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HOUSE FILE No. **2194**

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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; postretirement earnings offsets to pensions for teacher retirement fund associations in cities of the first class; modifying provisions on the procurement of actuarial services for state and local public retirement programs; appropriating money; amending Minnesota Statutes 2006, sections 16A.055, subdivision 5; 356.214, subdivisions 1, 3, by adding a subdivision; 356.215, subdivisions 1, 2, 3, 11, 18; repealing Minnesota Statutes 2006, sections 354A.31, subdivisions 3, 3a; 356.214, subdivision 2; 356.215, subdivision 2a.

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

Section 1. Minnesota Statutes 2006, section 16A.055, subdivision 5, is amended to read:

Subd. 5. **Retirement fund reporting.** (a) The commissioner may not require a public retirement fund to use financial or actuarial reporting practices or procedures different from those required by section 356.20 or 356.215.

(b) The commissioner may contract with the consulting actuary retained under section 356.214 for the preparation of quadrennial projection valuations as required under section 356.215, ~~subdivisions~~ subdivision 2 and 2a. The initial projection valuation under this paragraph, if any, is due on May 1, 2003, and subsequent projection valuations are due on May 1 each fourth year thereafter. The commissioner of finance shall assess the applicable statewide and major local retirement plan or plans the cost of the quadrennial projection valuation.

Sec. 2. Minnesota Statutes 2006, section 356.214, subdivision 1, is amended to read:

Subdivision 1. **Joint retention.** (a) ~~The chief administrative officers of the Minnesota State Retirement System, the Public Employees Retirement Association, the Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, the~~

2.1 ~~Minneapolis Employees Retirement Fund, and the St. Paul Teachers Retirement Fund~~  
 2.2 ~~Association, jointly, on behalf of the state, its employees, its taxpayers, and its various~~  
 2.3 ~~public pension plans, governing board or managing or administrative official of each~~  
 2.4 ~~public pension plan and retirement fund or plan enumerated in paragraph (b) shall contract~~  
 2.5 with an established actuarial consulting firm to conduct annual actuarial valuations and  
 2.6 related services ~~for the retirement plans named in paragraph (b).~~ The principal from  
 2.7 the actuarial consulting firm on the contract must be an approved actuary under section  
 2.8 356.215, subdivision 1, paragraph (c). ~~Prior to becoming effective, the contract under this~~  
 2.9 ~~section is subject to a review and approval by the Legislative Commission on Pensions~~  
 2.10 ~~and Retirement.~~

2.11 (b) The contract for actuarial services must include the preparation of actuarial  
 2.12 valuations and related actuarial work for the following retirement plans:

2.13 (1) the teachers retirement plan, Teachers Retirement Association;

2.14 (2) the general state employees retirement plan, Minnesota State Retirement System;

2.15 (3) the correctional employees retirement plan, Minnesota State Retirement System;

2.16 (4) the State Patrol retirement plan, Minnesota State Retirement System;

2.17 (5) the judges retirement plan, Minnesota State Retirement System;

2.18 (6) the Minneapolis employees retirement plan, Minneapolis Employees Retirement  
 2.19 Fund;

2.20 (7) the public employees retirement plan, Public Employees Retirement Association;

2.21 (8) the public employees police and fire plan, Public Employees Retirement  
 2.22 Association;

2.23 (9) the Duluth teachers retirement plan, Duluth Teachers Retirement Fund  
 2.24 Association;

2.25 (10) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund  
 2.26 Association;

2.27 (11) the legislators retirement plan, Minnesota State Retirement System;

2.28 (12) the elective state officers retirement plan, Minnesota State Retirement System;  
 2.29 and

2.30 (13) local government correctional service retirement plan, Public Employees  
 2.31 Retirement Association.

2.32 (c) The contract must require completion of the annual actuarial valuation  
 2.33 calculations on a fiscal year basis, with the contents of the actuarial valuation calculations  
 2.34 as specified in section 356.215, and in conformity with the standards for actuarial work  
 2.35 adopted by the Legislative Commission on Pensions and Retirement.

