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02/15/2017	606	Introduction and first reading Referred to State Government Finance and Policy and Elections

A bill for an act

relating to retirement; St. Paul Teachers Retirement Fund Association financial solvency measures; increasing employer contribution rates; modifying the investment return actuarial assumption; extending the amortization target date; eliminating postretirement adjustment trigger procedures; authorizing additional funding for school districts to pay for higher teacher retirement employer contribution costs; modifying interest rates charged on certain payments; appropriating money; amending Minnesota Statutes 2016, sections 126C.10, subdivision 37; 354A.011, subdivision 3a; 354A.093, subdivision 6; 354A.096; 354A.12, subdivisions 1a, 2a, 3a, 7; 354A.29, subdivision 7; 354A.34; 354A.38, subdivision 3; 356.215, subdivisions 8, 11; proposing coding for new law in Minnesota Statutes, chapter 356; repealing Minnesota Statutes 2016, section 354A.29, subdivisions 8, 9.

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

Section 1. Minnesota Statutes 2016, section 126C.10, subdivision 37, is amended to read:

Subd. 37. **Pension adjustment revenue.** A school district's pension adjustment revenue equals the sum of:

(1) the greater of zero or the product of:

(i) the difference between the teacher retirement fund employer contribution rate established in section 354.42 or 354A.12 for the current fiscal year and the employer contribution rate for fiscal year 2017; and

(ii) the salaries paid to employees who are members of the Teachers Retirement Association or the St. Paul Teachers Retirement Association for the previous fiscal year; and

(2) the greater of zero or the product of:

~~(1)~~ (i) the difference between the district's adjustment under Minnesota Statutes 2012, section 127A.50, subdivision 1, for fiscal year 2014 per adjusted pupil unit and the state average adjustment under Minnesota Statutes 2012, section 127A.50, subdivision 1, for fiscal year 2014 per adjusted pupil unit; and

~~(2)~~ (ii) the district's adjusted pupil units for the fiscal year.

EFFECTIVE DATE. This section is effective for fiscal year 2018 and later.

Sec. 2. Minnesota Statutes 2016, section 354A.011, subdivision 3a, is amended to read:

Subd. 3a. **Actuarial equivalent.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the appropriate board of trustees based on the experience of that retirement fund association as recommended by the actuary retained under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable ~~preretirement or postretirement interest rate~~ investment return assumption specified in section 356.215, subdivision 8.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 354A.093, subdivision 6, is amended to read:

Subd. 6. **Interest requirements.** The employer shall pay interest on all equivalent employee and employer contribution amounts payable under this section. Interest must be computed at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 5, compounded annually, from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 354A.096, is amended to read:

354A.096 MEDICAL LEAVE.

Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund Association who is on an authorized medical leave of absence and subsequently returns to teaching service is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section

354A.12, subdivisions 1 and 2a, as applied to the member's average full-time monthly salary rate on the date the leave of absence commenced plus ~~annual~~ interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year~~ applicable rate or rates specified in section 356.59, subdivision 5, compounded annually, from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made. The member must pay the total amount required unless the employing unit, at its option, pays the employer contributions. The total amount required must be paid by the end of the fiscal year following the fiscal year in which the leave of absence terminated or before the member retires, whichever is earlier. Payment must be accompanied by a copy of the resolution or action of the employing authority granting the leave and the employing authority, upon granting the leave, must certify the leave to the association in a manner specified by the executive director. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354A.36 and receive allowable service credit under this section for the same period of time.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 354A.12, subdivision 1a, is amended to read:

Subd. 1a. **Obligation for omitted salary deductions.** If the full required contributions are not deducted from the salary of a teacher, payment of the shortage in such deductions is the sole obligation of the employing unit during the three-year period following the end of the fiscal year in which the shortage occurred. The shortage is payable by the employing unit upon notification of the shortage by the executive director of the applicable retirement fund association. The employing unit shall also pay any employer contributions related to the shortage. The amount of the shortage in employee contributions and associated employer contributions is payable with interest at the ~~preretirement interest assumption for the retirement fund as specified in section 356.215, subdivision 8, stated as a monthly rate~~ applicable rate or rates specified in section 356.59, subdivision 5, from the date due until the date payment is received in the office of the association, compounded annually, with a minimum interest charge of $10. If the shortage payment and interest is not paid by the employing unit within 60 days of notification, the executive director shall certify the amount of the shortage payment and interest to the commissioner of management and budget, who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. Minnesota Statutes 2016, section 354A.12, subdivision 2a, is amended to read:

Subd. 2a. **Employer regular and additional contributions.** (a) The employing units shall make the following employer contributions to the teachers retirement fund association:

(1) for ~~any~~ each coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

~~after June 30, 2014~~	~~5.5 percent~~
~~after June 30, 2015~~	~~6 percent~~
after June 30, 2016	6.25 percent
after June 30, 2017	~~6.5~~ 7.5 percent
after June 30, 2018	8.25 percent
after June 30, 2019	8.75 percent
after June 30, 2020	9.5 percent

(2) for ~~any~~ each basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount according to the schedule below:

~~after June 30, 2014~~	~~9 percent of salary~~
~~after June 30, 2015~~	~~9.5 percent of salary~~
after June 30, 2016	9.75 percent of salary
after June 30, 2017	~~10~~ 11 percent of salary
after June 30, 2018	11.75 percent of salary
after June 30, 2019	12.25 percent of salary
after June 30, 2020	13 percent of salary

(3) for ~~a~~ each basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.64 percent of the salary of the basic member;

(4) for ~~a~~ each coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.84 percent of the coordinated member's salary.

(b) The regular and additional employer contributions must be remitted directly to the St. Paul Teachers Retirement Fund Association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

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

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. Minnesota Statutes 2016, section 354A.12, subdivision 3a, is amended to read:

Subd. 3a. **Direct state aid to ~~first class city~~ the St. Paul Teachers Retirement Fund ~~associations~~ Association.** (a) The state shall pay ~~$2,827,000~~ $9,827,000 to the St. Paul Teachers Retirement Fund Association.

(b) In addition to ~~other amounts specified in this subdivision~~ the amount in paragraph (a), the state shall pay ~~$7,000,000~~ $5,000,000 as state aid to the St. Paul Teachers Retirement Fund Association.

(c) The aid under this subdivision is payable October 1 annually. The commissioner of management and budget shall pay the aid specified in this subdivision. The amount required is appropriated annually from the general fund to the commissioner of management and budget.

Sec. 8. Minnesota Statutes 2016, section 354A.12, subdivision 7, is amended to read:

Subd. 7. **Recovery of benefit overpayments.** (a) If the executive director discovers, within the time period specified in subdivision 8 following the payment of a refund or the accrual date of any retirement annuity, survivor benefit, or disability benefit, that benefit overpayment has occurred due to using invalid service or salary, or due to any erroneous calculation procedure, the executive director must recalculate the annuity or benefit payable and recover any overpayment. The executive director shall recover the overpayment by requiring direct repayment or by suspending or reducing the payment of a retirement annuity or other benefit payable under this chapter to the applicable person or the person's estate, whichever applies, until all outstanding amounts have been recovered. If a benefit overpayment or improper payment of benefits occurred caused by a failure of the person to satisfy length of separation requirements for retirement under section 354A.011, subdivision 21, the executive director shall recover the improper payments by requiring direct repayment. The repayment must include interest at the ~~rate of 0.71 percent per month~~ applicable rate or rates specified in section 356.59, subdivision 5, from the first of the month in which a monthly benefit amount was paid to the first of the month in which the amount is repaid, with annual compounding.

(b) In the event the executive director determines that an overpaid annuity or benefit that is the result of invalid salary included in the average salary used to calculate the payment amount must be recovered, the executive director must determine the amount of the employee deductions taken in error on the invalid salary, with interest as determined under 354A.37, subdivision 3, and must subtract that amount from the total annuity or benefit overpayment, and the remaining balance of the overpaid annuity or benefit, if any, must be recovered.

(c) If the invalid employee deductions plus interest exceed the amount of the overpaid benefits, the balance must be refunded to the person to whom the benefit or annuity is being paid.

(d) Any invalid employer contributions reported on the invalid salary must be credited against future contributions payable by the employer.

(e) If a member or former member, who is receiving a retirement annuity or disability benefit for which an overpayment is being recovered, dies before recovery of the overpayment is completed and an optional annuity or refund is payable, the remaining balance of the overpaid annuity or benefit must continue to be recovered from the payment to the optional annuity beneficiary or refund recipient.

