

Brief Summary of Pension Legislation Enacted in 2023

Prepared by: Sean Kelly, Deputy Director
Susan Lenczewski, Executive Director

October 27, 2023

2023 Omnibus Pension Budget Bill — Chapter 45; HF 3100

- **One-time State Aids:** Appropriates \$485,900,000 in state aids, allocated roughly on the basis of accrued liabilities, among the statewide public pension plans and St. Paul Teachers Retirement Fund Association (St. Paul Teachers).
- **One-time COLA:** Requires payment of a cost-of-living adjustment (COLA) of up to 4% for basic retirees and up to 2.5% for coordinated retirees in the statewide public pension plans and St. Paul Teachers.
- **Elimination of COLA Delay:** Eliminates the delay to normal retirement age for starting COLAs for the MSRS and PERA General Plans.
- **Decrease in ROR Assumption:** Reduces the actuarial assumption for investment rate of return from 7.5% to 7% for the statewide public pension plans and St. Paul Teachers.
- **Employee Contribution Increase:** From 5.5% to 6% of pay beginning July 1, 2025, for the MSRS General Plan.
- **Shorter Vesting:** From 5 years to 3 years for the MSRS and PERA General Plans.
- **St. Paul Teachers:** Adds the new benefit of an unreduced pension at age 62 with 30 years of service, funded by an increase in the employee contribution from 7.75% to 8.75% of pay beginning July 1, 2025 (which is further increased in the Omnibus Tax Bill, below).
- **New SVF Incentive Program:** Establishes the Statewide Volunteer Firefighter Incentive Program with \$5 million in funding, to incentivize volunteer firefighter relief associations to join the PERA Statewide Volunteer Firefighter Plan (SVF Plan).

2023 Omnibus Pension Policy Bill — Chapter 47; HF 2950

- **Military Service Credit.** Extends the period during which a member can purchase service credit for a military leave from one year to three years for the Teachers Retirement Association (TRA), St. Paul Teachers, and the Judges Plan (and expands military service purchases under this plan).
- **PERA Defined Contribution Plan.** Expands eligibility to “appointed” local government officials.
- **Pension Changes for Individuals.** Including two Metro Airport Police Officers, five MN State employees for transfer from the MN State Individual Retirement Account Plan (IRAP) to TRA, and a state correctional officer.
- **Work Group for IRAP to TRA Transfers.** Requires LCPR staff to convene a work group, to recommend legislation for transfers from the MN State IRAP to TRA.
- **St. Paul Teachers.** Authorizes retirees to elect a survivor annuity for a same sex spouse.
- **SVF Plan.** Expands vesting credit to include service with any prior relief association and merges the Hamel and Loretto fire departments after they join the SVF Plan.
- **Increase in Audit Threshold for Volunteer Firefighter Relief Associations.** From \$500,000 to \$750,000 in assets or liabilities in a prior year to reduce the number of reliefs that need an audit.

Minnesota Secure Choice Retirement Program — Chapter 46; HF 782

- **Program Basics.** Establishes the Minnesota Secure Choice Retirement Program, a state-sponsored program that requires private sector employers with five or more employees and without a retirement/401(k) plan to send deductions from each employee's pay to the State for deposit in an individual retirement account (IRA) for the employee. IRAs will be invested at the direction of the employee in investment funds overseen by the State Board of Investment.
- **Board of Directors.** Requires the appointment of a 7-person board of directors, which must meet by March 1, 2024, to begin the process of hiring an executive director and determining program terms and conditions.
- **Start Date.** Authorizes the program to begin operation after 2024 with a two-year phase-in.
- **Appropriation.** \$5 million for the costs of establishing the program.

Modifying disability benefits for public safety officers — Chapter 48; HF 1234

- **Appropriation.** \$100 million to the public safety officer's benefit account, to reimburse public employers for the costs of providing continued health coverage to officers on duty disability and the new psychological condition treatment and administrative costs of the Department of Public Safety; \$1 million and \$3 million to accounts for administrative costs of MSRS and PERA.
- **Total and Permanent Disability.** Adds this benefit to the MSRS State Patrol Plan at 99% of pay and increases the benefit under the PERA Police and Fire Plan (P&F Plan) to 99% of pay.
- **Psychological Condition Treatment.** Requires completion of this treatment to be eligible for duty disability based on a psychological condition under the State Patrol and P&F Plans.
- **Shorter Vesting.** For the P&F Plan, from 10-20 years to 5-10 years.
- **Reapplication.** For the P&F Plan, clarifies the process for verifying that a disability is ongoing.

2023 Omnibus Tax Bill — Chapter 64; HF 1938

- **Normal Retirement Age.** Changes from 66 to 65 for Tier II teachers in TRA and St. Paul Teachers effective July 1, 2025.
- **Employee Contribution Increase.** Beginning July 1, 2025, for TRA, from 7.75% to 8% of pay; for St. Paul Teachers, from 7.75% to 9% of pay.
- **Employer Contribution Increase.** Beginning July 1, 2025, for TRA, from 8.75% to 9.5% of pay; for St. Paul Teachers, from 9% to 9.75% of pay, funded by an increase in the pension adjustment revenue for school districts.
- **Amortization Period End Date.** Is extended from June 30, 2048, to June 30, 2053, for TRA.
- **Income Tax Subtraction.** Limited subtraction from income for taxpayers receiving public pension income from state or federal plans who do not also receive Social Security benefits for the service on which the pension income is based (sometimes referred to as "basic members").

2023 Omnibus Higher Education Finance and Policy Bill — Chapter 41; HF 2073

- **Employer Contribution Increase.** From 6% to 8.75% for the MN State IRAP effective May 25, 2023, funded by an appropriation to MN State.