

Sec. 10. Minnesota Statutes 1986, section 136C.29, subdivision 5, is amended to read:

Subd. 5. **REPAIR AND BETTERMENT AID.** The final allocation of repair and betterment aid by the state board does not constitute approval of a project for the purposes of section 136C.07, subdivision 5. The aid shall be placed in the repair and betterment fund and used solely for the purposes of reconstructing, improving, remodeling, and repairing existing AVTI buildings and grounds. The school board shall authorize and approve actual expenditures of the aid allocated; ~~except that expenditures which exceed \$5,000 shall receive prior approval by the state director. The process in section 136C.28 shall not constitute approval for this purpose.~~ Use of the aid shall be governed by the provisions of section 136C.07, subdivision 5.

Sec. 11. **REPEALER.**

Minnesota Statutes 1986, sections 136C.32 and 136C.35, are repealed.

Sec. 12. **INSTRUCTION TO REVISOR.**

The revisor of statutes is instructed to change the words "AVTI," "area vocational technical institute," "vocational technical institute," "area vocational technical school," "vocational technical school," "vocational school," "vocational institute," "technical school," and "school," and the plurals of each to "technical institute" or "technical institutes" when they refer to an institute operated according to standards established by the state board of vocational technical education. The change shall be made in Minnesota Statutes 1988 and subsequent editions of the statutes.

Approved May 27, 1987

**CHAPTER 259—H.F.No. 1026**

*An act relating to retirement; clarifying the responsibilities of the actuary retained by the legislative commission on pensions and retirement; clarifying and revising various actuarial determinations and procedures; authorizing the retention of actuarial advisors by various retirement funds; specifying the contents and methods for supplemental and alternative actuarial valuations; establishing a separate fund for the correctional employees retirement fund; amending Minnesota Statutes 1986, sections 3.85, subdivision 12; 3A.11, subdivision 1; 11A.18, subdivisions 6, 9, and 11; 69.77, subdivisions 2b and 2h; 69.772, subdivision 3; 69.773, subdivisions 2 and 4; 136.82, subdivision 2; 352.01, subdivision 12; 352.03, subdivision 6; 352.116, subdivisions 1, 3, and by adding a subdivision; 352.119, subdivision 2; 352.85, subdivision 6; 352.86, subdivision 4; 352B.01, by adding a subdivision; 352B.02, subdivision 1; 352B.08, subdivision 2; 352B.26, subdivision 3; 353.01, subdivision 14; 353.03, subdivision 3a; 353.271; 353.29, subdivision 6; 353.30, subdivision 3; 354.05, subdivision 7; 354.06, subdivision 2a; 354.07, subdivision 1; 354.35; 354.42, subdivision 5; 354.44, subdivi-*

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sion 2; 354.45; 354.48, subdivision 3; 354.532, subdivisions 1 and 2; 354.55, subdivisions 11, 12, and 13; 354.58; 354.62, subdivision 5; 354.63, subdivision 2; 354A.011, subdivision 17, and by adding a subdivision; 354A.021, by adding a subdivision; 354A.32; 354A.33; 354A.41, subdivision 2; 356.20, subdivisions 2, 3, and 4; 356.215; 356.216; 356.22, subdivision 2; 356.23; 356.41; 356.451, subdivision 1; 422A.01, subdivisions 6, 7, and 10; 422A.04, subdivisions 2 and 3; 422A.06, subdivisions 2, 5, 7, and 8; 422A.101; 422A.15, subdivisions 2 and 3; 422A.16, subdivisions 2, 3a, and 10; 422A.17; 422A.23, subdivisions 6 and 7; 490.121, subdivision 20; and 490.124, subdivision 11; proposing coding for new law in Minnesota Statutes, chapter 352; repealing Minnesota Statutes 1986, section 352B.26, subdivision 2.

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

Section 1. Minnesota Statutes 1986, section 3.85, subdivision 12, is amended to read:

Subd. 12. **VALUATIONS AND REPORTS TO LEGISLATURE.** (a) The commission shall contract with an established actuarial consulting firm to conduct annual actuarial valuations and financial adequacy studies for the ~~fund~~ specified retirement plans named in clause (b). The contract shall also include provisions for performing cost analyses of proposals for changes in benefit and funding policies.

(b) ~~The plans which shall be included in~~ The contract for actuarial valuation and analysis ~~are~~ shall include the following retirement plans:

- (1) the Statewide Teachers Retirement Association;
- (2) the General Plan, Minnesota State Retirement System;
- (3) the Correctional Plan, Minnesota State Retirement System;
- (4) the State Patrol Plan, Minnesota State Retirement System;
- (5) the Judges Plan, Minnesota State Retirement System;
- (6) the Minneapolis Employees Retirement Fund;
- (7) the General Plan, Public Employees Retirement Association;
- (8) the Police and Fire Plan, Public Employees Retirement Association;
- (9) the Duluth Teachers Retirement Association;
- (10) the Minneapolis Teachers Retirement Association;
- (11) the St. Paul Teachers Retirement Association; ~~and~~
- (12) the Legislator's Retirement Plan, Minnesota State Retirement System;  
and
- (13) the Elective State Officers Retirement Plan, Minnesota State Retirement System.

