

1.1 moves to amend H.F. No. 3100; S.F. No. 3162, as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "ARTICLE 1

1.4 INVESTMENT RATE OF RETURN ACTUARIAL ASSUMPTION

1.5 Section 1. Minnesota Statutes 2022, section 356.215, subdivision 8, is amended to read:

1.6 Subd. 8. **Actuarial assumptions.** (a) The actuarial valuation must use the applicable
1.7 following investment return assumption:

	plan	investment return assumption
1.10	general state employees retirement plan	7.5% <u>7%</u>
1.11	correctional state employees retirement plan	7.5 <u>7</u>
1.12	State Patrol retirement plan	7.5 <u>7</u>
1.13 1.14 1.15	legislators retirement plan, and for the constitutional officers calculation of total plan liabilities	0
1.16	judges retirement plan	7.5 <u>7</u>
1.17	general public employees retirement plan	7.5 <u>7</u>
1.18	public employees police and fire retirement plan	7.5 <u>7</u>
1.19 1.20	local government correctional service retirement plan	7.5 <u>7</u>
1.21	teachers retirement plan	7.5 <u>7</u>
1.22	St. Paul teachers retirement plan	7.5 <u>7</u>
1.23	Bloomington Fire Department Relief Association	6
1.24 1.25	local monthly benefit volunteer firefighter relief associations	5
1.26	monthly benefit retirement plans in the statewide	6
1.27	volunteer firefighter retirement plan	

2.1 (b) The actuarial valuation for each of the covered retirement plans listed in section
2.2 356.415, subdivision 2, and the St. Paul Teachers Retirement Fund Association must take
2.3 into account the postretirement adjustment rate or rates applicable to the plan as specified
2.4 in section 354A.29, subdivision 7, or 356.415, whichever applies.

2.5 (c) The actuarial valuation must use the applicable salary increase and payroll growth
2.6 assumptions found in the appendix to the standards for actuarial work adopted by the
2.7 Legislative Commission on Pensions and Retirement pursuant to section 3.85, subdivision
2.8 10. The appendix must be updated whenever new assumptions have been approved or
2.9 deemed approved under subdivision 18.

2.10 (d) The assumptions set forth in the appendix to the standards for actuarial work continue
2.11 to apply, unless a different salary assumption or a different payroll increase assumption:

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

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

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

2.17 **EFFECTIVE DATE.** This section is effective June 30, 2023.

2.18 **ARTICLE 2**

2.19 **COLAS**

2.20 Section 1. Minnesota Statutes 2022, section 356.415, subdivision 1, is amended to read:

2.21 Subdivision 1. **Annual postretirement adjustments; Minnesota State Retirement**
2.22 **System general state employees retirement plan, legislators retirement plan, and**
2.23 **unclassified state employees retirement program.** (a) ~~Except as set forth in paragraph~~
2.24 ~~(e)~~; Recipients of a retirement annuity, disability benefit, or survivor benefit from the general
2.25 state employees retirement plan, the legislators retirement plan, or the unclassified state
2.26 employees retirement program are entitled to an annual postretirement adjustment, effective
2.27 as of each January 1, as follows:

2.28 (1) effective January 1, 2019, through December 31, 2023, a postretirement increase of
2.29 one percent must be applied each year to the amount of the monthly annuity or benefit of
2.30 each annuitant or benefit recipient who has been receiving an annuity or a benefit for at
2.31 least 12 full months as of the June 30 of the calendar year immediately before the adjustment;

3.1 (2) effective January 1, 2019, through December 31, 2023, for each annuitant or benefit
3.2 recipient who has been receiving an annuity or a benefit for at least one full month, but less
3.3 than 12 full months as of the June 30 of the calendar year immediately before the adjustment,
3.4 a postretirement increase of 1/12 of one percent for each month that the person has been
3.5 receiving an annuity or benefit must be applied to the amount of the monthly annuity or
3.6 benefit of the annuitant or benefit recipient;

3.7 (3) effective January 1, 2024, and thereafter, a postretirement increase of 1.5 percent
3.8 must be applied each year to the amount of the monthly annuity or benefit of each annuitant
3.9 or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months
3.10 as of the June 30 of the calendar year immediately before the adjustment; and

3.11 (4) effective January 1, 2024, and thereafter, for each annuitant or benefit recipient who
3.12 has been receiving an annuity or a benefit for at least one full month, but less than 12 full
3.13 months as of the June 30 of the calendar year immediately before the adjustment, an annual
3.14 postretirement increase of 1/12 of 1.5 percent for each month that the person has been
3.15 receiving an annuity or benefit must be applied to the amount of the monthly annuity or
3.16 benefit of the annuitant or benefit recipient.

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

3.20 ~~(c) Members who retire on or after January 1, 2024, under the general state employees~~
3.21 ~~retirement plan, the legislators retirement plan, or the unclassified state employees retirement~~
3.22 ~~program are entitled to an annual postretirement adjustment of the member's retirement~~
3.23 ~~annuity, effective as of each January 1, beginning with the year following the year in which~~
3.24 ~~the member attains normal retirement age, as follows:~~

3.25 ~~(1) if a member has been receiving an annuity for at least 12 full months as of the June~~
3.26 ~~30 of the calendar year immediately before the date of the adjustment, a postretirement~~
3.27 ~~increase equal to the percentage specified in paragraph (a), clause (3), must be applied,~~
3.28 ~~effective on January 1, to the amount of the member's monthly annuity;~~

3.29 ~~(2) if a member has been receiving an annuity for at least one full month, but less than~~
3.30 ~~12 full months as of the June 30 of the calendar year immediately before the date of~~
3.31 ~~adjustment, a postretirement increase of 1/12 of the percentage specified in paragraph (a),~~
3.32 ~~clause (4), for each month that the member has been receiving an annuity must be applied,~~
3.33 ~~effective on January 1, to the amount of the member's monthly annuity; or~~

4.1 ~~(3) if a member has been receiving an annuity for fewer than seven months before the~~
4.2 ~~date of adjustment, a postretirement increase shall not be applied until the next January 1~~
4.3 ~~and the amount of the adjustment shall be the amount determined under clause (2).~~

4.4 ~~(d) Paragraph (c) does not apply to members who retire under section 352.116,~~
4.5 ~~subdivision 1, paragraph (c).~~

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

4.7 Sec. 2. Minnesota Statutes 2022, section 356.415, subdivision 1b, is amended to read:

4.8 Subd. 1b. **Annual postretirement adjustments; PERA; general employees retirement**
4.9 **plan.** (a) Annuities, disability benefits, and survivor benefits being paid from the general
4.10 employees retirement plan of the Public Employees Retirement Association shall be increased
4.11 effective each January 1 by the percentage of increase determined under this subdivision.
4.12 The increase to the annuity or benefit shall be determined by multiplying the monthly amount
4.13 of the annuity or benefit by the percentage of increase specified in paragraph (b), after taking
4.14 into account any reduction to the percentage of increase required under paragraph (c).

4.15 (b) The percentage of increase shall be one percent unless the federal Social Security
4.16 Administration has announced a cost-of-living adjustment pursuant to United States Code,
4.17 title 42, section 415(i), in the last quarter of the preceding calendar year that is greater than
4.18 two percent. If the cost-of-living adjustment announced by the federal Social Security
4.19 Administration is greater than two percent, the percentage of increase shall be 50 percent
4.20 of the cost-of-living adjustment announced by the federal Social Security Administration,
4.21 but in no event may the percentage of increase exceed 1.5 percent.

4.22 (c)(1) If the recipient of an annuity, disability benefit, or survivor's benefit has been
4.23 receiving the annuity or benefit for at least 12 full months as of the June 30 of the calendar
4.24 year immediately before the effective date of the increase, there is no reduction in the
4.25 percentage of increase.