3.1 The contract must require completion of annual experience data collection and  
 3.2 processing and a quadrennial published experience study for the plans listed in paragraph  
 3.3 (b), clauses (1), (2), and (7), as provided for in the standards for actuarial work adopted by  
 3.4 the commission. The experience data collection, processing, and analysis must evaluate  
 3.5 the following:

- 3.6 (1) individual salary progression;
- 3.7 (2) the rate of return on investments based on the current asset value;
- 3.8 (3) payroll growth;
- 3.9 (4) mortality;
- 3.10 (5) retirement age;
- 3.11 (6) withdrawal; and
- 3.12 (7) disablement.

3.13 ~~The contract must include provisions for the preparation of cost analyses by the~~  
 3.14 ~~jointly retained actuary for proposed legislation that include changes in benefit provisions~~  
 3.15 ~~or funding policies prior to their consideration by the Legislative Commission on Pensions~~  
 3.16 ~~and Retirement.~~

3.17 (d) The actuary ~~retained by the joint retirement systems~~ shall annually prepare a  
 3.18 report to the governing or managing board or administrative official and the legislature,  
 3.19 including a commentary on the actuarial valuation calculations for the plans named in  
 3.20 paragraph (b) and summarizing the results of the actuarial valuation calculations. The  
 3.21 actuary shall include with the report the actuary's recommendations to the governing  
 3.22 or managing board or administrative official and the legislature concerning the  
 3.23 appropriateness of the support rates to achieve proper funding of the retirement plans  
 3.24 by the required funding dates. The actuary shall, as part of the quadrennial experience  
 3.25 study, include recommendations to the governing or managing board or administrative  
 3.26 official and the legislature on the appropriateness of the actuarial valuation assumptions  
 3.27 required for evaluation in the study.

3.28 (e) If the actuarial gain and loss analysis in the actuarial valuation calculations  
 3.29 indicates a persistent pattern of sizable gains or losses, ~~as directed by the joint retirement~~  
 3.30 ~~systems or as requested by the chair of the Legislative Commission on Pensions and~~  
 3.31 ~~Retirement~~, the governing or managing board or administrative official shall direct the  
 3.32 actuary ~~shall~~ to prepare a special experience study for a plan listed in paragraph (b),  
 3.33 clause (3), (4), (5), (6), (8), (9), (10), (11), (12), or (13), in the manner provided for in the  
 3.34 standards for actuarial work adopted by the commission.

3.35 (f) ~~The term of the contract between the joint retirement systems and the actuary~~  
 3.36 ~~retained may not exceed five years. The joint retirement system administrative officers~~

4.1 ~~shall establish procedures for the consideration and selection of contract bidders and~~  
 4.2 ~~the requirements for the contents of an actuarial services contract under this section.~~  
 4.3 ~~The procedures and requirements must be submitted to the Legislative Commission on~~  
 4.4 ~~Pensions and Retirement for review and comment prior to final approval by the joint~~  
 4.5 ~~administrators. The contract is subject to the procurement procedures under chapter 16C.~~  
 4.6 ~~The consideration of bids and the selection of a consulting actuarial firm by the chief~~  
 4.7 ~~administrative officers must occur at a meeting that is open to the public and reasonable~~  
 4.8 ~~timely public notice of the date and the time of the meeting and its subject matter must~~  
 4.9 ~~be given.~~

4.10 ~~(g) The actuarial services contract may not limit the ability of the Minnesota~~  
 4.11 ~~legislature and its standing committees and commissions to rely on the actuarial results~~  
 4.12 ~~of the work prepared under the contract.~~

4.13 ~~(h) The joint retirement systems shall designate one of the retirement system~~  
 4.14 ~~executive directors as the actuarial services contract manager.~~

4.15 Sec. 3. Minnesota Statutes 2006, section 356.214, subdivision 3, is amended to read:

4.16 Subd. 3. **Reporting to commission.** A copy of the actuarial valuations; and  
 4.17 ~~experience studies, and actuarial cost analyses~~ prepared by the actuary retained ~~by the~~  
 4.18 ~~joint retirement systems~~ under the contract provided for in this section must be filed with  
 4.19 the executive director of the Legislative Commission on Pensions and Retirement ~~at the~~  
 4.20 ~~same time that the document is transmitted to the actuarial services contract manager or~~  
 4.21 ~~to any other document recipient.~~

