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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 341

02/04/2013 Authored by Nelson
The bill was read for the first time and referred to the Committee on Government Operations

1.1 A bill for an act
1.2 relating to retirement; Public Employees Retirement Association; repealing
1.3 the Social Security leveling option; making conforming changes; amending
1.4 Minnesota Statutes 2012, section 356.415, subdivisions 1, 1b; repealing
1.5 Minnesota Statutes 2012, section 353.29, subdivision 6.

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

1.7 Section 1. Minnesota Statutes 2012, section 356.415, subdivision 1, is amended to read:

1.8 Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as
1.9 otherwise provided in subdivision 1a, 1b, 1c, 1d, or 1e, retirement annuity, disability
1.10 benefit, or survivor benefit recipients of a covered retirement plan are entitled to a
1.11 postretirement adjustment annually on January 1, as follows:

1.12 (1) a postretirement increase of 2.5 percent must be applied each year, effective
1.13 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has
1.14 been receiving an annuity or a benefit for at least 12 full months prior to the January 1
1.15 increase; and

1.16 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
1.17 benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5
1.18 percent for each month that the person has been receiving an annuity or benefit must be
1.19 applied, effective on January 1 following the calendar year in which the person has been
1.20 retired for less than 12 months.

1.21 (b) The increases provided by this subdivision commence on January 1, 2010.

1.22 (c) An increase in annuity or benefit payments under this section must be made
1.23 automatically unless written notice is filed by the annuitant or benefit recipient with the
1.24 executive director of the covered retirement plan requesting that the increase not be made.

2.1 ~~(d) The retirement annuity payable to a person who retires before becoming eligible~~
 2.2 ~~for Social Security benefits and who has elected the optional payment as provided in~~
 2.3 ~~section 353.29, subdivision 6, must be treated as the sum of a period certain retirement~~
 2.4 ~~annuity and a life retirement annuity for the purposes of any postretirement adjustment.~~
 2.5 ~~The period certain retirement annuity plus the life retirement annuity must be the~~
 2.6 ~~annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement~~
 2.7 ~~adjustment granted on the period certain retirement annuity must terminate when the~~
 2.8 ~~period certain retirement annuity terminates.~~

2.9 **EFFECTIVE DATE.** This section is effective January 1, 2014.

2.10 Sec. 2. Minnesota Statutes 2012, section 356.415, subdivision 1b, is amended to read:

2.11 Subd. 1b. **Annual postretirement adjustments; PERA; general employees**
 2.12 **retirement plan and local government correctional retirement plan.** (a) Retirement
 2.13 annuity, disability benefit, or survivor benefit recipients of the general employees
 2.14 retirement plan of the Public Employees Retirement Association and the local government
 2.15 correctional service retirement plan are entitled to a postretirement adjustment annually
 2.16 on January 1, as follows:

2.17 (1) for January 1, 2011, and each successive January 1 until funding stability is
 2.18 restored for the applicable retirement plan, a postretirement increase of one percent must
 2.19 be applied each year, effective on January 1, to the monthly annuity or benefit amount of
 2.20 each annuitant or benefit recipient who has been receiving an annuity or benefit for at least
 2.21 12 full months as of the current June 30;

2.22 (2) for January 1, 2011, and each successive January 1 until funding stability is
 2.23 restored for the applicable retirement plan, for each annuitant or benefit recipient who has
 2.24 been receiving an annuity or a benefit for at least one full month, but less than 12 full
 2.25 months as of the current June 30, an annual postretirement increase of 1/12 of one percent
 2.26 for each month the person has been receiving an annuity or benefit must be applied;

2.27 (3) for each January 1 following the restoration of funding stability for the applicable
 2.28 retirement plan, a postretirement increase of 2.5 percent must be applied each year,
 2.29 effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit
 2.30 recipient who has been receiving an annuity or benefit for at least 12 full months as of
 2.31 the current June 30; and

2.32 (4) for each January 1 following restoration of funding stability for the applicable
 2.33 retirement plan, for each annuity or benefit recipient who has been receiving an annuity or
 2.34 a benefit for at least one full month, but less than 12 full months as of the current June

3.1 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person
 3.2 has been receiving an annuity or benefit must be applied.

3.3 (b) Funding stability is restored when the market value of assets of the applicable
 3.4 retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the
 3.5 applicable plan in the most recent prior actuarial valuation prepared under section 356.215
 3.6 and the standards for actuarial work by the approved actuary retained by the Public
 3.7 Employees Retirement Association under section 356.214.

3.8 (c) If, after applying the increase as provided for in paragraph (a), clauses (3)
 3.9 and (4), the market value of the applicable retirement plan is determined in the next
 3.10 subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent
 3.11 of the actuarial accrued liability of any of the applicable Public Employees Retirement
 3.12 Association plans, the increase provided in paragraph (a), clauses (1) and (2), are to be
 3.13 applied as of the next successive January until funding stability is again restored.

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

3.18 ~~(e) The retirement annuity payable to a person who retires before becoming eligible
 3.19 for Social Security benefits and who has elected the optional payment, as provided in
 3.20 section 353.29, subdivision 6, must be treated as the sum of a period-certain retirement
 3.21 annuity and a life retirement annuity for the purposes of any postretirement adjustment.
 3.22 The period-certain retirement annuity plus the life retirement annuity must be the
 3.23 annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement
 3.24 adjustment granted on the period-certain retirement annuity must terminate when the
 3.25 period-certain retirement annuity terminates.~~

3.26 **EFFECTIVE DATE.** This section is effective January 1, 2014.

3.27 Sec. 3. **REPEALER.**

3.28 Minnesota Statutes 2012, section 353.29, subdivision 6, is repealed.

3.29 **EFFECTIVE DATE.** This section is effective January 1, 2014.

353.29 RETIREMENT ANNUITY UPON TERMINATION OF MEMBERSHIP.

Subd. 6. **Retirement before eligibility for Social Security benefits.** A member or former member who retires before becoming eligible for Social Security retirement benefits may elect to receive an optional retirement annuity from the association that provides for different annuity amounts over different periods of retirement. The election of this optional retirement annuity must be exercised by making application to the board of trustees. The optional annuity must take the form of an annuity payable for the period before the annuitant becomes eligible for Social Security old age retirement benefits in a greater amount than the amount of the annuity calculated under subdivisions 2 and 3 on the basis of the age of the annuitant at retirement. The optional annuity must be the actuarial equivalent of the normal retirement annuity computed on the basis of age at retirement. This greater amount must be paid until the annuitant reaches age 62, at which time the payment from the association must be reduced. The board of trustees shall establish the method of computing the optional retirement annuity under this subdivision. In establishing the method of computing the optional retirement annuity, the board of trustees shall obtain the written approval of the actuary retained under section 356.214. The recommendations must be a part of the permanent records of the board of trustees.