

This Document can be made available in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3920

04/14/2016 Authored by O'Driscoll

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; financial solvency measures for the Minnesota State
1.3 Retirement System, St. Paul Teachers Retirement Fund Association, and
1.4 Teachers Retirement Association; increasing certain contribution rates; reducing
1.5 certain postretirement adjustment increase rates; revising certain postretirement
1.6 adjustment provisions; extending the amortization target date for the Teachers
1.7 Retirement Association; amending Minnesota Statutes 2014, sections 352.04,
1.8 subdivisions 2, 3, by adding a subdivision; 354.42, subdivision 3; 354A.12,
1.9 subdivision 2a; Minnesota Statutes 2015 Supplement, sections 354A.29,
1.10 subdivision 7; 356.215, subdivisions 8, 11; 356.415, subdivisions 1a, 1d, 1e, 1f;
1.11 repealing Minnesota Statutes 2015 Supplement, sections 354A.29, subdivisions
1.12 8, 9; 356.415, subdivision 1.

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

1.14 Section 1. Minnesota Statutes 2014, section 352.04, subdivision 2, is amended to read:

1.15 Subd. 2. **Employee contributions.** (a) The employee contribution to the fund must
1.16 be equal to the following percent of salary:

1.17	from July 1, 2010, to June 30, 2014	5
1.18	from July 1, 2014, and thereafter <u>to June 30,</u>	
1.19	<u>2017</u>	5.5
1.20	<u>from July 1, 2017, and thereafter</u>	<u>6</u>

1.21 (b) These contributions must be made by deduction from salary as provided in
1.22 subdivision 4.

1.23 **EFFECTIVE DATE.** This section is effective June 30, 2016.

1.24 Sec. 2. Minnesota Statutes 2014, section 352.04, subdivision 3, is amended to read:

1.25 Subd. 3. **Employer contributions.** The employer contribution to the fund must be
1.26 equal to the following percent of salary:

2.1	from July 1, 2010, to June 30, 2014	5
2.2	from July 1, 2014, and thereafter <u>to June 30,</u>	
2.3	<u>2017</u>	5.5
2.4	<u>from July 1, 2017, and thereafter</u>	<u>6</u>

2.5 **EFFECTIVE DATE.** This section is effective June 30, 2016.

2.6 Sec. 3. Minnesota Statutes 2014, section 352.04, is amended by adding a subdivision
 2.7 to read:

2.8 Subd. 3a. **Additional employer contribution; expiration.** (a) Effective July 1,
 2.9 2017, an additional employer contribution to the general state employees retirement fund
 2.10 of the Minnesota State Retirement System must be made equal to one percent of salary.

2.11 (b) This subdivision expires effective the first day of the fiscal year immediately
 2.12 following the fiscal year in which the market value of the assets of the general state
 2.13 employees retirement plan of the Minnesota State Retirement System equals or exceeds
 2.14 the actuarial accrued liability of the plan as determined by the actuarial valuation prepared
 2.15 under section 356.215 by the approved actuary retained under section 356.214.

2.16 **EFFECTIVE DATE.** This section is effective June 30, 2016.

2.17 Sec. 4. Minnesota Statutes 2014, section 354.42, subdivision 3, is amended to read:

2.18 Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special
 2.19 School District No. 1, Minneapolis, is an amount equal to the applicable following
 2.20 percentage of salary of each coordinated member and the applicable percentage of salary
 2.21 of each basic member specified in paragraph (c).

2.22 The additional employer contribution to the fund by Special School District No. 1,
 2.23 Minneapolis, is an amount equal to 3.64 percent of the salary of each teacher who is a
 2.24 coordinated member or who is a basic member.

2.25 (b) The regular employer contribution to the fund by Independent School District
 2.26 No. 709, Duluth, is an amount equal to the applicable percentage of salary of each old law
 2.27 or new law coordinated member specified for the coordinated program in paragraph (c).

2.28 (c) The employer contribution to the fund for every other employer is an amount
 2.29 equal to the applicable following percentage of the salary of each coordinated member and
 2.30 the applicable following percentage of the salary of each basic member:

2.31	Period	Coordinated Member	Basic Member
2.32	from July 1, 2013, until June 30, 2014	7 percent	11 percent

3.1	after June 30, 2014, <u>through June 30,</u>		
3.2	<u>2017</u>	7.5 percent	11.5 percent
3.3	<u>after June 30, 2017</u>	<u>8.5 percent</u>	<u>11.5 percent</u>

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

3.7 (e) After June 30, 2015, if a contribution rate revision is made under subdivisions
3.8 4a, 4b, and 4c, the employer contributions under paragraphs (a), (b), and (c) must be
3.9 adjusted accordingly.