4.22 Sec. 4. Minnesota Statutes 2006, section 356.214, is amended by adding a subdivision  
 4.23 to read:

4.24 Subd. 4. **Commission to contract with auditing actuary.** (a) The Legislative  
 4.25 Commission on Pensions and Retirement may contract with an established actuarial  
 4.26 consulting firm to audit or review the actuarial valuations, experience studies, and actuarial  
 4.27 cost analyses prepared by the actuary retained by the governing or managing boards, or  
 4.28 administrative officials of each of the plans or funds listed in paragraph (b). The principal  
 4.29 representative from the actuarial consulting firm so engaged must be an approved actuary  
 4.30 under section 356.215, subdivision 1, paragraph (c).

4.31 (b) Any actuarial consulting firm retained under paragraph (a) will, according to a  
 4.32 schedule determined under the agreement with the Legislative Commission on Pensions  
 4.33 and Retirement, audit the valuation reports submitted by the actuary retained by each  
 4.34 governing or managing board or administrative official, and provide an assessment of the

5.1 reasonableness, reliability, and areas of concern or potential improvement in the specific  
 5.2 reports reviewed, the procedures utilized by any particular reporting actuary, or general  
 5.3 modifications to standards, procedures, or assumptions that the commission may wish to  
 5.4 consider. Actuarial firms retained by the retirement funds must cooperate fully and make  
 5.5 available any data or other materials necessary for the commission-retained actuary to  
 5.6 conduct an adequate review and to render advice to the commission.

5.7 Sec. 5. Minnesota Statutes 2006, section 356.215, subdivision 1, is amended to read:

5.8 Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to  
 5.9 356.23, each of the terms in the following paragraphs has the meaning given.

5.10 (b) "Actuarial valuation" means a set of calculations prepared by ~~the~~ an actuary  
 5.11 retained under section 356.214 if so required under section 3.85, or otherwise, by an  
 5.12 approved actuary, to determine the normal cost and the accrued actuarial liabilities of  
 5.13 a benefit plan, according to the entry age actuarial cost method and based upon stated  
 5.14 assumptions including, but not limited to rates of interest, mortality, salary increase,  
 5.15 disability, withdrawal, and retirement and to determine the payment necessary to amortize  
 5.16 over a stated period any unfunded accrued actuarial liability disclosed as a result of the  
 5.17 actuarial valuation of the benefit plan.

5.18 (c) "Approved actuary" means a person who is regularly engaged in the business  
 5.19 of providing actuarial services and who has at least 15 years of service to major public  
 5.20 employee pension or retirement funds or who is a fellow in the Society of Actuaries.

5.21 (d) "Entry age actuarial cost method" means an actuarial cost method under which  
 5.22 the actuarial present value of the projected benefits of each individual currently covered  
 5.23 by the benefit plan and included in the actuarial valuation is allocated on a level basis over  
 5.24 the service of the individual, if the benefit plan is governed by section 69.773, or over the  
 5.25 earnings of the individual, if the benefit plan is governed by any other law, between the  
 5.26 entry age and the assumed exit age, with the portion of the actuarial present value which is  
 5.27 allocated to the valuation year to be the normal cost and the portion of the actuarial present  
 5.28 value not provided for at the valuation date by the actuarial present value of future normal  
 5.29 costs to be the actuarial accrued liability, with aggregation in the calculation process to be  
 5.30 the sum of the calculated result for each covered individual and with recognition given to  
 5.31 any different benefit formulas which may apply to various periods of service.

5.32 (e) "Experience study" means a report providing experience data and an actuarial  
 5.33 analysis of the adequacy of the actuarial assumptions on which actuarial valuations are  
 5.34 based.

