

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 4250

(SENATE AUTHORS: MCEWEN)

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OFFICIAL STATUS
Introduction and first reading
Referred to State Government Finance and Policy and Elections

1.1 A bill for an act

1.2 relating to retirement; Minnesota State Retirement System; Public Employees

1.3 Retirement Association; Teachers Retirement Association; St. Paul Teachers'

1.4 Retirement Fund Association; restoring augmentation of deferred annuities for

1.5 members who left public employment before January 1, 2019; amending Minnesota

1.6 Statutes 2020, sections 352.22, subdivision 3a; 352B.08, subdivision 2b; 353.34,

1.7 subdivision 3; 354.55, subdivision 11; 354A.37, subdivision 2.

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

1.9 Section 1. Minnesota Statutes 2020, section 352.22, subdivision 3a, is amended to read:

1.10 Subd. 3a. **Computation of deferred annuity.** (a) The deferred annuity of any former

1.11 state employee must be augmented from the first day of the month following termination

1.12 of active service or July 1, 1971, whichever is later, to the effective date of retirement.

1.13 (b) For a person who became a state employee before July 1, 2006, the annuity must be

1.14 augmented at the following rate or rates, compounded annually:

1.15 (1) five percent until January 1, 1981;

1.16 (2) three percent thereafter until January 1 of the year following the year in which the

1.17 former employee attains age 55 or January 1, 2012, whichever is earlier;

1.18 (3) five percent from the January 1 next following the attainment of age 55 until

1.19 December 31, 2011; and

1.20 (4) two percent ~~from January 1, 2012, until December 31, 2018; and~~

1.21 ~~(5) after December 31, 2011, except that for any person who terminates active service~~

1.22 ~~after December 31, 2018, the augmentation rate is zero percent, and the person's deferred~~

1.23 ~~annuity must not be augmented after December 31, 2018.~~

(c) For a person who became a state employee after June 30, 2006, the annuity must be augmented at the following rate or rates, compounded annually:

(1) 2.5 percent until December 31, 2011; and

(2) two percent ~~from January 1, 2012, until December 31, 2018; and~~

~~(3) after December 31, 2011, except that for any person who terminates active service~~
after December 31, 2018, the augmentation rate is zero percent, and the person's deferred
annuity must not be augmented after December 31, 2018.

(d) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former state employee who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the investment return actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and the tables adopted by the board and approved by the actuary retained under section 356.214.

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

Sec. 2. Minnesota Statutes 2020, section 352B.08, subdivision 2b, is amended to read:

Subd. 2b. **Computation of deferred annuity.** (a) The deferred annuity of any former member must be augmented from the first day of the month following the termination of active service, or July 1, 1971, whichever is later, to the effective date of retirement.

(b) For a person who became an employee before July 1, 2006, the annuity must be augmented at the following rate or rates, compounded annually:

(1) five percent until January 1, 1981;

(2) three percent from January 1, 1981, until December 31, 2011; and

(3) two percent ~~from January 1, 2012, until December 31, 2018; and~~

~~(4) after December 31, 2011, except that for any person who terminates active service~~
after December 31, 2018, the augmentation rate is zero percent, and the person's deferred
annuity must not be augmented after December 31, 2018.

(c) For a person who became an employee after June 30, 2006, the annuity must be augmented at the following rate or rates, compounded annually:

(1) 2.5 percent until December 31, 2011; and

(2) two percent ~~from January 1, 2012, until December 31, 2018; and~~

3.1 ~~(3) after December 31, 2011, except that for any person who terminates active service~~
3.2 after December 31, 2018, the augmentation rate is zero percent, and the person's deferred
3.3 annuity must not be augmented after December 1, 2018.

3.4 (d) The mortality table and investment return assumption used to compute the annuity
3.5 must be those in effect when the member files application for annuity.

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

3.7 Sec. 3. Minnesota Statutes 2020, section 353.34, subdivision 3, is amended to read:

3.8 Subd. 3. **Deferred annuity; eligibility; computation.** (a) A member who is partially
3.9 or 100 percent vested under section 353.01, subdivision 47, when termination of public
3.10 service or termination of membership occurs has the option of leaving the member's
3.11 accumulated deductions in the fund and being entitled to a deferred retirement annuity
3.12 commencing at normal retirement age or to a deferred early retirement annuity under section
3.13 353.30, subdivision 1a, 1b, 1c, or 5.

