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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 660

02/05/2015

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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; Minnesota State Retirement System and Public Employees

1.3

Retirement Association; St. Paul teachers retirement plan; modifying various

1.4

economic actuarial assumptions; amending Minnesota Statutes 2014, section

1.5

356.215, subdivision 8.

1.6

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

1.7

Section 1. Minnesota Statutes 2014, section 356.215, subdivision 8, is amended to read:

1.8

Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the

1.9

applicable following interest assumption:

1.10

(1) select and ultimate interest rate assumption

plan	ultimate interest rate assumption
general state employees retirement plan	8.5%
correctional state employees retirement plan	8.5
State Patrol retirement plan	8.5
legislators retirement plan, and for the	0
constitutional officers calculation of total plan	
liabilities	
judges retirement plan	8.5
general public employees retirement plan	8.5
public employees police and fire retirement plan	8.5
local government correctional service	8.5
retirement plan	
teachers retirement plan	8.5%
St. Paul teachers retirement plan	8.5

1.26

Except for the ~~legislators retirement plan and the constitutional officers calculation~~

1.27

~~of total plan liabilities~~, The select preretirement interest rate assumption for the period

1.28

~~after June 30, 2012~~, through June 30, 2017, is 8 percent.

2.1 (2) single rate interest rate assumption

2.2		interest rate
2.3	plan	assumption
2.4	<u>general state employees retirement plan</u>	<u>8%</u>
2.5	<u>correctional state employees retirement plan</u>	<u>8</u>
2.6	<u>State Patrol retirement plan</u>	<u>8</u>
2.7	<u>legislators retirement plan, and for the</u>	<u>0</u>
2.8	<u>constitutional officers calculation of total plan</u>	
2.9	<u>liabilities</u>	
2.10	<u>judges retirement plan</u>	<u>8</u>
2.11	<u>general public employees retirement plan</u>	<u>8</u>
2.12	<u>public employees police and fire retirement plan</u>	<u>8</u>
2.13	<u>local government correctional service retirement</u>	<u>8</u>
2.14	<u>plan</u>	
2.15	<u>St. Paul teachers retirement plan</u>	<u>8</u>
2.16	Bloomington Fire Department Relief Association	6
2.17	local monthly benefit volunteer firefighters relief	5
2.18	associations	

2.19 (b)(1) If funding stability has been attained, the valuation must use a postretirement
 2.20 adjustment rate actuarial assumption equal to the postretirement adjustment rate specified
 2.21 in section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1,
 2.22 whichever applies.

2.23 (2) If funding stability has not been attained, the valuation must use a select
 2.24 postretirement adjustment rate actuarial assumption equal to the postretirement adjustment
 2.25 rate specified in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415,
 2.26 subdivision 1a, 1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the
 2.27 approved actuary estimates that the plan will attain the defined funding stability measure,
 2.28 and thereafter an ultimate postretirement adjustment rate actuarial assumption equal
 2.29 to the postretirement adjustment rate under section 354A.27, subdivision 7; 354A.29,
 2.30 subdivision 9; or 356.415, subdivision 1, for the applicable period or periods beginning
 2.31 when funding stability is projected to be attained.

2.32 (c) The actuarial valuation must use the applicable following single rate future salary
 2.33 increase assumption, the applicable following modified single rate future salary increase
 2.34 assumption, or the applicable following graded rate future salary increase assumption:

2.35 (1) single rate future salary increase assumption

2.36	plan	future salary increase assumption
2.37	legislators retirement plan	5%
2.38	judges retirement plan	3
2.39	Bloomington Fire Department Relief	4
2.40	Association	

3.1(2) age-related future salary increase age-related select and ultimate future salary

3.2increase assumption or graded rate future salary increase assumption

3.3planfuture salary increase assumption

3.4local government correctional service retirement planassumption B

3.5St. Paul teachers retirement planassumption A

3.6For plans other than the St. Paul teachers

3.7retirement plan and the local government

3.8correctional service retirement plan, the

3.9select calculation is: during the designated

3.10select period, a designated percentage rate

3.11is multiplied by the result of the designated

3.12integer minus T, where T is the number of

3.13completed years of service, and is added

3.14to the applicable future salary increase

3.15assumption. The designated select period

3.16is ten years and the designated integer is

3.17ten for the local government correctional

3.18service retirement plan and 15 for the St.

3.19Paul Teachers Retirement Fund Association.

3.20The designated percentage rate is 0.2 percent

3.21for the St. Paul Teachers Retirement Fund

3.22Association.