5.35 (f) "Current assets" means:

6.1 ~~(1) for the July 1, 2001, actuarial valuation, the market value of all assets as of~~  
6.2 ~~June 30, 2001, reduced by:~~

6.3 ~~(i) 30 percent of the difference between the market value of all assets as of June 30,~~  
6.4 ~~1999, and the actuarial value of assets used in the July 1, 1999, actuarial valuation;~~

6.5 ~~(ii) 60 percent of the difference between the actual net change in the market value of~~  
6.6 ~~assets between June 30, 1999, and June 30, 2000, and the computed increase in the market~~  
6.7 ~~value of assets between June 30, 1999, and June 30, 2000, if the assets had increased at~~  
6.8 ~~the percentage preretirement interest rate assumption used in the July 1, 1999, actuarial~~  
6.9 ~~valuation; and~~

6.10 ~~(iii) 80 percent of the difference between the actual net change in the market value~~  
6.11 ~~of assets between June 30, 2000, and June 30, 2001, and the computed increase in~~  
6.12 ~~the market value of assets between June 30, 2000, and June 30, 2001, if the assets had~~  
6.13 ~~increased at the percentage preretirement interest rate assumption used in the July 1,~~  
6.14 ~~2000, actuarial valuation;~~

6.15 ~~(2) for the July 1, 2002, actuarial valuation, the market value of all assets as of~~  
6.16 ~~June 30, 2002, reduced by:~~

6.17 ~~(i) ten percent of the difference between the market value of all assets as of June 30,~~  
6.18 ~~1999, and the actuarial value of assets used in the July 1, 1999, actuarial valuation;~~

6.19 ~~(ii) 40 percent of the difference between the actual net change in the market value of~~  
6.20 ~~assets between June 30, 1999, and June 30, 2000, and the computed increase in the market~~  
6.21 ~~value of assets between June 30, 1999, and June 30, 2000, if the assets had increased at~~  
6.22 ~~the percentage preretirement interest rate assumption used in the July 1, 1999, actuarial~~  
6.23 ~~valuation;~~

6.24 ~~(iii) 60 percent of the difference between the actual net change in the market value~~  
6.25 ~~of assets between June 30, 2000, and June 30, 2001, and the computed increase in~~  
6.26 ~~the market value of assets between June 30, 2000, and June 30, 2001, if the assets had~~  
6.27 ~~increased at the percentage preretirement interest rate assumption used in the July 1, 2000,~~  
6.28 ~~actuarial valuation; and~~

6.29 ~~(iv) 80 percent of the difference between the actual net change in the market value of~~  
6.30 ~~assets between June 30, 2001, and June 30, 2002, and the computed increase in the market~~  
6.31 ~~value of assets between June 30, 2001, and June 30, 2002, if the assets had increased at~~  
6.32 ~~the percentage preretirement interest rate assumption used in the July 1, 2001, actuarial~~  
6.33 ~~valuation; or~~

6.34 ~~(3) for any actuarial valuation after July 1, 2002, the market value of all assets~~  
6.35 ~~as of the preceding June 30, reduced by:~~

7.1           ~~(i)~~ (1) 20 percent of the difference between the actual net change in the market value  
 7.2 of assets between the June 30 that occurred three years earlier and the June 30 that occurred  
 7.3 four years earlier and the computed increase in the market value of assets over that  
 7.4 fiscal year period if the assets had increased at the percentage preretirement interest rate  
 7.5 assumption used in the actuarial valuation for the July 1 that occurred four years earlier;

7.6           ~~(ii)~~ (2) 40 percent of the difference between the actual net change in the market value  
 7.7 of assets between the June 30 that occurred two years earlier and the June 30 that occurred  
 7.8 three years earlier and the computed increase in the market value of assets over that  
 7.9 fiscal year period if the assets had increased at the percentage preretirement interest rate  
 7.10 assumption used in the actuarial valuation for the July 1 that occurred three years earlier;

7.11           ~~(iii)~~ (3) 60 percent of the difference between the actual net change in the market  
 7.12 value of assets between the June 30 that occurred one year earlier and the June 30 that  
 7.13 occurred two years earlier and the computed increase in the market value of assets over  
 7.14 that fiscal year period if the assets had increased at the percentage preretirement interest  
 7.15 rate assumption used in the actuarial valuation for the July 1 that occurred two years  
 7.16 earlier; and

7.17           ~~(iv)~~ (4) 80 percent of the difference between the actual net change in the market  
 7.18 value of assets between the immediately prior June 30 and the June 30 that occurred one  
 7.19 year earlier and the computed increase in the market value of assets over that fiscal year  
 7.20 period if the assets had increased at the percentage preretirement interest rate assumption  
 7.21 used in the actuarial valuation for the July 1 that occurred one year earlier.