3.14 (b) The deferred annuity must be computed under section 353.29, subdivision 3, on the
3.15 basis of the law in effect on the date of termination of public service or termination of
3.16 membership, whichever is later, and, if the later of termination of public service or
3.17 termination of membership is on or before December 31, 2011, the deferred annuity must
3.18 be augmented as provided in paragraphs (c) to (e).

3.19 (c) The deferred annuity of any former member must be augmented from the first day
3.20 of the month following the termination of active service, or July 1, 1971, whichever is later,
3.21 to the effective date of retirement or, if earlier, December 31, 2018.

3.22 (d) For a person who became a public employee before July 1, 2006, and who has a
3.23 termination of public service before January 1, 2012, the deferred annuity must be augmented
3.24 at the following rate or rates, compounded annually:

3.25 (1) five percent until January 1, 1981;

3.26 (2) three percent from January 1, 1981, until January 1 of the year following the year in
3.27 which the former member attains age 55 or December 31, 2011, whichever is earlier;

3.28 (3) five percent from January 1 of the year following the year in which the former member
3.29 attains age 55, or December 31, 2011, whichever is earlier; and

3.30 (4) one percent ~~from January 1, 2012, until December 31, 2018; and~~

4.1 ~~(5)~~ after December 31, 2011, except that for any person who terminates active service
4.2 after December 31, 2018, the augmentation rate is zero percent, and the person's deferred
4.3 annuity must not be augmented after December 1, 2018.

4.4 (e) For a person who became a public employee after June 30, 2006, and who has a
4.5 termination of public service before January 1, 2012, the deferred annuity must be augmented
4.6 at the following rate or rates, compounded annually:

4.7 (1) 2.5 percent until December 31, 2011; and

4.8 (2) one percent ~~from January 1, 2012, until December 31, 2018; and~~

4.9 ~~(3)~~ after December 31, 2011, except that for any person who terminates active service
4.10 after December 31, 2018, the augmentation rate is zero percent, and the person's deferred
4.11 annuity must not be augmented after December 31, 2018.

4.12 (f) For a person who has a termination of public service after December 31, 2011, the
4.13 deferred annuity must not be augmented.

4.14 (g) The retirement annuity or disability benefit of, or the survivor benefit payable on
4.15 behalf of, a former member who terminated service before July 1, 1997, or the survivor
4.16 benefit payable on behalf of a basic or police and fire member who was receiving disability
4.17 benefits before July 1, 1997, which is first payable after June 30, 1997, must be increased
4.18 on an actuarial equivalent basis to reflect the change in the investment return actuarial
4.19 assumption under section 356.215, subdivision 8, from five percent to six percent under a
4.20 calculation procedure and tables adopted by the board and approved by the actuary retained
4.21 under section 356.214.

4.22 (h) A former member qualified to apply for a deferred retirement annuity may revoke
4.23 this option at any time before the commencement of deferred annuity payments by making
4.24 application for a refund. The person is entitled to a refund of accumulated member
4.25 contributions within 30 days following date of receipt of the application by the executive
4.26 director.

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

4.28 Sec. 4. Minnesota Statutes 2020, section 354.55, subdivision 11, is amended to read:

4.29 Subd. 11. **Deferred annuity; augmentation.** (a) Any person covered under section
4.30 354.44, subdivision 6, who ceases to render teaching service, may leave the person's
4.31 accumulated deductions in the fund for the purpose of receiving a deferred annuity at
4.32 retirement.

(b) The deferred retirement annuity of any former member must be augmented from the first day of the month following the termination of active service to the effective date of retirement.

(c) No augmentation is creditable if the deferral period is less than three months or if deferral commenced before July 1, 1971.

(d) For persons who became covered employees before July 1, 2006, the annuity must be augmented at the following rate or rates, compounded annually:

(1) five percent until January 1, 1981;

(2) three percent from January 1, 1981, until January 1 of the year following the year in which the deferred annuitant attains age 55 or June 30, 2012, whichever is earlier;

(3) five percent from the date established in clause (2) until June 30, 2012; and

(4) two percent ~~from July 1, 2012, until June 30, 2019; and~~

~~(5) after June 30, 2012, except that for any person who terminates active service after June 30, 2019, the augmentation rate is zero percent, and the person's deferred annuity must not be augmented~~ after June 30, 2019.