3.10 (f) Effective July 1, 2017, the employer shall make the regular employer contributions
3.11 specified in paragraph (c) on behalf of any retired member of the Teachers Retirement
3.12 Association who resumes teaching in any employer unit to which this chapter applies.

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

3.14 Sec. 5. Minnesota Statutes 2014, section 354A.12, subdivision 2a, is amended to read:

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

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

3.22	after June 30, 2014	5.5 percent
3.23	after June 30, 2015	6 percent
3.24	after June 30, 2016	6.25 percent
3.25	after June 30, 2017	6.5 <u>7.5</u> percent
3.26	<u>after June 30, 2018</u>	<u>8.0 percent</u>

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

3.30	after June 30, 2014	9 percent of salary
3.31	after June 30, 2015	9.5 percent of salary
3.32	after June 30, 2016	9.75 percent of salary
3.33	after June 30, 2017	10 <u>11</u> percent of salary
3.34	<u>after June 30, 2018</u>	<u>11.5 percent of salary</u>

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

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

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

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

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

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

4.17 Sec. 6. Minnesota Statutes 2015 Supplement, section 354A.29, subdivision 7, is
 4.18 amended to read:

4.19 Subd. 7. **Eligibility for payment and calculation of postretirement adjustments.**

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

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

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

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

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

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

5.5 Sec. 7. Minnesota Statutes 2015 Supplement, section 356.215, subdivision 8, is
 5.6 amended to read:

5.7 Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the
 5.8 applicable following interest assumption:

5.9 (1) select and ultimate interest rate assumption

5.10		ultimate interest
5.11	plan	rate assumption
5.12	teachers retirement plan	8.5%

5.13 The select preretirement interest rate assumption for the period through June 30,
 5.14 2017, is eight percent.

5.15 (2) single rate interest rate assumption

5.16		interest rate
5.17	plan	assumption
5.18	general state employees retirement plan	8%
5.19	correctional state employees retirement plan	8
5.20	State Patrol retirement plan	8
5.21	legislators retirement plan, and for the	0
5.22	constitutional officers calculation of total plan	
5.23	liabilities	
5.24	judges retirement plan	8
5.25	general public employees retirement plan	8
5.26	public employees police and fire retirement plan	8
5.27	local government correctional service retirement	8
5.28	plan	
5.29	St. Paul teachers retirement plan	8
5.30	Bloomington Fire Department Relief Association	6
5.31	local monthly benefit volunteer firefighter relief	5
5.32	associations	
5.33	monthly benefit retirement plans in the statewide	6
5.34	volunteer firefighter retirement plan	

5.35 (b)(1) If funding stability has been attained, the valuation of each public pension
 5.36 and retirement plan enumerated in section 356.20, subdivision 2, clauses (2), (4), (8),
 5.37 (11), and (13), must use a postretirement adjustment rate actuarial assumption equal to
 5.38 the postretirement adjustment rate specified in section ~~354A.27, subdivision 7; 354A.29,~~
 5.39 ~~subdivision 9; or 356.415, subdivision 1~~ 1b, 1c, 1e, or 1f, whichever applies.

6.1 (2) If funding stability has not been attained, the valuation of each public pension
 6.2 and retirement plan enumerated in section 356.20, subdivision 2, clauses (2), (4), (8), (11),
 6.3 and (13), must use a select postretirement adjustment rate actuarial assumption equal to
 6.4 the postretirement adjustment rate specified in section ~~354A.27, subdivision 6a; 354A.29,~~
 6.5 ~~subdivision 8; or~~ 356.415, subdivision ~~1a, 1b, 1c, 1d,~~ 1e, or 1f, whichever applies, for a
 6.6 period ending when the approved actuary estimates that the plan will attain the defined
 6.7 funding stability measure, and thereafter an ultimate postretirement adjustment rate
 6.8 actuarial assumption equal to the postretirement adjustment rate under section ~~354A.27,~~
 6.9 ~~subdivision 7; 354A.29, subdivision 9; or~~ 356.415, subdivision ~~1~~ 1b, 1c, 1e, or 1f, for the
 6.10 applicable period or periods beginning when funding stability is projected to be attained.

