

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 1841

(SENATE AUTHORS: CHAMBERLAIN)

DATE	D-PG	OFFICIAL STATUS
02/15/2012	3815	Introduction and first reading Referred to State Government Innovation and Veterans

A bill for an act
relating to retirement; all Minnesota public retirement plans other than lump
sum volunteer fire plans; revising actuarial valuation interest rate assumptions;
amending Minnesota Statutes 2010, sections 356.215, subdivision 8; 356.216.

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

Section 1. Minnesota Statutes 2010, section 356.215, subdivision 8, is amended to read:

Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the
applicable following preretirement interest assumption and, if section 356.415 does not
apply, the applicable following postretirement interest assumption:

	preretirement interest rate assumption	postretirement interest rate assumption
plan		
general state employees retirement plan	8.5% <u>7.5%</u>	6.0% <u>5.0%</u>
correctional state employees retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
State Patrol retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
legislators retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
elective state officers retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
judges retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
general public employees retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
public employees police and fire retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
local government correctional service retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
teachers retirement plan	8.5 <u>7.5</u>	6.0 <u>5.0</u>
Duluth teachers retirement plan	8.5 <u>7.5</u>	8.5 <u>7.5</u>
St. Paul teachers retirement plan	8.5 <u>7.5</u>	8.5 <u>7.5</u>
Minneapolis Police Relief Association	6.0	6.0
Fairmont Police Relief Association	5.0	5.0
Minneapolis Fire Department Relief Association	6.0	6.0

2.1	Virginia Fire Department Relief Association	5.0	5.0
2.2	Bloomington Fire Department Relief Association	6.0	6.0
2.3	local monthly benefit volunteer firefighters relief		
2.4	associations	5.0	5.0

2.5 (b) ~~Before July 1, 2010~~ Except as specified in paragraph (d), the actuarial valuation
2.6 must use the applicable following single rate future salary increase assumption, the
2.7 applicable following modified single rate future salary increase assumption, or the
2.8 applicable following graded rate future salary increase assumption:

2.9 (1) single rate future salary increase assumption

2.10		future salary
2.11	plan	increase assumption
2.12	legislators retirement plan	5.0%
2.13	judges retirement plan	4.0
2.14	Minneapolis Police Relief Association	4.0
2.15	Fairmont Police Relief Association	3.5
2.16	Minneapolis Fire Department Relief	
2.17	Association	4.0
2.18	Virginia Fire Department Relief Association	3.5
2.19	Bloomington Fire Department Relief	
2.20	Association	4.0

2.21 (2) age-related select and ultimate future salary increase assumption or graded rate
2.22 future salary increase assumption

2.23		future salary
2.24	plan	increase assumption
2.25	general state employees retirement plan	select calculation and
2.26		assumption A
2.27	correctional state employees retirement plan	assumption G
2.28	State Patrol retirement plan	assumption F
2.29	public employees police and fire fund retirement plan	assumption B
2.30	local government correctional service retirement plan	assumption F
2.31	teachers retirement plan	assumption C
2.32	Duluth teachers retirement plan	assumption D
2.33	St. Paul teachers retirement plan	assumption E

2.34 The select calculation is: during the
2.35 designated select period, a designated
2.36 percentage rate is multiplied by the result
2.37 of the designated integer minus T, where
2.38 T is the number of completed years of
2.39 service, and is added to the applicable
2.40 future salary increase assumption. The

designated select period is five years and the designated integer is five for the general state employees retirement plan. The designated select period is ten years and the designated integer is ten for all other retirement plans covered by this clause. The designated percentage rate is: (1) 0.2 percent for the correctional state employees retirement plan, the State Patrol retirement plan, the public employees police and fire plan, and the local government correctional service plan; (2) 0.6 percent for the general state employees retirement plan; and (3) 0.3 percent for the teachers retirement plan, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:								
age	A	B	C	D	E	F	G	
16	5.95%	11.00%	7.70%	8.00%	6.90%	7.7500%	7.2500%	
17	5.90	11.00	7.65	8.00	6.90	7.7500	7.2500	
18	5.85	11.00	7.60	8.00	6.90	7.7500	7.2500	
19	5.80	11.00	7.55	8.00	6.90	7.7500	7.2500	
20	5.75	11.00	5.50	6.90	6.90	7.7500	7.2500	
21	5.75	11.00	5.50	6.90	6.90	7.1454	6.6454	
22	5.75	10.50	5.50	6.90	6.90	7.0725	6.5725	
23	5.75	10.00	5.50	6.85	6.85	7.0544	6.5544	
24	5.75	9.50	5.50	6.80	6.80	7.0363	6.5363	
25	5.75	9.00	5.50	6.75	6.75	7.0000	6.5000	
26	5.75	8.70	5.50	6.70	6.70	7.0000	6.5000	
27	5.75	8.40	5.50	6.65	6.65	7.0000	6.5000	
28	5.75	8.10	5.50	6.60	6.60	7.0000	6.5000	
29	5.75	7.80	5.50	6.55	6.55	7.0000	6.5000	
30	5.75	7.50	5.50	6.50	6.50	7.0000	6.5000	