(e) For persons who become covered employees after June 30, 2006, the annuity must be augmented at the following rate or rates, compounded annually:

(1) 2.5 percent until June 30, 2012; and

(2) two percent ~~from July 1, 2012, until June 30, 2019; and~~

~~(3) after June 30, 2012, except that for any person who terminates active service after June 30, 2019, the augmentation rate is zero percent, and the person's deferred annuity must not be augmented~~ after June 30, 2019.

(f) In no case may the annuity payable under this subdivision be less than the amount of annuity payable under section 354.44, subdivision 6.

(g) The requirements and provisions for retirement before normal retirement age contained in section 354.44, subdivision 6, also apply to an employee fulfilling the requirements with a combination of service as provided in section 356.311.

(h) The augmentation provided by this subdivision applies to the benefit provided in section 354.46, subdivision 2.

(i) The augmentation provided by this subdivision does not apply to any period in which a person is on an approved leave of absence from an employer unit covered by the provisions of this chapter.

(j) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former teacher who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the investment return actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained under section 356.214.

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

Sec. 5. Minnesota Statutes 2020, section 354A.37, subdivision 2, is amended to read:

Subd. 2. Eligibility for deferred retirement annuity. (a) Any coordinated member who ceases to render teaching services for the school district in which the teachers retirement fund association is located, with sufficient allowable service credit to meet the minimum service requirements specified in section 354A.31, subdivision 1, shall be entitled to a deferred annuity in lieu of a refund under subdivision 1.

(b) The deferred annuity must be augmented from the first day of the month following the termination of active service to the effective date of retirement. There is no augmentation if this period is less than three months.

(c) The deferred annuity commences upon application after the person on deferred status attains at least the minimum age specified in section 354A.31, subdivision 1.

(d) For a person who became a covered employee before July 1, 2006, the annuity must be augmented at the following rate or rates, compounded annually:

(1) three percent until January 1 of the year following the year in which the former member attains age 55 or June 30, 2012, whichever is earlier;

(2) five percent from the January 1 next following the attainment of age 55 or until June 30, 2012; and

(3) two percent ~~from July 1, 2012, until June 30, 2019; and~~

~~(4) after June 30, 2012, except that for any person who terminates active service after June 30, 2019, the augmentation rate is zero percent, and the person's deferred annuity must not be augmented after June 30, 2019.~~

(e) For a person who became a covered employee after June 30, 2006, the annuity must be augmented at the following rate or rates, compounded annually:

(1) 2.5 percent until June 30, 2012; and

(2) two percent ~~from July 1, 2012, until June 30, 2019; and~~

~~(3) after June 30, 2012, except that for any person who terminates active service after June 30, 2019, the augmentation rate is zero percent, and the person's deferred annuity must not be augmented after June 30, 2019.~~

(f) The augmentation provided by this subdivision applies to the benefit provided in section 354A.35, subdivision 2. The augmentation provided by this subdivision does not apply to any period in which a person is on an approved leave of absence from an employer unit.

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

Sec. 6. **RETROACTIVE IMPLEMENTATION.**

Subdivision 1. Minnesota State Retirement System. (a) The executive director of the Minnesota State Retirement System must recalculate the annuity of any former state employee who started to receive a pension from the general state employees retirement plan, the correctional state employees retirement plan, or the State Patrol retirement plan on or after January 1, 2019, and whose monthly pension amount would have been larger had sections 1 and 2 been in effect on January 1, 2019.

(b) For each former state employee, the executive director must adjust the ongoing annuity amount so that it is the amount calculated under section 1 or 2, as applicable, taking into account any election of any optional annuity forms of payment and any postretirement increases.

