

This Document can be made available in alternative formats upon request

State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH SESSION

HOUSE FILE No. 2126

March 14, 2007

Authored by Murphy, M., by request

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

1.1 A bill for an act
1.2 relating to retirement; establishing dates for full funding for certain retirement
1.3 plans; amending Minnesota Statutes 2006, section 356.215, subdivision 11.

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

1.5 Section 1. Minnesota Statutes 2006, section 356.215, subdivision 11, is amended to
1.6 read:

1.7 Subd. 11. Amortization contributions. (a) In addition to the exhibit indicating the
1.8 level normal cost, the actuarial valuation must contain an exhibit indicating the additional
1.9 annual contribution sufficient to amortize the unfunded actuarial accrued liability. For
1.10 funds governed by chapters 3A, 352, 352B, 352C, 353, 354, 354A, and 490, the additional
1.11 contribution must be calculated on a level percentage of covered payroll basis by the
1.12 established date for full funding in effect when the valuation is prepared. For funds
1.13 governed by chapter 3A, sections 352.90 through 352.951, chapters 352B, 352C, sections
1.14 353.63 through 353.68, and chapters 353C, 354A, and 490, the level percent additional
1.15 contribution must be calculated assuming annual payroll growth of 6.5 percent. For funds
1.16 governed by sections 352.01 through 352.86 and chapter 354, the level percent additional
1.17 contribution must be calculated assuming an annual payroll growth of five percent. For the
1.18 fund governed by sections 353.01 through 353.46, the level percent additional contribution
1.19 must be calculated assuming an annual payroll growth of six percent. For all other funds,
1.20 the additional annual contribution must be calculated on a level annual dollar amount basis.

1.21 (b) For any fund other than the Minneapolis Employees Retirement Fund and the
1.22 Public Employees Retirement Association general plan, if there has not been a change in
1.23 the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a
1.24 change in the benefit plan governing annuities and benefits payable from the fund, a

2.1 change in the actuarial cost method used in calculating the actuarial accrued liability of all
2.2 or a portion of the fund, or a combination of the three, which change or changes by itself
2.3 or by themselves without inclusion of any other items of increase or decrease produce a
2.4 net increase in the unfunded actuarial accrued liability of the fund, the established date for
2.5 full funding is the first actuarial valuation date occurring after June 1, 2020.

2.6 (c) For any fund or plan other than the Minneapolis Employees Retirement Fund and
2.7 the Public Employees Retirement Association general plan, if there has been a change in
2.8 any or all of the actuarial assumptions used for calculating the actuarial accrued liability
2.9 of the fund, a change in the benefit plan governing annuities and benefits payable from
2.10 the fund, a change in the actuarial cost method used in calculating the actuarial accrued
2.11 liability of all or a portion of the fund, or a combination of the three, and the change or
2.12 changes, by itself or by themselves and without inclusion of any other items of increase or
2.13 decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the
2.14 established date for full funding must be determined using the following procedure:

2.15 (i) the unfunded actuarial accrued liability of the fund must be determined in
2.16 accordance with the plan provisions governing annuities and retirement benefits and the
2.17 actuarial assumptions in effect before an applicable change;

2.18 (ii) the level annual dollar contribution or level percentage, whichever is applicable,
2.19 needed to amortize the unfunded actuarial accrued liability amount determined under item
2.20 (i) by the established date for full funding in effect before the change must be calculated
2.21 using the interest assumption specified in subdivision 8 in effect before the change;

2.22 (iii) the unfunded actuarial accrued liability of the fund must be determined in
2.23 accordance with any new plan provisions governing annuities and benefits payable from
2.24 the fund and any new actuarial assumptions and the remaining plan provisions governing
2.25 annuities and benefits payable from the fund and actuarial assumptions in effect before
2.26 the change;

2.27 (iv) the level annual dollar contribution or level percentage, whichever is applicable,
2.28 needed to amortize the difference between the unfunded actuarial accrued liability amount
2.29 calculated under item (i) and the unfunded actuarial accrued liability amount calculated
2.30 under item (iii) over a period of 30 years from the end of the plan year in which the
2.31 applicable change is effective must be calculated using the applicable interest assumption
2.32 specified in subdivision 8 in effect after any applicable change;

2.33 (v) the level annual dollar or level percentage amortization contribution under item
2.34 (iv) must be added to the level annual dollar amortization contribution or level percentage
2.35 calculated under item (ii);

3.1 (vi) the period in which the unfunded actuarial accrued liability amount determined
3.2 in item (iii) is amortized by the total level annual dollar or level percentage amortization
3.3 contribution computed under item (v) must be calculated using the interest assumption
3.4 specified in subdivision 8 in effect after any applicable change, rounded to the nearest
3.5 integral number of years, but not to exceed 30 years from the end of the plan year in
3.6 which the determination of the established date for full funding using the procedure set
3.7 forth in this clause is made and not to be less than the period of years beginning in the
3.8 plan year in which the determination of the established date for full funding using the
3.9 procedure set forth in this clause is made and ending by the date for full funding in effect
3.10 before the change; and

3.11 (vii) the period determined under item (vi) must be added to the date as of which
3.12 the actuarial valuation was prepared and the date obtained is the new established date
3.13 for full funding.

3.14 (d) For the Minneapolis Employees Retirement Fund, the established date for full
3.15 funding is June 30, 2020.

3.16 (e) For the general employees retirement plan of the Public Employees Retirement
3.17 Association, the established date for full funding is June 30, 2031.

3.18 (f) For the Teachers Retirement Association, the established date for full funding is
3.19 June 30, 2037.

3.20 (g) For the correctional employees retirement plan of the Minnesota State Retirement
3.21 System, the established date for full funding is June 30, 2038.

3.22 (h) For the police and fire retirement plan of the Public Employees Retirement
3.23 Association, the established date for full funding is June 30, 2038.

3.24 (i) For the retirement plans for which the annual actuarial valuation indicates an
3.25 excess of valuation assets over the actuarial accrued liability, the valuation assets in
3.26 excess of the actuarial accrued liability must be recognized as a reduction in the current
3.27 contribution requirements by an amount equal to the amortization of the excess expressed
3.28 as a level percentage of pay over a 30-year period beginning anew with each annual
3.29 actuarial valuation of the plan.