6.11 (3) The valuation of each public pension and retirement plan enumerated in section
 6.12 356.20, subdivision 2, clauses (1), (3), (5), and (12), must use a postretirement adjustment
 6.13 rate actuarial assumption equal to the postretirement adjustment rate specified in section
 6.14 354A.29 or 356.415, subdivision 1a or 1d, whichever applies.

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

6.18 (1) single rate future salary increase assumption

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

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

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

6.29 For plans other than the St. Paul teachers
 6.30 retirement plan and the local government
 6.31 correctional service retirement plan, the
 6.32 select calculation is: during the designated
 6.33 select period, a designated percentage rate
 6.34 is multiplied by the result of the designated
 6.35 integer minus T, where T is the number of
 6.36 completed years of service, and is added
 6.37 to the applicable future salary increase

7.1 assumption. The designated select period
 7.2 is ten years and the designated integer is
 7.3 ten for the local government correctional
 7.4 service retirement plan and 15 for the St.
 7.5 Paul Teachers Retirement Fund Association.
 7.6 The designated percentage rate is 0.2 percent
 7.7 for the St. Paul Teachers Retirement Fund
 7.8 Association.

7.9 The ultimate future salary increase assumption is:

7.10	age	A	B
7.11	16	5.9%	8.75%
7.12	17	5.9	8.75
7.13	18	5.9	8.75
7.14	19	5.9	8.75
7.15	20	5.9	8.75
7.16	21	5.9	8.5
7.17	22	5.9	8.25
7.18	23	5.85	8
7.19	24	5.8	7.75
7.20	25	5.75	7.5
7.21	26	5.7	7.25
7.22	27	5.65	7
7.23	28	5.6	6.75
7.24	29	5.55	6.5
7.25	30	5.5	6.5
7.26	31	5.45	6.25
7.27	32	5.4	6.25
7.28	33	5.35	6.25
7.29	34	5.3	6
7.30	35	5.25	6
7.31	36	5.2	5.75
7.32	37	5.15	5.75
7.33	38	5.1	5.75
7.34	39	5.05	5.5
7.35	40	5	5.5
7.36	41	4.95	5.5
7.37	42	4.9	5.25
7.38	43	4.85	5
7.39	44	4.8	5
7.40	45	4.75	4.75
7.41	46	4.7	4.75
7.42	47	4.65	4.75

8.1	48	4.6	4.75
8.2	49	4.55	4.75
8.3	50	4.5	4.75
8.4	51	4.45	4.75
8.5	52	4.4	4.75
8.6	53	4.35	4.75
8.7	54	4.3	4.75
8.8	55	4.25	4.5
8.9	56	4.2	4.5
8.10	57	4.15	4.25
8.11	58	4.1	4
8.12	59	4.05	4
8.13	60	4	4
8.14	61	4	4
8.15	62	4	4
8.16	63	4	4
8.17	64	4	4
8.18	65	4	3.75
8.19	66	4	3.75
8.20	67	4	3.75
8.21	68	4	3.75
8.22	69	4	3.75
8.23	70	4	3.75

8.24 (3) service-related ultimate future salary increase assumption

8.25	general state employees retirement plan of the	assumption A
8.26	Minnesota State Retirement System	
8.27	general employees retirement plan of the Public	assumption B
8.28	Employees Retirement Association	
8.29	Teachers Retirement Association	assumption C
8.30	public employees police and fire retirement plan	assumption D
8.31	State Patrol retirement plan	assumption E
8.32	correctional state employees retirement plan of the	assumption F
8.33	Minnesota State Retirement System	

8.34	service						
8.35	length	A	B	C	D	E	F
8.36	1	10.25%	11.78%	12%	12.75%	7.75%	5.75%
8.37	2	7.85	8.65	9	10.75	7.25	5.6
8.38	3	6.65	7.21	8	8.75	6.75	5.45
8.39	4	5.95	6.33	7.5	7.75	6.5	5.3
8.40	5	5.45	5.72	7.25	6.25	6.25	5.15
8.41	6	5.05	5.27	7	5.85	6	5
8.42	7	4.75	4.91	6.85	5.55	5.75	4.85
8.43	8	4.45	4.62	6.7	5.35	5.6	4.7