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(c) The contract shall include the following:

(1) Effective for every year beginning in fiscal year 1986, the contract shall specify completion of standard actuarial valuations for the preceding fiscal year with contents as described in section 356.215, subdivisions 4 to 4k; and cash flow forecasts through the amortization target date. For funds using a calendar year valuation period the first valuation shall be for the period ending December 31, 1985.

(2) Effective for every four years, plan year beginning in fiscal year 1988 1987, the contract shall specify preparation of an exhibit on the experience of the fund for inclusion in the annual actuarial valuation and completion of a periodic experience study for the four-year period ending June 30 of the preceding fiscal year as provided for in the standards adopted by the commission. The experience study shall evaluate the appropriateness of continuing to use for future valuations the assumptions relating to: individual salary progression; rate of return on investments; payroll growth; mortality; withdrawal; disability; retirement; and any other experience-related factor that could impact the future financial condition of the retirement funds.

(d) The commission shall annually prepare a report to the legislature summarizing the results of the valuations and cash flow projections and shall include with its report recommendations concerning the appropriateness of the support rates to achieve proper funding of the retirement funds by the required funding dates. It shall also, within two months of the completion of the quadrennial periodic experience studies, prepare a report to the legislature on the appropriateness of the valuation assumptions ~~listed in paragraph (e), clause (2)~~ required for evaluation in the periodic experience study.

Sec. 2. Minnesota Statutes 1986, section 3A.11, subdivision 1, is amended to read:

Subdivision 1. **TRANSFER OF REQUIRED RESERVES.** The reserves necessary to fund the retirement allowance granted pursuant to section 3A.02 to a former legislator upon retirement shall be appropriated from the general fund to the director and shall be transferred by the director to the Minnesota postretirement investment fund as of the date ~~benefits begin~~ last business day of the month in which the retirement allowance begins to accrue in accord with section 11A.18. The amount of the transfer ~~made hereunder~~ shall be determined by ~~an approved or determined under a procedure specified by the actuary as defined in section 352.01, subdivision 15 retained by the legislative commission on pensions and retirement,~~ in accord with ~~an~~ the appropriate mortality table ~~using an adopted by the board of directors of the Minnesota state retirement system based on the experience of the plan as recommended by the commission-retained actuary and the interest rate assumption set at the rate specified in section 356.215, subdivision 4d.~~

Sec. 3. Minnesota Statutes 1986, section 11A.18, subdivision 6, is amended to read:

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Subd. 6. **PARTICIPATING PUBLIC RETIREMENT FUNDS OR PLANS; TRANSFER OF REQUIRED RESERVES.** (a) Any public retirement fund or plan authorized by law to participate in the postretirement investment fund shall no later than the commencement of a last business day of the month in which the benefit payment from the postretirement investment fund begins, certify and transfer to the state board money equal to the actuarially determined reserves required for those retirement annuities and benefits which are payable by the public retirement fund or plan and which are specified in law to be included in the participation in the fund as determined by or determined under a procedure specified by the actuary retained by the legislative commission on pensions and retirement.

(b) If the exact amount of the actuarially determined required reserves is not readily calculable as of the date of the commencement of a benefit payment, the initial transfer must be based on the best estimate by the executive director of the retirement fund involved and shall be made on a timely basis. Any necessary adjustments based on specific calculations of actuarially determined required reserves must be made in later transfers. If a best estimate initial transfer is insufficient, the later transfer from the retirement fund must include interest on the amount of the required reserve insufficiency at the greater of the following rates:

(1) the average short-term investment return rate earned by the state board over the 30-day period ending with the last business day of the month before the month in which the later adjustment transfer is made; or

(2) the preretirement interest assumption for the retirement fund as specified in section 356.215, subdivision 4d, stated as a monthly rate.

Interest on the amount of a required reserve insufficiency payable by a retirement fund shall be compounded on a monthly basis. No interest shall be payable from the postretirement investment fund in the event of a required reserve oversufficiency.

(c) The state board shall confirm in writing each certification and transfer of money made by a participating public retirement fund or plan. Each participating public retirement fund or plan shall maintain adequate records to account for money transferred to or from the postretirement investment fund.

Sec. 4. Minnesota Statutes 1986, section 11A.18, subdivision 9, is amended to read:

Subd. 9. **CALCULATION OF POSTRETIREMENT ADJUSTMENT.** Annually, following June 30, the state board shall determine whether a postretirement adjustment shall be payable and shall determine the amount of any postretirement adjustment which shall be payable.

