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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3085

03/14/2016

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The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1

A bill for an act

1.2

relating to retirement; St. Paul Teachers Retirement Fund Association; financial

1.3

solvency measures; increasing contribution rates; revising postretirement

1.4

adjustment provisions; amending Minnesota Statutes 2014, section 354A.12,

1.5

subdivision 2a; Minnesota Statutes 2015 Supplement, section 354A.29,

1.6

subdivision 7; repealing Minnesota Statutes 2015 Supplement, section 354A.29,

1.7

subdivisions 8, 9.

1.8

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

1.9

Section 1. Minnesota Statutes 2014, section 354A.12, subdivision 2a, is amended to

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read:

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Subd. 2a. **Employer regular and additional contributions.** (a) The employing

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units shall make the following employer contributions to the teachers retirement fund

1.13

association:

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(1) for any coordinated member of the St. Paul Teachers Retirement Fund

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Association, the employing unit shall make a regular employer contribution to the

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retirement fund association in an amount equal to the designated percentage of the salary

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of the coordinated member as provided below:

1.18	after June 30, 2014	5.5 percent
1.19	after June 30, 2015	6 percent
1.20	after June 30, 2016	6.25 percent
1.21	after June 30, 2017	6.5 <u>7.5</u> percent
1.22	<u>after June 30, 2018</u>	<u>8.0 percent</u>

1.23

(2) for any basic member of the St. Paul Teachers Retirement Fund Association, the

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employing unit shall make a regular employer contribution to the respective retirement

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fund in an amount according to the schedule below:

2.1	after June 30, 2014	9 percent of salary
2.2	after June 30, 2015	9.5 percent of salary
2.3	after June 30, 2016	9.75 percent of salary
2.4	after June 30, 2017	<del>10</del> 11 percent of salary
2.5	<u>after June 30, 2018</u>	<u>11.5 percent of salary</u>

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

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

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

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

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

2.21 **EFFECTIVE DATE.** This section is effective July 1, 2016.

2.22 Sec. 2. Minnesota Statutes 2015 Supplement, section 354A.29, subdivision 7, is  
 2.23 amended to read:

2.24 Subd. 7. **Eligibility for ~~payment~~ calculation of postretirement adjustments.**

2.25 (a) Annually, after June 30, the board of trustees of the St. Paul Teachers Retirement  
 2.26 Fund Association must determine the amount of any postretirement adjustment using the  
 2.27 procedures in this subdivision ~~and subdivision 8 or 9, whichever is applicable.~~

2.28 (b) On January 1, each person who has been receiving an annuity or benefit under  
 2.29 the articles of incorporation, the bylaws, or this chapter, whose effective date of benefit  
 2.30 commencement occurred on or before July 1 of the immediately preceding calendar year  
 2.31 ~~immediately before the adjustment~~, is eligible to receive a postretirement increase as  
 2.32 ~~specified in subdivision 8 or 9~~ as determined under paragraph (c), clause (1) or (2),  
 2.33 whichever applies.

2.34 (c) The amount provided for under this subdivision is the full postretirement increase  
 2.35 to be applied as a permanent increase to the regular payment of each eligible member.

3.1           (1) A one percent postretirement increase shall apply for any eligible member  
3.2           whose effective date of benefit commencement occurred on or before January 1 of the  
3.3           immediately preceding calendar year.

3.4           (2) A one-half of one percent postretirement increase shall apply for any eligible  
3.5           member whose effective date of benefit commencement occurred after January 1 of the  
3.6           immediately preceding calendar year.

3.7           **EFFECTIVE DATE.** This section is effective July 1, 2016.

3.8           Sec. 3. **REPEALER.**

3.9           Minnesota Statutes 2015 Supplement, section 354A.29, subdivisions 8 and 9, are  
3.10          repealed.

3.11          **EFFECTIVE DATE.** This section is effective July 1, 2016.

**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.