

**HF 2222 (Wolgamott); SF 1938 (Frentz):
Teachers Retirement Association (TRA) and
St. Paul Teachers Retirement Fund Association (SPTRFA);
Benefit Improvements, COLA Increases,
Employer Contribution Increases, and Funding**

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Introduction

- Affected Plans:** Teachers Retirement Association (TRA)
St. Paul Teachers Retirement Fund Association (SPTRFA)
Under Article 3 only: Minnesota State Retirement System (MSRS)
Public Employee Retirement Association (PERA)
- Laws Amended:** Section 126C.10, subdivision 37
Sections of Chapters 354 and 354A
Section 356.415
Repeals 354.35, subdivision 1
Session laws for additional service credit and general fund appropriations
- Brief Description:** The bill reduces the “normal retirement age” from age 66 to 62; provides for a full unreduced retirement benefit at 35 years of service; reinstates a 2% augmentation rate for deferred annuities; provides additional service credit for service during the pandemic; ties the COLA to the Social Security COLA; and increases the employer contribution rates and funds them with a corresponding increase in the pension adjustment revenue and an appropriation.

Section- by- Section Summary

**ARTICLE 1
UNREDUCED RETIREMENT BENEFIT AT AGE 62 OR 35 YEARS OF SERVICE**

Section 1: Lowers TRA “normal retirement age” to 62

Section 1 amends Section 354.05, subdivision 38, by removing language defining “normal retirement age” as 66 and replacing it with age 62. Section 354.05 provides definitions for the statutes governing TRA, including a definition of “normal retirement age” in subdivision 38. Current language in this section

defines “normal retirement age” as 65 for TRA members who first became a member before July 1, 1989. For members who joined after this date, “normal retirement age” is defined as the higher of age 65 or “retirement age” as defined by United States Code (U.S.C.), title 42, section 416(l)¹, but not to exceed age 66. Section 1 removes all of this language and substitutes “62” as the definition of “normal retirement age.”

Section 2: Changes TRA accelerated annuity to use the new age 62 normal retirement age

Section 2 deletes language from Section 354.35, subdivision 2, changing the end date for receiving accelerated annuity payments from 65 or 66 to the new normal retirement age of 62. Under this section, a TRA member may elect to be paid an accelerated retirement annuity, in which they are paid a higher amount until a particular cut-off age, after which payments for the remainder of the member’s lifetime are reduced. Current language in subdivision 2, paragraph (a), establishes this cut-off age as 65 or “normal retirement age”. Because “normal retirement age” is age 62 under section 1, a member will hit normal retirement age before age 65, so references to age 65 are deleted.

Section 3: Changes language to keep proportionate annuity at age 65 or older

Section 3 changes a reference to “normal retirement age” in Section 354.44, subdivision 1a, to “age 65.” Current language in this section provides for a member retiring during the academic year (*September 1-August 31*) during which they reach normal retirement age to be treated as though they reached that age for a proportionate annuity under Section 356.32. Section 356.32, in turn, restricts proportionate annuity eligibility to “normal retirement age but not less than age 65.” By changing the language in Section 354.44, subdivision 1a, to “age 65,” section 3 preserves the meaning of the current language, despite section 1 changing the definition of “normal retirement age” to 62.

Section 4: Clarifies language referring to Social Security retirement age

Section 4 changes a reference to “Social Security normal retirement age” in Section 354.44, subdivision 5, to “retirement age as defined in United States Code (U.S.C.), title 42, section 416(l), as amended.” 42 U.S.C. section 416(l) is the statutory citation for the definition of Social Security retirement age. Section 4 thus functions as a clarification of current statutory language without changing its meaning.

Section 5: Conforming changes and new provision for full retirement with at least 35 years of service

Section 5 amends Section 354.44, subdivision 6, which governs how retirement annuities are computed by making a number of conforming changes to take into account the new normal retirement age of 62 and deleting the paragraph that provides a more generous reduction from a full retirement benefit for members retiring when they reach age 62 with at least 30 years of service. With full retirement at age 62, there is no longer any need for a provision that provides for a reduced benefit at age 62 with 30 years of service. Section 5 adds a new paragraph allowing a member with at least 35 years of service to receive an annuity without an early retirement reduction.

¹ 42 U.S.C. section 416 provides definitions for Social Security. This statute currently defines “retirement age” between 65 and 67, depending on when an individual turns 62.