(1) The state board shall determine whether a postretirement adjustment shall be payable using the following procedure:

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(a) The state board shall determine the amount of dividends, interest, accruals and realized capital gains or losses applicable to the most recent fiscal year ending June 30;

(b) ~~The participating public pension funds or plans shall determine the amount of reserves required for every~~ the annuity or benefit payable to an annuitant and benefit recipient of the participating public pension plans or funds shall be determined by the commission-retained actuary as of the current June 30. ~~Every~~ An annuitant or benefit recipient who has been receiving an annuity or benefit for at least one year as of the current June 30 shall be eligible to receive a postretirement adjustment. Each fund shall report separately the amount of the reserves for those annuitants and benefit recipients who are eligible to receive a postretirement benefit adjustment and those annuitants and benefit recipients who are not eligible to receive a postretirement adjustment shall be reported separately. The amount of the required reserves shall be certified to the board by the commission-retained actuary as soon as is practical following the current June 30;

(c) The state board shall determine the amount of investment income required to equal five percent of the total amount of the required reserves as of the preceding June 30 adjusted by five percent of each transfer in or transfer out multiplied by the fraction of a year from the date of transfer to the current June 30. This amount of required investment income shall be subtracted from the actual amount of investment income determined according to clause (1)(a), to determine the amount of excess investment income. If this amount is positive, then a postretirement adjustment may be paid.

(2) The state board shall determine the amount of any postretirement adjustment which is payable using the following procedure:

(a) The state board shall determine the amount of excess investment income by the method indicated in clause (1);

(b) ~~The participating public pension funds and plans shall certify to the state board the total required reserves as of the first of January next following the end of the fiscal year for the annuitants and benefit recipients eligible to receive the postretirement adjustment as determined by clause (1)(b)~~ shall be certified to the state board by the commission-retained actuary. The required reserves shall be determined by the commission-retained actuary on the assumption that all annuitants and benefit recipients eligible to receive the postretirement adjustment will be alive on the January 1 in question;

(c) If the state board determines that the book value of the assets of the fund is less than an amount equal to ~~100 percent of~~ the total amount of the current June 30 required reserves, with the book value and required reserves to be determined after the adjustments provided for in subdivision 11, then the state board shall allocate five percent of the excess investment income as an asset of the fund. The excess investment income allocated as an asset of the fund shall not exceed the difference between book value and required reserves.

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The remaining amount shall be termed available for distribution. The book value of assets on any given date shall be the net assets at cost less the excess investment income determined pursuant to clause (1)(c);

(d) The resulting total amount available for distribution shall be increased by 2-1/2 percent, and the result shall be stated as a percentage of the total amount of the required reserves pursuant to clause (2)(b), and if the percentage is equal to or greater than one percent, the amount shall be certified to each participating public pension fund or plan as the amount of the postretirement adjustment. If the percentage is less than one percent, no postretirement adjustment shall be payable in that year and the amount otherwise available for distribution shall be credited to a separate reserve established for this purpose. The reserve shall be invested in the same manner as all other assets of the fund and shall be credited with any investment income as specified in clause (1)(a). Amounts credited to the reserve shall be utilized in determining a postretirement adjustment in the subsequent year. The amount of any postretirement adjustment certified by the state board as payable to the participating public pension plans or funds shall be carried to five decimal places and stated as a percentage.

(e) A retirement annuity payable in the event of retirement before becoming eligible for social security benefits as provided in sections 352.116, subdivision 3; 353.29, subdivision 6; or 354.35 must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity shall be the annuity amount payable until age 62 or 65, whichever applies. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

Sec. 5. Minnesota Statutes 1986, section 11A.18, subdivision 11, is amended to read:

Subd. 11. **ADJUSTMENT FOR MORTALITY GAINS AND LOSSES.** As of June 30 annually, the commission-retained actuary ~~of each participating public pension fund or plan~~ shall calculate the amount of required reserves representing any mortality gains and any mortality losses incurred by ~~the~~ each participating public pension fund or plan during the fiscal year and report the results of those calculations to the applicable participating public pension fund or plan. The actuary shall report separately the amount of the reserves for annuitants and benefit recipients who are eligible for a postretirement benefit adjustment and the amount of reserves for annuitants and benefit recipients who are not eligible for a postretirement benefit adjustment. If the net amount of required reserves represents a mortality gain, the participating public pension fund or plan shall certify that amount to the state board, which shall sell sufficient securities or transfer sufficient available cash to equal the amount of money certified. If the amount of required reserves represents a mortality loss, the participating public pension fund or plan shall transfer to the state board an

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amount equal to the amount of the net mortality loss. The amount of the transfers shall be determined before any postretirement benefit adjustments have been made. All transfers resulting from mortality adjustments shall be completed annually by December 31 for the preceding June 30. Interest shall be charged or credited on any transfers after December 31 based upon the average short-term rate earned by the postretirement investment fund. All Book values of the assets of the fund for the purposes of subdivision 9 shall be determined only after all adjustments for mortality gains and losses for the fiscal year have been made.