4.26 (2) If the recipient of an annuity, disability benefit, or survivor's benefit has been receiving
4.27 the annuity or benefit for at least one month, but less than 12 full months, as of the June 30
4.28 of the calendar year immediately preceding the effective date of the increase, the percentage
4.29 of increase is multiplied by a fraction, the numerator of which is the number of months the
4.30 annuity or benefit was received as of June 30 of the preceding calendar year and the
4.31 denominator of which is 12.

4.32 ~~(d) Effective for members who retire on or after January 1, 2024, annuities shall not be~~
4.33 ~~increased under paragraphs (a) to (c) until January 1 of the year following the year in which~~

5.1 ~~the member reaches normal retirement age. January 1 of the year following the year in~~
 5.2 ~~which the member reaches normal retirement age shall be considered the effective date of~~
 5.3 ~~the increase under paragraph (e). If a member has been receiving an annuity for fewer than~~
 5.4 ~~seven months as of the January 1 of the year following the year in which the member reaches~~
 5.5 ~~normal retirement age, no increase shall be paid until January 1 of the next year.~~

5.6 (e) (d) An increase in annuity or benefit payments under this section must be made
 5.7 automatically unless written notice is filed by the recipient with the executive director of
 5.8 the Public Employees Retirement Association requesting that the increase not be made.

5.9 (f) Paragraph (d) does not apply to members who retire under section 353.30, subdivision
 5.10 1a.

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

5.12 Sec. 3. Minnesota Statutes 2022, section 356.415, subdivision 1g, is amended to read:

5.13 Subd. 1g. **Annual postretirement adjustments; PERA local government correctional**
 5.14 **retirement plan.** (a) Annuities, disability benefits, and survivor benefits being paid from
 5.15 the local government correctional retirement plan of the Public Employees Retirement
 5.16 Association shall be increased effective each January 1 by the percentage of increase
 5.17 determined under this subdivision. The increase to the annuity or benefit shall be determined
 5.18 by multiplying the monthly amount of the annuity or benefit by the percentage of increase
 5.19 specified in paragraph (b), after taking into account any reduction to the percentage of
 5.20 increase required under paragraph (e) (d).

5.21 (b) As of each January 1, the percentage of increase shall must be one percent unless
 5.22 the federal Social Security Administration has announced a cost-of-living adjustment
 5.23 pursuant to United States Code, title 42, section 415(i), in the last quarter of the preceding
 5.24 calendar year that is greater than one percent. If the cost-of-living adjustment announced
 5.25 by the federal Social Security Administration is greater than one percent, the percentage of
 5.26 increase shall must be the same as the cost-of-living adjustment announced by the federal
 5.27 Social Security Administration, but in no event may the percentage of increase exceed the
 5.28 applicable maximum percentage in effect on January 1 under paragraph (c).

5.29 (c) The applicable maximum percentage in effect on January 1 is 2.5 percent, until unless
 5.30 either of the following occurs is true, in which case the applicable maximum percentage is
 5.31 1.5 percent and remains at 1.5 percent thereafter:

6.1 (1) the market value of assets equals or is less than 85 percent of the actuarial accrued
6.2 liabilities as reported by the plan's actuary in the most recent two consecutive annual actuarial
6.3 valuations; or

6.4 (2) the market value of assets equals or is less than 80 percent of the actuarial accrued
6.5 liabilities as reported by the plan's actuary in the most recent annual actuarial valuation. If,
6.6 on January 1 after a year during which the applicable maximum percentage was 1.5 percent,
6.7 and neither clause (1) or (2) is true, then the applicable maximum percentage is 2.5 percent.

6.8 ~~(e)~~ (d)(1) If the recipient of an annuity, disability benefit, or survivor's benefit has been
6.9 receiving the annuity or benefit for at least 12 full months as of the June 30 of the calendar
6.10 year immediately before the effective date of the increase, there is no reduction in the
6.11 percentage of increase.

6.12 (2) If the recipient of an annuity, disability benefit, or survivor's benefit has been receiving
6.13 the annuity or benefit for at least one month, but less than 12 full months, as of the June 30
6.14 of the calendar year immediately preceding the effective date of the increase, the percentage
6.15 of increase is multiplied by a fraction, the numerator of which is the number of months the
6.16 annuity or benefit was received as of June 30 of the preceding calendar year and the
6.17 denominator of which is 12.

6.18 ~~(d)~~ (e) An increase in annuity or benefit payments under this section must be made
6.19 automatically unless written notice is filed by the recipient with the executive director of
6.20 the Public Employees Retirement Association requesting that the increase not be made.

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

6.22 Sec. 4. **POSTRETIREMENT ADJUSTMENT FOR CALENDAR YEAR 2024 FOR**
6.23 **COORDINATED MEMBERS.**

6.24 (a) Notwithstanding Minnesota Statutes, sections 354A.29, subdivision 7, and 356.415,
6.25 subdivisions 1 to 1b, 1d, and 1f, the postretirement adjustment for the year beginning January
6.26 1, 2024, and ending December 31, 2024, must be 2.5 percent for eligible recipients of a
6.27 retirement annuity, disability benefit, or survivor benefit from the Minnesota State Retirement
6.28 System, Public Employees Retirement Association, Teachers Retirement Association, or
6.29 St. Paul Teachers Retirement Fund Association.

6.30 (b) A recipient is an eligible recipient if:

6.31 (i) the recipient's annuity or benefit is attributable to service as a member of the legislators
6.32 plan, as a coordinated member of a pension plan administered by the Minnesota State
6.33 Retirement System, Public Employees Retirement Association, Teachers Retirement

7.1 Association, or the St. Paul Teachers Retirement Fund Association, and is not from the
7.2 public employees police and fire plan or the State Patrol retirement plan; and

7.3 (ii) the recipient has received monthly benefits for at least twelve full months as of June
7.4 30, 2023.

7.5 (c) This adjustment must not be compounded and is in effect for calendar year 2024
7.6 only.

7.7 (d)The increase in excess of the current statutory postretirement adjustment for calendar
7.8 year 2024 must be distributed to each recipient in a lump sum payment as soon as
7.9 administratively practicable but no later than March 31, 2024.

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

7.11 Sec. 5. **POSTRETIREMENT ADJUSTMENT FOR CALENDAR YEAR 2024 FOR**
7.12 **BASIC MEMBERS.**

7.13 (a) Notwithstanding Minnesota Statutes, sections 354A.29, subdivision 7, and 356.415,
7.14 subdivisions 1b to 1e, the postretirement adjustment for the year beginning January 1, 2024,
7.15 and ending December 31, 2024, must be four percent for eligible recipients of a retirement
7.16 annuity, disability benefit, or survivor benefit from the Minnesota State Retirement System,
7.17 Public Employees Retirement Association, Teachers Retirement Association, or St. Paul
7.18 Teachers Retirement Fund Association.

7.19 (b) A recipient is an eligible recipient if:

7.20 (i) the recipient's annuity or benefit is attributable to service as a basic member of the
7.21 Public Employees Retirement Association general employees retirement plan, the Teachers
7.22 Retirement Association, or the St. Paul Teachers Retirement Fund Association or is an
7.23 annuity or benefit from the public employees police and fire plan or the State Patrol
7.24 retirement plan; and

7.25 (ii) the recipient has received monthly benefits for at least twelve full months as of June
7.26 30, 2023, and, for recipients of monthly benefits from the public employees police and fire
7.27 plan, a postretirement adjustment on those benefits.

7.28 (c) This adjustment must not be compounded and is in effect for calendar year 2024
7.29 only.

7.30 (d) The increase in excess of the current statutory postretirement adjustment for calendar
7.31 year 2024 must be distributed to each recipient in a lump sum payment as soon as
7.32 administratively practicable but no later than March 31, 2024.

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

8.2 **ARTICLE 3**
8.3 **MINNESOTA STATE RETIREMENT SYSTEM**

8.4 Section 1. Minnesota Statutes 2022, section 352.04, subdivision 2, is amended to read:

8.5 Subd. 2. **Employee contributions.** (a) The employee contribution to the fund must be
8.6 equal to the following percent of salary:

8.7	from July 1, 2014, to June 30, 2018	5.5
8.8	from July 1, 2018, to June 30, 2019	5.75
8.9	after June 30 <u>from July 1, 2019, to June 30, 2023</u>	6
8.10	<u>from July 1, 2023, to June 30, 2025</u>	<u>5.5</u>
8.11	<u>after June 30, 2025</u>	<u>6</u>

8.12 (b) These contributions must be made by deduction from salary as provided in subdivision
8.13 4.