Paragraph (e), clause (1), contains language describing how annuities will be reduced for members retiring early above age 62 with 30+ years of service. Section 5 deletes this clause and splits the clause below it (*currently subdivision 6, paragraph (e), clause (2)*) into various renumbered clauses. This renumbered clause (1) describes how annuities will be reduced for members retiring below the age of 62 or with fewer than 30 years of service. Besides renumbering this clause, section 5 changes a reference from “age 62” to “normal retirement age,” which will be 62 under section 1. It also changes a reference from “30 years” of allowable service to “35 years.”

Section 5 also adds language to paragraph (e), clause (4). This language provides for a member who has at least 35 years of service to receive a full annuity without reduction for early retirement. Language above in paragraph (e), that refers to clauses (1) (*deleted by section 5*) and (2) (*split and renumbered by section 5*) is rewritten to refer to the renumbered clauses (1)-(3), as well as the new clause (4).

Section 6: Lowers SPTRFA “normal retirement age” to 62

Section 6 changes language in Section 354A.011, subdivision 15a, defining “normal retirement age” to age 62. Section 354A.011 provides definitions for the St. Paul Teachers Retirement Fund Association (SPTRFA). Current language in subdivision 15a defines “normal retirement age” for those who became members before July 1, 1989, as 65, and for those who became members afterward as Social Security retirement age under 42 U.S.C. section 416(l), but not to exceed age 66. Section 6 replaces this language with a definition of “normal retirement age” for all members as age 62.

Section 7: Deletes an exception to deferred start of COLAs

Section 7 amends Section 354A.29 subdivision 7, which provides for post-retirement adjustments or COLAs for SPTRFA retirees. COLAs are not permitted to begin until the retiree reaches normal retirement age, unless the member is retiring under the provision that allows for an early retirement benefit at age 62 with 30 years of service. Since this exception is not necessary when the normal retirement age is changed to age 62, this exception to the COLA start date is deleted.

Current language in Section 354A.29, subdivision 7, paragraph (d), also references Section 354A.31, subdivision 6, paragraph (b), which provides for a prorated reduction in this COLA for members retiring before normal retirement age or at age 62, with at least 30 years of service credit. Section 7 changes this reference to Section 354A.31, subdivision 7, paragraph (c). This clause provides for members retiring with 90+ years of age plus service credit to receive the full annuity without reduction for early retirement. For example, a member may retire under this provision at age 65 with 25+ years of service, or at age 62 with 28+ years of service (*both add up to 90 years in total*). Under Section 354A.29, subdivision 7, paragraph (d), as modified by section 7, a member retiring under this provision would be an exception to the provision that takes effect on July 1, 2024, which defers the start of the COLA.

Section 8: Clarifies language referring to Social Security retirement age

Section 8 modifies language in Section 354A.31, subdivision 3, paragraph (c), to provide a citation to federal law. Subdivision 3 governs deferred annuities for retired members. Current language in paragraph (c) specifies that no deferral requirement is applicable for a member who has reached the “Social Security normal retirement age.” Section 8 deletes the word “normal” and adds a citation,

changing this language to the member having reached the “Social Security retirement age as defined in United States Code, title 41, section 416(l), as amended.” It is probable that this citation of 41 U.S.C. section 416(l) is in error and was intended to be to 42 U.S.C. section 416(l) (*cited several times elsewhere in this bill*).² If this is the case, section 8 provides clarifying language that preserves the previous meaning of Section 354A.31, subdivision 3, paragraph (c).

Section 9: Changes language to keep cut-off for reduced retirement annuity at age 65

Section 9 modifies language in Section 354A.31, subdivision 6, paragraph (b), changing “normal retirement age” to “age 65.” The current language in paragraph (b) specifies that a member retiring before “normal retirement age” (*currently age 66*) will have their annuity reduced by a prorated amount. By substituting “age 65” for “normal retirement age,” section 9 preserves the current meaning of paragraph (b), despite section 1 changing “normal retirement age” to 62.

Section 10: Modifies provisions for early retirement annuities

Section 10 changes language in Section 354A.31, subdivision 7, which governs annuity reductions for members taking early retirement, by changing a reference to “age 62” to “normal retirement age,” references to “30 years of service” to “35 years of service,” deleting subdivision 7, paragraph (c), and references to it, and adding language providing for members with at least 35 years of allowable service to receive a full retirement annuity, without an early retirement reduction.

Current language in paragraph (b), clause (1), specifies annuity reductions for members retiring before “age 62.” Section 10 changes this language to “the normal retirement age.” Because section 1 changes “normal retirement age” from 65 to 62, this is a clarifying change that preserves the current meaning of paragraph (b), clause (1).

Current language in paragraph (b), clause (1), also specifies annuity reductions for members retiring with fewer than “30 years of service.” Section 10 changes this to “35 years of service.” Current language in paragraph (b), clause (2), also specifies “30 years of service” for the purposes of calculating an annuity. Besides changing much of the language in paragraph (b), clause (2), regarding annuity calculations (*see below*), section 10 changes this phrase to “35 years of allowable service.”

