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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1459

02/22/2021 Authored by Nelson, M., The bill was read for the first time and referred to the Committee on State Government Finance and Elections

1.1 A bill for an act
1.2 relating to retirement; St. Paul Teachers Retirement Fund Association; modifying
1.3 employee contribution rates and making administrative changes; amending
1.4 Minnesota Statutes 2020, sections 354A.12, subdivision 1; 354A.31, subdivision
1.5 7.

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

1.7 Section 1. Minnesota Statutes 2020, section 354A.12, subdivision 1, is amended to read:

1.8 Subdivision 1. Employee contributions. (a) The contribution required to be paid by
1.9 each member of the St. Paul Teachers Retirement Fund Association is the percentage of
1.10 total salary specified below for the applicable association and program:

Table with 2 columns: Program, Percentage of Total Salary. Rows include St. Paul Teachers Retirement Fund Association, basic program after June 30, 2016, basic program after June 30, 2022 2023, coordinated program after June 30, 2016, coordinated program after June 30, 2022 2023.

1.17 (b) Contributions must be made by deduction from salary and must be remitted directly
1.18 to the St. Paul Teachers Retirement Fund Association at least once each month.

1.19 (c) When an employee contribution rate changes for a fiscal year, the new contribution
1.20 rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

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

2.1 Sec. 2. Minnesota Statutes 2020, section 354A.31, subdivision 7, is amended to read:

2.2 Subd. 7. **Reduction for early retirement.** (a) This subdivision applies to a person who  
2.3 has become at least 55 years old and first becomes a coordinated member after June 30,  
2.4 1989, and to any other coordinated member who has become at least 55 years old and whose  
2.5 annuity is higher when calculated using the retirement annuity formula percentage in  
2.6 subdivision 4, paragraph (d), in conjunction with this subdivision than when calculated  
2.7 under subdivision 4, paragraph (c), in conjunction with subdivision 6. An employee who  
2.8 retires under the formula annuity before the normal retirement age shall be paid the normal  
2.9 annuity reduced as described in paragraph (b) if the person retires on or after July 1, 2019,  
2.10 or in paragraph (c) if the person retires before July 1, 2019, as applicable.

2.11 (b) A coordinated member who retires before the normal retirement age and on or after  
2.12 July 1, 2019, is entitled to receive a retirement annuity calculated using the retirement  
2.13 annuity formula percentage in subdivision 4, paragraph (d), reduced as described in clause  
2.14 (1) or (2), as applicable.

2.15 (1) If the member retires when the member is younger than age 62 or with fewer than  
2.16 30 years of service, the annuity must be reduced by an early reduction factor for each year  
2.17 that the member's age of retirement precedes normal retirement age. The early reduction  
2.18 factors are four percent per year for ~~ages~~ members whose age at retirement is at least 55  
2.19 ~~through but not yet 59~~ and seven percent per year for ~~ages 60 through~~ members whose age  
2.20 at retirement is at least 59 but not yet normal retirement age. The resulting annuity must be  
2.21 further adjusted to take into account augmentation as if the employee had deferred receipt  
2.22 of the annuity until normal retirement age and the annuity were augmented at the applicable  
2.23 annual rate, compounded annually, from the day the annuity begins to accrue until normal  
2.24 retirement age. The applicable annual rate is the rate in effect on the employee's effective  
2.25 date of retirement and shall be considered as fixed for the employee. The applicable annual  
2.26 rates are the following:

2.27 (i) until June 30, 2019, 2.5 percent;

2.28 (ii) a rate that changes each month, beginning July 1, 2019, through June 30, 2024, which  
2.29 is determined by reducing the rate in item (i) to zero in equal monthly increments over the  
2.30 five-year period; and

2.31 (iii) after June 30, 2024, zero percent.

2.32 After June 30, 2024, the reduced annuity commencing before normal retirement age  
2.33 under this clause shall not take into account any augmentation.

3.1 (2) If the member retires when the member is at least age 62 or older and has at least 30  
 3.2 years of service, the member is entitled to receive a retirement annuity calculated using the  
 3.3 retirement annuity formula percentage in subdivision 4, paragraph (d), multiplied by the  
 3.4 applicable early retirement factor specified for members "Age 62 or older with 30 years of  
 3.5 service" in the table in paragraph (c).

3.6 (c) A coordinated member who retires before the normal retirement age and before July  
 3.7 1, 2019, is entitled to receive a retirement annuity calculated using the retirement annuity  
 3.8 formula percentage in subdivision 4, paragraph (d), multiplied by the applicable early  
 3.9 retirement factor specified below:

	Under age 62		Age 62 or older	
	or less than 30 years of service		with 30 years of service	
Normal retirement age:	65	66	65	66
Age at retirement				
55	0.5376	0.4592		
56	0.5745	0.4992		
57	0.6092	0.5370		
58	0.6419	0.5726		
59	0.6726	0.6062		
60	0.7354	0.6726		
61	0.7947	0.7354		
62	0.8507	0.7947	0.8831	0.8389
63	0.9035	0.8507	0.9246	0.8831
64	0.9533	0.9035	0.9635	0.9246
65	1.0000	0.9533	1.0000	0.9635
66		1.0000		1.0000

3.26 For normal retirement ages between ages 65 and 66, the early retirement factors must  
 3.27 be determined by linear interpolation between the early retirement factors applicable for  
 3.28 normal retirement ages 65 and 66.

3.29 **EFFECTIVE DATE.** This section is effective retroactively from June 30, 2018.