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State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 650

02/18/2013 Authored by Nelson and Morgan 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; Teachers Retirement Association; modifying certain early
1.3 retirement adjustment factors; phasing in actuarial equivalent early retirement
1.4 adjustment factors over a five-year period beginning in 2015; amending
1.5 Minnesota Statutes 2012, section 354.44, subdivision 6.

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

1.7 Section 1. Minnesota Statutes 2012, section 354.44, subdivision 6, is amended to read:

1.8 Subd. 6. Computation of formula program retirement annuity. (a) The formula
1.9 retirement annuity must be computed in accordance with the applicable provisions of the
1.10 formulas stated in paragraph (b) or (d) on the basis of each member's average salary under
1.11 section 354.05, subdivision 13a, for the period of the member's formula service credit.

1.12 (b) This paragraph, in conjunction with paragraph (c), applies to a person who first
1.13 became a member of the association or a member of a pension fund listed in section
1.14 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with
1.15 paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The
1.16 average salary as defined in section 354.05, subdivision 13a, multiplied by the following
1.17 percentages per year of formula service credit shall determine the amount of the annuity to
1.18 which the member qualifying therefor is entitled for service rendered before July 1, 2006:

Table with 3 columns: Description, Coordinated Member, Basic Member. Rows 1.19-1.25.

2.1 For service rendered on or after July 1, 2006, the average salary as defined in section
 2.2 354.05, subdivision 13a, multiplied by the following percentages per year of service credit,
 2.3 determines the amount the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
2.4		
2.5	Each year of service during	the percent specified
2.6	first ten	in section 356.315,
2.7		subdivision 1a, per year
2.8	Each year of service after	the percent specified
2.9	ten years of service	in section 356.315,
2.10		subdivision 2b, per year

2.11 (c)(i) This paragraph applies only to a person who first became a member of the
 2.12 association or a member of a pension fund listed in section 356.30, subdivision 3, before
 2.13 July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in
 2.14 conjunction with this paragraph than when calculated under paragraph (d), in conjunction
 2.15 with paragraph (e).

2.16 (ii) Where any member retires prior to normal retirement age under a formula
 2.17 annuity, the member shall be paid a retirement annuity in an amount equal to the normal
 2.18 annuity provided in paragraph (b) reduced by one-quarter of one percent for each month
 2.19 that the member is under normal retirement age at the time of retirement except that for
 2.20 any member who has 30 or more years of allowable service credit, the reduction shall be
 2.21 applied only for each month that the member is under age 62.

2.22 (iii) Any member whose attained age plus credited allowable service totals 90 years
 2.23 is entitled, upon application, to a retirement annuity in an amount equal to the normal
 2.24 annuity provided in paragraph (b), without any reduction by reason of early retirement.

2.25 (d) This paragraph applies to a member who has become at least 55 years old and
 2.26 first became a member of the association after June 30, 1989, and to any other member
 2.27 who has become at least 55 years old and whose annuity amount when calculated under
 2.28 this paragraph and in conjunction with paragraph (e), is higher than it is when calculated
 2.29 under paragraph (b), in conjunction with paragraph (c). For a basic member, the average
 2.30 salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified
 2.31 by section 356.315, subdivision 4, for each year of service for a basic member shall
 2.32 determine the amount of the retirement annuity to which the basic member is entitled.
 2.33 The annuity of a basic member who was a member of the former Minneapolis Teachers
 2.34 Retirement Fund Association as of June 30, 2006, must be determined according to the
 2.35 annuity formula under the articles of incorporation of the former Minneapolis Teachers
 2.36 Retirement Fund Association in effect as of that date. For a coordinated member, the
 2.37 average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent
 2.38 specified in section 356.315, subdivision 2, for each year of service rendered before July

3.1 1, 2006, and by the percent specified in section 356.315, subdivision 2b, for each year of
3.2 service rendered on or after July 1, 2006, determines the amount of the retirement annuity
3.3 to which the coordinated member is entitled.

3.4 (e) This paragraph applies to a person who has become at least 55 years old and first
3.5 becomes a member of the association after June 30, 1989, and to any other member who
3.6 has become at least 55 years old and whose annuity is higher when calculated under
3.7 paragraph (d) in conjunction with this paragraph than when calculated under paragraph
3.8 (b), in conjunction with paragraph (c). An employee who retires under the formula annuity
3.9 before the normal retirement age shall be paid the normal annuity provided in paragraph
3.10 (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that
3.11 would be payable to the employee if the employee deferred receipt of the annuity and the
3.12 annuity amount were augmented at an annual rate of three percent compounded annually
3.13 from the day the annuity begins to accrue until the normal retirement age if the employee
3.14 became an employee before July 1, 2006, and at 2.5 percent compounded annually if the
3.15 employee becomes an employee after June 30, 2006. Except in regards to section 354.46,
3.16 this paragraph remains in effect until June 30, 2015.

3.17 (f) After June 30, 2020, this paragraph applies to a person who has become at least
3.18 55 years old and first becomes a member of the association after June 30, 1989, and to any
3.19 other member who has become at least 55 years old and whose annuity is higher when
3.20 calculated under paragraph (d) in conjunction with this paragraph than when calculated
3.21 under paragraph (b), in conjunction with paragraph (c). An employee who retires under
3.22 the formula annuity before the normal retirement age is entitled to receive the normal
3.23 annuity provided in paragraph (d). For a person who is at least age 62 or older and has at
3.24 least 30 years of service, the annuity must be reduced by an early reduction factor of six
3.25 percent per year of the annuity that would be payable to the employee if the employee
3.26 deferred receipt of the annuity and the annuity amount were augmented at an annual rate
3.27 of three percent compounded annually from the day the annuity begins to accrue until the
3.28 normal retirement age if the employee became an employee before July 1, 2006, and at 2.5
3.29 percent compounded annually if the employee became an employee after June 30, 2006.
3.30 For a person who is not at least age 62 or older and does not have at least 30 years of
3.31 service, the annuity would be reduced by an early reduction factor of four percent per year
3.32 for ages 55 through 59 and seven percent per year of the annuity that would be payable
3.33 to the employee if the employee deferred receipt of the annuity and the annuity amount
3.34 were augmented at an annual rate of three percent compounded annually from the day
3.35 the annuity begins to accrue until the normal retirement age if the employee became an

4.1 employee before July 1, 2006, and at 2.5 percent compounded annually if the employee
4.2 became an employee after June 30, 2006.

4.3 (g) After June 30, 2015, and before July 1, 2020, for a person who would have
4.4 a reduced retirement annuity under either paragraph (e) or (f) if they were applicable,
4.5 the employee is entitled to receive a reduced annuity which must be calculated using
4.6 a blended reduction factor augmented monthly by 1/60 of the difference between the
4.7 reduction required under paragraph (e) and the reduction required under paragraph (f).

4.8 ~~(f)~~ (h) No retirement annuity is payable to a former employee with a salary that
4.9 exceeds 95 percent of the governor's salary unless and until the salary figures used in
4.10 computing the highest five successive years average salary under paragraph (a) have been
4.11 audited by the Teachers Retirement Association and determined by the executive director
4.12 to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

4.13 **EFFECTIVE DATE.** This section is effective July 1, 2013.