8.14 (c) Contribution increases under paragraph (a) must be paid starting the first day of the
8.15 first full pay period after the effective date of the increase.

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

8.17 Sec. 2. Minnesota Statutes 2022, section 352.115, subdivision 1, is amended to read:

8.18 Subdivision 1. **Age and service requirements.** After separation from state service, any
8.19 employee ~~(1)~~ who has attained the age of at least 55 years ~~and who~~ is entitled, upon
8.20 application, to a retirement annuity if the employee:

8.21 (1) has received credit for at least three years of allowable service ~~if~~ and was employed
8.22 before July 1, 2010, ~~or after;~~

8.23 (2) has received credit for at least five ~~or more~~ years of allowable service if employed
8.24 after June 30, 2010, ~~or (2) who~~ and terminated employment before July 1, 2023;

8.25 (3) was actively employed on July 1, 2023, and has earned three years of allowable
8.26 service prior to the employee's retirement application;

8.27 (4) has three or more years of allowable service if employed after June 30, 2023; or

8.28 (5) has received credit for at least 30 years of allowable service regardless of age, is
8.29 entitled upon application to a retirement annuity.

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

9.1 Sec. 3. Minnesota Statutes 2022, section 352.92, subdivision 2a, is amended to read:

9.2 Subd. 2a. **Supplemental employer contribution.** (a) Effective July 1, 2019, the employer
 9.3 shall pay a supplemental contribution. The supplemental contribution is 1.45 percent of
 9.4 salary for covered correctional employees from July 1, 2019, through June 30, 2020; 2.95
 9.5 percent of salary for covered correctional employees from July 1, 2020, through June 30,
 9.6 2021; and 4.45 percent of salary for covered correctional employees thereafter. The
 9.7 supplemental contribution rate of 4.45 percent remains in effect until, for three consecutive
 9.8 years, the market value of the assets of the correctional state employees retirement plan of
 9.9 the Minnesota State Retirement System equals or exceeds the actuarial accrued liability of
 9.10 the plan as determined by the actuary retained under section 356.214. The expiration of the
 9.11 supplemental employer contribution is effective the first day of the first full pay period of
 9.12 the fiscal year immediately following the issuance of the third actuarial valuation upon
 9.13 which the expiration is based.

9.14 (b) The supplemental contribution under paragraph (a) must be paid starting the first
 9.15 day of the first full pay period after June 30, 2018.

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

9.17 Sec. 4. Minnesota Statutes 2022, section 352B.02, subdivision 1c, is amended to read:

9.18 Subd. 1c. **Employer contributions and supplemental employer contribution.** (a) In
 9.19 addition to member contributions, department heads shall pay a sum equal to the specified
 9.20 percentage of the salary upon which deductions were made, which constitutes the employer
 9.21 contribution to the fund as follows:

9.22	from July 1, 2014, to June 30, 2016	20.1
9.23	from July 1, 2016, to June 30, 2018	21.6
9.24	from July 1, 2018, to June 30, 2019	22.35
9.25	after June 30, 2019	23.1

9.26 (b) Department contributions must be paid out of money appropriated to departments
 9.27 for this purpose.

9.28 (c) Contribution increases under paragraph (a) must be paid starting the first day of the
 9.29 first full pay period after the effective date of the increase.

9.30 (d) Effective July 1, 2018, department heads shall pay a supplemental employer
 9.31 contribution. The supplemental contribution is 1.75 percent of the salary upon which
 9.32 deductions are made from July 1, 2018, through June 30, 2019; three percent of the salary
 9.33 upon which deductions are made from July 1, 2019, through June 30, 2020; five percent of

10.1 the salary which deductions are made from July 1, 2020, through June 30, 2021; and seven
 10.2 percent of the salary upon which deductions are made thereafter. The supplemental
 10.3 contribution must be paid starting the first day of the first full pay period after June 30,
 10.4 2018. The supplemental contribution rate of seven percent remains in effect until, for three
 10.5 consecutive years, the market value of the assets of the State Patrol retirement plan of the
 10.6 Minnesota State Retirement System equals or exceeds the actuarial accrued liability of the
 10.7 plan as determined by the actuary retained under section 356.214. The expiration of the
 10.8 supplemental employer contribution is effective the first day of the first full pay period of
 10.9 the fiscal year immediately following the issuance of the third actuarial valuation upon
 10.10 which the expiration is based.

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

10.12 Sec. 5. Minnesota Statutes 2022, section 490.123, subdivision 5, is amended to read:

10.13 Subd. 5. **Direct state aid.** (a) The state shall pay \$6,000,000 annually to the judges'
 10.14 retirement fund. The aid is payable each July 1. The amount required is annually appropriated
 10.15 from the general fund to the judges' retirement fund.

10.16 (b) The aid under paragraph (a) continues until the earlier of:

10.17 (1) the first day of the fiscal year following ~~the~~ three consecutive fiscal year years in
 10.18 which the actuarial value of assets of the fund equals or exceeds 100 percent of the actuarial
 10.19 accrued liabilities as reported by the actuary retained under section 356.214 in the annual
 10.20 actuarial valuation prepared under section 356.215; or

10.21 (2) July 1, 2048.

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

10.23 **ARTICLE 4**

10.24 **PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

10.25 Section 1. Minnesota Statutes 2022, section 353.01, subdivision 47, is amended to read:

10.26 Subd. 47. **Vesting.** (a) "Vesting" means obtaining a nonforfeitable entitlement to an
 10.27 annuity or benefit from a retirement plan administered by the Public Employees Retirement
 10.28 Association by having credit for sufficient allowable service under paragraph (b), (c), or
 10.29 (d), whichever applies.

10.30 (b) For purposes of qualifying for an annuity or benefit as a basic or coordinated plan
 10.31 member of the general employees retirement plan of the Public Employees Retirement

11.1 Association:~~(1)~~, a public employee ~~who first became a member of the association before~~
11.2 ~~July 1, 2010~~, is 100 percent vested when the person has accrued credit for not less than three
11.3 years of allowable service in the general employees retirement plan; ~~and~~.

11.4 ~~(2) a public employee who first becomes a member of the association after June 30,~~
11.5 ~~2010, is 100 percent vested when the person has accrued credit for not less than five years~~
11.6 ~~of allowable service in the general employees retirement plan.~~

11.7 (c) For purposes of qualifying for an annuity or benefit as a member of the local
11.8 government correctional service retirement plan:

11.9 (1) a public employee who first became a member of the association before July 1, 2010,
11.10 is 100 percent vested when the person has accrued credit for not less than three years of
11.11 allowable service in the local government correctional service retirement plan; and

11.12 (2) a public employee who first becomes a member of the association after June 30,
11.13 2010, is vested at the following percentages when the person has accrued credit for allowable
11.14 service in the local government correctional service retirement plan, as follows:

11.15 (i) 50 percent after five years;

11.16 (ii) 60 percent after six years;

11.17 (iii) 70 percent after seven years;

11.18 (iv) 80 percent after eight years;

11.19 (v) 90 percent after nine years; and

11.20 (vi) 100 percent after ten years.