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4.1	31	5.75	7.30	5.50	6.45	6.45	7.0000	6.5000
4.2	32	5.75	7.10	5.50	6.40	6.40	7.0000	6.5000
4.3	33	5.75	6.90	5.50	6.35	6.35	7.0000	6.5000
4.4	34	5.75	6.70	5.50	6.30	6.30	7.0000	6.5000
4.5	35	5.75	6.50	5.50	6.25	6.25	7.0000	6.5000
4.6	36	5.75	6.30	5.50	6.20	6.20	6.9019	6.4019
4.7	37	5.75	6.10	5.50	6.15	6.15	6.8074	6.3074
4.8	38	5.75	5.90	5.40	6.10	6.10	6.7125	6.2125
4.9	39	5.75	5.70	5.30	6.05	6.05	6.6054	6.1054
4.10	40	5.75	5.50	5.20	6.00	6.00	6.5000	6.0000
4.11	41	5.75	5.40	5.10	5.90	5.95	6.3540	5.8540
4.12	42	5.75	5.30	5.00	5.80	5.90	6.2087	5.7087
4.13	43	5.65	5.20	4.90	5.70	5.85	6.0622	5.5622
4.14	44	5.55	5.10	4.80	5.60	5.80	5.9048	5.4078
4.15	45	5.45	5.00	4.70	5.50	5.75	5.7500	5.2500
4.16	46	5.35	4.95	4.60	5.40	5.70	5.6940	5.1940
4.17	47	5.25	4.90	4.50	5.30	5.65	5.6375	5.1375
4.18	48	5.15	4.85	4.50	5.20	5.60	5.5822	5.0822
4.19	49	5.05	4.80	4.50	5.10	5.55	5.5404	5.0404
4.20	50	4.95	4.75	4.50	5.00	5.50	5.5000	5.0000
4.21	51	4.85	4.75	4.50	4.90	5.45	5.4384	4.9384
4.22	52	4.75	4.75	4.50	4.80	5.40	5.3776	4.8776
4.23	53	4.65	4.75	4.50	4.70	5.35	5.3167	4.8167
4.24	54	4.55	4.75	4.50	4.60	5.30	5.2826	4.7826
4.25	55	4.45	4.75	4.50	4.50	5.25	5.2500	4.7500
4.26	56	4.35	4.75	4.50	4.40	5.20	5.2500	4.7500
4.27	57	4.25	4.75	4.50	4.30	5.15	5.2500	4.7500
4.28	58	4.25	4.75	4.60	4.20	5.10	5.2500	4.7500
4.29	59	4.25	4.75	4.70	4.10	5.05	5.2500	4.7500
4.30	60	4.25	4.75	4.80	4.00	5.00	5.2500	4.7500
4.31	61	4.25	4.75	4.90	3.90	5.00	5.2500	4.7500
4.32	62	4.25	4.75	5.00	3.80	5.00	5.2500	4.7500
4.33	63	4.25	4.75	5.10	3.70	5.00	5.2500	4.7500
4.34	64	4.25	4.75	5.20	3.60	5.00	5.2500	4.7500
4.35	65	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
4.36	66	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
4.37	67	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
4.38	68	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
4.39	69	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
4.40	70	4.25	4.75	5.20	3.50	5.00	5.2500	4.7500
4.41	71	4.25		5.20				

4.42 (3) service-related ultimate future salary increase assumption

5.1		general employees retirement plan of the Public
5.2	service length	Employees Retirement Association
5.3	1	12.03%
5.4	2	8.90
5.5	3	7.46
5.6	4	6.58
5.7	5	5.97
5.8	6	5.52
5.9	7	5.16
5.10	8	4.87
5.11	9	4.63
5.12	10	4.42
5.13	11	4.24
5.14	12	4.08
5.15	13	3.94
5.16	14	3.82
5.17	15	3.70
5.18	16	3.60
5.19	17	3.51
5.20	18	3.50
5.21	19	3.50
5.22	20	3.50
5.23	21	3.50
5.24	22	3.50
5.25	23	3.50
5.26	24	3.50
5.27	25	3.50
5.28	26	3.50
5.29	27	3.50
5.30	28	3.50
5.31	29	3.50
5.32	30 or more	3.50

5.33 (c) ~~Before July 2, 2010~~ Except as specified in paragraph (d), the actuarial
5.34 valuation must use the applicable following payroll growth assumption for calculating
5.35 the amortization requirement for the unfunded actuarial accrued liability where the
5.36 amortization retirement is calculated as a level percentage of an increasing payroll:

5.37		payroll growth
5.38	plan	assumption
5.39	general state employees retirement plan	4.50%
5.40	correctional state employees retirement plan	4.50
5.41	State Patrol retirement plan	4.50
5.42	legislators retirement plan	4.50