(f) The board of trustees shall adopt policies directing the period of time and manner for the collection of any overpaid retirement or optional annuity, and survivor or disability benefit, or a refund that the executive director determines must be recovered as provided under this section.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 354A.29, subdivision 7, is amended to read:

Subd. 7. ~~**Eligibility for payment of**~~ **Postretirement adjustments.** ~~(a) Annually, after June 30, the board of trustees of the St. Paul Teachers Retirement Fund Association must determine the amount of any postretirement adjustment using the procedures in this subdivision and subdivision 8 or 9, whichever is applicable.(b) On~~ Each January 1, each person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter~~, whose effective date of benefit commencement occurred~~ that commenced on or before July 1 of the immediately preceding calendar year ~~immediately before the adjustment, is eligible to~~ will receive ~~a~~ an annual postretirement ~~increase as specified in subdivision 8 or 9.~~ adjustment as follows:

(1) the monthly annuity or benefit amount of each person whose annuity or benefit commenced on or before January 1 of the immediately preceding calendar year shall be increased by one percent of the monthly amount; and

(2) the monthly annuity or benefit amount of each person whose annuity or benefit commenced after January 1 of the immediately preceding calendar year shall be increased by one-half of one percent of the monthly amount.

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

Sec. 10. Minnesota Statutes 2016, section 354A.34, is amended to read:

354A.34 DISPOSITION OF UNPAID PERIOD CERTAIN FOR LIFE OR GUARANTEED REFUND OPTIONAL ANNUITIES.

If a retiree from a coordinated program who has elected a period certain and for life thereafter or a guaranteed refund optional annuity form dies without having a designated beneficiary who has survived the retiree, any remaining unpaid guaranteed annuity payments shall be computed at the rate of interest specified in section 356.215, subdivision 8, and paid in one lump sum to the estate of the retiree. If a retiree from a coordinated program who has elected a period certain and for life or a guaranteed refund optional annuity form dies with a designated beneficiary who has survived the retiree but the designated beneficiary dies without there existing another designated beneficiary, any remaining unpaid guaranteed annuity payments shall be computed with interest at the applicable rate ~~of interest~~ or rates specified in section ~~356.215~~ 356.59, subdivision ~~8~~ 5, and paid in one lump sum to the estate of the designated beneficiary.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 11. Minnesota Statutes 2016, section 354A.38, subdivision 3, is amended to read:

Subd. 3. **Computation of refund repayment amount.** If the coordinated member elects to repay a refund under subdivision 2, the repayment to the fund must be in an amount equal to refunds the member has accepted plus interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 5, compounded annually, from the date that the refund was accepted to the date that the refund is repaid.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 12. Minnesota Statutes 2016, section 356.215, subdivision 8, is amended to read:

Subd. 8. **~~Interest and salary~~ Actuarial assumptions.** (a) The actuarial valuation must use the applicable following ~~interest~~ investment return assumption:

(1) select and ultimate interest rate assumption

plan	ultimate interest rate assumption
teachers retirement plan	8.5%

the select preretirement interest rate assumption for the period through June 30, 2017, is eight percent.

(2) ~~single rate interest rate~~ for all plans other than the teachers retirement plan, the investment return assumption is:

plan	~~interest rate~~ investment return assumption
general state employees retirement plan	8%
correctional state employees retirement plan	8
State Patrol retirement plan	8
legislators retirement plan, and for the constitutional officers calculation of total plan liabilities	0
judges retirement plan	8
general public employees retirement plan	8
public employees police and fire retirement plan	8
local government correctional service retirement plan	8
St. Paul teachers retirement plan	~~8~~ 7.5
Bloomington Fire Department Relief Association	6
local monthly benefit volunteer firefighter relief associations	5
monthly benefit retirement plans in the statewide volunteer firefighter retirement plan	6

(b)~~(1) If funding stability has been attained,~~ The actuarial valuation for each of the covered retirement plans listed in section 356.415, subdivision 2, must ~~use a~~ take into account the postretirement adjustment rate ~~actuarial assumption equal to the postretirement adjustment rate~~ or rates applicable to the plan as specified in section ~~354A.27, subdivision 7;~~ 354A.29, subdivision ~~9;~~ 7, or 356.415~~, subdivision 1~~, whichever applies.

~~(2) If funding stability has not been attained, the valuation must use a select postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate specified in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a, 1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the approved actuary estimates that the plan will attain the defined funding stability measure, and thereafter an ultimate postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate under section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1, for the applicable period or periods beginning when funding stability is projected to be attained.~~

(c) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5%
judges retirement plan	2.75
Bloomington Fire Department Relief Association	4

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
local government correctional service retirement plan	assumption B
St. Paul teachers retirement plan	assumption A

For plans other than the St. Paul teachers retirement plan and the local government correctional service retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for the local government correctional service retirement plan and 15 for the St. Paul

Teachers Retirement Fund Association. The designated percentage rate is 0.2 percent for the St. Paul Teachers Retirement Fund Association.