Sec. 6. Minnesota Statutes 1986, section 69.77, subdivision 2b, is amended to read:

Subd. 2b. **RELIEF ASSOCIATION FINANCIAL REQUIREMENTS; MINIMUM MUNICIPAL OBLIGATION.** The officers of the relief association shall determine the financial requirements of the relief association and minimum obligation of the municipality for the following calendar year in accordance with the requirements of this subdivision. The financial requirements of the relief association and the minimum obligation of the municipality shall be determined on or before the submission date established by the municipality pursuant to subdivision 2c.

The financial requirements of the relief association for the following calendar year shall be based on the most recent actuarial valuation or survey of the special fund of the association if more than one fund is maintained by the association, or of the association, if only one fund is maintained, prepared in accordance with sections 356.215, subdivisions 4 to 4k and 356.216, as required pursuant to subdivision 2h. ~~In the event that~~ If an actuarial estimate is prepared by the actuary of the relief association as part of obtaining a modification of the benefit plan of the relief association and the modification is implemented, the actuarial estimate shall be used in calculating the financial requirements of the relief association.

If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the total of the amounts calculated pursuant to clauses (a) ~~and~~, (b), and (c) shall constitute the financial requirements of the relief association for the following year. If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey the amount calculated pursuant to ~~clause clauses~~ (a) and (b) shall constitute the financial requirements of the relief association for the following year.

(a) The normal level cost requirement for the following year, expressed as a dollar amount, which shall be determined by applying the normal level cost of the relief association as reported in the actuarial valuation or survey and expressed as a percentage of covered payroll to the estimated covered payroll of the active membership of the relief association, including any projected increase in the active membership, for the following year.

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(b) To the dollar amount of normal cost thus determined shall be added an amount equal to the dollar amount of the administrative expenses of the special fund of the association if more than one fund is maintained by the association, or of the association if only one fund is maintained, for the most recent year, multiplied by the factor of 1.035.

(c) To the dollar amount of normal cost ~~thus~~ and ~~expenses~~ determined under clauses (a) and (b) shall be added an amount equal to the level annual dollar amount which is sufficient to amortize the unfunded actuarial accrued liability by December 31, 2010, as determined from the actuarial valuation or survey of the fund, using an interest assumption set at the rate specified in section 356.215, subdivision 4d. The amortization date specified in this clause shall apply to all local police or salaried firefighters' relief associations and shall supersede any amortization date specified in any applicable special law.

The minimum obligation of the municipality shall be an amount equal to the financial requirements of the relief association reduced by the estimated amount of member contributions from covered salary anticipated for the following calendar year and the estimated amounts anticipated for the following calendar year from the applicable state aid program established pursuant to sections 69.011 to 69.051 ~~anticipated~~ as receivable by the relief association after any allocation made pursuant to section 69.031, subdivision 5, clause (2), subclause (c) or 423A.01, subdivision 2, clause (6), ~~and~~ from the local police and salaried firefighters' relief association amortization aid program established pursuant to section 423A.02 ~~anticipated for the following calendar year and from the supplementary amortization state-aid program established under Laws 1984, chapter 564, section 48, and Laws 1985, chapter 261, section 17.~~

Sec. 7. Minnesota Statutes 1986, section 69.77, subdivision 2h, is amended to read:

Subd. 2h. **ACTUARIAL VALUATION REQUIRED.** The association shall ~~procure~~ obtain an actuarial valuation showing the condition of the special fund of the relief association pursuant to sections 356.215 and 356.216 and any applicable standards for actuarial work established by the legislative commission on pensions and retirement as of December 31 of every year. A copy of the actuarial survey valuation shall be filed with the director of the legislative reference library, the governing body of the municipality in which the association is organized, the executive director of the legislative commission on pensions and retirement, and the state auditor, not later than July 1 of the following year.

Sec. 8. Minnesota Statutes 1986, section 69.772, subdivision 3, is amended to read:

Subd. 3. **FINANCIAL REQUIREMENTS OF THE RELIEF ASSOCIATION; MINIMUM OBLIGATION OF THE MUNICIPALITY.** During the month of July, the officers of the relief association shall determine the overall funding balance of the special fund for the current calendar year, the financial requirements of the special fund for the following calendar year and the mini-

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num obligation of the municipality with respect to the special fund for the following calendar year in accordance with the requirements of this subdivision.

(1) The overall funding balance of the special fund for the current calendar year shall be determined in the following manner:

(a) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the current year shall be calculated pursuant to subdivisions 2 and 2a, if applicable.

(b) The total present assets of the special fund projected to December 31 of the current year, including receipts by and disbursements from the special fund anticipated to occur on or before December 31 shall be calculated. To the extent possible, for those assets for which a market value is readily ascertainable, the current market value as of the date of the calculation for those assets shall be utilized in making this calculation. For any asset for which no market value is readily ascertainable, the cost value or the book value, whichever is applicable, shall be utilized in making this calculation.

(c) The amount of the total present assets of the special fund calculated pursuant to clause (b) shall be subtracted from the amount of the total accrued liability of the special fund calculated pursuant to clause (a). If the amount of total present assets exceeds the amount of the total accrued liability, then the special fund shall be considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the special fund shall be considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund shall be considered to be fully funded.