7.22           (g) "Unfunded actuarial accrued liability" means the total current and expected  
 7.23 future benefit obligations, reduced by the sum of current assets and the present value of  
 7.24 future normal costs.

7.25           (h) "Pension benefit obligation" means the actuarial present value of credited  
 7.26 projected benefits, determined as the actuarial present value of benefits estimated to be  
 7.27 payable in the future as a result of employee service attributing an equal benefit amount,  
 7.28 including the effect of projected salary increases and any step rate benefit accrual rate  
 7.29 differences, to each year of credited and expected future employee service.

7.30           Sec. 6. Minnesota Statutes 2006, section 356.215, subdivision 2, is amended to read:

7.31           Subd. 2. **Requirements.** (a) It is the policy of the legislature that it is necessary  
 7.32 and appropriate to determine annually the financial status of tax supported retirement and  
 7.33 pension plans for public employees. To achieve this goal;

7.34           ~~(1)~~ the actuary retained under section 356.214 shall prepare annual actuarial  
 7.35 valuations of the retirement plans enumerated in section 356.214, subdivision 1, paragraph

8.1 (b), and quadrennial experience studies of the retirement plans enumerated in section  
8.2 356.214, subdivision 1, paragraph (b), clauses (1), (2), and (7); ~~and,~~

8.3 ~~(2) the commissioner of finance may have prepared by the actuary retained by the~~  
8.4 ~~commission, two years after each set of quadrennial experience studies, quadrennial~~  
8.5 ~~projection valuations of at least one of the retirement plans enumerated in section 6,~~  
8.6 ~~subdivision 1, paragraph (b), for which the commissioner determines that the analysis~~  
8.7 ~~may be beneficial.~~

8.8 (b) The governing or managing board or administrative officials of each public  
8.9 pension and retirement fund or plan enumerated in section 356.20, subdivision 2, clauses  
8.10 (9), (10), and (12), shall have prepared by an approved actuary annual actuarial valuations  
8.11 of their respective funds as provided in this section. This requirement also applies to  
8.12 any fund or plan that is the successor to any organization enumerated in section 356.20,  
8.13 subdivision 2, or to the governing or managing board or administrative officials of  
8.14 any newly formed retirement fund, plan, or association operating under the control or  
8.15 supervision of any public employee group, governmental unit, or institution receiving a  
8.16 portion of its support through legislative appropriations, and any local police or fire fund  
8.17 to which section 356.216 applies.

8.18 Sec. 7. Minnesota Statutes 2006, section 356.215, subdivision 3, is amended to read:

8.19 Subd. 3. **Reports.** (a) The actuarial valuations required annually must be made as of  
8.20 the beginning of each fiscal year.

8.21 (b) Two copies of the completed valuation must be delivered to the executive  
8.22 director of the Legislative Commission on Pensions and Retirement, to the commissioner  
8.23 of finance, and to the Legislative Reference Library, ~~not later than the first day of the sixth~~  
8.24 ~~month occurring after the end of the previous fiscal year.~~

8.25 (c) Two copies of a quadrennial experience study must be filed with the  
8.26 executive director of the Legislative Commission on Pensions and Retirement, with the  
8.27 commissioner of finance, and with the Legislative Reference Library, not later than the  
8.28 first day of the 11th month occurring after the end of the last fiscal year of the four-year  
8.29 period which the experience study covers.

8.30 (d) For actuarial valuations and experience studies prepared at the direction of the  
8.31 Legislative Commission on Pensions and Retirement, two copies of the document must be  
8.32 delivered to the governing or managing board or administrative officials of the applicable  
8.33 public pension and retirement fund or plan.