11.21 (d) For purposes of qualifying for an annuity or benefit as a member of the public
11.22 employees police and fire retirement plan:

11.23 (1) a public employee who first became a member of the association before July 1, 2010,
11.24 is 100 percent vested when the person has accrued credit for not less than three years of
11.25 allowable service in the public employees police and fire retirement plan;

11.26 (2) a public employee who first becomes a member of the association after June 30,
11.27 2010, and before July 1, 2014, is vested at the following percentages when the person has
11.28 accrued credited allowable service in the public employees police and fire retirement plan,
11.29 as follows:

11.30 (i) 50 percent after five years;

11.31 (ii) 60 percent after six years;

12.1 (iii) 70 percent after seven years;

12.2 (iv) 80 percent after eight years;

12.3 (v) 90 percent after nine years; and

12.4 (vi) 100 percent after ten years; and

12.5 (3) a public employee who first becomes a member of the association after June 30,
12.6 2014, is vested at the following percentages when the person has accrued credit for allowable
12.7 service in the public employees police and fire retirement plan, as follows:

12.8 (i) 50 percent after ten years;

12.9 (ii) 55 percent after 11 years;

12.10 (iii) 60 percent after 12 years;

12.11 (iv) 65 percent after 13 years;

12.12 (v) 70 percent after 14 years;

12.13 (vi) 75 percent after 15 years;

12.14 (vii) 80 percent after 16 years;

12.15 (viii) 85 percent after 17 years;

12.16 (ix) 90 percent after 18 years;

12.17 (x) 95 percent after 19 years; and

12.18 (xi) 100 percent after 20 or more years.

12.19 **EFFECTIVE DATE.** This section is effective July 1, 2023.

12.20 **ARTICLE 5**

12.21 **ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION**

12.22 Section 1. Minnesota Statutes 2022, section 354A.12, subdivision 1, is amended to read:

12.23 Subdivision 1. **Employee contributions.** (a) The contribution required to be paid by
12.24 each member of the ~~St. Paul Teachers Retirement Fund Association~~ is the percentage of
12.25 total salary specified below for the applicable ~~association~~ and program:

12.26	Program	Percentage of Total Salary
12.27	St. Paul Teachers Retirement Fund Association	
12.28	basic program after June 30, 2016, <u>through June 30, 2023</u>	10 percent
12.29	basic program after June 30, 2023, <u>through June 30, 2025</u>	10.25 percent

13.1	<u>basic program after June 30, 2025</u>	<u>11.25 percent</u>
13.2	coordinated program after June 30, 2016, <u>through June 30,</u>	
13.3	<u>2023</u>	7.5 percent
13.4	coordinated program after June 30, 2023, <u>through June 30,</u>	
13.5	<u>2025</u>	7.75 percent
13.6	<u>coordinated program after June 30, 2025</u>	<u>8.75 percent</u>

13.7 (b) Contributions must be made by deduction from salary and must be remitted directly
13.8 to the St. Paul Teachers Retirement Fund Association at least once each month.

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

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

13.12 Sec. 2. Minnesota Statutes 2022, section 354A.31, is amended by adding a subdivision to
13.13 read:

13.14 **Subd. 5a. Unreduced early retirement.** If a member retires on or after July 1, 2023,
13.15 when the member is at least age 62 and has at least 30 years of service, the member is
13.16 entitled to receive a retirement annuity calculated using the retirement annuity formula
13.17 percentage in subdivision 4.

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

13.19 Sec. 3. Minnesota Statutes 2022, section 354A.31, subdivision 7, is amended to read:

13.20 **Subd. 7. Reduction for early retirement.** (a) This subdivision applies to a person who
13.21 has become at least 55 years old and first becomes a coordinated member after June 30,
13.22 1989, and to any other coordinated member who has become at least 55 years old and whose
13.23 annuity is higher when calculated using the retirement annuity formula percentage in
13.24 subdivision 4, paragraph (d), in conjunction with this subdivision than when calculated
13.25 under subdivision 4, paragraph (c), in conjunction with subdivision 6. An employee who
13.26 retires under the formula annuity before the normal retirement age shall be paid the normal
13.27 annuity reduced as described in paragraph (b) if the person retires on or after July 1, 2019,
13.28 or in paragraph (c) if the person retires before July 1, 2019, as applicable.

13.29 (b)(1) Unless the member is eligible for an unreduced early retirement annuity under
13.30 subdivision 5a, a coordinated member who retires before the normal retirement age and on
13.31 or after July 1, 2019, is entitled to receive a retirement annuity calculated using the retirement
13.32 annuity formula percentage in subdivision 4, paragraph (d), reduced as described in clause
13.33 ~~(1) or (2), as applicable.~~

14.1 ~~(1)~~ (2) If the member retires when the member is younger than age 62 or with fewer
 14.2 than 30 years of service, the annuity must be reduced by an early reduction factor for each
 14.3 year that the member's age of retirement precedes normal retirement age. The early reduction
 14.4 factors are four percent per year for members whose age at retirement is at least 55 but not
 14.5 yet 59 and seven percent per year for members whose age at retirement is at least 59 but
 14.6 not yet normal retirement age. The resulting annuity must be further adjusted to take into
 14.7 account augmentation as if the employee had deferred receipt of the annuity until normal
 14.8 retirement age and the annuity were augmented at the applicable annual rate, compounded
 14.9 annually, from the day the annuity begins to accrue until normal retirement age. The
 14.10 applicable annual rate is the rate in effect on the employee's effective date of retirement and
 14.11 shall be considered as fixed for the employee. The applicable annual rates are the following:

14.12 (i) until June 30, 2019, 2.5 percent;

14.13 (ii) a rate that changes each month, beginning July 1, 2019, through June 30, 2024, which
 14.14 is determined by reducing the rate in item (i) to zero in equal monthly increments over the
 14.15 five-year period; and

14.16 (iii) after June 30, 2024, zero percent.

14.17 After June 30, 2024, the reduced annuity commencing before normal retirement age
 14.18 under this clause shall not take into account any augmentation.

14.19 ~~(2) If the member retires when the member is at least age 62 or older and has at least 30~~
 14.20 ~~years of service, the member is entitled to receive a retirement annuity calculated using the~~
 14.21 ~~retirement annuity formula percentage in subdivision 4, paragraph (d), multiplied by the~~
 14.22 ~~applicable early retirement factor specified for members "Age 62 or older with 30 years of~~
 14.23 ~~service" in the table in paragraph (c).~~

14.24 (c) Unless the member is eligible for an unreduced early retirement annuity under
 14.25 subdivision 5a, a coordinated member who retires before the normal retirement age and
 14.26 before July 1, 2019, is entitled to receive a retirement annuity calculated using the retirement
 14.27 annuity formula percentage in subdivision 4, paragraph (d), multiplied by the applicable
 14.28 early retirement factor specified below:

	Under age 62 or less than 30 years of service		Age 62 or older with 30 years of service	
14.31 Normal retirement age:	65	66	65	66
14.32 Age at retirement				
14.33 55	0.5376	0.4592		
14.34 56	0.5745	0.4992		

15.1	57	0.6092	0.5370		
15.2	58	0.6419	0.5726		
15.3	59	0.6726	0.6062		
15.4	60	0.7354	0.6726		
15.5	61	0.7947	0.7354		
15.6	62	0.8507	0.7947	0.8831	0.8389
15.7	63	0.9035	0.8507	0.9246	0.8831
15.8	64	0.9533	0.9035	0.9635	0.9246
15.9	65	1.0000	0.9533	1.0000	0.9635
15.10	66		1.0000		1.0000

15.11 For normal retirement ages between ages 65 and 66, the early retirement factors must
 15.12 be determined by linear interpolation between the early retirement factors applicable for
 15.13 normal retirement ages 65 and 66.

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

15.15 **ARTICLE 6**

15.16 **APPROPRIATIONS**

15.17 Section 1. **ONE-TIME DIRECT STATE AID APPROPRIATION; PENSION PLANS.**

15.18 (a) \$485,900,000 in fiscal year 2024 is transferred from the general fund to the pension
 15.19 plans, to be allocated among the pension plans in the following amounts:

15.20	<u>plan</u>	<u>amount</u>
15.21	<u>general state employees retirement plan</u>	<u>\$76,439,615</u>
15.22	<u>correctional state employees retirement plan</u>	<u>\$10,446,018</u>
15.23	<u>State Patrol retirement plan</u>	<u>\$11,970,568</u>
15.24	<u>legislators retirement plan</u>	<u>\$90,714</u>
15.25	<u>judges retirement plan</u>	<u>\$293,032</u>
15.26	<u>general public employees retirement plan</u>	<u>\$170,093,422</u>
15.27	<u>public employees police and fire retirement plan</u>	<u>\$19,397,371</u>
15.28	<u>local government correctional service retirement plan</u>	<u>\$5,255,535</u>
15.29	<u>teachers retirement plan</u>	<u>\$176,166,838</u>
15.30	<u>St. Paul teachers retirement plan</u>	<u>\$15,746,887</u>

15.31 (b) Each allocation is directly appropriated to the pension fund for each pension plan
 15.32 by the commissioner of management and budget.

