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HOUSE FILE No. **1313**

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The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

A bill for an act

relating to retirement; Minneapolis Employees Retirement Fund; permitting the investment of fund assets with the State Board of Investment; modifying certain liquidity requirements; amending Minnesota Statutes 2006, sections 422A.05, subdivision 2c; 422A.06, subdivisions 3, 5, 7, 8; 422A.101, subdivision 3; repealing Minnesota Statutes 2006, section 422A.101, subdivision 4.

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

Section 1. Minnesota Statutes 2006, section 422A.05, subdivision 2c, is amended to read:

Subd. 2c. Minneapolis Employees Retirement Fund investment authority.

(a) For investments made on or after July 1, 1991, the board shall invest funds only in investments authorized by section 356A.06, subdivision 7.

(b) However, in addition to real estate investments authorized under paragraph (a), the board may also make loans to purchasers of Minnesota situs nonfarm residential real estate that is owned by the Minneapolis Employees Retirement Fund. The loans must be secured by mortgages or deeds of trust.

(c) For investments made before July 1, 1991, the board may, but is not required to, comply with paragraph (a). However, with respect to these investments, the board shall act in accordance with subdivision 2a and chapter 356A.

(d) The board may certify assets for investment by the State Board of Investment under section 11A.17. Alternatively or in addition, the board may certify assets for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.

2.1 Sec. 2. Minnesota Statutes 2006, section 422A.06, subdivision 3, is amended to read:

2.2 Subd. 3. **Deposit accumulation fund.** (a) The deposit accumulation fund consists
2.3 of the assets held in the fund, including amounts contributed by or for employees, amounts
2.4 contributed by the city, amounts contributed by municipal activities supported in whole or
2.5 in part by revenues other than taxes and amounts contributed by any public corporation,
2.6 amounts paid by the state, and by income from investments.

2.7 (b) There must be paid from the fund the amounts required to be transferred to the
2.8 retirement benefit fund, or the disability benefit fund, refunds of contributions, including
2.9 the death-while-active refund specified in section 422A.22, subdivision 4, postretirement
2.10 increases in retirement allowances granted under Laws 1965, chapter 688, or Laws 1969,
2.11 chapter 859, and expenses of the administration of the retirement fund which were not
2.12 charged by the retirement board against the income of the retirement benefit fund from
2.13 investments as the cost of handling the investments of the retirement benefit fund.

2.14 (c) To the extent that the deposit accumulation fund has insufficient assets to transfer
2.15 the total value of the required reserves for retirement annuities to either the disability
2.16 benefit fund under subdivisions 5 and 7 or the retirement benefit fund under subdivisions 5
2.17 and 8 as required, the deposit accumulation fund has a transfer amount payable on which
2.18 an interest charge accrues. The executive director must determine the interest charge for
2.19 the period that the transfer amount payable remains unpaid at an annual rate equal to five
2.20 percent plus the percentage increase in the amount of the annual Consumer Price Index for
2.21 urban wage earners and clerical workers as calculated by the Bureau of Labor Statistics of
2.22 the United States Department of Labor from the previous June 30. The interest charge
2.23 must be reflected in the books of the Minneapolis Employees Retirement Fund and
2.24 assessed against the deposit accumulation fund based on the average quarterly transfer
2.25 amount payable balance outstanding. Any revenue received by the deposit accumulation
2.26 fund subsequent to unpaid transfers must be transferred from the deposit accumulation
2.27 fund to the disability benefit fund or to the retirement fund, whichever applies, and must
2.28 first be applied to any remaining interest charge and then must be applied to the principal
2.29 amount of transfer amount payable outstanding.

2.30 Sec. 3. Minnesota Statutes 2006, section 422A.06, subdivision 5, is amended to read:

2.31 Subd. 5. **Transfer of reserves to retirement benefit fund; adjustments of**
2.32 **annuities and benefits.** (a) Assets equal to the required reserves for retirement annuities
2.33 as determined in accordance with the appropriate mortality table adopted by the board
2.34 of trustees based on the experience of the fund as recommended by the actuary retained
2.35 under section 356.214 and using the postretirement interest assumption specified in

3.1 section 356.215, subdivision 8, ~~shall~~ must be transferred to the disability benefit fund as
 3.2 provided in subdivision 7, or the retirement benefit fund, except for any amounts payable
 3.3 from the survivor benefit fund, as of date of retirement.