(2) The financial requirements of the special fund for the following calendar year shall be determined in the following manner:

(a) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the calendar year next following the current calendar year shall be calculated pursuant to subdivisions 2 and 2a, if applicable.

(b) The increase in the total accrued liability of the special fund for the following calendar year over the total accrued liability of the special fund for the current year shall be calculated.

(c) The amount of anticipated future administrative expenses of the special fund shall be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent year by the factor of 1.035.

(d) If the special fund is fully funded, the financial requirement of the special fund for the following calendar year shall be the figure which represents the increase in the total accrued liability of the special fund as calculated pursuant to subclause (b).

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~~(e)~~ (e) If the special fund has a deficit from full funding, the financial requirements of the special fund for the following calendar year shall be the financial requirements of the special fund calculated as though the special fund were fully funded pursuant to subclause ~~(e)~~ (d) plus an amount equal to one-tenth of the amount of the deficit from full funding of the special fund as determined pursuant to this section for the calendar year 1971 until that deficit from full funding is fully retired, and plus an amount equal to one-tenth of the increase in the deficit from full funding of the special fund resulting from an increase in the amount of the service pension accruing ~~subsequent to~~ after December 31, 1971 until each increase in the deficit from full funding is fully retired.

~~(e)~~ (f) If the special fund has a surplus over full funding, the financial requirements of the special fund for the following calendar year shall be the financial requirements of the special fund calculated as though the special fund were fully funded pursuant to subclause ~~(e)~~ (d) reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the special fund.

(3) The minimum obligation of the municipality with respect to the special fund shall be the financial requirements of the special fund reduced by the amount of any fire state aid payable pursuant to sections 69.011 to 69.051 anticipated to be received by the municipality for transmittal to the special fund during the following calendar year, an amount of interest on the assets of the special fund projected to the beginning of the following calendar year calculated at the rate of five percent per annum, and the amount of any anticipated contributions to the special fund by the members of the relief association during the following calendar year.

Sec. 9. Minnesota Statutes 1986, section 69.773, subdivision 2, is amended to read:

Subd. 2. **DETERMINATION OF ACTUARIAL CONDITION AND FUNDING COSTS.** ~~Each~~ A relief association to which this section applies shall ~~procure~~ obtain an actuarial valuation showing the condition of the special fund of the relief association as of December 31, 1978 and at least as of December 31 every four years thereafter. The valuation shall be prepared in accordance with the provisions of ~~section~~ sections 356.215, subdivision 4d, and 356.216 and any applicable standards for actuarial work established by the legislative commission on pensions and retirement, except that the figure for normal cost shall be expressed as a level dollar amount, and the amortization contribution shall be the level dollar amount calculated to amortize any current unfunded accrued liability by at least the date of full funding specified in subdivision 4, clause (b). Each valuation shall be filed with the governing body of the municipality in which the relief association is located and with the state auditor, not later than July 1 of the year next following the date as of which the actuarial valuation is prepared. Any relief association which is operating under a special law which requires that actuarial valuations be ~~procured~~ obtained at least every four years and be prepared in accordance with applicable actuarial standards set forth in

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statute may continue to have actuarial valuations made according to the time schedule set forth in the special legislation subject to the provisions of subdivision 3.

Sec. 10. Minnesota Statutes 1986, section 69.773, subdivision 4, is amended to read:

Subd. 4. **FINANCIAL REQUIREMENTS OF THE SPECIAL FUND.** Prior to August 1 of each year, the officers of the relief association shall determine the financial requirements of the special fund of the relief association in accordance with the requirements of this subdivision. The financial requirements of the relief association shall be based on the most recent actuarial valuation of the special fund prepared in accordance with ~~sections 356.215, subdivisions 4 to 4c, and 356.216~~ subdivision 2. If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation, the financial requirements shall be determined by adding the figures calculated pursuant to clauses (a) ~~and~~, (b), ~~and~~ (c). If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation, the financial requirements shall be an amount equal to the figure calculated pursuant to ~~clause~~ clauses (a) ~~and~~ (b). The determination of whether or not the relief association has an unfunded actuarial accrued liability shall be based on the current market value of assets for which a market value is readily ascertainable and the cost or book value, whichever is applicable, for assets for which no market value is readily ascertainable.

(a) The normal level cost requirement for the following year, expressed as a dollar amount, shall be the figure for the normal level cost of the relief association as reported in the actuarial valuation.

(b) The amount of anticipated future administrative expenses of the special fund shall be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent year by the factor of 1.035.

