabilities of the plan for two consecutive
7.8 actuarial valuations; or

7.9 (2) 80 percent of the actuarial accrued liabilities of the plan for the most recent
7.10 actuarial valuation.

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

7.15 (e) (c) The retirement annuity payable to a person who retires before becoming
7.16 eligible for Social Security benefits and who has elected the optional payment as provided
7.17 in section 354.35 must be treated as the sum of a period-certain retirement annuity
7.18 and a life retirement annuity for the purposes of any postretirement adjustment. The
7.19 period-certain retirement annuity plus the life retirement annuity must be the annuity
7.20 amount payable until age 62, 65, or normal retirement age, as selected by the member
7.21 at retirement, for an annuity amount payable under section 354.35. A postretirement
7.22 adjustment granted on the period-certain retirement annuity must terminate when the
7.23 period-certain retirement annuity terminates.

7.24 **EFFECTIVE DATE.** This section is effective upon final enactment.