

premiums or subscription rates and persons claiming cash surrender values or other investment values in life insurance and annuities to file a claim. The liquidator may specify different dates for the filing of different kinds of claims. Notice to potential claimants shall include notice of the existence of any guaranty association charged by statute with the guaranty of the obligations of the insurer. Where procedures have been established by the association for the filing of claims this notice shall include an explanation of those procedures.

Sec. 22. **EFFECTIVE DATE.** This act is effective on the day following its final enactment.

Approved May 26, 1977.

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**CHAPTER 274—H.F.No.460**

*An act relating to retirement; adjustment in annuities through the adjustable fixed benefit fund; amending Minnesota Statutes 1976, Section 11.25, Subdivisions 3, 12 and 13.*

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

Section 1. Minnesota Statutes 1976, Section 11.25, Subdivision 3, is amended to read:

**Subd. 3. MINNESOTA ADJUSTABLE FIXED BENEFIT FUND; ANNUITIES.**

Any public retirement organization authorized to participate in the Minnesota adjustable fixed benefit fund may own an undivided participation in all the assets of the fund. The extent of annual participation shall be determined by the ratio of each organization's contribution to the total contributions of all participating organizations. Such ratio shall be determined monthly. Contributions and withdrawals may be certified at any time, but notification of contributions must reach the state board of investment by the twenty-fifth day of any month in order for such contributions to be included in calculations determining the monthly ratio. At the end of each fiscal year, the 12 ratios for such year, beginning with that of the previous ~~June 30~~ July 31, shall be averaged. The average ratio shall determine the distribution of the difference between the admitted value and the balances of contributions of the respective organizations at year end to determine the respective amounts of participation. The interpretation and administration of all calculations affecting the fund shall be made in a manner to achieve the most uniform and equitable treatment possible for all participating organizations.

Sec. 2. Minnesota Statutes 1976, Section 11.25, Subdivision 12, is amended to read:

**Subd. 12. ADJUSTMENT IN ANNUITY PAYMENTS.** Annually as of July 1 of each fiscal year the annuity payments made from each retirement fund or organization participating in the Minnesota adjustable fixed benefit fund during the next calendar year shall be determined in accordance with the following procedures. Any adjustment in the amount of annuity payments shall become effective with the first payment falling due

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after December 31 next succeeding the July 1 as of which the adjustment was determined.

(a) Annually, after June 30 of each year, the state board of investment shall:

(1) ~~Using~~ Based upon the admitted value as determined pursuant to subdivision 8, determine the actual rate of return and the accumulation factor on the assets of the Minnesota adjustable fixed benefit fund. The accumulation factor shall be 1.00 plus or minus the actual rate of return.

(2) Calculate the benefit adjustment factor, which shall be the ratio of the accumulation factor determined pursuant to (1) to the valuation accumulation factor. The valuation accumulation factor shall be 1.00 plus the interest rate assumed for actuarial valuations.

(3) Calculate the actual benefit adjustment factor in accordance with the provisions of clause (f) and subdivision 13.

(4) ~~(5) Determine for each pension fund the amount of participation of such fund in the Minnesota adjustable fixed benefit fund, excluding any portion of the annuity stabilization reserve. Any suspense fund determined pursuant to clause (f) at the beginning of the fiscal year to which the accumulation factor has been applied, shall be added to the participation thus determined.~~

(4) ~~(5) Determine a preliminary amount for the current annuity stabilization reserve by multiplying the final amount of the previous year's annuity stabilization reserve by the accumulation factor determined pursuant to (1).~~

(b) ~~Each participating pension fund shall apply the actual benefit adjustment factor to the amount of the benefit which each fund's participants in the Minnesota adjustable fixed benefit fund who are eligible for adjustment are entitled to receive and shall determine the amount of the reserves required for such adjusted benefits and the amount of reserves required to continue benefits at the previous level for participants not eligible for adjustment. Each participating pension fund shall determine the amount of the reserve required for the level of benefit in effect during the year preceding the valuation date. This total reserve shall be separated into two portions, one for participants who are eligible for an adjustment in benefits and the other for participants who are not eligible for a benefit adjustment.~~

(c) Each participating pension fund shall determine its adjusted participation in the Minnesota adjustable fixed benefit fund in the following manner.