9.1	9	4.25	4.38	6.55	5.15	5.45	4.55
9.2	10	4.15	4.17	6.4	5.05	5.3	4.4
9.3	11	3.95	3.99	6.25	4.95	5.15	4.3
9.4	12	3.85	3.83	6	4.85	5	4.2
9.5	13	3.75	3.69	5.75	4.75	4.85	4.1
9.6	14	3.55	3.57	5.5	4.65	4.7	4
9.7	15	3.45	3.45	5.25	4.55	4.55	3.9
9.8	16	3.35	3.35	5	4.55	4.4	3.8
9.9	17	3.25	3.26	4.75	4.55	4.25	3.7
9.10	18	3.25	3.25	4.5	4.55	4.1	3.6
9.11	19	3.25	3.25	4.25	4.55	3.95	3.5
9.12	20	3.25	3.25	4	4.55	3.8	3.5
9.13	21	3.25	3.25	3.9	4.45	3.75	3.5
9.14	22	3.25	3.25	3.8	4.35	3.75	3.5
9.15	23	3.25	3.25	3.7	4.25	3.75	3.5
9.16	24	3.25	3.25	3.6	4.25	3.75	3.5
9.17	25	3.25	3.25	3.5	4.25	3.75	3.5
9.18	26	3.25	3.25	3.5	4.25	3.75	3.5
9.19	27	3.25	3.25	3.5	4.25	3.75	3.5
9.20	28	3.25	3.25	3.5	4.25	3.75	3.5
9.21	29	3.25	3.25	3.5	4.25	3.75	3.5
9.22	30 or more	3.25	3.25	3.5	4.25	3.75	3.5

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

9.27	plan	payroll growth assumption
9.28	general state employees retirement plan of the	3.5%
9.29	Minnesota State Retirement System	
9.30	correctional state employees retirement plan	3.5
9.31	State Patrol retirement plan	3.5
9.32	judges retirement plan	2.75
9.33	general employees retirement plan of the Public	3.5
9.34	Employees Retirement Association	
9.35	public employees police and fire retirement plan	3.5
9.36	local government correctional service retirement plan	3.5
9.37	teachers retirement plan	3.75
9.38	St. Paul teachers retirement plan	4

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

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

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

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

10.5 **EFFECTIVE DATE.** This section is effective June 30, 2016.

10.6 Sec. 8. Minnesota Statutes 2015 Supplement, section 356.215, subdivision 11, is
 10.7 amended to read:

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

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

10.29 (c) For any retirement plan, if there has been a change in any or all of the actuarial
 10.30 assumptions used for calculating the actuarial accrued liability of the fund, a change in
 10.31 the benefit plan governing annuities and benefits payable from the fund, a change in the
 10.32 actuarial cost method used in calculating the actuarial accrued liability of all or a portion
 10.33 of the fund, or a combination of the three, and the change or changes, by itself or by
 10.34 themselves and without inclusion of any other items of increase or decrease, produce a net

11.1 increase in the unfunded actuarial accrued liability in the fund, the established date for full
11.2 funding must be determined using the following procedure:

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

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

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

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

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

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

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

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

12.3 (e) For the Teachers Retirement Association, the established date for full funding is
12.4 June 30, ~~2037~~ 2046.

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

12.7 (g) For the judges retirement plan, the established date for full funding is June
12.8 30, 2038.

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

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

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

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

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

12.25 Sec. 9. Minnesota Statutes 2015 Supplement, section 356.415, subdivision 1a, is
12.26 amended to read:

12.27 Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement**
12.28 **System plans other than the State Patrol and judges retirement plan plans.** (a)
12.29 Retirement annuity, disability benefit, or survivor benefit recipients of the legislators
12.30 retirement plan, including constitutional officers as specified in chapter 3A, the general
12.31 state employees retirement plan, the correctional state employees retirement plan, and
12.32 the unclassified state employees retirement program are entitled to a postretirement
12.33 adjustment annually on January 1, as follows:

12.34 (1) ~~for each successive January 1, if the definition of funding stability under~~
12.35 ~~paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable~~

13.1 ~~retirement plan~~, a postretirement increase of ~~two~~ 1.75 percent must be applied each year,
 13.2 effective on January 1, to the monthly annuity or benefit of each annuitant or benefit
 13.3 recipient who has been receiving an annuity or a benefit for at least 12 full months as of
 13.4 the June 30 of the calendar year immediately before the adjustment; and

13.5 (2) ~~for each successive January 1, if the definition of funding stability under~~
 13.6 ~~paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable~~
 13.7 ~~retirement plan~~, for each annuitant or benefit recipient who has been receiving an annuity
 13.8 or a benefit for at least one full month, but less than 12 full months as of the June 30 of the
 13.9 calendar year immediately before the adjustment, an annual postretirement increase of
 13.10 1/12 of ~~two~~ 1.75 percent for each month that the person has been receiving an annuity or
 13.11 benefit must be applied.

