

or who gives up any part of the compensation to which he is entitled thereunder, may be fined not exceeding ~~\$20~~\$40 or imprisoned not more than 30 days or both. Each day any violation of this paragraph continues shall be deemed a separate offense.

Approved May 17, 1975.

CHAPTER 192—H.F.No.864

[Coded in Part]

An act relating to retirement; actuarial valuations and experience studies of various public retirement funds; amending Minnesota Statutes 1974, Chapter 356, by adding a section; and Sections 356.20, Subdivisions 2 and 4; 356.22, Subdivisions 1 and 3; and 356.23; repealing Minnesota Statutes 1974, Sections 356.21; 356.211; and 356.212.

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

Section 1. Minnesota Statutes 1974, Section 356.20, Subdivision 2, is amended to read:

Subd. 2. **RETIREMENT SYSTEMS, PUBLIC; ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES.** (1) State employees retirement fund.

(2) Public employees retirement fund.

(3) Teachers retirement fund.

(4) Highway patrolmen's retirement fund.

(5) Twin City lines employees retirement plan.

(6) Minneapolis teachers retirement fund association.

(7) St. Paul teachers retirement fund association.

(8) Duluth teachers retirement fund association.

~~(9) St. Paul bureau of health relief association.~~

~~(10)~~(9) Municipal employees retirement board of Minneapolis.

~~(11)~~(10) University of Minnesota police retirement plan.

~~(12)~~(11) University of Minnesota faculty retirement plan.

Sec. 2. Minnesota Statutes 1974, Section 356.20, Subdivision 4, is

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amended to read:

Subd. 4. Each financial report required by this section shall include:

(1) An exhibit prepared according to applicable actuarial standards enumerated in section ~~356.21-3~~ of this act , by an approved actuary as defined in section ~~356.21-3~~ , subdivision 6 of this act showing the accrued assets of the fund, the accrued liabilities, including accrued reserves, and the accrued unfunded liability of the fund. Such exhibit shall contain the certificate of an approved actuary certifying that the required reserves for any benefits provided under a benefit formula are computed in accordance with the Entry Age Normal Cost (Level Normal Cost) basis.

(a) Assets shown in the exhibit shall include the following items of actual assets:

- Cash in office
- Deposits in banks
- Accounts receivable:
- Accrued members' contributions
- Accrued employer contributions
- Other
- Accrued interest on investments
- Dividends on stocks, declared but not yet received.
- Investment in bonds at amortized cost
- Investment in stocks at cost
- Investment in real estate
- Equipment at cost, less depreciation
- Other
- Total assets

(b) The exhibit shall include a statement of the unfunded accrued liability of the fund. Should the assets of the fund exceed the liabilities, the excess shall be listed as surplus and indicated in the exhibit following the item of reserves.

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(c) The exhibit shall include a footnote showing accumulated member contributions without interest.

(d) Current liabilities shown in the exhibit shall include the following items:

Current:

Accounts payable

Annuity payments

Survivor benefit payments

Refund to members

Accrued expenses

Suspense items

Total current liabilities

(e) The exhibit shall include an item for accrued necessary reserves which shall be listed as "total reserves required as per attached schedule." Such attached schedule shall contain the following information on the reserves required:

1. For active members

a. Retirement benefits

b. Disability benefits

c. Refundment liability due to death or withdrawal

d. Survivors' benefits

2. For deferred annuitants

3. For former members without vested rights

4. For annuitants

a. Retirement

b. Disability annuities

c. ~~Widows'~~ Surviving spouses' annuities

d. Surviving children's annuities

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5. In addition to the foregoing, if there are additional benefits not appropriately covered by the foregoing four items of reserves required, they should be listed separately.

(2) An income statement on an accrual basis showing all income and all deductions from income for the fiscal year. It shall show separate items for employee contributions, employer regular contributions, employer additional contributions if provided by law, investment income, profit on the sale of investments, and other income, if any.

(3) A statement of deductions from income, which shall include separate items for benefit payments, retirement benefits, disability benefits, widows' benefits, surviving children's benefits, refundments to members terminating employment, refundments due to death of members and due to death of annuitants, the increase in total reserves required, general expense incurred, loss on sale of investments, and any other deductions.