(c) The amortization contribution requirement to retire the current unfunded actuarial accrued liability by the established date for full funding shall be the figure for the amortization contribution as reported in the actuarial valuation. If there has not been a change in ~~any or all~~ of the actuarial assumptions used for calculating the actuarial accrued liability of the special fund, a change in the bylaws of the relief association governing the service pensions, retirement benefits or both payable from the special fund or a change in the actuarial cost method used to value all or a portion of the special fund which change or changes, which by themselves without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability of the special fund since December 31, 1970, the established date for full funding shall be December 31, 1990. If there has been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the special fund, a change in the bylaws of the relief association governing the service pensions, retirement benefits or both payable from the special fund or a change in the actuarial cost

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method used to value all or a portion of the special fund ~~which and the~~ change or changes, ~~which~~ by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability of the special fund since December 31, 1970 but prior to January 1, 1979, the established date for full funding shall be December 31, 1998, and if there has been a change since December 31, 1978, the established date for full funding shall be determined using the following procedure:

(i) The unfunded actuarial accrued liability of the special fund shall be determined in accordance with the provisions governing service pensions, retirement benefits and actuarial assumptions in effect ~~prior to~~ before an applicable change;

(ii) The level annual dollar contribution needed to amortize this unfunded actuarial accrued liability amount by the date for full funding in effect prior to the change shall be calculated using the interest assumption specified in section 356.215, subdivision 4d, in effect ~~prior to~~ before any applicable change;

(iii) The unfunded actuarial accrued liability of the special fund shall be determined in accordance with any new provisions governing service pensions, retirement benefits and actuarial assumptions and the remaining provisions governing service pensions, retirement benefits and actuarial assumptions in effect ~~prior to~~ before an applicable change;

(iv) The level annual dollar contribution needed to amortize the difference between the unfunded actuarial accrued liability amount calculated pursuant to subclause (i) and the unfunded actuarial accrued liability amount calculated pursuant to subclause (iii) over a period of 20 years ~~from starting~~ starting December 31 of the year in which the change is effective shall be calculated using the interest assumption specified in section 356.215, subdivision 4d, in effect ~~subsequent to~~ after any applicable change;

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

(vi) The period in which the unfunded actuarial accrued liability amount determined in subclause (iii) will be amortized by the total annual amortization contribution computed pursuant to subclause (v) shall be calculated using the interest assumption specified in section 356.215, subdivision ~~4(d)~~ 4d, in effect ~~subsequent to~~ after any applicable change, rounded to the nearest integral number of years, but which shall not exceed a period of 20 years from the end of the year in which the determination of the date for full funding using this procedure is made and which shall not be less than the period of years beginning in the year in which the determination of the date for full funding using this procedure is made and ending by the date for full funding in effect ~~prior to~~ before the change.

(vii) The period determined pursuant to subclause (vi) shall be added to the

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date as of which the actuarial valuation was prepared and the resulting date obtained shall be the new date for full funding.

Sec. 11. Minnesota Statutes 1986, section 136.82, subdivision 2, is amended to read:

Subd. 2. **REDEMPTION OF SHARES AS AN ANNUITY.** A person who has shares to the credit of the employee's share account record, who is 55 years of age or older and who is authorized to request redemption of shares pursuant to subdivision 1, paragraph (1) notwithstanding the age 65 requirement no longer employed by the state university board or the state board for community colleges or who is authorized to request redemption of shares totally and permanently disabled pursuant to subdivision 1, paragraph (2), or who has the status of a surviving spouse of the a person who is authorized to request redemption of has shares to the credit of the employee's share account pursuant to subdivision 1, paragraph (3), may redeem all or part of the shares; and for the purpose of purchasing to purchase an annuity as herein provided may deposit by depositing the cash realized upon redemption with the executive director of the teachers retirement fund and receive in exchange therefor an annuity for life or an optional annuity as hereinafter provided. The election to purchase an annuity may be made only once by any individual. In the event the If an election is made prior to before the date on which the person is entitled to request redemption, the redemption shall not be made prior to the date upon which the person would be entitled thereto to make the request. The annuity purchase rates shall be based on an appropriate the annuity table of mortality with interest adopted by the board of trustees of the teachers retirement fund for the fund as provided in section 354.07, subdivision 1 using the interest assumption specified in section 356.215, subdivision 4d. The amount of the annuity for life shall be an that amount which has a present value equal to the annuity which could be purchased with the cash realized on the redemption of the shares as of the first day of the month next following the date of the election to purchase an annuity. The board of trustees of the teachers retirement fund shall establish an optional joint and survivor annuity, an optional annuity payable for a period certain and for life thereafter, and an optional guaranteed refund annuity paying the annuitant a fixed amount for life with the guarantee that in the event of death the balance of the cash realized from the redemption of shares is payable to the designated beneficiary. The optional forms of annuity shall be actuarially equivalent to the single life annuity as defined in section 354.05, subdivision 7. In establishing these optional forms, the board of trustees shall obtain the written recommendation of an approved the actuary as defined in section 354.05, subdivision 40 retained by the legislative commission on pensions and retirement, and these recommendations shall be a part of the permanent records of the board of trustees.