13.12 (b) ~~Increases under this subdivision for the general state employees retirement~~
 13.13 ~~plan or the correctional state employees retirement plan terminate on December 31 of~~
 13.14 ~~the calendar year in which two prior consecutive actuarial valuations prepared by the~~
 13.15 ~~approved actuary under sections 356.214 and 356.215 and the standards for actuarial work~~
 13.16 ~~promulgated by the Legislative Commission on Pensions and Retirement indicate that the~~
 13.17 ~~market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial~~
 13.18 ~~accrued liability of the retirement plan and increases under subdivision 1 recommence~~
 13.19 ~~after that date. Increases under this subdivision for the legislators retirement plan~~
 13.20 ~~established under chapter 3A, including the constitutional officers specified in that chapter,~~
 13.21 ~~and for the unclassified state employees retirement program, terminate on December 31~~
 13.22 ~~of the calendar year in which two prior consecutive actuarial valuations prepared by the~~
 13.23 ~~approved actuary under sections 356.214 and 356.215 and the standards for actuarial work~~
 13.24 ~~promulgated by the Legislative Commission on Pensions and Retirement indicate that the~~
 13.25 ~~market value of assets of the general state employees retirement plan equals or exceeds~~
 13.26 ~~90 percent of the actuarial accrued liability of the retirement plan and increases under~~
 13.27 ~~subdivision 1 recommence after that date.~~

13.28 (c) ~~After having met the definition of funding stability under paragraph (b), the~~
 13.29 ~~increase provided in paragraph (a), clauses (1) and (2), rather than an increase under~~
 13.30 ~~subdivision 1, for the general state employees retirement plan or the correctional state~~
 13.31 ~~employees retirement plan, is again to be applied in a subsequent year or years if the~~
 13.32 ~~market value of assets of the applicable plan equals or is less than:~~

13.33 (1) ~~85 percent of the actuarial accrued liabilities of the applicable plan for two~~
 13.34 ~~consecutive actuarial valuations; or~~

13.35 (2) ~~80 percent of the actuarial accrued liabilities of the applicable plan for the most~~
 13.36 ~~recent actuarial valuation.~~

14.1 ~~(d) After having met the definition of funding stability under paragraph (b), the~~
 14.2 ~~increase provided in paragraph (a), clauses (1) and (2), rather than an increase under~~
 14.3 ~~subdivision 1, for the legislators retirement plan, including the constitutional officers,~~
 14.4 ~~and for the unclassified state employees retirement program, is again to be applied in a~~
 14.5 ~~subsequent year or years if the market value of assets of the general state employees~~
 14.6 ~~retirement plan equals or is less than:~~

14.7 ~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two~~
 14.8 ~~consecutive actuarial valuations; or~~

14.9 ~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most~~
 14.10 ~~recent actuarial valuation.~~

14.11 ~~(e) (b)~~ An increase in annuity or benefit payments under this subdivision must be
 14.12 made automatically unless written notice is filed by the annuitant or benefit recipient
 14.13 with the executive director of the applicable covered retirement plan requesting that the
 14.14 increase not be made.

14.15 **EFFECTIVE DATE.** This section is effective June 30, 2016.