8.34 Sec. 8. Minnesota Statutes 2006, section 356.215, subdivision 11, is amended to read:

9.1 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the  
9.2 level normal cost, the actuarial valuation must contain an exhibit indicating the additional  
9.3 annual contribution sufficient to amortize the unfunded actuarial accrued liability. For  
9.4 funds governed by chapters 3A, 352, 352B, 352C, 353, 354, 354A, and 490, the additional  
9.5 contribution must be calculated on a level percentage of covered payroll basis by the  
9.6 established date for full funding in effect when the valuation is prepared. For funds  
9.7 governed by chapter 3A, sections 352.90 through 352.951, chapters 352B, 352C, sections  
9.8 353.63 through 353.68, and chapters 353C, 354A, and 490, the level percent additional  
9.9 contribution must be calculated assuming annual payroll growth of 6.5 percent. For funds  
9.10 governed by sections 352.01 through 352.86 and chapter 354, the level percent additional  
9.11 contribution must be calculated assuming an annual payroll growth of five percent. For the  
9.12 fund governed by sections 353.01 through 353.46, the level percent additional contribution  
9.13 must be calculated assuming an annual payroll growth of six percent. For all other funds,  
9.14 the additional annual contribution must be calculated on a level annual dollar amount basis.

9.15 (b) For any fund other than the Minneapolis Employees Retirement Fund ~~and,~~  
9.16 the Public Employees Retirement Association general plan, and the St. Paul Teachers  
9.17 Retirement Fund Association, if there has not been a change in the actuarial assumptions  
9.18 used for calculating the actuarial accrued liability of the fund, a change in the benefit  
9.19 plan governing annuities and benefits payable from the fund, a change in the actuarial  
9.20 cost method used in calculating the actuarial accrued liability of all or a portion of the  
9.21 fund, or a combination of the three, which change or changes by itself or by themselves  
9.22 without inclusion of any other items of increase or decrease produce a net increase in the  
9.23 unfunded actuarial accrued liability of the fund, the established date for full funding is the  
9.24 first actuarial valuation date occurring after June 1, 2020.

9.25 (c) For any fund or plan other than the Minneapolis Employees Retirement Fund and  
9.26 the Public Employees Retirement Association general plan, if there has been a change in  
9.27 any or all of the actuarial assumptions used for calculating the actuarial accrued liability  
9.28 of the fund, a change in the benefit plan governing annuities and benefits payable from  
9.29 the fund, a change in the actuarial cost method used in calculating the actuarial accrued  
9.30 liability of all or a portion of the fund, or a combination of the three, and the change or  
9.31 changes, by itself or by themselves and without inclusion of any other items of increase or  
9.32 decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the  
9.33 established date for full funding must be determined using the following procedure:

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

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

10.5 (iii) the unfunded actuarial accrued liability of the fund must be determined in  
10.6 accordance with any new plan provisions governing annuities and benefits payable from  
10.7 the fund and any new actuarial assumptions and the remaining plan provisions governing  
10.8 annuities and benefits payable from the fund and actuarial assumptions in effect before  
10.9 the change;

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

10.16 (v) the level annual dollar or level percentage amortization contribution under item  
10.17 (iv) must be added to the level annual dollar amortization contribution or level percentage  
10.18 calculated under item (ii);

10.19 (vi) the period in which the unfunded actuarial accrued liability amount determined  
10.20 in item (iii) is amortized by the total level annual dollar or level percentage amortization  
10.21 contribution computed under item (v) must be calculated using the interest assumption  
10.22 specified in subdivision 8 in effect after any applicable change, rounded to the nearest  
10.23 integral number of years, but not to exceed 30 years from the end of the plan year in  
10.24 which the determination of the established date for full funding using the procedure set  
10.25 forth in this clause is made and not to be less than the period of years beginning in the  
10.26 plan year in which the determination of the established date for full funding using the  
10.27 procedure set forth in this clause is made and ending by the date for full funding in effect  
10.28 before the change; and

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

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

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

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

11.3 (g) For the St. Paul Teachers Retirement Fund Association, the established date for  
11.4 full funding is June 30, 2038. In addition to other requirements of this chapter, the annual  
11.5 actuarial valuation shall contain an exhibit indicating the funded ratio and the deficiency  
11.6 or sufficiency in annual contributions when comparing liabilities to the market value of  
11.7 the assets of the fund as of the close of the most recent fiscal year.