Sec. 12. Minnesota Statutes 1986, section 352.01, subdivision 12, is amended to read:

Subd. 12. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the

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annual amount determined by calculations based on mortality tables, purchasable with a given amount at a stated age condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date at a specified age with each actuarial present value based on the appropriate mortality table adopted by the board of directors based on the experience of the fund as recommended by the actuary retained by the legislative commission on pensions and retirement and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 13. Minnesota Statutes 1986, section 352.03, subdivision 6, is amended to read:

Subd. 6. **DUTIES AND POWERS OF EXECUTIVE DIRECTOR.** The management of the system is vested in the director who shall be the executive and administrative head of the system. The director shall act as advisor to the board on all matters pertaining to the system, and shall also act as the secretary of the board. The director shall:

- (1) Attend all meetings of the board;
- (2) Prepare and recommend to the board appropriate rules ~~for the purpose of carrying to carry~~ out the provisions of this chapter;
- (3) Establish and maintain an adequate system of records and accounts following recognized accounting principles and controls;
- (4) Designate an assistant director with the approval of the board;
- (5) Appoint such employees, both permanent and temporary, as are necessary to carry out the provisions of said chapter;
- (6) Organize the work of the system as the director deems necessary to fulfill the functions of the system, and define the duties of its employees and delegate to them any powers or duties, subject to the control of the director and under such conditions as the director may prescribe. Appointments to exercise delegated power shall be by written order and shall be filed with the secretary of state;
- (7) With the advice and consent of the board, contract for actuarial the services of an approved actuary, professional management services, and any other consulting services as may be necessary and fix the compensation ~~therefor for those services~~. The contracts shall not be subject to the competitive bidding procedure prescribed by chapter ~~46~~ 16B. Any approved actuary retained by the executive director shall function as the actuarial advisor of the board and the executive director, and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained by the legislative commission on pensions and retirement. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the legislative

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commission on pensions and retirement. Professional management services may not be contracted for more often than once in every six years. Copies of ~~all~~ professional management survey reports shall be ~~sent directly~~ transmitted to the legislature secretary of the senate, the chief clerk of the house of representatives, and the legislative reference library as provided by section 3.195, to the executive director of the commission and to the legislative auditor at the same time as reports are furnished to the board. Only management firms experienced in conducting management surveys of federal, state or local public retirement systems shall be qualified to contract with the director hereunder;

(8) With the advice and consent of the board provide inservice training for ~~all~~ the employees of the system;

(9) Make ~~refundments~~ refunds of accumulated contributions to former state employees and to the designated beneficiary, surviving spouse, legal representative or next of kin of deceased state employees or deceased former state employees, ~~all~~ as provided in this chapter;

(10) Determine the amount of the annuities and disability benefits of employees covered by the system and authorize payment ~~thereof~~ of the annuities and benefits beginning as of the dates on which the annuities and benefits begin to accrue, ~~all~~ in accordance with the provisions of ~~said~~ this chapter;

(11) Pay annuities, ~~refundments~~ refunds, survivor benefits, salaries and ~~all~~ necessary operating expenses of the system;

(12) Certify funds available for investment to the state board of investment;

(13) With the advice and approval of the board request the state board of investment to sell securities when the director determines that funds are needed for the purposes of the system;

(14) Prepare and submit to the board and the legislature an annual financial report covering the operation of the system, as required by ~~sections 356.215 to 356.23~~ section 356.20;

(15) Prepare and submit biennial and quarterly budgets to the board and with the approval of the board submit the budgets to the department of ~~adminis-~~ tration finance; and

(16) With the approval of the board, perform such other duties as may be required for the administration of the retirement and other provisions of this chapter and for the transaction of its business.

Sec. 14. Minnesota Statutes 1986, section 352.116, subdivision 1, is amended to read:

Subdivision 1. **REDUCED ANNUITY BEFORE AGE 65.** Any employee who retires prior to age 65 with credit for less than 30 years of allowable service shall be paid the normal retirement annuity provided in section 352.115, subdi-

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visions 2 and 3, reduced so that the reduced annuity shall be the actuarial equivalent of the annuity which would be payable to the employee if the employee deferred receipt of the annuity from the day the annuity begins to accrue to age 65; ~~provided however that if an~~ Any employee is entitled to who retires prior to age 62 with credit for not less than at least 30 years of allowable service, shall be paid the normal retirement annuity shall be provided in section 352.115, subdivisions 2 and 3, reduced so that the reduced annuity shall be the actuarial equivalent of the annuity which would be payable to the employee if the employee deferred receipt of the annuity from the day the annuity begins to accrue to age 62.