14.16 Sec. 10. Minnesota Statutes 2015 Supplement, section 356.415, subdivision 1d,
 14.17 is amended to read:

14.18 Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.**

14.19 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers
 14.20 Retirement Association are entitled to a postretirement adjustment annually on January
 14.21 1, as follows:

14.22 ~~(1) for each January 1 until funding stability is restored,~~ effective January 1, 2017,
 14.23 through December 31, 2021, a postretirement increase of ~~two~~ one percent must be applied
 14.24 each year, ~~effective on January 1,~~ to the monthly annuity or benefit amount of each
 14.25 annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12
 14.26 full months as of the June 30 of the calendar year immediately before the adjustment;

14.27 ~~(2) for each January 1 until funding stability is restored~~ effective January 1, 2017,
 14.28 through December 31, 2021, for each annuitant or benefit recipient who has been receiving
 14.29 an annuity or a benefit for at least one full month, but less than 12 full months as of the
 14.30 June 30 of the calendar year immediately before the adjustment, an annual postretirement
 14.31 increase of 1/12 of ~~two~~ one percent for each month the person has been receiving an
 14.32 annuity or benefit must be applied;

14.33 ~~(3) for each January 1 following the restoration of funding stability~~ effective January
 14.34 1, 2022, and thereafter, a postretirement increase of ~~2.5~~ 1.75 percent must be applied each
 14.35 year, ~~effective January 1,~~ to the monthly annuity or benefit amount of each annuitant

15.1 or benefit recipient who has been receiving an annuity or a benefit for at least 12 full
 15.2 months as of the June 30 of the calendar year immediately before the adjustment. For each
 15.3 annuitant or benefit recipient who has been receiving an annuity or a benefit for at least
 15.4 one full month, but less than 12 full months as of June 30 of the calendar year immediately
 15.5 before the adjustment, an annual postretirement increase of 1/12 of 1.75 percent for each
 15.6 month the person has been receiving an annuity or benefit must be applied; and

15.7 (4) ~~for each January 1 following the restoration of funding stability effective January~~
 15.8 ~~1, 2022, and thereafter, for each annuitant or benefit recipient who has been receiving an~~
 15.9 ~~annuity or a benefit for at least one full month, but less than 12 full months as of the June~~
 15.10 ~~30 of the calendar year immediately before the adjustment, an annual postretirement~~
 15.11 ~~increase of 1/12 of 2.5 1.75 percent for each month the person has been receiving an~~
 15.12 ~~annuity or benefit must be applied.~~

15.13 (b) ~~Funding stability is restored when the market value of assets of the Teachers~~
 15.14 ~~Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities~~
 15.15 ~~of the Teachers Retirement Association in the two most recent prior actuarial valuations~~
 15.16 ~~prepared under section 356.215 and the standards for actuarial work by the approved~~
 15.17 ~~actuary retained by the Teachers Retirement Association under section 356.214.~~

15.18 (e) ~~After having met the definition of funding stability under paragraph (b), the~~
 15.19 ~~increase provided in paragraph (a), clauses (1) and (2), rather than an increase under~~
 15.20 ~~subdivision 1, or the increase under paragraph (a), clauses (3) and (4), is again to be applied~~
 15.21 ~~in a subsequent year or years if the market value of assets of the plan equals or is less than:~~

15.22 (1) ~~85 percent of the actuarial accrued liabilities of the plan for two consecutive~~
 15.23 ~~actuarial valuations; or~~

15.24 (2) ~~80 percent of the actuarial accrued liabilities of the plan for the most recent~~
 15.25 ~~actuarial valuation.~~

15.26 (d) ~~(b)~~ An increase in annuity or benefit payments under this section must be made
 15.27 automatically unless written notice is filed by the annuitant or benefit recipient with the
 15.28 executive director of the Teachers Retirement Association requesting that the increase
 15.29 not be made.

15.30 (e) ~~(c)~~ The retirement annuity payable to a person who retires before becoming
 15.31 eligible for Social Security benefits and who has elected the optional payment as provided
 15.32 in section 354.35 must be treated as the sum of a period-certain retirement annuity
 15.33 and a life retirement annuity for the purposes of any postretirement adjustment. The
 15.34 period-certain retirement annuity plus the life retirement annuity must be the annuity
 15.35 amount payable until age 62, 65, or normal retirement age, as selected by the member
 15.36 at retirement, for an annuity amount payable under section 354.35. A postretirement

16.1 adjustment granted on the period-certain retirement annuity must terminate when the
16.2 period-certain retirement annuity terminates.

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

16.4 Sec. 11. Minnesota Statutes 2015 Supplement, section 356.415, subdivision 1e,
16.5 is amended to read:

16.6 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.**

16.7 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol
16.8 retirement plan are entitled to a postretirement adjustment annually on January 1 if the
16.9 definition of funding stability under paragraph (b) has not been met, as follows:

16.10 (1) a postretirement increase of one percent must be applied each year, effective on
16.11 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
16.12 has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of
16.13 the calendar year immediately before the adjustment; and

16.14 (2) for each annuitant or benefit recipient who has been receiving an annuity or
16.15 a benefit for at least one full month, but less than 12 full months as of the June 30 of
16.16 the calendar year immediately before the adjustment, an annual postretirement increase
16.17 of 1/12 of one percent for each month that the person has been receiving an annuity or
16.18 benefit must be applied.

