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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 953

02/25/2013 Authored by Hilstrom, Lesch and Kahn
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; judges retirement plan; reducing postretirement

1.3   adjustments; increasing normal retirement age for new judges; revising member

1.4   and employer contribution rates; permitting existing judges to elect to be treated

1.5   as a new judge for benefit and contribution purposes; amending Minnesota

1.6   Statutes 2012, sections 356.315, by adding a subdivision; 356.415, subdivision

1.7   1, by adding a subdivision; 490.121, subdivision 21f; 490.123, subdivisions

1.8   1a, 1b; 490.124, subdivision 1; proposing coding for new law in Minnesota

1.9   Statutes, chapter 490.

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

1.11   Section 1. Minnesota Statutes 2012, section 356.315, is amended by adding a

1.12   subdivision to read:

1.13   Subd. 8a. **Judges plan.** The applicable benefit accrual rate is 2.5 percent.

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

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

1.16   Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as

1.17   otherwise provided in subdivision 1a, 1b, 1c, 1d, or 1e, or 1f, retirement annuity, disability

1.18   benefit, or survivor benefit recipients of a covered retirement plan are entitled to a

1.19   postretirement adjustment annually on January 1, as follows:

1.20   (1) a postretirement increase of 2.5 percent must be applied each year, effective

1.21   January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has

1.22   been receiving an annuity or a benefit for at least 12 full months prior to the January 1

1.23   increase; and

1.24   (2) for each annuitant or benefit recipient who has been receiving an annuity or a

1.25   benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5

2.1   percent for each month that the person has been receiving an annuity or benefit must be

2.2   applied, effective on January 1 following the calendar year in which the person has been

2.3   retired for less than 12 months.

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

2.5   (c) An increase in annuity or benefit payments under this section must be made

2.6   automatically unless written notice is filed by the annuitant or benefit recipient with the

2.7   executive director of the covered retirement plan requesting that the increase not be made.

2.8   (d) The retirement annuity payable to a person who retires before becoming eligible

2.9   for Social Security benefits and who has elected the optional payment as provided in

2.10   section 353.29, subdivision 6, must be treated as the sum of a period certain retirement

2.11   annuity and a life retirement annuity for the purposes of any postretirement adjustment.

2.12   The period certain retirement annuity plus the life retirement annuity must be the

2.13   annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement

2.14   adjustment granted on the period certain retirement annuity must terminate when the

2.15   period certain retirement annuity terminates.

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

2.17   Sec. 3. Minnesota Statutes 2012, section 356.415, is amended by adding a subdivision

2.18   to read:

2.19   Subd. 1f. **Annual postretirement adjustments; Minnesota State Retirement**

2.20   **System judges retirement plan.** (a) The increases provided under this subdivision begin

2.21   on January 1, 2014, and are in lieu of increases under subdivision 1 or 1a for retirement

2.22   annuity, disability benefit, or survivor benefit recipients of the judges retirement plan.

2.23   (b) Retirement annuity, disability benefit, or survivor benefit recipients of the

2.24   judges retirement plan are entitled to a postretirement adjustment annually on January

2.25   1, as follows:

2.26   (1) a postretirement increase of 1.75 percent must be applied each year, effective

2.27   on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient

2.28   who has been receiving an annuity or a benefit for at least 18 full months before the

2.29   January 1 increase; and

2.30   (2) for each annuitant or benefit recipient who has been receiving an annuity or a

2.31   benefit for at least six full months, an annual postretirement increase of 1/12 of 1.75

2.32   percent for each month that the person has been receiving an annuity or benefit must be

2.33   applied, effective January 1, following the calendar year in which the person has been

2.34   retired for at least six months, but has been retired for less than 18 months.

3.1 (c) Increases under this subdivision terminate on December 31 of the calendar year in

3.2 which the actuarial valuation prepared by the approved actuary under sections 356.214 and

3.3 356.215 and the standards for actuarial work promulgated by the Legislative Commission

3.4 on Pensions and Retirement indicates that the market value of assets of the judges retirement

3.5 plan equals or exceeds 70 percent of the actuarial accrued liability of the retirement plan.

3.6 Increases under subdivision 1 or 1a, whichever is applicable, begin after that date.

3.7 (d) An increase in annuity or benefit payments under this subdivision must be made

3.8 automatically unless written notice is filed by the annuitant or benefit recipient with the

3.9 executive director of the applicable covered retirement plan requesting that the increase

3.10 not be made.

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

3.12 Sec. 4. Minnesota Statutes 2012, section 490.121, subdivision 21f, is amended to read:

3.13 Subd. 21f. **Normal retirement date.** (a) For a judge in the tier I program, "normal

3.14 retirement date" means the date a the judge attains the age of 65.

3.15 (b) For a judge in the tier II program, "normal retirement date" means the date

3.16 the judge attains age 66.

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

3.18 Sec. 5. **[490.1221] JUDGES PLAN PROGRAMS.**

3.19 Members of the judges retirement plan are members of either the tier I or tier II

3.20 program. A tier I program judge is a person who was first appointed or elected as a judge

3.21 before July 1, 2013, who was not eligible for the tier II program because the judge had

3.22 five or more years of allowable service, or did not elect that program. A tier II program

3.23 judge is a person who:

3.24 (1) was first appointed or elected as a judge after June 30, 2013; or

3.25 (2) was first appointed or elected as a judge before July 1, 2013, and made an

3.26 election under section 11 to be in the tier II program.

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

3.28 Sec. 6. **[490.1222] APPLICATION OF SERVICE CREDIT LIMIT.**

3.29 The service credit limit specified in section 490.121, subdivision 22, does not apply

3.30 to a judge in the tier II program.