(4) A statement showing appropriate statistics as to membership and beneficiaries of the fund, with indications of changes in such statistical data which may result from the current year's operation.

(5) Such additional statements or exhibits as will enable the management of the fund to portray a true interpretation of the fund's financial condition; except that the term "surplus" or the term "excess of assets" shall not be used except as otherwise specifically provided for in this section, nor shall any representation of assets and liabilities other than as provided for in this section be included in such additional statements or exhibits.

(6) A more detailed or subdivided itemization of any of the items required by this section, if the management of the fund so desires.

Sec. 3. Minnesota Statutes 1974, Chapter 356, is amended by adding a section to read:

[356.215] ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES. Subdivision 1. DEFINITIONS. For the purposes of sections 356.20 to 356.23 the terms hereinafter defined have the meanings given:

(1) ACTUARIAL VALUATION. Actuarial valuation means a calculation to determine the normal cost and accrued liabilities of a benefit plan, according to a stated actuarial cost method and based upon stated assumptions as to rates of interest, mortality, salary increase rates, disability, withdrawal, and retirement. Such valuation also includes a determination of the payment necessary to amortize over a stated period any unfunded accrued liability disclosed as a result of the actuarial valuation and resulting actuarial balance sheet of the benefit plan, and a determination of the payment necessary to prevent any increase in any such unfunded accrued liability.

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(2) EXPERIENCE STUDY. Experience study means a report which furnishes experience data and actuarial analysis which substantiate the actuarial assumptions on which valuations are based.

Subd. 2. ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES REQUIRED. It is necessary and appropriate to determine annually the financial status of tax supported retirement and pension plans for public employees. In order to achieve this goal, the governing or managing board or administrative officials of the public pension and retirement funds enumerated in section 356.20, subdivision 2, shall cause to be made annual actuarial valuations and quadrennial experience studies of their respective funds as herein provided. This requirement shall also apply to any fund which may be a successor to any organization enumerated in section 356.20, subdivision 2, or to any newly formed retirement fund or association operating under the control or supervision of any public employee group, governmental unit, or institution receiving a portion of its support through legislative appropriations, with the exception of any local police or fire fund now governed by chapter 69.

Subd. 3. ACTUARIAL VALUATION AND EXPERIENCE STUDY REPORTS. The actuarial valuations required annually shall be made as of the beginning of each fiscal year. Two copies of each valuation shall be delivered to the chief clerk of the house of representatives and two copies thereof to the secretary of the senate, not later than five months after the beginning of each fiscal year. An additional two copies of each valuation shall likewise be delivered to any committee or commission of the legislature in existence at the time the report is made and which committee or commission has assigned to it the subject of public pensions or public retirement plans. Each fourth year, an experience study in duplicate covering four fiscal years shall likewise be filed with each of the enumerated officers and committees or commissions. The experience study shall be filed within five months after the close of the period which such experience study covers. The first quadrennial experience study required of each pension fund by this section shall accompany the annual valuation which is prepared as of the end of the first fiscal year which ends after June 1, 1975.

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

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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 and withdrawal 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

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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 additional rate of support as is required to amortize any deficit in the fund by the end of the fiscal year occurring in 1997.

(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:

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

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<u>Retirement with service annuity</u>		
<u>Total separations</u>		
<u>As of current valuation date</u>		
(b) <u>Annuitants</u>	<u>Number</u>	<u>Annual Annuity</u> <u>Benefit</u>
<u>As of last valuation date</u>		
<u>New entrants</u>		
<u>Total</u>		
<u>Terminations</u>		
<u>Deaths</u>		
<u>Other</u>		
<u>Total terminations</u>		
<u>As of current valuation date</u>		

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.

Subd. 5. EXPERIENCE STUDY; CONTENTS. Each experience study shall contain the analysis required by subdivision 1, clause (2).

In addition, each experience study shall contain:

(1) A statement of the average entry ages at which employment commences;

(a) For all those currently active members at the date of the experience study.

(b) Separately as to new entrants for each of the last five fiscal years.

(2) A statement of the average ages at which service retirements have taken place;

(a) For all service retirement annuitants living at the date of the experience study.

