

CHAPTER 356

RETIREMENT SYSTEMS, GENERALLY

Sec.		Sec.	
356.18	Requests for relief and retirement increases	356.212	Certain retirement plans, first survey and manner of valuation
356.20	Financial reports required	356.22	Interpretation
356.21	Actuarial surveys	356.23	Optional basis or assumptions; specification
356.211	Financial surveys, time and manner of valuation	356.24	Supplemental pension or deferred compensation plans, restrictions upon government units

356.01-356.14 [Obsolete]

356.15 [Renumbered 9.28]

356.16 [Obsolete]

356.17 [Renumbered 3.30]

356.18 REQUESTS FOR RELIEF AND RETIREMENT INCREASES. Subdivision 1. No increase authorized by any law hereafter enacted, in any pension, annuity, or retirement paid by the public employees retirement association, the state employees retirement association, the state teachers retirement fund, any police or firemen's retirement fund, or from any relief or retirement fund to which contributions are made from moneys derived from taxation, shall be paid to any pensioner, annuitant, or recipient unless he shall first request in writing that payment of such increase be made.

Subd. 2. No such increase as described in subdivision 1 under authority of any law heretofore enacted being paid on the effective date of this section shall continue to be paid to any pensioner, annuitant, or recipient unless he shall first request in writing that the payment of the increase be continued.

[1963 c 521 s 1]

356.20 FINANCIAL REPORTS REQUIRED. Subdivision 1. The governing or managing board or administrative officials of the public pension and retirement funds enumerated in subdivision 2 shall annually prepare and file a financial report following the close of each fiscal year. This requirement shall also apply to any fund which may be a successor to any organization so enumerated 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. Such report shall be prepared under the supervision and at the direction of the management of each fund and shall be signed by its chairman and secretary.

Subd. 2. (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) Municipal employees retirement board of Minneapolis.

(11) University of Minnesota police retirement plan.

(12) University of Minnesota faculty retirement plan.

Subd. 3. Each financial report is a public record. A copy thereof or a synopsis containing the information required by this section shall be distributed annually to each member of the fund and to the governing body of each governmental subdivision of the state which makes employers contributions thereto or in whose behalf taxes are levied for the employers' contribution. A signed copy of each report shall be delivered not later than six months after the close of each fiscal year to any interim or study committee or commission of the legislature assigned to consider pension and retirement funds or plans. In the absence of the creation of such a committee or commission a signed copy of such report shall be delivered to the

secretary of the senate and the chief clerk of the house of representatives not later than ten days after the convening of the next regular session of the legislature following the close of the fiscal year for which such report is prepared.

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, by an approved actuary as defined in section 356.21, subdivision 6 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.

(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' annuities
 - d. Surviving children's annuities

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 con-

tributions 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.

Subd. 5. There is hereby established, in each fund enumerated in subdivision 2, a deferred yield adjustment account which shall be increased by the sale or disposition of any debt securities at less than book value and shall be decreased by the sale or disposition of debt securities at more than book value. At the end of each fiscal year, a portion of the balance of this account shall be offset against the investment income for that year. The annual portion of the balance to be offset shall be proportional to the reciprocal of the average remaining life of the bonds sold, unless such amounts are offset by gains on the future sales of these securities. The amount of this account shall be included in any accounting or actuarial computations or listing of assets. In any fiscal year in which the gains on the sales of debt securities exceed the discounts realized on the sales of such securities, the excess shall be used to reduce the balance of the account.

NOTE: Laws 1971, Chapter 197, Section 5, reads:

"Sec. 5. [Effective date.] Sections 2 and 4 shall be effective from and after July 1, 1969 and shall apply to sales or dispositions made on or after that date. Section 4 shall apply to reports issued after July 1, 1971."

[1965 c 359 s 1; 1969 c 249 s 1; 1971 c 7 s 1-3; 1971 c 197 s 4; 1971 c 281 s 1, 2].

