

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 2417

(SENATE AUTHORS: ROSEN)

DATE
04/14/2021

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OFFICIAL STATUS
Introduction and first reading
Referred to State Government Finance and Policy and Elections

1.1 A bill for an act

1.2 relating to retirement; Minnesota State Retirement System; extending eligibility

1.3 for a Rule of 90 unreduced early retirement benefit by one month to members

1.4 hired after June 30, 1989, and before August 1, 1989; amending Minnesota Statutes

1.5 2020, sections 352.01, subdivision 25; 352.115, subdivision 3; 352.116,

1.6 subdivisions 1, 1a.

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

1.8 Section 1. Minnesota Statutes 2020, section 352.01, subdivision 25, is amended to read:

1.9 Subd. 25. **Normal retirement age.** "Normal retirement age" means age 65 for a person

1.10 who first became a covered employee or a member of a pension fund listed in section 356.30,

1.11 subdivision 3, before ~~July~~ August 1, 1989. For a person who first becomes a covered

1.12 employee after ~~June 30~~ July 31, 1989, normal retirement age means the higher of age 65 or

1.13 "retirement age," as defined in United States Code, title 42, section 416(l), as amended, but

1.14 not to exceed age 66.

1.15 Sec. 2. Minnesota Statutes 2020, section 352.115, subdivision 3, is amended to read:

1.16 Subd. 3. **Retirement annuity formula.** (a) This paragraph, in conjunction with section

1.17 352.116, subdivision 1, applies to a person who became a covered employee or a member

1.18 of a pension fund listed in section 356.30, subdivision 3, before ~~July~~ August 1, 1989, unless

1.19 paragraph (b), in conjunction with section 352.116, subdivision 1a, produces a higher annuity

1.20 amount, in which case paragraph (b) applies. The employee's average salary, as defined in

1.21 section 352.01, subdivision 14a, multiplied by 1.2 percent per year of allowable service for

1.22 the first ten years and 1.7 percent for each later year of allowable service and pro rata for

completed months less than a full year determines the amount of the retirement annuity to which the employee is entitled.

(b) This paragraph applies to a person who has become at least 55 years old and first became a covered employee after ~~June 30~~ July 31, 1989, and to any other covered employee who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with section 352.116, subdivision 1a, is higher than it is when calculated under paragraph (a), in conjunction with section 352.116, subdivision 1. The employee's average salary, as defined in section 352.01, subdivision 14a, multiplied by 1.7 percent for each year of allowable service and pro rata for months less than a full year determines the amount of the retirement annuity to which the employee is entitled.

Sec. 3. Minnesota Statutes 2020, section 352.116, subdivision 1, is amended to read:

Subdivision 1. **Reduced annuity before normal retirement age.** (a) This subdivision applies only to a person who first became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before ~~July~~ August 1, 1989, and whose annuity is higher when calculated under section 352.115, subdivision 3, paragraph (a), in conjunction with this subdivision than when calculated under section 352.115, subdivision 3, paragraph (b), in conjunction with subdivision 1a.

(b) Any employee who is eligible for a retirement annuity under section 352.115, subdivision 1, and who retires before normal retirement age with credit for at least three but less than 30 years of allowable service shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (a), reduced by one-quarter of one percent for each month that the employee is under normal retirement age at the time of retirement. An employee who is eligible for a retirement annuity under section 352.115, subdivision 1, and who retires prior to age 62 with credit for at least 30 years of allowable service shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (a), reduced by one-quarter of one percent for each month that the employee is under age 62 at the time of retirement.

(c) Any person whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in section 352.115, subdivisions 2 and 3, paragraph (a), without any reduction by reason of early retirement.

Sec. 4. Minnesota Statutes 2020, section 352.116, subdivision 1a, is amended to read:

Subd. 1a. **Actuarial reduction for early retirement.** (a) This subdivision applies to a person who has become at least 55 years old and first became a covered employee after ~~June 30~~ July 31, 1989, and to any other covered employee who has become at least 55 years old and whose annuity is higher when calculated under section 352.115, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 352.115, subdivision 3, paragraph (a), in conjunction with subdivision 1. A covered employee who retires before the normal retirement age shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (b), reduced as described in paragraph (b) or (c), as applicable.

(b) For covered employees who retire on or after July 1, 2019, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at the applicable annual rate, compounded annually, from the day the annuity begins to accrue until the normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(1) until June 30, 2019, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(2) beginning July 1, 2019, through June 30, 2024, a rate that changes each month, on the first day of the month, starting with the rate in clause (1), as applicable to the employee, and reducing the rate to zero in equal monthly increments over the five-year period; and

(3) after June 30, 2024, zero percent.

After June 30, 2024, actuarial equivalent, for the purpose of determining the reduced annuity commencing before normal retirement age under this clause, shall not take into account any augmentation.

(c) For covered employees who retire before July 1, 2019, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee became an employee before July 1, 2006, and at an annual rate of 2.5 percent, compounded annually, from the day the

- 4.1 annuity begins to accrue until normal retirement age if the employee became an employee
4.2 after June 30, 2006.

4.3 Sec. 5. **EFFECTIVE DATE.**

- 4.4 Sections 1 to 4 are effective the day following final enactment.