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

16.1 Sec. 2. **APPROPRIATION; STATEWIDE VOLUNTEER FIREFIGHTER PLAN.**

16.2 **Subdivision 1. Definitions.** For purposes of this section:

16.3 (1) "association" means the Public Employees Retirement Association;

16.4 (2) "commission" means the Legislative Commission on Pensions and Retirement;

16.5 (3) "incentive program" means the program established by this section for paying
16.6 monetary incentives to join the statewide plan, to be deposited in the account of each fire
16.7 department joining the statewide plan and used to fund retirement benefits for the fire
16.8 department's volunteer firefighters;

16.9 (4) "relief association" means volunteer firefighter relief association; and

16.10 (5) "statewide plan" means the statewide volunteer firefighter plan.

16.11 **Subd. 2. Account created.** The statewide volunteer firefighter incentive account is
16.12 created within the statewide volunteer firefighter fund. \$5,000,000 in fiscal year 2024 is
16.13 transferred from the general fund to the statewide volunteer firefighter incentive account
16.14 to fund payments for deposit into the plan account of each fire department when its affiliated
16.15 volunteer firefighter relief association joins the statewide volunteer firefighter plan. This
16.16 appropriation is a one-time appropriation and the funds are available until expended.

16.17 **Subd. 3. Statewide volunteer firefighter plan incentive program.** (a) The executive
16.18 director of the association must prepare an outline of the incentive program. This outline
16.19 must be delivered to the members of the commission by January 5, 2024. The incentive
16.20 program must benefit fire departments joining the statewide plan on or after January 1,
16.21 2024, and the first payments must be made no later than December 31, 2024.

16.22 (b) The executive director of the association must work with the staff of the commission
16.23 to prepare legislation to add a defined contribution component to the statewide plan and
16.24 make other statutory changes as appropriate to encourage fire departments and their affiliated
16.25 relief associations to join the statewide plan. The proposed legislation must be delivered to
16.26 members of the commission no later than January 5, 2024.

16.27 (c) The executive director of the association must prepare an annual report on the
16.28 incentive program to be delivered to the commission until the appropriation is expended.

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

17.1 Sec. 3. **APPROPRIATION; LEGISLATIVE COORDINATING COMMISSION.**

17.2 \$100,000 in fiscal year 2024 is appropriated from the general fund to the Legislative
17.3 Coordinating Commission for the Legislative Commission on Pensions and Retirement to
17.4 provide funding for additional independent actuarial cost assessments for the Legislative
17.5 Commission on Pensions and Retirement to make informed decisions on pension policy
17.6 and legislation. This appropriation is a one-time appropriation and the funds are available
17.7 until expended.

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

17.9 **ARTICLE 7**

17.10 **MINNESOTA SECURE CHOICE RETIREMENT PROGRAM**

17.11 Section 1. **[187.01] MINNESOTA SECURE CHOICE RETIREMENT PROGRAM;**
17.12 **CITATION.**

17.13 This chapter shall be known as and may be cited as the "Minnesota Secure Choice
17.14 Retirement Program Act."

17.15 Sec. 2. **[187.03] DEFINITIONS.**

17.16 Subdivision 1. **Applicability.** For purposes of this chapter, the terms defined in this
17.17 section have the meanings given them.

17.18 Subd. 2. **Board.** "Board" or "board of directors" means the board of directors of the
17.19 Minnesota Secure Choice retirement program.

17.20 Subd. 3. **Compensation.** "Compensation" means compensation within the meaning of
17.21 Section 219(f)(1) of the Internal Revenue Code that is received by a covered employee
17.22 from, or with respect to service performed for, a covered employer.

17.23 Subd. 4. **Contribution rate.** "Contribution rate" means the percentage of compensation
17.24 withheld from a covered employee's compensation and deposited in an account established
17.25 for the covered employee under the program.

17.26 Subd. 5. **Covered employee.** (a) "Covered employee" means a person who is employed
17.27 by a covered employer and who satisfies any other criteria established by the board.

17.28 (b) Covered employee does not include:

17.29 (1) a person who, on December 31 of the preceding calendar year, was younger than 18
17.30 years of age;

18.1 (2) a person covered under the federal Railway Labor Act, as amended, United States
18.2 Code, title 45, sections 151 et seq.;

18.3 (3) a person on whose behalf an employer makes contributions to a Taft-Hartley
18.4 multiemployer pension trust fund; or

18.5 (4) a person employed by the government of the United States, another country, the state
18.6 of Minnesota, another state, or any subdivision thereof.

18.7 Subd. 6. **Covered employer.** (a) "Covered employer" means a person or entity:

18.8 (1) engaged in a business, industry, profession, trade, or other enterprise in Minnesota,
18.9 whether for profit or not for profit;

18.10 (2) that employs five or more covered employees; and

18.11 (3) that does not sponsor or contribute to and did not in the immediately preceding 12
18.12 months sponsor or contribute to a retirement savings plan for its employees.

18.13 (b) Covered employer does not include:

18.14 (1) an employer that has not engaged in a business, industry, profession, trade, or other
18.15 enterprise in Minnesota, whether for profit or not for profit, at any time during the
18.16 immediately preceding 12 months; and

18.17 (2) a state or federal government or any political subdivision thereof.

18.18 Subd. 7. **Executive director.** "Executive director" means the chief executive and
18.19 administrative head of the program.

18.20 Subd. 8. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue
18.21 Code of 1986, as amended, United States Code, title 26.

18.22 Subd. 9. **Program.** "Program" means the Minnesota Secure Choice retirement program.

18.23 Subd. 10. **Retirement savings plan.** "Retirement savings plan" means a plan or program
18.24 offered by an employer that permits contributions to be set aside for retirement on a pretax
18.25 or after-tax basis and permits all employees of the employer to participate except those
18.26 employees who have not satisfied participation eligibility requirements that are no more
18.27 restrictive than the eligibility requirements permitted under section 410(b) of the Internal
18.28 Revenue Code. Retirement savings plan includes but is not limited to a plan described in
18.29 section 401(a) of the Internal Revenue Code, an annuity plan or annuity contract described
18.30 in section 403(a) or 403(b) of the Internal Revenue Code, a plan within the meaning of
18.31 section 457(b) of the Internal Revenue Code, a simplified employee pension (SEP) plan, a
18.32 savings incentive match plan for employees (SIMPLE) plan, an automatic enrollment payroll

19.1 deduction individual retirement account, and a multiemployer pension plan described in
19.2 section 414(f) of the Internal Revenue Code.

19.3 Subd. 11. **Secure Choice administrative fund.** "Secure Choice administrative fund"
19.4 or "administrative fund" means the fund established under section 187.06, subdivision 2.

19.5 Subd. 12. **Secure Choice trust.** "Secure Choice trust" or "trust" means a trust established
19.6 under section 187.06, subdivision 1, to hold contributions and investment earnings thereon
19.7 under the program.

19.8 Subd. 13. **Roth IRA.** "Roth IRA" means an individual retirement account established
19.9 under section 408A of the Internal Revenue Code to hold and invest after-tax assets.

19.10 Subd. 14. **Traditional IRA.** "Traditional IRA" means an individual retirement account
19.11 established under section 408 of the Internal Revenue Code to hold and invest pretax assets.

