

CHAPTER 356

RETIREMENT SYSTEMS, GENERALLY

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356.20 PUBLIC PENSION FUND FINANCIAL REPORTING REQUIREMENT.

[For text of subds 1 to 3, see M.S.1984]

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

(1) An exhibit prepared according to applicable actuarial standards enumerated in section 356.215, and specified in standards adopted by the legislative commission on pensions and retirement by an approved actuary as defined in section 356.215, subdivision 6 showing the accrued assets of the fund, the accrued liabilities, including accrued reserves, and the accrued unfunded liability of the fund. The 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) actuarial method and standards adopted by the legislative commission on pensions and retirement.

(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 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 actuarial value of current assets as specified in section 356.215, subdivision 4, including:

Cash and equivalents

Fixed income investments

Equity investments

Real estate investments

Other

(c) The exhibit shall include a statement of the unfunded accrued liability of the fund which shall include the following measures of unfunded accrued liability, using the actuarial value of current assets as specified in section 356.215, subdivision 4:

(i) unfunded accrued liability determined by subtracting current assets and the present value of future normal costs from total current and expected future benefit obligations; and

(ii) current unfunded liability which is total current benefit obligations less total current assets; and

(iii) current and future unfunded liability which is total current and expected future benefit obligations less total current and expected future assets.

If the assets of the fund exceed the liabilities, the excess shall be listed as surplus and indicated in the exhibit following the itemization of benefit obligations.

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

(e) 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

(f) The exhibit shall include a schedule which shall be listed as "current and expected future benefit obligations." The schedule shall contain the following information on the benefit obligations:

1. Current benefit obligations: actuarial value of benefit obligations on account of service rendered to date

(a) For annuitants

Retirement annuities

Disability annuities

Surviving spouses' annuities

Surviving children's annuities

(b) For former members without vested rights

(c) For deferred annuitants' benefits, including any augmentation

(d) For active employees

Retirement benefits

Disability benefits

Refund liability due to death or withdrawal

Survivors' benefits

Total current benefits obligations

2. Expected future benefit obligations: actuarial value of benefit obligations on account of future service for active employees

3. Total current and expected future benefit obligations

4. In addition to the foregoing, if there are additional benefits not appropriately covered by the foregoing three items of benefit obligations, they shall be listed separately.

(2) An income statement on an accrual basis showing all income and all deductions from income for the fiscal year. The statement 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, surviving spouse benefits, surviving children's benefits, refunds to members terminating employment, refunds due to death of members and due to death of annuitants, the increase in total reserves required, general administrative 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 the statistical data which may result from the current year's operation.

(5) Any additional statements or exhibits which 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 the 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.

[For text of subd 4a, see M.S.1984]

History: 1Sp1985 c 7 s 26

356.215 ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES.

[For text of subds 1 to 3, see M.S.1984]

Subd. 4. Actuarial valuations; contents. Actuarial valuations shall be made in conformity with the requirements of the definition contained in subdivision 1 and standards adopted by the legislative commission on pensions and retirement. Each actuarial valuation shall measure all aspects of the fund in accordance with 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 the information required in subdivisions 4a to 4k.

Subd. 4a. Normal cost. 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 must be calculated 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.

Subd. 4b. Accrued liability. 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 must be calculated in accordance with the entry age normal cost method.

Subd. 4c. Defined contribution accumulations. For each fund providing benefits under the money purchase or defined contribution method, the member contributions accumulated at interest, as apportioned to members accounts, to the date of the valuation must be calculated. These accumulations shall be separately tabulated in such manner as to reflect properly any differences in money purchase or defined contribution annuity rates which may apply.

Subd. 4d. **Interest assumptions.** For funds governed by chapters 3A, 352, 352B, 352C, 353, 354, and 490, a preretirement interest assumption of eight percent, a postretirement 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 1.065 multiplied by the salary for the preceding year must be used. For funds governed by chapter 354A, preretirement and postretirement assumptions of eight percent and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.065 multiplied by the salary for the preceding year, but the payment of postretirement adjustments to retirees shall be based on the methods specified in the bylaws of the fund as approved by the legislature. For all other funds, a preretirement interest assumption of five percent, a postretirement 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 must be used.

Subd. 4e. **Other assumptions.** Other assumptions as to mortality, disability, retirement, withdrawal, entry age and retirement age set at levels consistent with those determined in the most recent experience study completed pursuant to subdivision 5, may be utilized. These other assumptions must be set forth in the valuation report.

Subd. 4f. **Actuarial balance sheet.** An actuarial balance sheet must show current and expected future benefit obligations, current and expected future assets, unfunded accrued liability, current unfunded liability, and current and future unfunded liability. Specifically, the balance sheet for all funds, except local police and salaried firefighter funds, shall be organized in the following manner:

CURRENT AND EXPECTED FUTURE ASSETS

Current assets

Cash and equivalents	\$...
Fixed income investments	...
Equity investments	...
Real estate investments	...
Other	...

Total current assets	\$...
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Expected future assets

Present value of expected future statutory supplemental contributions	...
Present value of future normal costs	...

Total expected future assets	\$...
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Total current and expected future assets	\$...
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CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS

Current benefit obligations

Actuarial value of benefit obligations
on account of service rendered to date:

For annuitants

Retirement annuities	\$...
Disability annuities	...
Surviving spouses' annuities	...
Surviving children's annuities	...

