Section 1. Minnesota Statutes 1978, Section 179.70, Subdivision 1, is amended to read:

179.70 **CONTRACTS; GRIEVANCES; ARBITRATION.** Subdivision 1. A written contract or memorandum of contract containing the agreed upon terms and conditions of employment and such other matters as may be agreed upon by the employer and exclusive representative shall be executed by the parties. The duration of the contract shall be negotiable except in no event shall contracts be for a term exceeding three years. Any contract between employer school board and an exclusive representative of teachers shall in every instance be for a term of two years beginning on July 1 of each odd-numbered year. For contracts effective July 1, 1979 or thereafter, the written contract executed by an employer school board and an exclusive representative of teachers shall contain the teachers' compensation including fringe benefits for the entire two year term and shall not contain a wage reopening clause or any other provision for the renegotiation of the teachers' compensation for the second year of the contract. All contracts shall include a grievance procedure which shall provide compulsory binding arbitration of grievances including all disciplinary actions. In the event that the parties cannot reach agreement on the grievance procedure, they shall be subject to the grievance procedure promulgated by the director pursuant to section 179.71, subdivision 5, clause (i). Employees covered by civil service systems created pursuant to chapters 43, 44, 375, 387, ~~or~~ 419 or 420, or by provision of a home rule charter pursuant to chapter 410, or by Laws 1941, Chapter 423, may pursue a redress of their grievances through the grievance procedure established pursuant to this section. When the resolution of a grievance is also within the jurisdiction of appeals boards or appeals procedures created by chapters 43, 44, 375, 387, ~~or~~ 419 or 420, or by provision of a home rule charter pursuant to chapter 410, or by Laws 1941, Chapter 423, the grieving employee shall have the option of pursuing redress through the grievance procedure or the civil service appeals procedure, but once a written grievance or appeal has been properly filed or submitted by the employee or on the employee's behalf with his consent the employee's right to pursue redress in the alternative manner is terminated. This section does not require employers or employee organizations to negotiate on matters other than terms and conditions of employment as defined in section 179.63, subdivision 18.

Approved May 24, 1979.

CHAPTER 184—H.F.No.748

An act relating to retirement; actuarial reporting law; implementing a procedure to extend the period for the amortization of unfunded liabilities in the event of changes in actuarial assumptions or increases in annuities and benefits; amending Minnesota Statutes 1978, Sections 356.215, Subdivision 4; 356.22, Subdivision 2; 422A.08, Subdivision 2; and 422A.39, Subdivision 2.

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

Section 1. Minnesota Statutes 1978, Section 356.215, Subdivision 4, is amended to read:

Subd. 4. **ACTUARIAL VALUATIONS; CONTENTS.** Actuarial valuations shall be made in conformity with the requirements of the definition contained in subdivision 1. Each actuarial valuation shall measure all aspects of the fund in accordance with such changes in benefit plans, if any, and salaries as will be in force during the ensuing fiscal year. Each actuarial valuation shall be in accordance with the entry age normal cost (level normal cost) method.

Each actuarial valuation required under this section shall include:

(1) For each fund providing any benefits under a benefit formula, the level normal cost of the benefits provided by the laws governing the fund as of the date of the valuation, computed in accordance with the entry age normal cost (level normal cost) method. The normal cost shall be expressed as a level percentage of the future payroll of the active participants of the fund as of the date of the valuation.

(2) The accrued liabilities of the fund which shall be equal to the present value of all benefits minus the present value of future normal costs calculated in accordance with the entry age normal cost method.

(3) For each fund providing benefits under the money purchase method, the member contributions accumulated at interest, as apportioned to members accounts, to the date of the valuation. These accumulations shall be separately tabulated in such manner as to reflect properly any differences in money purchase annuity rates which may apply.

(4) An interest assumption of five percent and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.035 multiplied by the salary for the preceding year.

(5) Other assumptions as to mortality, disability, retirement, withdrawal, average entry age and average retirement age that are appropriate to the fund, which shall be set forth in the valuation report.

(6) An actuarial balance sheet showing accrued assets, accrued liabilities, and the deficit from full funding of liabilities (unfunded accrued liability). The accrued liabilities shall include the following required reserves:

(a) For active members
    1. Retirement benefits
    2. Disability benefits
    3. Refund liability due to death or withdrawal
    4. Survivors' benefits
(b) For deferred annuitants' benefits
(c) For former members without vested rights
(d) For annuitants
    1. Retirement annuities
    2. Disability annuities

3. Surviving spouses' annuities
4. Surviving children's annuities

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

(7) In addition to the level normal cost, ~~such~~ the additional ~~rate of support as is required to amortize any deficit in the fund by the end of the fiscal year occurring in 1997~~ annual contribution which would be required to retire the current unfunded accrued liablity by the established date for full funding which is in effect at the time of the valuation.