3.23The ultimate future salary increase assumption is:

3.24	age	A	B
3.25	16	5.9%	9% <u>8.75%</u>
3.26	17	5.9	<u>98.75</u>
3.27	18	5.9	<u>98.75</u>
3.28	19	5.9	<u>98.75</u>
3.29	20	5.9	<u>98.75</u>
3.30	21	5.9	8.75 <u>8.5</u>
3.31	22	5.9	8.5 <u>8.25</u>
3.32	23	5.85	8.25 <u>8</u>
3.33	24	5.8	<u>87.75</u>
3.34	25	5.75	7.75 <u>7.5</u>
3.35	26	5.7	7.5 <u>7.25</u>
3.36	27	5.65	<u>7.25</u> <u>7</u>
3.37	28	5.6	<u>76.75</u>
3.38	29	5.55	6.75 <u>6.5</u>

4.1	30	5.5	6.75 <u>6.5</u>
4.2	31	5.45	6.5 <u>6.25</u>
4.3	32	5.4	6.5 <u>6.25</u>
4.4	33	5.35	6.5 <u>6.25</u>
4.5	34	5.3	6.25 <u>6</u>
4.6	35	5.25	6.25 <u>6</u>
4.7	36	5.2	6 <u>5.75</u>
4.8	37	5.15	6 <u>5.75</u>
4.9	38	5.1	6 <u>5.75</u>
4.10	39	5.05	5.75 <u>5.5</u>
4.11	40	5	5.75 <u>5.5</u>
4.12	41	4.95	5.75 <u>5.5</u>
4.13	42	4.9	5.5 <u>5.25</u>
4.14	43	4.85	5.25 <u>5</u>
4.15	44	4.8	5.25 <u>5</u>
4.16	45	4.75	5 <u>4.75</u>
4.17	46	4.7	5 <u>4.75</u>
4.18	47	4.65	5 <u>4.75</u>
4.19	48	4.6	5 <u>4.75</u>
4.20	49	4.55	5 <u>4.75</u>
4.21	50	4.5	5 <u>4.75</u>
4.22	51	4.45	5 <u>4.75</u>
4.23	52	4.4	5 <u>4.75</u>
4.24	53	4.35	5 <u>4.75</u>
4.25	54	4.3	5 <u>4.75</u>
4.26	55	4.25	4.75 <u>4.5</u>
4.27	56	4.2	4.75 <u>4.5</u>
4.28	57	4.15	4.5 <u>4.25</u>
4.29	58	4.1	4.25 <u>4</u>
4.30	59	4.05	4.25 <u>4</u>
4.31	60	4	4.25 <u>4</u>
4.32	61	4	4.25 <u>4</u>
4.33	62	4	4.25 <u>4</u>
4.34	63	4	4.25 <u>4</u>
4.35	64	4	4.25 <u>4</u>
4.36	65	4	4 <u>3.75</u>
4.37	66	4	4 <u>3.75</u>
4.38	67	4	4 <u>3.75</u>
4.39	68	4	4 <u>3.75</u>
4.40	69	4	4 <u>3.75</u>
4.41	70	4	4 <u>3.75</u>