The ultimate future salary increase assumption is:

age	A	B
16	5.9%	8.75%
17	5.9	8.75
18	5.9	8.75
19	5.9	8.75
20	5.9	8.75
21	5.9	8.5
22	5.9	8.25
23	5.85	8
24	5.8	7.75
25	5.75	7.5
26	5.7	7.25
27	5.65	7
28	5.6	6.75
29	5.55	6.5
30	5.5	6.5
31	5.45	6.25
32	5.4	6.25
33	5.35	6.25
34	5.3	6
35	5.25	6
36	5.2	5.75
37	5.15	5.75
38	5.1	5.75
39	5.05	5.5
40	5	5.5
41	4.95	5.5
42	4.9	5.25
43	4.85	5
44	4.8	5
45	4.75	4.75
46	4.7	4.75

47	4.65	4.75
48	4.6	4.75
49	4.55	4.75
50	4.5	4.75
51	4.45	4.75
52	4.4	4.75
53	4.35	4.75
54	4.3	4.75
55	4.25	4.5
56	4.2	4.5
57	4.15	4.25
58	4.1	4
59	4.05	4
60	4	4
61	4	4
62	4	4
63	4	4
64	4	4
65	4	3.75
66	4	3.75
67	4	3.75
68	4	3.75
69	4	3.75
70	4	3.75

(3) service-related ultimate future salary increase assumption

general state employees retirement plan of the Minnesota State Retirement System	assumption A
general employees retirement plan of the Public Employees Retirement Association	assumption B
Teachers Retirement Association	assumption C
public employees police and fire retirement plan	assumption D
State Patrol retirement plan	assumption E
correctional state employees retirement plan of the Minnesota State Retirement System	assumption F

service length	A	B	C	D	E	F
1	10.25%	11.78%	12%	12.75%	7.75%	5.75%
2	7.85	8.65	9	10.75	7.25	5.6

3	6.65	7.21	8	8.75	6.75	5.45
4	5.95	6.33	7.5	7.75	6.5	5.3
5	5.45	5.72	7.25	6.25	6.25	5.15
6	5.05	5.27	7	5.85	6	5
7	4.75	4.91	6.85	5.55	5.75	4.85
8	4.45	4.62	6.7	5.35	5.6	4.7
9	4.25	4.38	6.55	5.15	5.45	4.55
10	4.15	4.17	6.4	5.05	5.3	4.4
11	3.95	3.99	6.25	4.95	5.15	4.3
12	3.85	3.83	6	4.85	5	4.2
13	3.75	3.69	5.75	4.75	4.85	4.1
14	3.55	3.57	5.5	4.65	4.7	4
15	3.45	3.45	5.25	4.55	4.55	3.9
16	3.35	3.35	5	4.55	4.4	3.8
17	3.25	3.26	4.75	4.55	4.25	3.7
18	3.25	3.25	4.5	4.55	4.1	3.6
19	3.25	3.25	4.25	4.55	3.95	3.5
20	3.25	3.25	4	4.55	3.8	3.5
21	3.25	3.25	3.9	4.45	3.75	3.5
22	3.25	3.25	3.8	4.35	3.75	3.5
23	3.25	3.25	3.7	4.25	3.75	3.5
24	3.25	3.25	3.6	4.25	3.75	3.5
25	3.25	3.25	3.5	4.25	3.75	3.5
26	3.25	3.25	3.5	4.25	3.75	3.5
27	3.25	3.25	3.5	4.25	3.75	3.5
28	3.25	3.25	3.5	4.25	3.75	3.5
29	3.25	3.25	3.5	4.25	3.75	3.5
30 or more	3.25	3.25	3.5	4.25	3.75	3.5

(d) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan of the Minnesota State Retirement System	3.5%
correctional state employees retirement plan	3.5
State Patrol retirement plan	3.5
judges retirement plan	2.75

general employees retirement plan of the Public Employees Retirement Association	3.5
public employees police and fire retirement plan	3.5
local government correctional service retirement plan	3.5
teachers retirement plan	3.75
St. Paul teachers retirement plan	4

(e) The assumptions set forth in paragraphs (c) and (d) continue to apply, unless a different salary assumption or a different payroll increase assumption:

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

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

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

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 13. Minnesota Statutes 2016, section 356.215, subdivision 11, is amended to read:

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

(b) For any retirement plan other than a retirement plan governed by paragraph (d), (e), (f), (g), (h), (i), or (j), if there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by itself or by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding is the first actuarial valuation date occurring after June 1, 2020.