For former members without
vested rights

...

For deferred annuitants' benefits,
including any augmentation

...

For active employees		
Retirement benefits	...	
Disability benefits	...	
Refund liability due to death or withdrawal	...	
Survivors' benefits	...	
Total current benefit obligations		\$...
Expected future benefit obligations		
Actuarial value of benefit obligations on account of future service for active employees		\$...
Total current and expected future benefit obligations		\$...
Current unfunded liability (Total current benefit obligations less total current assets):		\$...
Current and future unfunded liability (Total current and expected future benefit obligations less total current and expected future assets):		\$...

For the purpose of this subdivision, the terms

(a) "expected future statutory supplemental contributions" means the sum of future employee and employer contributions at the rates specified in statute at the time the valuation is completed reduced by the present value of future normal costs; and

(b) "current assets" means the value of all assets at cost, which includes realized capital gains or losses, plus one-third of any unrealized capital gains or losses.

(c) "unfunded accrued liability" means total current and expected future benefit obligations less the sum of current assets and the present value of future normal costs.

In addition to the above itemization of benefit obligations, separate items shall be shown for additional benefits, if any, which may not be appropriately included in the list shown above.

Subd. 4g. **Amortization contributions.** In addition to the level normal cost, the additional annual contribution which would be required to retire the unfunded accrued liability must be calculated. For funds governed by chapters 3A, 352, 352B, 352C, 353, 354, 354A, and 490, the additional contribution shall be calculated on a level percent basis by the established date for full funding which is in effect at the time of the valuation. The level percent additional contribution shall be calculated assuming annual payroll growth of 6.5 percent. For all other funds, the additional annual contribution shall be calculated on a level dollar basis.

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 or level percentage, whichever is applicable, which is 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 or level percentage, whichever is applicable, which is 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 or level percentage amortization contribution pursuant to subclause (iv) shall be added to the level annual dollar amortization contribution or level percentage 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 or level percentage 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.

Subd. 4h. Actuarial gains and losses. An analysis by the actuary explaining the increase or decrease in the unfunded accrued liability since the last valuation must be provided. 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.

Subd. 4i. **Membership tabulation.** A tabulation of active membership and annuitants in the fund must be provided. 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		
(a) Active members	Number	Payroll
As of last valuation date		
new entrants		
Total		
Separations from active service		
Refund of contributions		
Separation with deferred annuity		
Separation with neither refund		
nor deferred annuity		
Disability		
Death		
Retirement with service annuity		
Total separations		
As of current valuation date		
	Annual	Annuity
(b) Annuitants	Number	Benefit
As of last valuation date		
New entrants		
Total		
Terminations		
Deaths		
Other		
Total terminations		
As of current valuation date		

The tabulation required under subclause (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

Subd. 4j. **Administrative expenses.** A statement of the administrative expenses must be provided in dollars and also as a percentage of covered payroll.

Subd. 4k. **Plan summary.** A summary of the principal provisions of the plan upon which the valuation is based must be included.

[For text of subds 5 and 6, see M.S.1984]

History: *1Sp1985 c 7 s 27*

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

The provisions of section 356.215, governing the contents of actuarial valuations and experience studies shall apply to any local police or fire pension fund or relief association required to make an actuarial report under this section except as follows:

(1) in calculating normal cost and other requirements expressed as a level percentage of covered payroll, the salaries used in computing covered payroll shall be the maximum rate of salary from which retirement and survivorship credits and amounts of benefits are determined and from which member contributions are calculated and deducted;

(2) in lieu of the amortization date specified in section 356.215, subdivision 4, clause (7), the appropriate amortization target date specified in section 69.77, subdivision 2, clause (2), or 69.773, subdivision 4, clause (b), shall be used in calculating the required amortization contribution;

(3) in addition to the tabulation of active members and annuitants provided for in section 356.215, subdivision 4, clause (10), the member contributions for active members for the calendar year and the prospective annual retirement annuities under the benefit plan for active members shall be reported;

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

(5) the actuarial balance sheet showing accrued assets, accrued liabilities, and the deficit from full funding of liabilities (unfunded accrued liability) 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.

History: *1Sp1985 c 7 s 28*

356.70 EARLY RETIREMENT.

Subdivision 1. **Combined age and service requirement.** Any member of a retirement plan established pursuant to chapter 352, 353, 354, or 354A who has attained the age of at least 55 years and whose attained age plus credited allowable service totals at least 85, is entitled, upon valid application and termination of service prior to January 1, 1987, to the normal retirement annuity provided in these chapters without any reduction in annuity by reason of such early retirement.

Subd. 2. **Reports.** The department of finance with the cooperation of the retirement associations to which this section applies shall estimate net savings, if any, made possible by the provisions of this section, and shall report its findings to the legislature by February 1, 1986.

The retirement associations shall prepare reports to the legislature summarizing information in its possession relating to characteristics of retirees retiring under the provisions of this section including:

- (a) age at time of retirement;
- (b) years of service;
- (c) salary at time of retirement;
- (d) high-five average salary used to determine the retirement annuity;
- (e) monthly benefit and reserves required under the rule of 85; and
- (f) monthly benefit and reserves required for identical retirement dates without rule of 85.

The reports shall be made to the legislature within 30 days following the end of calendar years 1984, 1985, and 1986 and shall cover all retirees retiring under the provisions of this section.

History: *1Sp1985 c 7 s 29*