16.19 (b) Increases under paragraph (a) for the State Patrol retirement plan terminate on
16.20 December 31 of the calendar year in which two prior consecutive actuarial valuations for
16.21 the plan prepared by the approved actuary under sections 356.214 and 356.215 and the
16.22 standards for actuarial work promulgated by the Legislative Commission on Pensions
16.23 and Retirement indicates that the market value of assets of the retirement plan equals or
16.24 exceeds 85 percent of the actuarial accrued liability of the retirement plan. Thereafter,
16.25 increases under paragraph (a) become effective again on the December 31 of the calendar
16.26 year in which the actuarial valuation, or prior consecutive actuarial valuations for the
16.27 plan prepared by the approved actuary under sections 356.214 and 356.215 and the
16.28 standards for actuarial work promulgated by the Legislative Commission on Pensions and
16.29 Retirement indicates that the market value of the assets of the retirement plan equals or is
16.30 less than 80 percent of the actuarial accrued liability of the retirement plan for two years,
16.31 or equals or is less than 75 percent of the actuarial accrued liability of the retirement plan
16.32 for one year and increases under paragraph (c) commence after that date.

16.33 (c) Retirement annuity, disability benefit, or survivor benefit recipients of the State
16.34 Patrol retirement plan are entitled to a postretirement adjustment annually on January 1 if
16.35 the definition of funding stability under paragraph (b) has been met, as follows:

17.1 (1) a postretirement increase of 1.5 percent must be applied each year, effective on
 17.2 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
 17.3 has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of
 17.4 the calendar year immediately before the adjustment; and

17.5 (2) for each annuitant or benefit recipient who has been receiving an annuity or
 17.6 a benefit for at least one full month, but less than 12 full months as of the June 30 of
 17.7 the calendar year immediately before the adjustment, an annual postretirement increase
 17.8 of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or
 17.9 benefit must be applied.

17.10 (d) Increases under paragraph (c) for the State Patrol retirement plan terminate on
 17.11 December 31 of the calendar year in which two prior consecutive actuarial valuations
 17.12 prepared by the approved actuary under sections 356.214 and 356.215 and the standards
 17.13 for actuarial work adopted by the Legislative Commission on Pensions and Retirement
 17.14 indicates that the market value of assets of the retirement plan equals or exceeds 90 percent
 17.15 of the actuarial accrued liability of the retirement plan and increases under ~~subdivision~~
 17.16 ~~† recommence~~ paragraph (e) commence after that date.

17.17 (e) Retirement annuity, disability benefit, or survivor benefit recipients of the State
 17.18 Patrol retirement plan are entitled to a postretirement adjustment annually on January 1 if
 17.19 the definition of funding stability under paragraph (d) has been met, as follows:

17.20 (1) a postretirement increase of 2.5 percent must be applied each year, effective on
 17.21 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
 17.22 has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of
 17.23 the calendar year immediately before the adjustment; and

17.24 (2) for each annuitant or benefit recipient who has been receiving an annuity or
 17.25 a benefit for at least one full month, but less than 12 full months as of the June 30 of
 17.26 the calendar year immediately before the adjustment, an annual postretirement increase
 17.27 of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or
 17.28 benefit must be applied.

17.29 (e) (f) An increase in annuity or benefit payments under this subdivision must be
 17.30 made automatically unless written notice is filed by the annuitant or benefit recipient
 17.31 with the executive director of the applicable covered retirement plan requesting that the
 17.32 increase not be made.

17.33 **EFFECTIVE DATE.** This section is effective June 30, 2016.