If, after the first actuarial valuation date occurring after June 1, 1979, there has not been a change in any or all of the actuarial assumptions used for calculating the accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded accrued liability of the fund, the established date for full funding for the first actuarial valuation made after June 1, 1979 and each successive actuarial valuation shall be the first actuarial valuation date which occurs after June 1, 2009.

If after the first actuarial valuation date occurring after June 1, 1979, there has been a change in any or all of the actuarial assumptions used for calculating the accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded accrued liability in the fund, the established date for full funding shall be determined using the following procedure:

(i) The unfunded accrued liability of the fund shall be determined in accordance with the plan provisions governing annuities and retirement benefits and the actuarial assumptions in effect prior to an applicable change;

(ii) The level annual dollar contribution needed to amortize the unfunded accrued liability amount determined pursuant to subclause (i) by the established date for full funding in effect prior to the change shall be calculated using the interest assumption specified in clause (4) in effect prior to the change;

(iii) The unfunded accrued liability of the fund shall be determined in accordance with any new plan provisions governing annuities and benefits payable from the fund and any new actuarial assumptions and the remaining plan provisions governing annuities and benefits payable from the fund and actuarial assumptions in effect prior to the change;

(iv) The level annual dollar contribution needed to amortize the difference between the unfunded accrued liability amount calculated pursuant to subclause (i) and the unfunded accrued liability amount calculated pursuant to subclause (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective shall be calculated using the interest assumption specified in clause (4) in effect subsequent to any applicable change;

(v) The level annual dollar amortization contribution pursuant to subclause (iv) shall be added to the level annual dollar amortization contribution calculated pursuant to subclause (ii);

(vi) The period in which the unfunded accrued liability amount determined in subclause (iii) will be amortized by the total level annual dollar amortization contribution computed pursuant to subclause (v) shall be calculated using the interest assumption specified in clause (4) in effect subsequent to any applicable change, rounded to the nearest integral number of years, but which shall not exceed a period of 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and which shall not be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect prior to the change; and

(vii) The period determined pursuant to subclause (vi) shall be added to the date as of which the actuarial valuation was prepared and the date obtained shall be the new established date for full funding.

(8) An actuarial balance sheet shall not include as an asset the present value of the contributions required under clause (7).

(9) An analysis by the actuary explaining the increase or decrease in the unfunded accrued liability since the last valuation. The explanation shall subdivide the increase or decrease in unfunded accrued liability into at least the following parts:

(a) Increases or decreases in unfunded accrued liability because of changes in benefits;

(b) Increases and decreases in unfunded accrued liability because of each change, if any, in actuarial assumptions;

(c) Actuarial gains or losses resulting from any deviations of actual investment earnings, actual mortality rates, actual salary increase rates, actual disability rates, actual withdrawal rates and actual retirement rates from the assumptions on which the valuations are based;

(d) Increases or decreases in unfunded accrued liability because of other reasons, including the effect of the amortization contribution required under clause (7); and

(e) Increases or decreases in unfunded accrued liability because of changes in eligibility requirements or groups included in the membership of the fund.

(10) A tabulation of active membership and annuitants in the fund. If the membership of a fund is under more than one general benefit program, a separate tabulation shall be made for each general benefit program. The tabulations shall be submitted in the following form:

(a) Active members	Number	Annual Payroll
As of last valuation date		
New entrants		
Total		
Separations from active service		
Refund of contributions		
Separation with deferred annuity		
Separation with neither refundment nor deferred annuity		
Disability		
Death		
Retirement with service annuity		
Total separations		
As of current valuation date		

(b) Annuitants	Number	Annual Annuity Benefit
As of last valuation date		
New entrants		
Total		
Terminations		
Deaths		
Other		
Total terminations		
As of current valuation date		

The tabulation required under (b) shall be made separately for each of the following classes of annuitants:

(a) Service retirement annuitants

(b) Disabled annuitants

(c) Surviving spouse annuitants

(d) Surviving children annuitants

(e) Deferred annuitants

(11) A statement of the administrative expenses in dollars and also as a percentage of covered payroll.

(12) A summary of the principal provisions of the plan upon which the valuation is based.