3.4 (b) To the extent that the deposit accumulation fund has insufficient assets to cover a
 3.5 full required transfer amount, the applicable fund must be credited with an interest-bearing
 3.6 transfer amount payable.

3.7 (c) Annuity payments ~~shall~~ must be adjusted in accordance with this chapter, except
 3.8 that no minimum retirement payments described in this chapter ~~shall~~ must include
 3.9 any amounts payable from the survivors' benefit fund or disability benefit fund and
 3.10 supplemented benefits specifically financed by statute.

3.11 ~~(e)~~ (d) Increases in annuity payments ~~pursuant to~~ under this section shall be made
 3.12 automatically unless written notice on a form prescribed by the board is filed with the
 3.13 retirement board requesting that the increase not be made.

3.14 ~~(d)~~ (e) Any additional annuity which began to accrue on July 1, 1973, or which
 3.15 began to accrue on January 1, 1974, ~~pursuant to~~ under Laws 1973, chapter 770, section
 3.16 1, ~~shall~~ must be considered as part of the base amount to be used in determining any
 3.17 postretirement adjustments payable ~~pursuant to~~ under the provisions of subdivision 8.

3.18 Sec. 4. Minnesota Statutes 2006, section 422A.06, subdivision 7, is amended to read:

3.19 Subd. 7. **Disability benefit fund.** (a) A disability benefit fund is established,
 3.20 containing the required reserves for disability allowances under this chapter. A
 3.21 proportionate share of income from investments must be allocated to this fund and any
 3.22 interest charge under subdivision 3, paragraph (c), must be credited to the fund. ~~There~~
 3.23 ~~must be paid from this fund~~ The disability allowances payable under this chapter must be
 3.24 paid from this fund.

3.25 (b) In the event of the termination of any disability allowance for any reason other
 3.26 than the death of the recipient, the balance of the required reserves for the disability
 3.27 allowance as of the date of the termination must be transferred from the disability benefit
 3.28 fund to the deposit accumulation fund.

3.29 (c) At the end of each fiscal year, as part of the annual actuarial valuation, a
 3.30 determination must be made of the required reserves for all disability allowances being
 3.31 paid from the disability benefit fund. Any excess of assets over actuarial required reserves
 3.32 in the disability benefit fund must be transferred to the deposit accumulation fund. Unless
 3.33 subdivision 3, paragraph (c), applies, any excess of actuarial reserves over assets in the
 3.34 disability benefit fund must be funded by a transfer of the appropriate amount of assets
 3.35 from the deposit accumulation fund.

4.1 Sec. 5. Minnesota Statutes 2006, section 422A.06, subdivision 8, is amended to read:

4.2 Subd. 8. **Retirement benefit fund.** (a) The retirement benefit fund ~~shall consist~~
4.3 consists of amounts held for payment of retirement allowances for members retired
4.4 ~~pursuant to~~ under this chapter, including any transfer amount payable under subdivision 3,
4.5 paragraph (c).

4.6 (b) Unless subdivision 3, paragraph (c), applies, assets equal to the required reserves
4.7 for retirement allowances ~~pursuant to~~ under this chapter determined in accordance with
4.8 the appropriate mortality table adopted by the board of trustees based on the experience of
4.9 the fund as recommended by the actuary retained under section 356.214 ~~shall~~ must be
4.10 transferred from the deposit accumulation fund to the retirement benefit fund as of the last
4.11 business day of the month in which the retirement allowance begins. The income from
4.12 investments of these assets ~~shall~~ must be allocated to this fund and any interest charge
4.13 under subdivision 3, paragraph (c), must be credited to the fund. There ~~shall~~ must be paid
4.14 from this fund the retirement annuities authorized by law. A required reserve calculation
4.15 for the retirement benefit fund must be made by the actuary retained under section 356.214
4.16 and must be certified to the retirement board by the actuary retained under section 356.214.