Current language in paragraph (c) specifies a formula for prorated reduction of annuities for members retiring early before July 1, 2019 (*by age and years of service*). Section 10 deletes this clause in its entirety. It also deletes a reference to paragraph (c), found in paragraph (a). Current language in this section specifies that the annuity for members retiring after July 1, 2019, will be calculated according to paragraph (b), and the annuity for members who retired before July 1, 2019, will be calculated according to paragraph (c). Section 10 removes this reference to paragraph (c), meaning that all employees’ annuities will be calculated under Section 354A.31, subdivision 7, paragraph (b).

Section 10 also changes the meaning of paragraph (b), clause (2), by deleting a reference to paragraph (c), deleting language referring to members’ age, and adds new language. Current language in

² 41 U.S.C. does not pertain to Social Security, and a clause (l) does not exist in 41 U.S.C. section 416.

paragraph (b), clause (2), specifies that when a retiring member “is at least age 62 or older and has at least 30 years of service” they are entitled to receive an annuity with a prorated reduction according to subdivision 7, paragraph (c). Section 10 deletes this reference to paragraph (c) (*also deleted by Section 10; see above*). Section 10 also changes 30 years to 35 (*see above*) and deletes the phrase “is at least age 62 or older.” Section 10 also adds language specifying that annuities for members covered by this clause will not be reduced by reason of early retirement. In summary, current language in paragraph (b), clause (2), specifies that a member who is 62+ with 30+ years will receive an annuity with a prorated reduction be age/time in service calculated from subdivision 7, paragraph (c). Section 10 changes this to a member with at least 35 years of allowable service receiving the full annuity.

Section 11: Removes age specification and increases service time for computing SPTRFA disability benefit

Section 11 modifies the language of Section 354A.36, subdivision 3, which governs the computation of disability benefits for SPTRFA, to remove a reference to “age 62,” change “30 years of service credit” to “35 years of allowable service credit,” and change a citation of subdivision 6 to subdivision 7. Current language specifies that this benefit will not be reduced when it is paid “prior to the attainment of normal retirement age or age 62 with at least 30 years of service credit as specified in” subdivision 6. Under the changes in section 11, the disability benefit will not be reduced for members who have 35+ years of allowable service credit, as specified in subdivision 7 (*as changed by section 10, above*).

Section 12: Deletes an exception to deferred start of COLAs

Section 12 removes language from Section 356.415, subdivision 1d, paragraph (e). Section 356.415, subdivision 1d, governs COLA rates for TRA members, with subdivision 1d, paragraph (d), providing a formula for prorated reductions of this COLA based on how recently the member retired. Subdivision 1d, paragraph (e), lists exceptions to paragraph (d). Under current language in paragraph (d) does not apply to members who retire under subdivision 6, paragraph (e), clause (3), or members at age 62 with at least 30 years of service who retire under subdivision 6, paragraph (c), (d), (e), or (f). Section 12 removes the reference to members who are age 62 with at least 30 years of service, and the citations that follow. Section 12 thus removes all but the reference to members who retire under paragraph (e), clause (3).

Section 13: Repeals Section 354.35, subdivision 1

Section 13 repeals Section 354.35, subdivision 1. The current language defines “normal retirement age” for the TRA as that specified by 42 U.S.C. section 416(l) (*Social Security retirement age*).

Section 14: Effective date

Sections 1 to 13 are effective July 1, 2023.

ARTICLE 2 RESTORING DEFERRED AUGMENTATION

Section 1: Adds 2% augmentation rate for TRA deferred annuities after July 1, 2023

Section 1 changes language in Section 354.55, subdivision 11, adding new augmentation rates for deferred annuities. Under subdivision 11, a TRA member who leaves employment before early retirement age must defer beginning receipt of a retirement annuity under the member reaches early retirement age (55). The benefit earned to the date of employment termination will be augmented according to rates specified in the subdivision. These rates are specified by year, and under the current language of paragraph (d), clause (5), and paragraph (e), clause (3), “after June 30, 2019, the deferred annuity must not be augmented.” Section 1 removes this language in paragraph (d), clause (5) and paragraph (e), clause (3), and instead inserts “zero percent from July 1, 2019, until June 30, 2023.” New clause (6) in paragraph (d) and clause (4) in paragraph (e) are then inserted, each reading “two percent from July 1, 2023, and thereafter.” The result of these changes is to add a 2% augmentation for deferred annuities after July 1, 2023.