(c) The executive director must offer a lump sum distribution to the former state employee of the difference between the monthly amount determined under section 1 or 2, as applicable, and the monthly amount being paid to the former state employee, multiplied by the number of monthly payments made to the former state employee before the annuity calculated under section 1 or 2, as applicable, begins. The lump sum must be adjusted to take into account any election of any optional annuity forms of payment and any postretirement increases. The former state employee may elect a distribution of the lump sum or a direct rollover under Minnesota Statutes, section 356.635, subdivisions 3 to 7, if the lump sum is an eligible rollover distribution as defined in section 356.635, subdivisions 4 and 5.

8.1 Subd. 2. **Public Employees Retirement Association.** (a) The executive director of the
8.2 Public Employees Retirement Association must recalculate the annuity of any former public
8.3 employee who started to receive a pension from the general employees retirement plan, the
8.4 local government correctional service retirement plan, or the public employees police and
8.5 fire plan on or after January 1, 2019, and whose monthly pension amount would have been
8.6 larger had section 3 been in effect on January 1, 2019.

8.7 (b) For each former public employee, the executive director must adjust the ongoing
8.8 annuity amount so that it is the amount calculated under section 3, taking into account any
8.9 election of any optional annuity forms of payment and any postretirement increases.

8.10 (c) The executive director must offer a lump sum distribution to the former public
8.11 employee of the difference between the monthly amount determined under section 3 and
8.12 the monthly amount being paid to the former public employee, multiplied by the number
8.13 of monthly payments made to the former public employee before the annuity calculated
8.14 under section 3 begins. The lump sum must be adjusted to take into account any election
8.15 of any optional annuity forms of payment and any postretirement increases. The former
8.16 public employee may elect a distribution of the lump sum or a direct rollover under Minnesota
8.17 Statutes, section 356.635, subdivisions 3 to 7, if the lump sum is an eligible rollover
8.18 distribution as defined in section 356.635, subdivisions 4 and 5.

8.19 Subd. 3. **Teachers Retirement Association.** (a) The executive director of the Teachers
8.20 Retirement Association must recalculate the annuity of any former teacher who started to
8.21 receive a pension from the Teachers Retirement Association on or after July 1, 2019, and
8.22 whose monthly pension amount would have been larger had section 4 been in effect on July
8.23 1, 2019.

8.24 (b) For each former teacher, the executive director must adjust the ongoing annuity
8.25 amount so that it is the amount calculated under section 4, taking into account any election
8.26 of any optional annuity forms of payment and any postretirement increases.

8.27 (c) The executive director must offer a lump sum distribution to the former teacher of
8.28 the difference between the monthly amount determined under section 4 and the monthly
8.29 amount being paid to the former teacher, multiplied by the number of monthly payments
8.30 made to the former teacher before the annuity calculated under section 4 begins. The lump
8.31 sum must be adjusted to take into account any election of any optional annuity forms of
8.32 payment and any postretirement increases. The former teacher may elect a distribution of
8.33 the lump sum or a direct rollover under Minnesota Statutes, section 356.635, subdivisions

9.1 3 to 7, if the lump sum is an eligible rollover distribution as defined in section 356.635,
9.2 subdivisions 4 and 5.

9.3 Subd. 4. **St. Paul Teachers' Retirement Fund Association.** (a) The executive director
9.4 of the St. Paul Teachers' Retirement Fund Association must recalculate the annuity of any
9.5 former teacher who started to receive a pension from the St. Paul Teachers' Retirement Fund
9.6 Association on or after July 1, 2019, and whose monthly pension amount would have been
9.7 larger had section 5 been in effect on July 1, 2019.

9.8 (b) For each former teacher, the executive director must adjust the ongoing annuity
9.9 amount so that it is the amount calculated under section 5, taking into account any election
9.10 of any optional annuity forms of payment and any postretirement increases.

9.11 (c) The executive director must offer a lump sum distribution to the former teacher of
9.12 the difference between the monthly amount determined under section 5 and the monthly
9.13 amount being paid to the former teacher, multiplied by the number of monthly payments
9.14 made to the former teacher before the annuity calculated under section 5 begins. The lump
9.15 sum must be adjusted to take into account any election of any optional annuity forms of
9.16 payment and any postretirement increases. The former teacher may elect a distribution of
9.17 the lump sum or a direct rollover under Minnesota Statutes, section 356.635, subdivisions
9.18 3 to 7, if the lump sum is an eligible rollover distribution as defined in section 356.635,
9.19 subdivisions 4 and 5.

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