17.34 Sec. 12. Minnesota Statutes 2015 Supplement, section 356.415, subdivision 1f, is
 17.35 amended to read:

18.1 Subd. 1f. **Annual postretirement adjustments; Minnesota State Retirement**
 18.2 **System judges retirement plan.** ~~(a) The increases provided under this subdivision are in~~
 18.3 ~~lieu of increases under subdivision 1 or 1a for retirement annuity, disability benefit, or~~
 18.4 ~~survivor benefit recipients of the judges retirement plan.~~

18.5 ~~(b)~~ (a) Retirement annuity, disability benefit, or survivor benefit recipients of the
 18.6 judges retirement plan are entitled to a postretirement adjustment annually on January 1 if
 18.7 the definition of funding stability under paragraph (b) has not been met, as follows:

18.8 (1) a postretirement increase of 1.75 percent must be applied each year, effective on
 18.9 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
 18.10 has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of
 18.11 the calendar year immediately before the adjustment; and

18.12 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
 18.13 benefit for at least one full month, but less than 12 full months as of the June 30 of the
 18.14 calendar year immediately before the adjustment, an annual postretirement increase of
 18.15 1/12 of 1.75 percent for each month that the person has been receiving an annuity or
 18.16 benefit must be applied.

18.17 ~~(e)~~ (b) Increases under ~~this subdivision~~ paragraph (a) terminate on December 31
 18.18 of the calendar year in which two prior consecutive actuarial valuations prepared by the
 18.19 approved actuary under sections 356.214 and 356.215 and the standards for actuarial work
 18.20 promulgated by the Legislative Commission on Pensions and Retirement indicates that
 18.21 the market value of assets of the judges retirement plan equals or exceeds 70 percent of
 18.22 the actuarial accrued liability of the retirement plan; and increases under subdivision
 18.23 1 or 1a, whichever is applicable, begin on the January 1 next following paragraph (c)
 18.24 commence after that date.

18.25 (c) Retirement annuity, disability benefit, or survivor benefit recipients of the judges
 18.26 retirement plan are entitled to a postretirement adjustment annually on January 1 if the
 18.27 definition of funding stability under paragraph (d) has not been met, as follows:

18.28 (1) a postretirement increase of two percent must be applied each year, effective on
 18.29 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
 18.30 has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of
 18.31 the calendar year immediately before the adjustment; and

18.32 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
 18.33 benefit for at least one full month, but less than 12 full months as of the June 30 of the
 18.34 calendar year immediately before the adjustment, an annual postretirement increase of
 18.35 1/12 of two percent for each month that the person has been receiving an annuity or
 18.36 benefit must be applied.

19.1 (d) Increases under paragraph (c) terminate on December 31 of the calendar year
 19.2 in which two prior consecutive actuarial valuations prepared by the approved actuary
 19.3 under sections 356.214 and 356.215 and the standards for actuarial work adopted by the
 19.4 Legislative Commission on Pensions and Retirement indicates that the market value of
 19.5 assets of the judges retirement plan equals or exceeds 90 percent of the actuarial accrued
 19.6 liability of the retirement plan and increases under paragraph (e) commence after that date.

19.7 (e) Retirement annuity, disability benefit, or survivor benefit recipients of the judges
 19.8 retirement plan are entitled to a postretirement adjustment annually on January 1 if the
 19.9 definition of funding stability under paragraph (d) has been met, as follows:

19.10 (1) a postretirement increase of 2.5 percent must be applied each year, effective on
 19.11 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
 19.12 has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of
 19.13 the calendar year immediately before the adjustment; and

19.14 (2) for each annuitant or benefit recipient who has been receiving an annuity or
 19.15 a benefit for at least one full month, but less than 12 full months as of the June 30 of
 19.16 the calendar year immediately before the adjustment, an annual postretirement increase
 19.17 of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or
 19.18 benefit must be applied.

19.19 ~~(d)~~ (f) An increase in annuity or benefit payments under this subdivision must be
 19.20 made automatically unless written notice is filed by the annuitant or benefit recipient
 19.21 with the executive director of the applicable covered retirement plan requesting that the
 19.22 increase not be made.

19.23 **EFFECTIVE DATE.** This section is effective June 30, 2016.

19.24 Sec. 13. **REPEALER.**

19.25 (a) Minnesota Statutes 2015 Supplement, section 356.415, subdivision 1, is repealed.

19.26 (b) Minnesota Statutes 2015 Supplement, section 354A.29, subdivisions 8 and
 19.27 9, are repealed.

19.28 **EFFECTIVE DATE.** Paragraph (a) is effective June 30, 2016. Paragraph (b) is
 19.29 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.

356.415 POSTRETIREMENT ADJUSTMENTS; STATEWIDE RETIREMENT PLANS.

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

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied.

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