Section 2: Adds 2% augmentation rate for SPTRFA deferred annuities after July 1, 2023

Section 2 changes language in Section 354A.37, subdivision 2, adding new augmentation rates for deferred annuities. Under this subdivision, a SPTRFA member who leaves employment before early retirement must defer beginning receipt of a retirement annuity payment until the member reaches early retirement age (55). The benefit earned to the date of employment termination will be augmented according to rates specified in the subdivision. These rates are specified by year, and under the current language of subdivision 2, paragraph (d), clause (4), and paragraph (e), clause (3), “after June 30, 2019, the deferred annuity must not be augmented.” Section 1 removes this language in paragraph (d), clause (4), and paragraph (e), clause (3), and instead inserts “zero percent from July 1, 2019, until June 30, 2023.” New clause (5) in paragraph (d) and new clause (4) in paragraph (e) are then added, each reading “two percent from July 1, 2023, and thereafter.” The result of these changes is to add a 2% augmentation for deferred annuities after July 1, 2023.

Section 3: Effective date

Sections 1 and 2 are effective July 1, 2023.

ARTICLE 3: DOUBLE SERVICE CREDIT FOR SERVICE EARNED DURING THE PANDEMIC

Section 1: PERA, MSRS, TRA, and SPTRFA members receive two months’ service credit for each month of service credit earned in schools in 2020, 2021, and 2022

Section 1 specifies that members of the Public Employees Retirement Association (PERA), Minnesota State Retirement System (MSRS), TRA, and SPTRFA who earned service credit working “as an employee of a Minnesota school district, charter school, or the Perpich Center for Arts Education” in 2020, 2021, and 2022 are entitled to additional credit for this service. For each month of service credit earned in

2020-2022, a member will earn an additional two months of service credit. The section notes that it applies “notwithstanding any other law to the contrary.” This section is effective the day following final enactment.

ARTICLE 4: CHANGES TO CALCULATION OF COLA FOR SPTRFA AND TRA

Section 1: Changes the COLA for SPTRFA, tying it to the Social Security COLA

Section 1 changes language in Section 354A.29, subdivision 7, giving a new formula for calculating COLAs for SPTRFA members. Under current language, January 1, 2019, and 2020 COLAs were zero, and subsequent COLAs “shall be one percent on January 1, 2021, and each January 1 thereafter.” Section 1 removes this language and inserts new language specifying that the COLA will be calculated according to newly inserted clauses (1), (2), and (3).

New clause (1) specifies that the COLA will be 1% unless the Social Security COLA under 42 U.S.C. section 416(i) was greater than 1% in the last quarter of the preceding calendar year. If this is the case, the SPTRFA COLA equals the Social Security COLA, up to 3%. New clause (2) specifies that there will be no reduction of the year’s COLA rate for members receiving an annuity or benefit for more than 12 months as of June 30 of that calendar year. New clause (3) specifies that members receiving an annuity or benefit for fewer than 12 months as of June 30 of a calendar year will have that year’s COLA rate reduced by a prorated amount proportionate to the number of months fewer than 12 that they have been receiving an annuity or benefit. *(For example, a member receiving an annuity for six months would receive a COLA at 6/12 (= ½) the full rate.)*

Section 2: Changes the COLA for TRA, tying it to the Social Security COLA

Section 2 changes language in Section 356.415, subdivision 1d, giving a new formula for calculating COLAs for TRA members. The current language in subdivision 1d, paragraph (a), clauses (1) to (4), specifies a 1% annual COLA between January 1, 2019, and December 31, 2023, followed by higher COLAs (between 1.1% and 1.5%) specified for calendar years 2024-2028. Section 2 removes this “as follows” in paragraph (a) and deletes the current COLA language in paragraph (a), clauses (1) to (4). Section 2 inserts new language to paragraph (a), specifying that the COLA will be calculated according to new clauses (1), (2), and (3).

New clause (1) specifies that the COLA will be 1% unless the Social Security COLA under 42 U.S.C. section 416(i) was greater than 1% in the last quarter of the preceding calendar year. If this is the case, the TRA COLA equals the Social Security COLA, up to 3%. New clause (2) specifies that there will be no reduction of the year’s COLA rate for members receiving an annuity or benefit for more than 12 months as of June 30 of that calendar year. New clause (3) specifies that members receiving an annuity or benefit for fewer than 12 months as of June 30 of a calendar year will have that year’s COLA rate reduced by a prorated amount proportionate to the number of months fewer than 12 that they have been receiving an annuity or benefit. *(For example, a member receiving an annuity for six months would receive a COLA at 6/12 (= ½) the full rate.)*

Section 2 also changes references in subdivision 1d, paragraph (d). A reference in paragraph (d), clause (1), to the former subdivision 1d, paragraph (a), clause (3) (*deleted by Section 2*), is replaced with a reference to the new paragraph (a), clause (2). Likewise, a reference in paragraph (d), clause (2), to the former paragraph (a), clause (4) (*deleted by section 2*), is replaced with a reference to the new paragraph (a), clause (3).