19.12 Sec. 3. **[187.05] SECURE CHOICE RETIREMENT PROGRAM.**

19.13 Subdivision 1. **Program established.** (a) The board must operate an employee retirement
19.14 savings program whereby employee payroll deduction contributions are transmitted on an
19.15 after-tax or pretax basis by covered employers to individual retirement accounts established
19.16 under the program.

19.17 (b) The board must establish procedures for opening a Roth IRA, a traditional IRA, or
19.18 both a Roth IRA and a traditional IRA for each covered employee whose covered employer
19.19 transmits employee payroll deduction contributions under the program.

19.20 (c) Contributions must be made on an after-tax (Roth) basis, unless the covered employee
19.21 elects to contribute on a pretax basis.

19.22 Subd. 2. **Compliance with Internal Revenue Code.** The board must establish and
19.23 administer each Roth IRA and traditional IRA opened under the program in compliance
19.24 with section 408 or 408A of the Internal Revenue Code, as applicable, for the benefit of the
19.25 covered employee for whom the account was opened.

19.26 Subd. 3. **Contributions held in trust.** Each covered employer must transmit employee
19.27 payroll deduction contributions to an account established for the benefit of the covered
19.28 employee in a trust established to hold contributions under the program.

19.29 Subd. 4. **Contribution rate.** (a) The board must establish default, minimum, and
19.30 maximum employee contribution rates and an escalation schedule to automatically increase
19.31 each covered employee's contribution rate annually until the contribution rate is equal to
19.32 the maximum contribution rate.

20.1 (b) A covered employee must have the right, annually or more frequently as determined
20.2 by the board, to change the contribution rate, opt out or elect not to contribute, or cease
20.3 contributions.

20.4 Subd. 5. **Vesting.** Covered employees are 100 percent vested in their accounts at all
20.5 times.

20.6 Subd. 6. **Withdrawals and distributions.** The board must establish alternatives
20.7 permitting covered employees to take a withdrawal of all or a portion of the covered
20.8 employee's account while employed and one or more distributions following termination
20.9 of employment. Distribution alternatives must include lifetime income options.

20.10 Subd. 7. **Individuals not employed by a covered employer.** The board may allow
20.11 individuals to open and contribute to an account in the program, in which case the individual
20.12 shall be considered a covered employee for purposes of sections 187.05 to 187.12.

20.13 Sec. 4. **[187.06] ESTABLISHMENT OF SECURE CHOICE TRUST AND**
20.14 **ADMINISTRATIVE FUND; EMPLOYEE ACCOUNTS; INVESTMENTS.**

20.15 Subdivision 1. **Secure Choice trust established.** The Secure Choice trust is established
20.16 as an instrumentality of the state to hold employee payroll deduction contributions and
20.17 earnings on the contributions. The board must appoint a financial institution to act as trustee
20.18 or custodian. The trustee or custodian must manage and administer trust assets for the
20.19 exclusive purposes of providing benefits and defraying reasonable expenses of administering
20.20 the program.

20.21 Subd. 2. **Secure Choice administrative fund established; money appropriated.** (a)
20.22 The Secure Choice administrative fund is established in the state treasury as a fund separate
20.23 and apart from the Secure Choice trust.

20.24 (b) The board of directors may assess administrative fees on each covered employee's
20.25 account to be applied toward the expenses of administering the program. Money in the
20.26 administrative fund is appropriated to the board to pay administrative expenses of
20.27 administering the program if fees from the trust are not sufficient to cover expenses. The
20.28 board must determine which administrative expenses will be paid using money in the
20.29 administrative fund and which administrative expenses will be paid using money in the trust
20.30 in the exercise of its fiduciary duty.

20.31 (c) The board may receive and deposit into the administrative fund any gifts, grants,
20.32 donations, loans, appropriations, or other moneys designated for the administrative fund
20.33 from the state, any unit of federal or local government, any other entity, or any person.

21.1 (d) Any interest or investment earnings that are attributable to money in the administrative
21.2 fund must be deposited into the administrative fund.

21.3 Subd. 3. **Individual accounts established.** The trustee or custodian, as applicable, must
21.4 maintain an account for employee payroll deduction contributions with respect to each
21.5 covered employee. Interest and earnings on the amount in the account are credited to the
21.6 account and losses are deducted.

21.7 Subd. 4. **Investments.** The board must make available for investment a diversified array
21.8 of investment funds selected by the State Board of Investment. Members of the board, the
21.9 executive director and members of the State Board of Investment, and all other fiduciaries
21.10 are relieved of fiduciary responsibility for investment losses resulting from a covered
21.11 employee's investment directions. Each covered employee is entitled to direct the investment
21.12 of the contributions credited to the covered employee's account in the trust and earnings on
21.13 the contributions into the array of investment funds selected by the State Board of Investment.

21.14 Subd. 5. **Default investment fund.** The board must designate a default investment fund
21.15 that is diversified to minimize the risk of large losses and consists of target date funds, a
21.16 balanced fund, a capital preservation fund, or any combination of the foregoing funds.
21.17 Accounts for which no investment direction has been given by the covered employee must
21.18 be invested in the default investment fund. Members of the board, the executive director of
21.19 the State Board of Investment, and all other fiduciaries are relieved of fiduciary duty with
21.20 regard to investment of assets in the default investment fund.

21.21 Subd. 6. **Inalienability of accounts.** No account under the program is subject to
21.22 assignment or alienation, either voluntarily or involuntarily, or to the claims of creditors,
21.23 except as provided in section 518.58.

21.24 Subd. 7. **Accounts not property of the state or covered employers.** The assets of the
21.25 Secure Choice trust shall be preserved, invested, and expended solely for the purposes of
21.26 the trust and no property rights in the trust assets shall exist in favor of the state or any
21.27 covered employer. The assets of the Secure Choice trust shall not be transferred or used by
21.28 the state for any purpose other than the purposes of the trust, including reasonable
21.29 administrative expenses of the program. Amounts deposited in the trust shall not constitute
21.30 property of the state and shall not be commingled with state funds, and the state shall have
21.31 no claim to or against, or interest in, the assets of the Secure Choice trust.

22.1 **Sec. 5. [187.07] RESPONSIBILITIES OF COVERED EMPLOYERS.**

22.2 **Subdivision 1. Requirement to enroll employees.** Each covered employer must enroll
22.3 its covered employees in the program and withhold payroll deduction contributions from
22.4 each covered employee's paycheck, unless the covered employee has elected not to contribute.

22.5 **Subd. 2. Remitting contributions.** A covered employer must timely remit contributions
22.6 as required by the board.

22.7 **Subd. 3. Distribution of information.** Covered employers must provide information
22.8 prepared by the board to all covered employees regarding the program. The information
22.9 must be provided to each covered employee at least 30 days prior to the date of the first
22.10 paycheck from which employee contributions could be deducted for transmittal to the
22.11 program, if the covered employee does not elect to opt out of the program.

22.12 **Subd. 4. No fiduciary responsibility.** Except for the responsibilities described in
22.13 subdivisions 1 to 3, a covered employer has no obligations to covered employees and is not
22.14 a fiduciary for any purpose under the program or in connection with the Secure Choice
22.15 trust. Covered employers are not responsible for the administration, investment performance,
22.16 plan design, or benefits paid to covered employees.

22.17 **Subd. 5. Employer liability.** A covered employer is not liable to a covered employee
22.18 for damages alleged to have resulted from a covered employee's participation in or failure
22.19 to participate in the program.

22.20 **Subd. 6. Enforcement.** (a) The board may impose statutory civil penalties against any
22.21 covered employer that fails to comply with subdivisions 1, 2, and 3.

22.22 (b) At the request of the board, the attorney general shall enforce the penalties imposed
22.23 by the board against a covered employer. Proceeds of such penalties, after deducting
22.24 enforcement expenses, must be deposited in the Secure Choice administrative fund and are
22.25 appropriated to the program.

22.26 (c) The board must provide covered employers with written warnings for the first year
22.27 of noncompliance before assessing penalties.

