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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **3764**

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Authored by Thissen

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; modifying the investment-related postretirement
1.3 adjustment of the Minneapolis firefighters relief association by correcting;
1.4 providing an additional cost-of-living unit to members of the Minneapolis
1.5 firefighters relief association upon achieving 110 percent funding; amending
1.6 Minnesota Statutes 2006, sections 423C.05, by adding subdivisions; 423C.06,
1.7 subdivision 2; repealing Laws 2007, chapter 134, article 9, section 2.

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

1.9 Section 1. Minnesota Statutes 2006, section 423C.05, is amended by adding a
1.10 subdivision to read:

1.11 Subd. 10. Pension unit increase. When the actuarial value of assets of the special
1.12 fund is greater than 110 percent of the actuarial accrued liabilities, according to the most
1.13 recent annual actuarial valuation performed in accordance with sections 356.215 and
1.14 356.216, each service pensioner, joint survivor annuitant, and surviving spouse member is
1.15 entitled to a onetime permanent benefit increase of one additional unit. The association
1.16 shall add the additional unit to the pension to which the member is otherwise entitled
1.17 beginning January 1 of the year following the year for which the valuation was prepared.
1.18 Active members retiring after the effective date of this subdivision will be entitled to this
1.19 additional unit upon retirement from the fire department, once the requirements of this
1.20 legislation have been satisfied and the benefit has been provided to the retired membership.
1.21 The benefit increase authorized by this subdivision will occur only when the funding ratio
1.22 equals or exceeds 110 percent of liabilities. This subdivision authorizes a benefit increase
1.23 of up to one unit to a total maximum of 43 units for a service pensioner, 23 units for a
1.24 surviving spouse benefit, and 43.2 units for unmarried service pensioners. If adding an
1.25 additional unit results in raising total units past the maximum, a partial unit may be added

2.1 to reach the maximum. For joint survivor annuities, this subdivision authorizes a benefit
2.2 increase actuarially equivalent to one unit.

2.3 Sec. 2. Minnesota Statutes 2006, section 423C.05, is amended by adding a subdivision
2.4 to read:

2.5 Subd. 11. **Unit precedence.** The additional unit provided for in subdivision 10
2.6 shall take precedence over the benefit provided in section 423C.06, subdivision 4. In
2.7 preparing the actuarial valuation under sections 356.215 and 356.216, the actuary for the
2.8 fund shall first account for the benefit provided in subdivision 10 in determining the plan's
2.9 funded ratio. No benefit payments may be made by the association under section 423C.06,
2.10 subdivision 4, until the actuarial impact of the benefit provided for in subdivision 10 has
2.11 been determined and factored into the funding ratio.

2.12 Sec. 3. Minnesota Statutes 2006, section 423C.06, subdivision 2, is amended to read:

2.13 Subd. 2. **Actuarial assets of special fund less than 102 percent.** (a) When
2.14 the actuarial assets of the special fund in any year are less than 102 percent of its
2.15 accrued liabilities according to the most recent annual actuarial valuation of the special
2.16 fund prepared in accordance with sections 356.215 and 356.216, investment-related
2.17 postretirement adjustments shall be determined and paid pursuant to this subdivision.
2.18 Payment of the annual postretirement adjustment may be made only if there is excess
2.19 investment income.

2.20 (b) The board shall determine by May 1 of each year whether or not the special
2.21 fund has excess investment income. The amount of excess investment income, if any,
2.22 must be stated as a dollar amount and reported by the executive secretary to the mayor
2.23 and governing body of the city, the state auditor, the commissioner of finance, and the
2.24 executive director of the Legislative Commission on Pensions and Retirement. The dollar
2.25 amount of excess investment income up to one percent of the assets of the special fund
2.26 must be applied for the purpose specified in paragraph (c). Excess investment income
2.27 must not be considered as income to or assets of the special fund for actuarial valuations
2.28 of the special fund for that year under this section and sections 69.77, 356.215, and
2.29 356.216, except to offset the annual postretirement adjustment. Additional investment
2.30 income is any realized or unrealized investment income other than the excess investment
2.31 income and must be included in the actuarial valuations performed under this section
2.32 and sections 69.77, 356.215, and 356.216.

2.33 (c) The amount determined under paragraph (b) must be applied as follows:
2.34 the association shall apply ~~the first one-half of~~ one percent of assets that constitute

3.1 excess investment income to the payment of an annual postretirement adjustment to
 3.2 eligible members ~~and the second one-half of one percent of assets which constitute~~
 3.3 ~~excess investment income shall be applied to reduce the state amortization state aid or~~
 3.4 ~~supplementary amortization state aid payments otherwise due the association under~~
 3.5 ~~section 423A.02 for the current calendar year.~~ The amounts of all payments to eligible
 3.6 members shall not exceed ~~one-half of~~ one percent of the assets of the fund. The amount
 3.7 of each eligible member's postretirement adjustment shall be calculated by dividing the
 3.8 total number of units to which eligible members are entitled into the excess investment
 3.9 income available for distribution to eligible members, and then multiplying that result by
 3.10 the number of units to which each eligible member is entitled. If this amount exceeds the
 3.11 total monthly benefit that the eligible member was entitled to in the prior year under the
 3.12 terms of this chapter, the association shall pay the eligible member the lesser amount.
 3.13 Any amount of the excess investment income not used to pay a postretirement benefit to
 3.14 eligible members shall be applied to reduce the city of Minneapolis' property tax levy to
 3.15 the association for the following calendar year. Payment of the annual postretirement
 3.16 adjustment must be in a lump-sum amount on June 1 following the determination date
 3.17 in any year. In the event an eligible member dies prior to the payment of the annual
 3.18 postretirement adjustment, the executive secretary shall pay the eligible member's estate
 3.19 the amount to which the member was entitled.

3.20 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after
 3.21 the city council of the city of Minneapolis and its chief clerical officer timely complete
 3.22 their compliance with section 645.021, subdivisions 2 and 3.

3.23 Sec. 4. **REPEALER.**

3.24 Laws 2007, chapter 134, article 9, section 2, is repealed.

3.25 Sec. 5. **EFFECTIVE DATE.**

3.26 Sections 1 and 2 are effective the day following final enactment.