(1) ~~Deduct the reserve on benefits not to be adjusted from the total amount of participation of the fund determined pursuant to clause (a)(3).~~

(2) ~~Multiply the result obtained pursuant to (1) by the ratio of the actual benefit adjustment factor to the calculated adjustment factor.~~

(3) ~~Add the result obtained pursuant to (2) to the amount of the reserves for~~  
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benefits not to be adjusted: The result is the adjusted participation in the Minnesota adjusted fixed benefit fund:

(d) Each participating pension fund shall calculate the difference between the reserves determined pursuant to clause (b) and the amount of its adjusted participation in the Minnesota adjustable fixed benefit fund determined pursuant to clause (c):

(e) If the result obtained pursuant to clause (d) is a positive figure, the amount thus determined is due to a mortality loss; and the pension fund shall pay to the Minnesota adjustable fixed benefit fund the amount thus determined, which amount shall be added to the pension fund's participation: If the result obtained pursuant to clause (d) is a negative figure, the amount thus determined is due to a mortality gain; and the pension fund shall be credited with the amount thus determined by deducting the amount from the fund's total participation:

(f) A suspense account shall be established within the Minnesota adjustable fixed benefit fund for each pension fund for the purpose of temporarily carrying any amounts required pending addition to the participation of that fund:

(1) Whenever the rate for an actual benefit adjustment for any fund is required to be reduced by less than one-half of one percent due to the requirement that adjustments be limited to the last full multiple of one-half of one percent, the reserves to cover such portion of one-half of one percent thus withheld shall be placed in the suspense account for that fund: If the calculated adjustment factor exceeds 1.00 but is less than 1.02, an amount equal to the excess reserves over those for a factor of one percent shall be placed in the suspense account:

(2) If the actual benefit adjustment factor is less than the calculated benefit adjustment factor, the amount of that pension fund's participation determined pursuant to clause (c) shall be reduced to the amount of the reserves determined pursuant to clause (b) and the amount of reduction shall be added to the annuity stabilization reserve: If the actual benefit adjustment factor exceeds the calculated benefit adjustment factor, the amount of that pension fund's participation determined pursuant to clause (c) shall be increased to the amount of the reserves determined pursuant to clause (b) and the amount of increase shall be deducted from the annuity stabilization reserve:

(3) The share of the stabilization reserve that each pension fund may claim shall bear the same ratio to the total stabilization reserve as the participation of that pension fund bears to the total of all participations: The applied rate for an actual benefit adjustment shall be the actual benefit rate as determined, adjusted to the last full one-half of one percent:

If the benefit adjustment factor calculated pursuant to clause (a)(2) is greater than 98 percent but less than 102 percent, no adjustment of annuities shall be made: If the ratio is equal to or greater than 102 percent or is equal to or less than 98 percent, the annuity payments currently payable shall be increased or decreased in the ratio so determined for the 12 month period beginning with the first payment due after December 31 next succeeding the valuation date; except that persons who retired during the fiscal

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year preceding the July 1, valuation date shall not be entitled to an adjustment. Any decreases shall be limited through the use of the annuity stabilization reserve established in subdivision 13. The annuity payment to any annuitant shall never be an amount less than the amount originally determined on the date of retirement or on July 1, 1971, whichever is later. For the purpose of calculating the adjustments provided herein, all individual members of any participating fund or organization retiring during any fiscal year shall be deemed to have retired in the same class, except that all such individuals retired prior to July 1, 1969 shall be in the same class as those retiring between July 1, 1969 and June 30, 1970. All annuitants in each class are equally entitled to any adjustment of annuity payments. If the value of the participation in the Minnesota adjustable fixed benefit fund goes below the value of the reserves required to support the amount originally determined on the date of retirement or on July 1, 1971, whichever is later, for any annuitant or class of annuitants, the excess of the amount paid over the amount which the reserves would support must be recovered from the annuity stabilization reserve as established in subdivision 13. If such reserve is inadequate, any excess amount must be recovered by withholding the amount of any future increases in annuity payments to which the annuitant or class of annuitants would be otherwise entitled until the sum of the amounts withheld equals such accumulated excess. After any deficiency is recovered in full, either through the annuity stabilization reserve or the withholding of increases in annuity payments, the annuity will be increased on the basis of the ratio of assets to reserves currently applicable to all persons retired from the pension fund. Except as provided by statute, exact procedures to be followed in making determinations as to the amounts to be received by pension beneficiaries during the various fiscal years shall be determined by the board of directors or trustees of the participating retirement fund or organization in accordance with accepted actuarial and accounting practices.