22.28 **Sec. 6. [187.08] SECURE CHOICE RETIREMENT PROGRAM BOARD OF**
22.29 **DIRECTORS.**

22.30 **Subdivision 1. Membership.** The policy-making function of the program is vested in a
22.31 board of directors consisting of seven members as follows:

23.1 (1) the executive director of the Minnesota State Retirement System or the executive
23.2 director's designee;

23.3 (2) the executive director of the State Board of Investment or the executive director's
23.4 designee;

23.5 (3) three members chosen by the Legislative Commission on Pensions and Retirement,
23.6 one from each of the following experience categories:

23.7 (i) executive or operations manager with substantial experience in record keeping 401(k)
23.8 plans;

23.9 (ii) executive or operations manager with substantial experience in individual retirement
23.10 accounts; and

23.11 (iii) executive or other professional with substantial experience in retirement plan
23.12 investments;

23.13 (4) a human resources or retirement benefits executive from a private company with
23.14 substantial experience in administering the company's 401(k) plan, appointed by the governor;
23.15 and

23.16 (5) a small business owner or executive appointed by the governor.

23.17 Subd. 2. **Appointment.** Members appointed by the governor must be appointed as
23.18 provided in section 15.0597.

23.19 Subd. 3. **Membership terms.** (a) Board members serve for two-year terms, except for
23.20 the executive directors of the Minnesota State Retirement System and the State Board of
23.21 Investment, who serve indefinitely.

23.22 (b) Board members' terms may be renewed, but no member may serve more than two
23.23 consecutive terms.

23.24 Subd. 4. **Resignation; removal; vacancies.** (a) A board member may resign at any time
23.25 by giving written notice to the board.

23.26 (b) A board member may be removed by the appointing authority and a majority vote
23.27 of the board following notice and hearing before the board. For purposes of this subdivision,
23.28 the chair may invite the appointing authority or a designee of the appointing authority to
23.29 serve as a voting member of the board if necessary to constitute a quorum.

23.30 (c) If a vacancy occurs, the Legislative Commission on Pensions and Retirement or the
23.31 governor, as applicable, shall appoint a new member within 90 days.

24.1 Subd. 5. **Compensation.** Public members are compensated and expenses reimbursed as
24.2 provided under section 15.0575, subdivision 3.

24.3 Subd. 6. **Chair.** The board shall select a chair from among its members. The chair shall
24.4 serve a two-year term. The board may select other officers as necessary to assist the board
24.5 in performing the board's duties.

24.6 Subd. 7. **Executive director; staff.** The board must appoint an executive director,
24.7 determine the duties of the director, and set the compensation of the executive director. The
24.8 board may also hire staff as necessary to support the board in performing its duties.

24.9 Subd. 8. **Duties.** In addition to the duties set forth elsewhere in this chapter, the board
24.10 has the following duties:

24.11 (1) to establish secure processes for enrolling covered employees in the program and
24.12 for transmitting employee and employer contributions to accounts in the trust;

24.13 (2) to prepare a budget and establish procedures for the payment of costs of administering
24.14 and operating the program;

24.15 (3) to lease or otherwise procure equipment necessary to administer the program;

24.16 (4) to procure insurance in connection with the property of the program and the activities
24.17 of the board, executive director, and other staff;

24.18 (5) to determine the following:

24.19 (i) any criteria for "covered employee" other than employment with a covered employer
24.20 under section 187.03, subdivision 5;

24.21 (ii) contribution rates and an escalation schedule under section 187.05, subdivision 4;

24.22 (iii) withdrawal and distribution options under section 187.05, subdivision 6; and

24.23 (iv) the default investment fund under section 187.06, subdivision 5;

24.24 (6) to keep annual administrative fees, costs, and expenses as low as possible:

24.25 (i) except that any administrative fee assessed against the accounts of covered employees
24.26 may not exceed a reasonable amount relative to the fees charged by auto-IRA or defined
24.27 contribution programs of similar size in the state of Minnesota or another state; and

24.28 (ii) the fee may be asset-based, flat fee, or a hybrid combination of asset-based and flat
24.29 fee;

24.30 (7) to determine the eligibility of an employer, employee, or other individual to participate
24.31 in the program and review and decide claims for benefits and make factual determinations;

25.1 (8) to prepare information regarding the program that is clear and concise for
25.2 dissemination to all covered employees and includes the following:

25.3 (i) the benefits and risks associated with participating in the program;

25.4 (ii) procedures for enrolling in the program and opting out of the program, electing a
25.5 different or zero percent employee contribution rate, making investment elections, applying
25.6 for a distribution of employee accounts, and making a claim for benefits;

25.7 (iii) the federal and state income tax consequences of participating in the program, which
25.8 may consist of or include the disclosure statement required to be distributed by retirement
25.9 plan trustees or custodians under the Internal Revenue Code and the Treasury Regulations
25.10 thereunder;

25.11 (iv) how to obtain additional information on the program; and

25.12 (v) disclaimers of covered employer and state responsibility, including the following
25.13 statements:

25.14 (A) covered employees seeking financial, investment, or tax advice should contact their
25.15 own advisors;

25.16 (B) neither covered employers nor the state of Minnesota are liable for decisions covered
25.17 employees make regarding their account in the program;

25.18 (C) neither a covered employer nor the state of Minnesota guarantees the accounts in
25.19 the program or any particular investment rate of return; and

25.20 (D) neither a covered employer nor the state of Minnesota monitors or has an obligation
25.21 to monitor any covered employee's eligibility under the Internal Revenue Code to make
25.22 contributions to an account in the program, or whether the covered employee's contributions
25.23 to an account in the program exceed the maximum permissible contribution under the
25.24 Internal Revenue Code;

25.25 (9) to publish an annual financial report, prepared according to generally accepted
25.26 accounting principles, on the operations of the program, which must include but not be
25.27 limited to costs attributable to the use of outside consultants, independent contractors, and
25.28 other persons who are not state employees and deliver the report to the chairs and ranking
25.29 minority members of the legislative committees with jurisdiction over jobs and economic
25.30 development and state government finance, the executive directors of the State Board of
25.31 Investment and the Legislative Commission on Pensions and Retirement, and the Legislative
25.32 Reference Library;

26.1 (10) to publish an annual report regarding plan outcomes, progress toward savings goals
26.2 established by the board, statistics on covered employees and participating employers, plan
26.3 expenses, estimated impact of the program on social safety net programs, and penalties and
26.4 violations and deliver the report to the chairs and ranking minority members of the legislative
26.5 committees with jurisdiction over jobs and economic development and state government
26.6 finance, the executive directors of the State Board of Investment and the Legislative
26.7 Commission on Pensions and Retirement, and the Legislative Reference Library;

26.8 (11) to file all reports required under the Internal Revenue Code or chapter 290;

26.9 (12) to, at the board's discretion, seek and accept gifts, grants, and donations to be used
26.10 for the program, unless such gifts, grants, or donations would result in a conflict of interest
26.11 relating to the solicitation of service provider for program administration, and deposit such
26.12 gifts, grants, or donations in the Secure Choice administrative fund;

26.13 (13) to, at the board's discretion, seek and accept appropriations from the state or loans
26.14 from the state or any agency of the state;

26.15 (14) to assess the feasibility of partnering with another state or a governmental subdivision
26.16 of another state to administer the program through shared administrative resources and, if
26.17 determined beneficial, enter into contracts, agreements, memoranda of understanding, or
26.18 other arrangements with any other state or an agency or subdivision of any other state to
26.19 administer, operate, or manage any part of the program, which may include combining
26.20 resources, investments, or administrative functions;

26.21 (15) to hire, retain, and terminate third-party service providers as the board deems
26.22 necessary or desirable for the program, including but not limited to the trustees, consultants,
26.23 investment managers or advisors, custodians, insurance companies, recordkeepers,
26.24 administrators, consultants, actuaries, legal counsel, auditors, and other professionals,
26.25 provided that each service provider is authorized to do business in the state;

26.26 (16) to interpret the program's governing documents and this chapter and make all other
26.27 decisions necessary to administer the program;

26.28 (17) to conduct comprehensive employer and worker education and outreach regarding
26.29 the program that reflect the cultures and languages of the state's diverse workforce population,
26.30 which may, in the board's discretion, include collaboration with state and local government
26.31 agencies, community-based and nonprofit organizations, foundations, vendors, and other
26.32 entities deemed appropriate to develop and secure ongoing resources; and

27.1 (18) to prepare notices for delivery to covered employees regarding the escalation
27.2 schedule and to each covered employee before the covered employee is subject to an
27.3 automatic contribution increase.