11.8 ~~(g)~~ (h) For the retirement plans for which the annual actuarial valuation indicates  
11.9 an excess of valuation assets over the actuarial accrued liability, the valuation assets in  
11.10 excess of the actuarial accrued liability must be recognized as a reduction in the current  
11.11 contribution requirements by an amount equal to the amortization of the excess expressed  
11.12 as a level percentage of pay over a 30-year period beginning anew with each annual  
11.13 actuarial valuation of the plan.

11.14 Sec. 9. Minnesota Statutes 2006, section 356.215, subdivision 18, is amended to read:

11.15 Subd. 18. **Establishment of actuarial assumptions.** (a) The actuarial assumptions  
11.16 used for the preparation of actuarial valuations under this section that are other than  
11.17 those set forth in this section may be changed only with the approval of the Legislative  
11.18 Commission on Pensions and Retirement.

11.19 (b) A change in the applicable actuarial assumptions may be proposed by the  
11.20 governing board of the applicable pension fund or relief association, by the actuary  
11.21 retained by the ~~joint~~ retirement systems under section 356.214, ~~by the actuarial advisor to~~  
11.22 ~~a pension fund governed by chapter 352, 353, 354, or 354A,~~ or by the actuary retained by  
11.23 a local police or firefighters relief association governed by sections 69.77 or 69.771 to  
11.24 69.776, if one is retained.

11.25 Sec. 10. **APPROPRIATION; LEGISLATIVE COMMISSION ON PENSIONS**  
11.26 **AND RETIREMENT.**

11.27 \$..... is appropriated from the general fund to the Legislative Commission on  
11.28 Pensions and Retirement in fiscal year 2009 in order to cover the costs of any contract  
11.29 authorized under Minnesota Statutes, section 356.214, subdivision 4. The commissioner  
11.30 of finance must include these funds in the base level funding for the commission when  
11.31 preparing forecasts of general fund spending and revenue and initial budget estimates  
11.32 each biennium, as long as an actuary remains under contract to the commission under  
11.33 Minnesota Statutes, section 356.214, subdivision 4.

12.1 Sec. 11. **REPEALER.**

12.2 Minnesota Statutes 2006, sections 354A.31, subdivisions 3 and 3a; 356.214,

12.3 subdivision 2; and 356.215, subdivision 2a, are repealed.

**354A.31 COORDINATED PROGRAM RETIREMENT BENEFITS.**

**Subd. 3. Resumption of teaching after commencement of a retirement annuity. (a)**

Any person who retired and is receiving a coordinated program retirement annuity under the provisions of sections 354A.31 to 354A.41 or any person receiving a basic program retirement annuity under the governing sections in the articles of incorporation or bylaws and who has resumed teaching service for the school district in which the teachers retirement fund association exists is entitled to continue to receive retirement annuity payments, except that annuity payments must be reduced during the calendar year immediately following the calendar year in which the person's income from the teaching service is in an amount greater than the annual maximum earnings allowable for that age for the continued receipt of full benefit amounts monthly under the federal old age, survivors, and disability insurance program as set by the secretary of health and human services under United States Code, title 42, section 403. The amount of the reduction must be one-third the amount in excess of the applicable reemployment income maximum specified in this subdivision and must be deducted from the annuity payable for the calendar year immediately following the calendar year in which the excess amount was earned. If the person has not yet reached the minimum age for the receipt of Social Security benefits, the maximum earnings for the person must be equal to the annual maximum earnings allowable for the minimum age for the receipt of Social Security benefits.

(b) If the person is retired for only a fractional part of the calendar year during the initial year of retirement, the maximum reemployment income specified in this subdivision must be prorated for that calendar year.

(c) After a person has reached the age of 70, no reemployment income maximum is applicable regardless of the amount of any compensation received for teaching service for the school district in which the teachers retirement fund association exists.

(d) The amount of the retirement annuity reduction must be handled or disposed of as provided in section 356.47.

(e) For the purpose of this subdivision, income from teaching service includes: (i) all income for services performed as a consultant or independent contractor; or income resulting from working with the school district in any capacity; and (ii) the greater of either the income received or an amount based on the rate paid with respect to an administrative position, consultant, or independent contractor in the school district in which the teachers retirement fund association exists and at the same level as the position occupied by the person who resumes teaching service.