6.1	judges retirement plan	4.00
6.2	general employees retirement plan of the Public	
6.3	Employees Retirement Association	4.00
6.4	public employees police and fire retirement plan	4.50
6.5	local government correctional service retirement	
6.6	plan	4.50
6.7	teachers retirement plan	4.50
6.8	Duluth teachers retirement plan	4.50
6.9	St. Paul teachers retirement plan	5.00

6.10 (d) ~~After July 1, 2010,~~ The assumptions set forth in paragraphs (b) and (c) ~~continue~~
6.11 ~~to apply;~~ for the applicable retirement plan unless a different salary assumption or a
6.12 different payroll increase assumption:

- 6.13 (1) has been proposed by the governing board of the applicable retirement plan;
6.14 (2) is accompanied by the concurring recommendation of the actuary retained under
6.15 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the
6.16 most recent actuarial valuation report if section 356.214 does not apply; and
6.17 (3) has been approved or deemed approved under subdivision 18.

6.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

6.19 Sec. 2. Minnesota Statutes 2010, section 356.216, is amended to read:

6.20 **356.216 CONTENTS OF ACTUARIAL VALUATIONS FOR LOCAL POLICE**
6.21 **AND FIRE FUNDS.**

6.22 (a) The provisions of section 356.215 that govern the contents of actuarial valuations
6.23 must apply to any local police or fire pension fund or relief association required to make
6.24 an actuarial report under this section, except as follows:

6.25 (1) in calculating normal cost and other requirements, if required to be expressed as
6.26 a level percentage of covered payroll, the salaries used in computing covered payroll must
6.27 be the maximum rate of salary on which retirement and survivorship credits and amounts
6.28 of benefits are determined and from which any member contributions are calculated and
6.29 deducted;

6.30 (2) in lieu of the amortization date specified in section 356.215, subdivision 11,
6.31 the appropriate amortization target date specified in section 69.77, subdivision 4, or
6.32 69.773, subdivision 4, clause (c), must be used in calculating any required amortization
6.33 contribution, except that if the actuarial report for the Bloomington Fire Department Relief
6.34 Association indicates an unfunded actuarial accrued liability, the unfunded obligation is
6.35 to be amortized on a level dollar basis by December 31 of the year occurring 20 years
6.36 later, and if subsequent actuarial valuations for the Bloomington Fire Department Relief

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Association determine a net actuarial experience loss incurred during the year which ended as of the day before the most recent actuarial valuation date, any unfunded liability due to that loss is to be amortized on a level dollar basis by December 31 of the year occurring 20 years later and except that the amortization date for the Minneapolis Police Relief Association is December 31, 2020;

(3) in addition to the tabulation of active members and annuitants provided for in section 356.215, subdivision 13, the member contributions for active members for the calendar year and the prospective annual retirement annuities under the benefit plan for active members must be reported;

(4) actuarial valuations required under section 69.773, subdivision 2, must be made at least every four years and actuarial valuations required under section 69.77 shall be made annually;

(5) the actuarial balance sheet showing accrued assets valued at market value if the actuarial valuation is required to be prepared at least every four years or valued as current assets under section 356.215, subdivision 1, paragraph (b) or (f), whichever applies, if the actuarial valuation is required to be prepared annually, actuarial accrued liabilities, and the unfunded actuarial accrued liability must include the following required reserves:

(i) for active members:

1. retirement benefits;
2. disability benefits;
3. refund liability due to death or withdrawal;
4. survivors' benefits;

(ii) for deferred annuitants' benefits;

(iii) for former members without vested rights;

(iv) for annuitants;

1. retirement annuities;
2. disability annuities;
3. surviving spouses' annuities;
4. surviving children's annuities;

In addition to those required reserves, separate items must be shown for additional benefits, if any, which may not be appropriately included in the reserves listed above; and

(6) actuarial valuations are due by the first day of the seventh month after the end of the fiscal year which the actuarial valuation covers.

(b) For the Minneapolis Firefighters Relief Association or the Minneapolis Police Relief Association, ~~the following provisions additionally apply:~~

8.1 ~~(1)~~ in calculating the actuarial balance sheet, unfunded actuarial accrued liability,
8.2 and amortization contribution of the relief association, "current assets" means the value of
8.3 all assets at cost, including realized capital gains and losses, plus or minus, whichever
8.4 applies, the average value of total unrealized capital gains or losses for the most recent
8.5 three-year period ending with the end of the plan year immediately preceding the actuarial
8.6 valuation report transmission date; ~~and.~~

8.7 ~~(2) in calculating the applicable portions of the actuarial valuation, an annual~~
8.8 ~~preretirement interest assumption of six percent, an annual postretirement interest~~
8.9 ~~assumption of six percent, and an annual salary increase assumption of four percent must~~
8.10 ~~be used.~~

8.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.