(1) Determine the expected reserve on the current valuation date in accordance with the mortality and interest assumptions used for actuarial valuations. This shall be done separately for those participants who are eligible for an adjustment in benefits and those participants who are not eligible for an adjustment in benefits.

(2) Determine the difference between the expected reserve calculated pursuant to clause (c)(1) and the reserve calculated pursuant to clause (b). This difference shall be calculated separately for participants who are eligible for a benefit adjustment and for participants who are not eligible for a benefit adjustment.

(3) For the participants who are entitled to a benefit adjustment, multiply the difference obtained pursuant to clause (c)(2) by the actual benefit adjustment factor and combine the result with the difference calculated pursuant to clause (c)(2) associated with participants not eligible for a benefit adjustment.

(4) If the result obtained pursuant to clause (c)(3) is positive, the amount thus determined is due to a mortality gain, and the pension fund shall be credited with the amount thus determined by deducting the amount from the fund's total participation. If the result obtained pursuant to clause (c)(3) is negative, the amount thus determined is due to a mortality loss, and the pension fund shall pay to the Minnesota adjustable fixed benefit fund the amount thus determined which amount shall be added to the pension

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fund's participation. In either case, the resulting participation is the pension fund's adjusted participation in the Minnesota adjustable fixed benefit fund.

(d) The actual benefit adjustment factor shall be applied to the reserve determined pursuant to clause (b) for participants who are entitled to a benefit adjustment and the result shall be combined with the reserve determined pursuant to clause (b) for participants not eligible for a benefit adjustment. The resulting sum is the pension fund's reserve requirement.

(e) The difference between a pension fund's adjusted participation in the Minnesota adjustable fixed benefit fund determined pursuant to clause (c)(4) and the pension fund's reserve requirement determined pursuant to clause (d) shall be calculated. If the result is positive, the amount shall be added to the annuity stabilization reserve and deducted from the pension fund's adjusted participation in the Minnesota adjustable fixed benefit fund. If the result is negative, the amount shall be deducted from the annuity stabilization reserve and added to the pension fund's adjusted participation in the Minnesota adjustable fixed benefit fund.

(f) Subject to the limitations set forth in subdivision 13, the actual benefit adjustment factor shall be determined as follows:

(1) As of June 30, 1977, and each anniversary thereafter, a potential benefit adjustment factor shall be determined by multiplying the benefit adjustment factor calculated pursuant to clause (a) (2) by the ratio of the potential adjustment factor for the anniversary immediately preceding the current anniversary to the actual benefit adjustment factor for that same prior anniversary, which ratio for June 30, 1976, shall be equal to one.

(2) If the potential benefit adjustment factor for the current anniversary obtained pursuant to clause (f) (1) is greater than 98 percent but less than 102 percent, no adjustment of annuities shall be made.

(3) If the potential benefit adjustment factor for the current anniversary obtained pursuant to clause (f) (1) is less than or equal to 98 percent or greater than or equal to 102 percent, the actual benefit adjustment factor shall be obtained from the potential benefit adjustment factor by rounding to the next lower one-half of one percent.

(4) If no adjustment of annuities is to be made, then the actual benefit adjustment factor is one.

(g) The actual annuity adjustment factor shall be applied to the annuity payments for the twelve month period beginning with the first payment due after December 31 next succeeding the valuation date, except that persons who retired during the fiscal year preceding the July 1 valuation date shall not be entitled to an adjustment.

(h) If the application of the actual annuity adjustment factor to the annuity benefit of any annuitant produces a benefit smaller than the amount determined on the date of retirement or on July 1, 1976, whichever is later, the benefit for such annuitant shall be

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adjusted to or maintained at the amount determined on the date of retirement or on July 1, 1976, for the twelve month period beginning with the first payment due after December 31 next succeeding the valuation date.

Sec. 3. Minnesota Statutes 1976, Section 11.25, Subdivision 13, is amended to read:

Subd. 13. **ANNUITY STABILIZATION RESERVE.** An annuity stabilization reserve shall be attached to the Minnesota adjustable fixed benefit fund for the purposes of (1) eliminating any surplus or deficiency so that the assets of the fund will equal the reserves supporting benefits being paid; ~~except that funds from the stabilization reserve shall not be used to eliminate any deficiency resulting from benefit payments at the fixed benefit level exceeding the amount of payment that would be paid were it not for the fixed benefit guarantee and,~~ (2) precluding or lessening any downward adjustment in annuity payments below the previous calendar year's payment rate. ~~If the reserve is insufficient to preclude such a decrease, the amount available shall limit the maximum decrease to a uniform percentage consistent with the utilization of the total value of the reserve. Beginning on January 1, 1972, upward adjustments of annuity payments to each annuitant shall be limited to four percent of the previous calendar year's payment rate until the accumulation in the annuity stabilization reserve from such withholding has reached an amount equal to 15 percent of the immediate past fiscal year's total annuity payments. So long as the reserve totals an amount equal to 15 percent of the immediate past fiscal year's total annuity payments, any increase up to six percent of the previous calendar year's payment rate shall be paid directly to any annuitant or class of annuitants. The amount of any increase above six percent of the previous calendar year's payment rate shall be added to the reserve until such reserve totals an amount equal to 25 percent of the total pensions paid during the previous fiscal year. Upward adjustments of the annuity payments to each annuitant shall be limited to eight percent of the previous calendar year's payment rate, with any excess being added to the reserve, even though such reserve may then exceed 25 percent of the immediate past fiscal year's total annuity payments. For the purpose of this section, the word reserve means the fund established herein and not an actuarial reserve. Any assets on hand prior to June 30, 1972 in the annuity stabilization reserve of any retirement fund or organization participating in the Minnesota adjustable fixed benefit fund, shall be paid to or credited to such retirement fund or organization. Such assets as are credited to the individual fund annuity stabilization reserves thereafter shall on the effective date of Laws 1973, Chapter 7 be transferred to the single annuity stabilization reserve for the Minnesota adjustable fixed benefit fund and the authorization for stabilization reserves relating to the individual retirement funds shall terminate.~~

(a) Upward adjustments of annuity payments to each annuitant shall be limited to four percent of the previous year's payment rate until the accumulation in the annuity stabilization reserve from such withholding has reached an amount equal to 15 percent of the immediate past fiscal year's total annuity payments. So long as the annuity stabilization reserve totals an amount equal to 15 percent of the immediate past fiscal year's total annuity payments, an increase up to six percent of the previous calendar year's payment rate shall be paid to each annuitant entitled to an increase. The amount of any increase above six percent of the previous calendar year's payment rate shall be added to the annuity stabilization reserve until such reserve totals an amount equal to 25

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percent of the total pensions paid during the previous fiscal year. Upward adjustments of the annuity payments to each annuitant shall be limited to eight percent of the previous year's payment rate with any excess being added to the annuity stabilization reserve even though such reserve may then exceed 25 percent of the immediate past fiscal year's total annuity payments.

(b) If the annuity stabilization reserve should become negative as a result of the guarantee set forth in subdivision 12, clause (h), the amount of subsequent benefit increases after January 1, 1978, shall be limited to amounts which will cause the annuity stabilization reserve to be restored again to a positive level.

**Sec. 4. TEMPORARY PROVISION.** Each participating pension fund shall recalculate the amount of its mortality gain or loss for each of the fiscal years ending June 30 or December 31, 1975 and 1976, in accordance with this act.

If the total amount of such recalculated mortality gain or loss differs from the total amount of mortality gain or loss previously reported, the pension fund shall be credited with the difference if it has previously paid an excess amount to the Minnesota adjustable fixed benefit fund or the pension fund shall pay the difference to the Minnesota adjustable fixed benefit fund if it has previously paid a deficient amount. In either case the fund's participation in the Minnesota adjustable fixed benefit fund shall be adjusted on December 30, 1977 to reflect the credit or payment.

Sec. 5. This act is effective the day following final enactment.

Approved May 26, 1977.

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**CHAPTER 275—H.F.No.491**

[Not Coded]

*An act relating to retirement; police pensions in the city of Crookston.*

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

**Section 1. CROOKSTON, CITY OF; POLICE RELIEF ASSOCIATION; COMPLETION OF PERIOD OF SERVICE; AGE; RETIREMENT; SERVICE PENSION.** Subdivision 1. Notwithstanding Minnesota Statutes, Section 423.55, a member of the Crookston police relief association who has completed a period, or periods of service, as a policeman in the police department of the city of Crookston, equal to 15 years or more, shall, after he has arrived at the age of 50 years or more, and has retired from the payroll of the police department of the city, be entitled to a service pension equal to 37-1/2 percent of the monthly base pay of the policeman at the time of his retirement from the police department, plus an additional 2-1/2 percent for each full year of service in excess of 15 years, to a maximum of 75 percent. In no event shall the pension be less than \$75 per month, which pension shall be payable monthly during the term of his natural life in conformity with the bylaws of the association.

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