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

4.1   Sec. 7. Minnesota Statutes 2012, section 490.123, subdivision 1a, is amended to read:

4.2   Subd. 1a. **Member contribution rates.** (a) A judge ~~who is covered by the federal~~

4.3   ~~Old Age, Survivors, Disability, and Health Insurance Program and~~ in the tier I program

4.4   whose service does not exceed the service credit limit in section 490.121, subdivision 22,

4.5   shall contribute to the fund from each salary payment a sum equal to ~~8.00~~ 9.00 percent

4.6   of salary.

4.7   (b) A judge in the tier II program shall contribute to the fund from each salary

4.8   payment a sum equal to 7.00 percent of salary.

4.9   ~~(b) The contribution~~ (c) Contributions under this subdivision ~~is~~ are payable by salary

4.10   deduction. The deduction must be made by the state court administrator under section

4.11   352.04, subdivisions 4, 5, and 8.

4.12   **EFFECTIVE DATE.** This section is effective beginning on the first day of the first

4.13   full payroll period following an increase in judicial salaries of at least one percent due to

4.14   action by the legislature during calendar year 2013 or later.

4.15   Sec. 8. Minnesota Statutes 2012, section 490.123, subdivision 1b, is amended to read:

4.16   Subd. 1b. **Employer contribution rate.** (a) The employer contribution rate to the

4.17   fund on behalf of a judge is ~~20.5~~ 22.5 percent of salary. The employer obligation continues

4.18   after a judge exceeds the service credit limit in section 490.121, subdivision 22.

4.19   (b) The employer contribution must be paid by the state court administrator. The

4.20   employer contribution is payable at the same time as member contributions are made

4.21   under subdivision 1a or as employee contributions are made to the unclassified program

4.22   governed by chapter 352D for judges whose service exceeds the limit in section 490.121,

4.23   subdivision 22, are remitted.

4.24   **EFFECTIVE DATE.** This section is effective the first day of the first full payroll

4.25   period after June 30, 2013.

4.26   Sec. 9. Minnesota Statutes 2012, section 490.124, subdivision 1, is amended to read:

4.27   Subdivision 1. **~~Basic~~ Retirement annuity.** (a) Except as qualified hereinafter from

4.28   and after the mandatory retirement date, the normal retirement date, the early retirement

4.29   date, or one year from the disability retirement date, as the case may be, a retiring judge is

4.30   eligible to receive a retirement annuity from the judges' retirement fund.

4.31   (b) For a tier I program judge, the retirement annuity is an amount equal to:

5.1   (1) the percent specified in section 356.315, subdivision 7, multiplied by the judge's

5.2   final average compensation with that result then multiplied by the number of years and

5.3   fractions of years of allowable service rendered before July 1, 1980; plus

5.4   (2) the percent specified in section 356.315, subdivision 8, multiplied by the judge's

5.5   final average compensation with that result then multiplied by the number of years and

5.6   fractions of years of allowable service rendered after June 30, 1980.

5.7   (c) For a tier II program judge who was first appointed or elected as a judge before

5.8   July 1, 2013, the retirement annuity is an amount equal to:

5.9   (1) the percent specified in section 356.315, subdivision 8, multiplied by the judge's

5.10   final average compensation with that result then multiplied by the number of years and

5.11   fractions of years of allowable service rendered before January 1, 2014; plus

5.12   (2) the percentage specified in section 356.315, subdivision 8a, multiplied by the

5.13   judge's final average compensation with that result then multiplied by the number of years

5.14   and fractions of years of allowable service rendered after December 31, 2013.

5.15   (d) For a tier II program judge who was first appointed or elected as a judge after

5.16   June 30, 2013, the retirement annuity is an amount equal to the percent specified in section

5.17   356.315, subdivision 8a, multiplied by the judge's final average compensation with that

5.18   result then multiplied by the number of years and fractions of years of allowable service.

5.19   (e) (e) For a judge in the tier I program, service that exceeds the service credit limit in

5.20   section 490.121, subdivision 22, must be excluded in calculating the retirement annuity, but

5.21   the compensation earned by the judge during this period of judicial service must be used in

5.22   determining a judge's final average compensation and calculating the retirement annuity.

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

5.24   Sec. 10. **MEMBER CONTRIBUTION INCREASE CONDITION.**

5.25   Any increase in judicial salaries, due to action by the legislature during calendar year

5.26   2013 or later, is not applicable to a judge in the tier I program if the member contribution

5.27   rate applicable to a judge in the tier I program under section 7 is not deducted from the

5.28   salary of the judge.

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

5.30   Sec. 11. **TIER II PROGRAM ELECTION; PRE-JULY 1, 2013, JUDGES.**

5.31   Subdivision 1. **Authority.** A person who was first appointed or elected as a judge

5.32   covered by the Minnesota State Retirement System judges retirement plan before July 1,

6.1   2013, is eligible to elect treatment as a tier II program judge if the judge has less than five

6.2   years of allowable service on the date the judge makes a valid election under subdivision 2.

6.3   Subd. 2. **Election procedure.** An eligible judge under subdivision 1 may elect to be

6.4   subject to provisions of Minnesota Statutes, chapter 490, applicable to a tier II program

6.5   judge rather than the tier I program by electing that treatment before January 1, 2014, on a

6.6   form provided by the executive director of the Minnesota State Retirement System.

6.7   Subd. 3. **Effect of election.** (a) The election is irrevocable.

6.8   (b) Any eligible judge who fails to make an election remains in the tier I program.

6.9   (c) If the tier II program is elected, contributions based on revised member

6.10   contribution rates under Minnesota Statutes, section 490.123, subdivision 1a, begin on the

6.11   first day of the first full pay period occurring after January 1, 2014.

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