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

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

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

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

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

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

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 8 in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

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

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

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

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

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

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

(i) For the St. Paul Teachers Retirement Fund Association, the established date for full funding is June 30, ~~2042. In addition to other requirements of this chapter, the annual actuarial valuation must contain an exhibit indicating the funded ratio and the deficiency or sufficiency in annual contributions when comparing liabilities to the market value of the assets of the fund as of the close of the most recent fiscal year~~ <u>2047</u>.

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

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

<u>**EFFECTIVE DATE.** This section is effective July 1, 2017.</u>

Sec. 14. **[356.59] INTEREST RATES.**

Subdivision 1. **Applicable interest rates.** Whenever the payment of interest is required with respect to any payment, including refunds, remittances, shortages, contributions, or repayments, the rate of interest is the rate or rates specified in subdivisions 2 to 4 for each public retirement plan.

Subd. 2. **Minnesota State Retirement System.** The interest rates for all retirement plans administered by the Minnesota State Retirement System are as follows:

	Annual	Monthly
before July 1, 2015	8.5 percent	0.71 percent
from July 1, 2015, to June 30, 2017	8.0 percent	0.667 percent
after June 30, 2017	7.5 percent	0.625 percent

Subd. 3. **Public Employees Retirement Association.** The interest rates for all retirement plans administered by the Public Employees Retirement Association are as follows:

	Annual	Monthly
before July 1, 2015	8.5 percent	0.71 percent
from July 1, 2015, to June 30, 2017	8.0 percent	0.667 percent
after June 30, 2017	7.5 percent	0.625 percent

Subd. 4. **Teachers Retirement Association.** The interest rates for the retirement plan administered by the Teachers Retirement Association are as follows:

Annual	Monthly
8.5 percent	0.71 percent

Subd. 5. **St. Paul Teachers Retirement Fund Association.** The interest rates for the retirement plan administered by the St. Paul Teachers Retirement Fund Association are as follows:

	Annual	Monthly
before July 1, 2015	8.5 percent	0.71 percent
from July 1, 2015, to June 30, 2017	8.0 percent	0.667 percent
after June 30, 2017	7.5 percent	0.625 percent

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 15. **REPEALER.**

Minnesota Statutes 2016, section 354A.29, subdivisions 8 and 9, are repealed.

EFFECTIVE DATE. This section is effective July 1, 2017.

354A.29 ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION POSTRETIREMENT ADJUSTMENT.

Subd. 8. **Calculation of postretirement adjustments; percentage based.** (a) For purposes of computing postretirement adjustments for eligible benefit recipients of the St. Paul Teachers Retirement Fund Association, the accrued liability funding ratio based on the actuarial value of assets of the plan as determined by the two most recent actuarial valuations prepared under sections 356.214 and 356.215 determines the postretirement increase, as follows:

Funding ratio	Postretirement increase
Less than 80 percent	1 percent
At least 80 percent but less than 90 percent	2 percent

(b) The amount determined under paragraph (a) is the full postretirement increase to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred after January 1 of the calendar year immediately before the postretirement increase is applied, the amount determined under paragraph (a) must be reduced by 50 percent.

(c) If the accrued liability funding ratio based on the actuarial value of assets is at least 90 percent in two consecutive actuarial valuations, subsequent postretirement increases must be paid as specified in subdivision 9.

(d) If, following a postretirement increase under paragraph (a), the accrued liability funding ratio, based on the actuarial value of assets, falls below 80 percent for two consecutive actuarial valuations, the applicable postretirement increase must be reduced to one percent until January 1 of the calendar year next following the date on which the requirements for an increase under paragraph (a) are again satisfied.

Subd. 9. **Calculation of postretirement adjustments.** (a) This subdivision applies if the requirements of subdivision 8, paragraph (c), have been satisfied.

(b) A percentage adjustment must be paid under this subdivision to eligible persons under subdivision 7.

(c) The amount of 2.5 percent is the full postretirement adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred after January 1 of the calendar year immediately before the postretirement adjustment is applied, the postretirement adjustment amount must be reduced by 50 percent.

(d) In the event the accrued liability funding ratio based on the actuarial value of assets falls below 90 percent for two consecutive actuarial valuations, the applicable postretirement increase must be determined under subdivision 8 until January 1 of the calendar year next following the date on which the requirements of subdivision 8, paragraph (c), are again satisfied.