Section 3: Effective date

Sections 1 and 2 are effective July 1, 2023.

ARTICLE 5 EMPLOYER CONTRIBUTION RATE INCREASES AND FUNDING

Section 1: Removes obsolete provisions and leaves blank the pension adjustment revenue for FY 2024 and subsequent years

Section 1 removes language in Section 126C.10, subdivision 37, paragraph (a), clause (2), that specifies annual rates for pension adjustment revenue for years before 2023. Under subdivision 37, pension adjustment revenue is calculated from “adjusted pupil units” corresponding to number and type of pupils in a district, along with a “pension adjustment rate” given by paragraph (a), clause (2). The current language of clause (2) specifies pension adjustment rates for both Independent School District No. 625, St. Paul (served by SPTRFA) and for all other districts (served by TRA), for each fiscal year between FY2019 and FY2023, along with rates for FY2024 “and later.” For example, clause (2) gives the pension adjustment rate for non-St. Paul districts in FY2023 as 1.05%. Likewise, the St. Paul district’s rate “for fiscal year 2024 and later” is given as 2.5%.

Section 1 deletes language in clause (2) giving pension adjustment rates for FY2019, FY2020, FY2021, and FY2022, for both St. Paul and all other school districts. It also deletes the specific rate given for both St. Paul and other districts “for fiscal year 2024 and later.” These changes thus preserve the current rate given for FY2023 (2.3% for St. Paul; 1.05% for all other districts) and retain statutory language stating that there will be a (now unspecified) rate for FY2024 and subsequent fiscal years. Language relating to fiscal years before 2023 is removed.

Section 1 is effective the day following final enactment.

Section 2: Removes obsolete provisions and leaves blank the employer contribution rate to TRA beginning July 1, 2023

Section 2 removes language from Section 354.42, subdivision 3, paragraph (c), that specifies annual rates for TRA employer contributions for years before 2022, which governs employer contributions to employees’ TRA accounts, and current language in paragraph (c) specifies the size of these contributions by fiscal year (July 1 to June 30). For example, current language in paragraph (c) gives employer contributions for FY2023 (*July 1, 2022-June 30, 2023*) as 8.55% of the employee’s salary for coordinated members and 12.55% for basic members. Paragraph (c) lists rates between July 1, 2014, and June 30, 2023, as well as specifying rates “after June 30, 2023.” Section 2 removes language specifying rates

between July 1, 2014, and June 30, 2022. It also deletes the specific rates given for “after June 30, 2023,” leaving these rates unspecified. Section 2 keeps the language specifying rates between July 1, 2022, and June 30, 2023. These changes thus preserve the current rates for FY2023 and retain statutory language stating that there will be a (now unspecified) rate for FY2024 and subsequent fiscal years. The section is effective the day following final enactment.

Section 3: Removes obsolete provisions and leaves blank the employer contribution rate to SPTRFA beginning July 1, 2023

Section 3 removes language from Section 354A.12, subdivision 2a, clauses (1) and (2), that specifies annual rates for SPTRFA employer contributions for years before 2022. Subdivision 2a governs employer contributions to employees’ SPTRFA accounts. Current language in clause (1) specifies the size of these contributions by fiscal year (July 1-June 30) for coordinated members, and clause (2) does the same for basic members. For example, current language in clause (2) gives employer contributions between July 1, 2022, and June 30, 2023, as 12.3% of employee salaries. Clauses (1) and (2), list rates between July 1, 2016, and June 30, 2023, as well as specifying rates for “after June 30, 2023). Section 3 removes language specifying rates between July 1, 2016, and June 30, 2022. It also deletes the specific rates given for “after June 30, 2023,” leaving these rates unspecified. Section 2 keeps the language specifying rates between July 1, 2022, and June 30, 2023. These changes thus preserve the current rates for FY2023 and retain statutory language stating that there will be a (now unspecified) rate for FY2024 and subsequent fiscal years. Section 3 is effective the day following final enactment.

Section 4: Appropriates an unspecified amount from the general fund to the Department of Education and for general education aid

Section 4 provides for appropriations, in unspecified amounts, to be appropriated to the Department of Education from the general fund and for general education aid for FY2024 and FY2025. Section 4 is effective June 30, 2023.