356.21 ACTUARIAL SURVEYS. Subdivision 1. **Definitions.** For the purposes of sections 356.20 to 356.23 the terms hereinafter defined have the meanings given them:

(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, disability, withdrawal, and retirement, and the assumptions under actuarial surveys as provided by subdivision 5. Such valuation takes into account census data of all active members, former members still eligible for benefits, and annuitants under the plan.

(2) **Actuarial survey.** Actuarial survey means a report which includes the results of an actuarial valuation and in addition furnishes basic experience data and actuarial analysis which substantiate the assumptions made, as well as an analysis of the results of the actuarial valuation in comparison with previous actuarial valuations. Such survey 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 balance sheet of the benefit plan, and a determination of the payment necessary to prevent any increase in any such unfunded accrued liability.

Subd. 2. **Actuarial valuations and surveys required.** It is necessary and appropriate to annually determine the financial status of tax supported retirement and pension plans for public employees. In order to achieve this goal, the governing or managing board of the public pension and retirement funds enumerated in section 356.20, subdivision 2, shall cause to be made annual actuarial valuations and surveys of their respective funds as herein provided.

Subd. 3. **Actuarial survey and valuation reports.** The actuarial valuations required annually shall be made as of the end of each fiscal year, beginning with the fiscal year ending in 1965. 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, delivery to be made not later than five months after the close of each fiscal year. An additional two copies of such report 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. Beginning at the close of the fiscal year ending in 1967, and each fourth year thereafter in lieu of an actuarial valuation an actuarial survey in duplicate shall likewise be filed with each of the enumerated officers and committees or commissions; such actuarial survey shall be filed within five months after the close of the fiscal year for which such actuarial survey is required. The actuarial survey for the teachers retirement fund due in 1971 will not be due until 1972 and will be based on information as of June 30, 1972.

Subd. 4. Actuarial valuations; contents. Actuarial valuations shall be made in conformity with the requirements of the definition thereof contained in subdivision 1. Each actuarial valuation shall measure all aspects of the fund in accordance with such changes in benefit plans, if any, as will be in force during the ensuing fiscal year. An actuarial balance sheet shall not include as an asset any amount representing the present value of contributions to be made for the purpose of amortizing the deficit in the fund. Each actuarial valuation shall be in accordance with the Entry Age Normal Cost (Level Normal Cost) Method.

Each actuarial valuation shall include an analysis by the actuary containing an explanation of the increase or decrease in 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:

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

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

(3) Actuarial gains or losses because of the actual experience of the fund with investment earnings, mortality, and other similar factors, which is more or less favorable than the assumptions on which the cost calculations are based;

(4) Increases or decreases in accrued liability because of other reasons, including current rate of contributions; and

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

Each actuarial valuation shall include 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:

Annual Payroll
Number Covered Total

(a) Active Members

As of Last Previous Valuation Date

New Entrants

Total

Separations from Active Service

(1) Refundment of Contributions

(2) Separation with Deferred Annuity

(3) Separation with Neither Refundment nor Deferred

Annuity

(4) Disability

(5) Death

(6) Retirement with Service Annuity

(7) Other (specify)

Total Separations

As of Current Valuation Date:

(b) Annuitants

Each of the following classes of annuitants shall be tabulated:

(1) Service Retirement Annuitants

(2) Disabled Annuitants

(3) Widow Annuitants

(4) Orphan Annuitants

(5) Deferred Annuitants

MINNESOTA STATUTES 1971

4241

RETIREMENT SYSTEMS, GENERALLY 356.21

The tabulation shall take the following form for each of these classes of annuitants:

	Number	Annual Annuity Benefit Payable
As of Last Previous Valuation Date		
New Entrants		
Total		
Terminations (those ceasing to draw annuities)		
(a) Death		
(b) Other		
Total Terminations		
As of Current Valuation Date:		

Each actuarial valuation shall include a separate item of administrative expense and a statement of level normal cost. The administrative expense and statement of level normal cost shall also be expressed as a percentage of covered payroll.