(f) On or before February 15 of each year, each applicable employing unit shall report to the teachers retirement fund association the amount of postretirement income as defined in this subdivision, earned as a teacher, consultant, or independent contractor during the previous calendar year by each retiree of the teachers retirement fund association for teaching service performed after retirement. The report must be in a format approved by the executive secretary or director.

**Subd. 3a. No annuity reduction. (a)** The annuity reduction provisions of subdivision 3 do not apply to a person who:

(1) retires from the technical college system with at least ten years of service credit in the system from which the person retires;

(2) was employed on a full-time basis immediately preceding retirement as a technical college faculty member;

(3) begins drawing an annuity from a first class city teachers retirement association; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the technical college system under an agreement in which the person may not earn a salary of more than \$46,000 in a calendar year from the technical college system.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employer and the employee. The employer may require up to a one-year notice of intent to participate in the program as a condition of participation under this section. The employer shall determine the time of year the employee shall work.

(c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a) and (b) may not earn further service credit in a first class city teachers retirement association and is not eligible to participate in the individual retirement account plan or the supplemental retirement plan

## APPENDIX

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established in chapter 354B as a result of service under this section. No employer or employee contribution to any of these plans may be made on behalf of such a person.

### **356.214 ACTUARIAL VALUATION PREPARATION; JOINT RETENTION OF CONSULTING ACTUARY.**

Subd. 2. **Allocation of actuarial costs.** (a) The actuarial services contract manager shall assess each retirement plan specified in subdivision 1, paragraph (b), its appropriate portion of the total compensation paid to the actuary retained by the joint retirement systems for the actuarial valuation calculations and quadrennial experience studies. The total assessment is 100 percent of the amount of contract compensation for the actuarial consulting firm for actuarial valuation calculations, including any public employees police and fire plan consolidation accounts of the Public Employees Retirement Association established after March 1, 1999, annual experience data collection and processing, and quadrennial experience studies.

The portion of the total assessment payable by each retirement system or pension plan must be determined based on each plan's proportion of the actuarial services required, as determined by the retained actuary, to complete the actuarial valuation calculations, annual experience data collection and processing, and quadrennial experience studies for all plans.

The assessment must be made within 30 days following the end of the fiscal year and must be reported to the chief administrative officers of the applicable retirement plans. The amount of the assessment is appropriated from the retirement fund applicable to the retirement plan.

(b) The actuarial services contract manager shall assess each retirement plan or each interest group which requested the preparation of a cost analysis for proposed legislation the cost of the actuary retained by the joint retirement systems incurred in the cost analysis preparation. With respect to interest groups, the actuarial services contract manager shall obtain a written commitment for the payment of the assessment in advance of the cost analysis preparation and may require an advance deposit or advance payment before authorizing the cost analysis preparation. The retirement plan or the interest group shall pay the assessment within 30 days of the date on which the assessment is billed. The amount of the assessment is appropriated from the retirement fund applicable to the retirement plan for cost analyses requested by a retirement plan or system.

(c) The actuarial services contract manager shall assess to the Legislative Commission on Pensions and Retirement the cost of the actuarial cost analysis preparation for the proposed legislation requested by the chair of the Legislative Commission on Pensions and Retirement or by the commission executive director. The commission shall pay the assessment within 30 days of the date on which the assessment is billed.

### **356.215 ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES.**

Subd. 2a. **Projection valuation requirements.** (a) A quadrennial projection valuation authorized under subdivision 2 is intended to serve as an additional analytical tool with which policy makers may assess the future funding status of public plans through forecasting and testing various potential outcomes over time if certain plan assumptions or valuation methods were to be modified.

(b) In consultation with the retirement fund directors, the state economist, the state demographer, the commissioner of finance, and the commissioner of employee relations, the actuary retained under section 356.214 shall perform the quadrennial projection valuations on behalf of the commissioner of finance, testing future implications for plan funding by modifying assumptions and methods currently in place. The actuary retained under section 356.214 shall provide advice to the commissioner as to the periods over which such projections should be made, the nature and scope of the scenarios to be analyzed, and the measures of funding status to be employed, and shall report the results of these analyses in the same manner as for quadrennial experience studies.