27.4 Subd. 9. **Rules.** The board of directors is authorized to adopt rules as necessary to
27.5 implement this chapter.

27.6 Subd. 10. **Conflict of interest; economic interest statement.** No member of the board
27.7 may participate in deliberations or vote on any matter before the board that will or is likely
27.8 to result in direct, measurable economic gain to the member or the member's family. Members
27.9 of the board shall file with the Campaign Finance and Public Disclosure Board an economic
27.10 interest statement in a manner as prescribed by section 10A.09, subdivisions 5 and 6.

27.11 Sec. 7. **[187.09] FIDUCIARY DUTY; STANDARD OF CARE.**

27.12 (a) The members of the board, the executive director of the program, the executive
27.13 director and members of the State Board of Investment, and any person who controls the
27.14 disposition or investment of the assets of the Secure Choice trust:

27.15 (1) owe a fiduciary duty to the covered employees who participate in the program and
27.16 their beneficiaries;

27.17 (2) must administer the program solely for the exclusive benefit of such covered
27.18 employees and their beneficiaries, and for the exclusive purpose of providing benefits and
27.19 paying reasonable plan expenses;

27.20 (3) are subject to the standard of care established in section 356A.04, subdivision 2; and

27.21 (4) are indemnified and held harmless by the state of Minnesota for the reasonable costs,
27.22 expenses, or liability incurred as a result of any actual or threatened litigation or
27.23 administrative proceeding arising out of the performance of the person's duties.

27.24 (b) Except as otherwise established in this chapter, the fiduciaries under paragraph (a)
27.25 owe no other duty to covered employees, express or implied, in common law or otherwise.

27.26 Sec. 8. **[187.10] NO STATE LIABILITY.**

27.27 The state has no liability for the payment of, the amount of, or losses to any benefit to
27.28 any participant in the program.

28.1 **Sec. 9. [187.11] OTHER STATE AGENCIES TO PROVIDE ASSISTANCE.**

28.2 (a) The board may enter into intergovernmental agreements with the commissioner of
28.3 revenue, the commissioner of labor and industry, and any other state agency that the board
28.4 deems necessary or appropriate to provide outreach, technical assistance, or compliance
28.5 services. An agency that enters into an intergovernmental agreement with the board pursuant
28.6 to this section must collaborate and cooperate with the board to provide the outreach,
28.7 technical assistance, or compliance services under any such agreement.

28.8 (b) The commissioner of administration must provide office space in the Capitol complex
28.9 for the executive director and staff of the program.

28.10 **Sec. 10. MINNESOTA SECURE CHOICE RETIREMENT PROGRAM; START**
28.11 **OF OPERATIONS.**

28.12 Subdivision 1. **Program start; phasing.** (a) The board of directors of the Minnesota
28.13 Secure Choice retirement program must begin operation of the secure choice retirement
28.14 program under Minnesota Statutes, section 187.05, by January 1, 2025.

28.15 (b) The board of directors must open the program in phases, and the last phase must be
28.16 opened no later than two years after the opening of the first phase.

28.17 Subd. 2. **Board appointments; first meeting.** Appointing authorities must make
28.18 appointments to the board of directors under Minnesota Statutes, section 187.08, by January
28.19 15, 2024. The Legislative Commission on Pensions and Retirement must designate one
28.20 member of the board to convene the first meeting of the board of directors by March 1,
28.21 2024. At the first meeting, the board shall elect a chair.

28.22 **Sec. 11. BOARD SUPPORT UNTIL APPOINTMENT OF EXECUTIVE DIRECTOR.**

28.23 With the assistance of the Legislative Coordinating Commission, the executive director
28.24 of the Legislative Commission on Pensions and Retirement must:

28.25 (1) provide notice to members of the board regarding the first meeting of the board and
28.26 work with the chair designated under Minnesota Statutes, section 187.08, subdivision 7, to
28.27 determine the agenda and provide meeting support; and

28.28 (2) serve as the interim executive director to assist the board until the board completes
28.29 the search, recruitment, and interview process and appoints the executive director under
28.30 Minnesota Statutes, section 187.08, subdivision 8.

29.1 **Sec. 12. BOARD TO RECOMMEND PENALTIES TO THE LEGISLATIVE**
 29.2 **COMMISSION ON PENSIONS AND RETIREMENT.**

29.3 No later than December 31, 2024, the board of directors of the Minnesota Secure Choice
 29.4 retirement program must recommend to the Legislative Commission on Pensions and
 29.5 Retirement penalties for failure by covered employers to comply with Minnesota Statutes,
 29.6 section 187.07, subdivisions 1, 2, and 3. The penalties for a failure to comply with section
 29.7 187.07, subdivision, subdivision 2, must be commensurate with penalties for failure to remit
 29.8 state payroll taxes and, for any other compliance failure, commensurate with penalties under
 29.9 similar programs in other states. The Legislative Commission on Pensions and Retirement
 29.10 must accept or modify the recommendation and recommend legislation for passage during
 29.11 the 2025 legislative session.

29.12 **Sec. 13. TRANSFERS.**

29.13 \$5,000,000 in fiscal year 2024 is transferred from the general fund to the Secure Choice
 29.14 administrative fund established under Minnesota Statutes, section 187.06, to establish and
 29.15 administer the Secure Choice retirement program. The funds are available until expended.

29.16 **Sec. 14. EFFECTIVE DATE.**

29.17 Sections 1 to 4 and 6 to 13 are effective the day following final enactment. Section 5 is
 29.18 effective the day after the Secure Choice retirement program board of directors opens the
 29.19 Secure Choice retirement savings program for enrollment of covered employees."

29.20 Delete the title and insert:

29.21 "A bill for an act

29.22 relating to retirement; reducing the actuarial assumption for investment rate of
 29.23 return; eliminating the delay to normal retirement age on the commencement of
 29.24 postretirement adjustments and reducing the vesting requirement for the general
 29.25 employees retirement plans of the Minnesota State Retirement System and the
 29.26 Public Employees Retirement Association; modifying the postretirement adjustment
 29.27 for the local government correctional service retirement plan; providing a one-time
 29.28 postretirement adjustment to all pension plan members; temporarily reducing the
 29.29 employee contribution rate for the general state employees retirement plan;
 29.30 modifying the expiration date for supplemental employer contributions to the State
 29.31 Patrol and correctional state employees plans and for the state aid to the judges
 29.32 plan; providing for an unreduced retirement annuity upon reaching age 62 with
 29.33 30 years of service and increasing the employee contribution rate for the St. Paul
 29.34 Teachers Retirement Fund Association; establishing the Minnesota Secure Choice
 29.35 Retirement Program; appropriating money for one-time direct state aids to the
 29.36 pension plans, an incentive program to be established at the statewide volunteer
 29.37 firefighter plan, the Legislative Commission on Pensions and Retirement for
 29.38 actuarial services to assess the actuarial cost of pension legislation, and the
 29.39 Minnesota Secure Choice Retirement Program; amending Minnesota Statutes
 29.40 2022, sections 352.04, subdivision 2; 352.115, subdivision 1; 352.92, subdivision

- 30.1 2a; 352B.02, subdivision 1c; 353.01, subdivision 47; 354A.12, subdivision 1;
- 30.2 354A.31, subdivision 7, by adding a subdivision; 356.215, subdivision 8; 356.415,
- 30.3 subdivisions 1, 1b, 1g; 490.123, subdivision 5; proposing coding for new law as
- 30.4 Minnesota Statutes, chapter 187."