Subd. 5. **Actuarial survey; contents.** Each actuarial survey 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 survey, computed in accordance with the Entry Age Normal Cost (Level Normal Cost) Method. Accrued liabilities of the fund shall also be calculated in accordance with that method.

(2) 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 survey. These accumulations shall be separately tabulated in such manner as to reflect properly any differences in money purchase annuity rates which may apply.

(3) An interest assumption of three and one half percent.

(4) Other assumptions as to mortality, disability, withdrawal, and salary scale that are appropriate to the fund, which shall be set forth in the survey report.

(5) A 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. Refundment 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. Widows' 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.

(6) 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.

(7) Each actuarial survey shall measure all aspects of the fund in accordance with such changes in benefit plans, if any, as will be in force during the following fiscal year.

(8) An actuarial balance sheet shall not include as an asset any amount representing the present value of contributions to be made for the purpose of amortizing the present deficit in the fund.

(9) A statement of the average entry ages at which employment commences.

(a) For all those currently active members at the date of the actuarial valuation.

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

(10) 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 actuarial valuation.

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

(11) A separate item of administrative expense and a statement of level normal cost. The administrative expense and level normal cost shall also be expressed as a percentage of covered payroll.

(12) For each fund providing any benefit that is based entirely on the rate of compensation in the year of retirement or later years or on a limited period of years in which compensation was at its highest level, 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.

Subd. 6. Approved actuaries. Each actuarial valuation or actuarial survey 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 survey shall contain a certification by the approved actuary performing the valuation or survey and shall state that it has been completed in accordance with the provisions of sections 356.20 to 356.23.

[1965 c 359 s 2; 1967 c 249 s 1, 2; 1969 c 289 s 1, 2; 1971 c 7 s 4-6]

356.211 FINANCIAL SURVEYS, TIME AND MANNER OF VALUATION. The first survey for those retirement funds and associations named in section 356.20, subdivision 2, in clauses (6) to (10) shall be as of the end of the fiscal year following June 15, 1969, and shall comply with the actuarial requirements of section 356.21, subdivision 5. The provisions of section 356.21, subdivision 4 as to actuarial valuations shall prevail for the three succeeding anniversaries with an actuarial survey every four years following the first survey.

[1969 c 249 s 2]

356.212 CERTAIN RETIREMENT PLANS, FIRST SURVEY AND MANNER OF VALUATION. The first survey for the retirement plan named in section 356.20, subdivision 2, clauses 5, 11, and 12 shall be as of the end of the fiscal year following June 15, 1971, and shall comply with the actuarial requirements of section 356.21, subdivision 5. The provisions of section 356.21, subdivision 4, as to actuarial valuations shall prevail for the three succeeding anniversaries with an actuarial survey every four years following the first survey.

[1971 c 7 s 8; 1971 c 281 s 3]

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, 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.

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 the limit herein set forth (by the end of the fiscal year occurring in 1997).

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 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.

[1965 c 359 s 3]

356.23 OPTIONAL BASIS OR ASSUMPTIONS; SPECIFICATION. In addition to the financial reports, 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, 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 as-

MINNESOTA STATUTES 1971

4243

RETIREMENT SYSTEMS, GENERALLY 356.24

sumptions and basis of such reports, valuations and surveys are clearly set forth therein.

[1965 c 359 s 4; 1971 c 7 s 7]

356.24 SUPPLEMENTAL PENSION OR DEFERRED COMPENSATION PLANS, RESTRICTIONS UPON GOVERNMENT UNITS. Upon passage of this section, it shall be unlawful for a school district or other governmental subdivision or state agency to levy taxes for, or contribute public funds to a supplemental pension or deferred compensation plan which is maintained and operated in addition to a primary pension program for the benefit of the governmental subdivision employees. This section shall not apply to supplemental pension plans which are maintained and operated prior to passage of this section, except that, any changes in benefits or employer contributions after the passage of this section shall be made pursuant to legislative authorization. This section does not apply to plans that provide only for group health, hospital, disability, or death benefits.

[1971 c 222 s 1]