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

5.1	general state employees retirement plan of the						assumption A
5.2	Minnesota State Retirement System						
5.3	general employees retirement plan of the Public						assumption B
5.4	Employees Retirement Association						
5.5	Teachers Retirement Association						assumption C
5.6	public employees police and fire retirement plan						assumption D
5.7	State Patrol retirement plan						assumption E
5.8	correctional state employees retirement plan of the						assumption F
5.9	Minnesota State Retirement System						
5.10	service						
5.11	length	A	B	C	D	E	F
5.12	1	10.5%	12.03%	12%	13%	8% <u>7.75%</u>	6% <u>5.75%</u>
5.13		<u>10.25%</u>	<u>11.78%</u>		<u>12.75%</u>		
5.14	2	8.17 <u>8.5</u>	8.98 <u>8.65</u>	9	11 <u>10.75</u>	7.57 <u>7.25</u>	5.85 <u>5.6</u>
5.15	3	6.96 <u>6.65</u>	7.46 <u>7.21</u>	8	9 <u>8.75</u>	7.6 <u>7.5</u>	5.75 <u>5.45</u>
5.16	4	6.25 <u>5.95</u>	6.58 <u>6.33</u>	7.5	8 <u>7.75</u>	6.75 <u>6.5</u>	5.55 <u>5.3</u>
5.17	5	5.75 <u>5.45</u>	5.97 <u>5.72</u>	7.25	6.56 <u>6.25</u>	6.56 <u>6.25</u>	5.45 <u>5.15</u>
5.18	6	5.35 <u>5.05</u>	5.52 <u>5.27</u>	7	6.15 <u>5.85</u>	6.25 <u>6</u>	5.25 <u>5</u>
5.19	7	5.4 <u>4.75</u>	5.16 <u>4.91</u>	6.85	5.85 <u>5.55</u>	6.5 <u>6.75</u>	5.14 <u>4.85</u>
5.20	8	4.74 <u>4.45</u>	4.87 <u>4.62</u>	6.7	5.65 <u>5.35</u>	5.85 <u>5.6</u>	4.95 <u>4.7</u>
5.21	9	4.54 <u>4.25</u>	4.63 <u>4.38</u>	6.55	5.45 <u>5.15</u>	5.75 <u>5.45</u>	4.84 <u>4.55</u>
5.22	10	4.44 <u>4.15</u>	4.42 <u>4.17</u>	6.4	5.35 <u>5.05</u>	5.55 <u>5.3</u>	4.65 <u>4.4</u>
5.23	11	4.23 <u>3.95</u>	4.24 <u>3.99</u>	6.25	5.24 <u>4.95</u>	5.45 <u>5.15</u>	4.55 <u>4.3</u>
5.24	12	4.13 <u>3.85</u>	4.08 <u>3.83</u>	6	5.14 <u>4.85</u>	5.25 <u>5</u>	4.45 <u>4.2</u>
5.25	13	4.3 <u>3.75</u>	3.94 <u>3.69</u>	5.75	5.4 <u>4.75</u>	5.14 <u>4.85</u>	4.35 <u>4.1</u>
5.26	14	3.83 <u>3.55</u>	3.82 <u>3.57</u>	5.5	4.94 <u>4.65</u>	4.95 <u>4.7</u>	4.25 <u>4</u>
5.27	15	3.73 <u>3.45</u>	3.73 <u>3.45</u>	5.25	4.84 <u>4.55</u>	4.84 <u>4.65</u>	4.15 <u>3.9</u>
5.28	16	3.63 <u>3.35</u>	3.63 <u>3.35</u>	5	4.84 <u>4.55</u>	4.65 <u>4.4</u>	4.05 <u>3.8</u>
5.29	17	3.53 <u>3.25</u>	3.51 <u>3.26</u>	4.75	4.84 <u>4.55</u>	4.54 <u>4.25</u>	3.95 <u>3.7</u>
5.30	18	3.53 <u>3.25</u>	3.53 <u>3.25</u>	4.5	4.84 <u>4.55</u>	4.35 <u>4.1</u>	3.85 <u>3.6</u>
5.31	19	3.53 <u>3.25</u>	3.53 <u>3.25</u>	4.25	4.84 <u>4.55</u>	4.23 <u>3.95</u>	3.75 <u>3.5</u>
5.32	20	3.53 <u>3.25</u>	3.53 <u>3.25</u>	4	4.84 <u>4.55</u>	4.05 <u>3.8</u>	3.75 <u>3.5</u>
5.33	21	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.9	4.74 <u>4.45</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.34	22	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.8	4.64 <u>4.35</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.35	23	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.7	4.54 <u>4.25</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.36	24	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.6	4.54 <u>4.25</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.37	25	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.5	4.54 <u>4.25</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.38	26	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.5	4.54 <u>4.25</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.39	27	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.5	4.54 <u>4.25</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.40	28	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.5	4.54 <u>4.25</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.41	29	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.5	4.54 <u>4.25</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>
5.42	30 or more	3.53 <u>3.25</u>	3.53 <u>3.25</u>	3.5	4.54 <u>4.25</u>	4.3 <u>3.75</u>	3.75 <u>3.5</u>

5.43 (d) The actuarial valuation must use the applicable following payroll growth

5.44 assumption for calculating the amortization requirement for the unfunded actuarial

6.1 accrued liability where the amortization retirement is calculated as a level percentage
 6.2 of an increasing payroll:

6.3	plan	payroll growth assumption
6.4	general state employees retirement plan of the	3.75% <u>3.5%</u>
6.5	Minnesota State Retirement System	
6.6	correctional state employees retirement plan	3.75 <u>3.5</u>
6.7	State Patrol retirement plan	3.75 <u>3.5</u>
6.8	judges retirement plan	3.2 <u>2.75</u>
6.9	general employees retirement plan of the Public	3.75 <u>3.5</u>
6.10	Employees Retirement Association	
6.11	public employees police and fire retirement plan	3.75 <u>3.5</u>
6.12	local government correctional service retirement plan	3.75 <u>3.5</u>
6.13	teachers retirement plan	3.75
6.14	St. Paul teachers retirement plan	4

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

- 6.17 (1) has been proposed by the governing board of the applicable retirement plan;
 6.18 (2) is accompanied by the concurring recommendation of the actuary retained under
 6.19 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the
 6.20 most recent actuarial valuation report if section 356.214 does not apply; and
 6.21 (3) has been approved or deemed approved under subdivision 18.

6.22 **EFFECTIVE DATE.** This section is effective June 30, 2015, and applies to
 6.23 actuarial valuations prepared for an actuarial valuation date after that date.