Sec. 2. Minnesota Statutes 1978, Section 356.22, Subdivision 2, is amended to read:

Subd. 2. No provision in sections 356.20 to 356.23 shall be construed to preclude any public pension and retirement fund herein enumerated from requesting, or the legislature from providing for, the amortization of any deficit in a shorter time than by the ~~limit herein set forth (by the end of the fiscal year occurring in 1997)~~ established date for full funding as determined pursuant to section 356.215, subdivision 4, clause (7).

Sec. 3. Minnesota Statutes 1978, Section 422A.08, Subdivision 2, is amended to read:

Subd. 2. Prior to August 31 of each year the retirement board shall prepare an itemized statement of its financial requirements from tax revenue for the succeeding fiscal year. A copy of the statement shall be submitted to the board of estimate and taxation and to the city council prior to September 15 of each year. This statement shall include:

(1) An estimate of the administrative expense of the board less:

(a) Such amount as the board may charge against the interest income account of the fund as cost of handling the investment securities of the fund.

(b) The cost of handling the retirement benefits of any city-owned public utility, improvement project, or other municipal activities supported in whole or in part by revenues other than taxes.

(c) The cost of handling the retirement benefits of any public corporation and its employees who have availed themselves of the provisions of sections 422A.01 to 422A.25.

(2) An estimated amount not to exceed 7 1/4 percent of the salaries and wages of all employees covered by the retirement fund less any amounts contributed for current cost of future retirement benefits by any city-owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than taxes, or any public corporation.

(3) The estimated amount to meet the requirements of section 422A.06, subdivision 3, less any amounts contributed for this purpose by any city-owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than taxes, or any public corporation.

(4) The cost of all monthly survivor's benefits provided in section 422A.23 as an obligation of the city and any of its boards, departments, commission or public corporations as therein provided, less any amounts contributed for this purpose by any city-owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than taxes, or any public corporation.

(5) Such other levies and financing as are required by law.

(6) The total of items 1, 2, and 3 above shall be increased or decreased as the case

may be by any deficiency or excess of the amount of tax revenue actually collected within the preceding fiscal year under or over the amount actually determined to meet the financial requirements of the fund for such year. In no event shall the amount requested for levy exceed the total of entry age normal cost, less the amounts contributed by the employees, plus administrative expense, interest on the actuarial deficit at the rate of ~~five percent per annum~~ interest equal to the interest assumption specified in section 356.215, subdivision 4, clause (4), an amount necessary to reduce the principal amount of the actuarial deficit in equal installments by the ~~year~~ established date for full funding as determined pursuant to section 356.215, subdivision 4, clause (7), except that the established date for full funding for the first actuarial valuation made after June 1, 1979 and each successive actuarial valuation, if there has not been a change in the actuarial assumptions used for calculating the accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, or a combination of the two, which produces a net increase in the unfunded accrued liability of the fund after the first actuarial valuation date occurring after June 1, 1979, or if the following amortization target date provides a longer amortization period than the amortization period defined by the established date for full funding as determined pursuant to section 356.215, subdivision 4, clause (7), shall be the first actuarial valuation date which occurs after June 1, 2017, plus interest upon any deficiency from the previous year's levy at the rate of four percent per annum. This limit does not apply to the requirements for survivors benefits provided in section 422A.23 nor to any levy which is administered by the retirement board pursuant to special act.

Sec. 4. Minnesota Statutes 1978, Section 422A.39, Subdivision 2, is amended to read:

Subd. 2. **ACTUARIAL VALUATIONS.** Whenever the Minneapolis municipal employees retirement fund shall make an actuarial valuation after July 1, 1978 as required by section 356.215, it shall include a finding of the condition of the fund showing separately the basic and coordinated programs and indicating the level normal cost, accrued liability, assets, unfunded accrued liability, contribution required to meet the interest at the assumed rate specified in section 356.215, subdivision 4, clause (4) on the unfunded accrued liability, and the contribution required to amortize the unfunded accrued liability by the established date for full funding specified in section 356.215, subdivision 4, clause (7) calculated without the benefit of the extension in the amortization period authorized pursuant to Laws 1977, Chapter 399, Section 13, and by the ~~year 2017~~ established date for full funding specified in section 356.215, subdivision 4, clause (7), calculated utilizing the extension in the amortization period authorized pursuant to Laws 1977, Chapter 399, Section 13 for each program.

Sec. 5. **EFFECTIVE DATE.** This act shall be effective the day following final enactment.

Approved May 24, 1979.