(b) Separately as to new retirements for each of the last five fiscal

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years.

Subd. 6. APPROVED ACTUARIES. Each actuarial valuation or experience study shall be made by an approved actuary. An approved actuary is an actuary with not less than 15 years of service to major public employee pension or retirement funds, or who is a fellow in the society of actuaries, or any firm retaining such an actuary on its staff. Each valuation or experience study shall state that it has been completed in accordance with the provisions of sections 356.20 to 356.23.

Sec. 4. Minnesota Statutes 1974, Section 356.22, Subdivision 1, is amended to read:

356.22 INTERPRETATION. Subdivision 1. No provision in sections 356.20 to 356.23 shall be construed to in any way limit any of the enumerated pension and retirement funds from furnishing additional actuarial valuations or ~~surveys~~ experience studies, or data and calculations, as may be requested by the legislature or any committee or commission thereof now in existence or hereafter created, which committee or commission has assigned to it the subject of public pensions or public retirement plans.

Sec. 5. Minnesota Statutes 1974, Section 356.22, Subdivision 3, is amended to read:

Subd. 3. The legislature or any committee or commission thereof now in existence or hereafter created which has assigned to it the subject of public pensions or public retirement plans may require actuarial valuations and ~~actuarial surveys~~ experience studies in conformity with the provisions of sections 356.20 to 356.23 from any public pension and retirement fund, whether enumerated in sections 356.20 to 356.23 or otherwise.

Sec. 6. Minnesota Statutes 1974, Section 356.23, is amended to read:

356.23. OPTIONAL BASIS OR ASSUMPTIONS; SPECIFICATION. In addition to the financial reports ~~and~~ actuarial valuations ~~and~~ ~~actuarial surveys~~ required by sections 356.20 to 356.23, the governing or managing board of the funds concerned may submit reports ~~and~~ valuations ; ~~and surveys~~ for distribution to the legislature or any of its commissions or committees on a different basis or on different assumptions that are specified in sections 356.20 to 356.23; provided the assumptions and basis of such reports ~~and~~ valuations ~~and surveys~~ are clearly set forth therein.

Sec. 7. Minnesota Statutes 1974, Sections 356.21, 356.211, and 356.212 are repealed.

Sec. 8. This act is effective July 1, 1975.

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Approved May 17, 1975.

CHAPTER 193—H.F.No.899

An act relating to highways; county state-aid highway system; allocations; authorizing money credited to the municipal account to be used, under certain conditions, on other county state-aid highways outside the limits of cities having a population of less than 5,000; amending Minnesota Statutes 1974, Section 162.08, Subdivision 4.

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

Section 1. Minnesota Statutes 1974, Section 162.08, Subdivision 4, is amended to read:

Subd. 4. **HIGHWAYS; COUNTY STATE-AID; ALLOCATION; PURPOSES.** Except as provided in subdivision 3 money so apportioned and allocated to each county shall be used for aid in the establishment, location, construction, reconstruction, improvement, and maintenance of the county state-aid highway system within each county including the expense of signals and safety devices on such system approved by the commissioner; provided, that in the event of hardship, or in the event that the county state-aid highway system of any county is improved to the standards set forth in the commissioner's rules and regulations, a portion of the money apportioned other than the money allocated for expenditures within cities having a population of less than 5,000, may be used on other roads within the county with the consent and in accordance with the commissioner's rules and regulations. If the portion of the county state-aid highway system lying within cities having a population of less than 5,000 is improved to the standard set forth in the commissioner's rules and regulations, a portion of the money credited to the municipal account may be used on other county highways or other streets lying within such cities or after notification by certified mail to all of the governing bodies of the cities within the county having a population of less than 5,000 may be advanced from the municipal account to the county to be used on other county state-aid highways within the county with the consent and in accordance with the commissioner's rules and regulations. Advances of money in any year from the municipal account to a county to be used on county state-aid highways within the county outside of cities having a population of less than 5,000 shall be repaid to the municipal account by the county from state-aid money accruing to the county within a maximum of five years unless the terms and conditions of repayment are otherwise agreed to by the county and the governing bodies of the cities within the county having a population of less than 5,000.

Approved May 17, 1975.

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