4.17 (c) The retirement benefit fund ~~shall~~ must be governed by the applicable laws
4.18 governing the accounting and audit procedures, investment, actuarial requirements,
4.19 calculation and payment of postretirement benefit adjustments, discharge of any deficiency
4.20 in the assets of the fund when compared to the actuarially determined required reserves,
4.21 and other applicable operations and procedures regarding the Minnesota postretirement
4.22 investment fund in effect on June 30, 1997, established under Minnesota Statutes 1996,
4.23 section 11A.18, and any legal or administrative interpretations of those laws of the State
4.24 Board of Investment, the legal advisor to the Board of Investment and the executive
4.25 director of the State Board of Investment in effect on June 30, 1997. If a deferred yield
4.26 adjustment account is established for the Minnesota postretirement investment fund
4.27 before June 30, 1997, under Minnesota Statutes 1996, section 11A.18, subdivision 5, the
4.28 retirement board shall also establish and maintain a deferred yield adjustment account
4.29 within this fund.

4.30 (d) Annually, following the calculation of any postretirement adjustment payable
4.31 from the retirement benefit fund, the board of trustees shall submit a report to the
4.32 executive director of the Legislative Commission on Pensions and Retirement and to the
4.33 commissioner of finance indicating the amount of any postretirement adjustment and
4.34 the underlying calculations on which that postretirement adjustment amount is based,
4.35 including the amount of dividends, the amount of interest, and the amount of net realized
4.36 capital gains or losses utilized in the calculations.

5.1 (e) With respect to a former contributing member who began receiving a retirement
 5.2 annuity or disability benefit under section 422A.151, paragraph (a), clause (2), after June
 5.3 30, 1997, or with respect to a survivor of a former contributing member who began
 5.4 receiving a survivor benefit under section 422A.151, paragraph (a), clause (2), after June
 5.5 30, 1997, the reserves attributable to the one percent lower amount of the cost-of-living
 5.6 adjustment payable to those annuity or benefit recipients annually must be transferred back
 5.7 to the deposit accumulation fund to the credit of the Metropolitan Airports Commission.
 5.8 The calculation of this annual reduced cost-of-living adjustment reserve transfer must be
 5.9 reviewed by the actuary retained under section 356.214.

5.10 Sec. 6. Minnesota Statutes 2006, section 422A.101, subdivision 3, is amended to read:

5.11 Subd. 3. **State contributions.** (a) Subject to the limitation set forth in paragraph (c),
 5.12 the state shall pay to the Minneapolis Employees Retirement Fund annually an amount
 5.13 equal to the amount calculated under paragraph (b).

5.14 (b) The payment amount is an amount equal to the financial requirements of the
 5.15 Minneapolis Employees Retirement Fund reported in the actuarial valuation of the fund
 5.16 prepared by the actuary retained under section 356.214 ~~puruant to~~ consistent with section
 5.17 356.215 for the most recent year but based on a target date for full amortization of the
 5.18 unfunded actuarial accrued liabilities by June 30, 2020, less the amount of employee
 5.19 contributions required ~~puruant to~~ under section 422A.10, and the amount of employer
 5.20 contributions required ~~puruant to~~ under subdivisions 1a, 2, and 2a. Payments shall be
 5.21 made September 15 annually.

5.22 (c) The annual state contribution under this subdivision may not exceed \$9,000,000,
 5.23 plus the cost of the annual supplemental benefit determined under section 356.43.

5.24 (d) If the amount determined under paragraph (b) exceeds ~~\$11,910,000~~ \$9,000,000,
 5.25 the excess must be allocated to and paid to the fund by the employers identified in
 5.26 subdivisions 1a and 2, other than units of metropolitan government. Each employer's
 5.27 share of the excess is proportionate to the employer's share of the fund's unfunded
 5.28 actuarial accrued liability as disclosed in the annual actuarial valuation prepared by the
 5.29 actuary retained under section 356.214 compared to the total unfunded actuarial accrued
 5.30 liability attributed to all employers identified in subdivisions 1a and 2, other than units of
 5.31 metropolitan government. Payments must be made in equal installments as set forth in
 5.32 paragraph (b).

5.33 Sec. 7. **REPEALER.**

5.34 Minnesota Statutes 2006, section 422A.101, subdivision 4, is repealed.

6.1 **Sec. 8. EFFECTIVE DATE.**

6.2 Sections 1 to 7 are effective retroactively from July 1, 2006.