Sec. 15. Minnesota Statutes 1986, section 352.116, subdivision 3, is amended to read:

Subd. 3. **OPTIONAL ANNUITIES.** The board shall establish an optional retirement annuity which shall take the form of a joint and survivor annuity. The board may also in its discretion establish an optional annuity which shall take the form of an annuity payable for a period certain and for life thereafter or establish an optional annuity which takes the form of a joint and survivor annuity providing that, if after the joint and survivor annuity becomes payable, the person with the designated remainder interest in the annuity dies before the former member, the annuity amount must be reinstated to a normal single life annuity amount as of the first day of the month after the day the person dies. In addition, the board may also establish an optional annuity that takes the form of an annuity calculated on the basis of the age of the retired employee at retirement and payable for the period before the retired employee becomes eligible for social security old age retirement benefits in a greater amount than the amount of the annuity calculated under subdivision 2 on the basis of the age of the retired employee at retirement but equal so far as possible to the social security old age retirement benefit and the adjusted retirement annuity amount payable immediately after the retired employee becomes eligible for social security old age retirement benefits and payable for the period after the retired employee becomes eligible for social security old age retirement benefits in an amount less than the amount of the annuity calculated under subdivisions 2 and 3. The social security leveling option may be calculated based on broad average social security old age retirement benefits. The optional forms shall be actuarially equivalent to the normal single life annuity forms provided in sections 352.115 and 352.116, whichever applies. In establishing these optional forms the board shall obtain the written recommendation of an approved actuary as defined in section 352.01, subdivision 15, and these recommendations shall be a part of the permanent records of the board.

Sec. 16. Minnesota Statutes 1986, section 352.116, is amended by adding a subdivision to read:

Subd. 4. **DETERMINING ACTUARIAL EQUIVALENCY.** In establishing the procedure for determining the actuarial equivalency of early retirement annuities as required under subdivision 1 or in establishing actuarial equivalent optional retirement annuity forms as required under subdivision 3, the board shall obtain the written recommendation of the commission-retained actuary. The recommendations shall be a part of the permanent records of the board.

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Sec. 17. Minnesota Statutes 1986, section 352.119, subdivision 2, is amended to read:

Subd. 2. **VALUATION OF ASSETS; ADJUSTMENT OF BENEFITS.** (1) ~~Effective July 1, 1969, for those employees commencing to receive benefits pursuant to this chapter, and acts amendatory thereof, The required reserves for retirement annuities or disability benefits under this chapter as determined in accordance with the interest assumption then in effect and appropriate mortality table adopted by the board of directors based on experience of the fund as recommended by the system's commission-retained actuary and using the interest assumption specified in section 356.215, subdivision 4d shall be transferred to the Minnesota postretirement investment fund as of the date benefits begin to accrue last business day of the month in which the retirement annuity or disability benefit begins.~~

(2) Annuity and benefit payments shall be adjusted in accordance with the provisions of section 11A.18.

Sec. 18. Minnesota Statutes 1986, section 352.85, subdivision 6, is amended to read:

Subd. 6. **ACTUARIAL VALUATION EXHIBIT.** ~~In~~ Each valuation of the Minnesota state retirement system prepared by the commission-retained actuary pursuant to section 356.215; shall include an exhibit pertaining to this special retirement program shall be included which shall contain for set forth the normal cost of the special program ~~these actuarial valuation contents items specified in section 356.215, subdivisions 4 to 4k, which the executive director deems are necessary to adequately disclose the actuarial condition of the special program.~~

Sec. 19. Minnesota Statutes 1986, section 352.86, subdivision 4, is amended to read:

Subd. 4. **ACTUARIAL VALUATION EXHIBIT.** ~~In~~ Each valuation of the Minnesota state retirement system prepared by the commission-retained actuary pursuant to section 356.215; shall include an exhibit pertaining to this special retirement program shall be included which shall contain for set forth the normal cost of the special program ~~these actuarial valuation content items specified in section 356.215, subdivisions 4 to 4k, which the executive director deems are necessary to adequately disclose the actuarial condition of the special program.~~

Sec. 20. **[352.911] CORRECTIONAL EMPLOYEES RETIREMENT FUND.**

Subdivision 1. FUND CREATED. There is created a special fund to be known as the correctional employees retirement fund.

Subd. 2. REVENUE SOURCES. Employee contributions under section 352.92, subdivision 1, and employer contributions under section 352.92, subdivision 2, and other amounts, including any investment income on invested fund assets as authorized by law, shall be deposited in the fund.

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Subd. 3. INVESTMENT. The correctional employees retirement fund shall participate in the Minnesota postretirement investment fund and in that fund there shall be deposited the amounts provided in section 352.119. The balance of any assets of the fund shall be deposited in the Minnesota combined investment funds as provided in section 11A.14, if applicable, or otherwise under section 11A.23.

Subd. 4. COLLECTION OF CONTRIBUTIONS. The collection of employee and employer contributions shall be governed by the applicable procedures set forth in section 352.04, subdivisions 4, 5, 6, 8, and 9.

Subd. 5. FUND DISBURSEMENT RESTRICTED. The correctional employees retirement fund and its share of participation in the Minnesota postretirement investment fund shall be disbursed only for the purposes provided for in the applicable provisions in this chapter. The proportional share of the expenses of the system and any benefits provided in sections 352.90 to 352.951, other than benefits payable from the Minnesota postretirement investment fund, shall be paid from the correctional employees retirement fund. The retirement allowances, retirement annuities, the disability benefits, the survivorship benefits, and any refunds of accumulated deductions shall be paid only from the correctional employees retirement fund after those needs have been certified by the executive director and the amounts withdrawn from the share of participation in the Minnesota postretirement fund under section 11A.18. The amounts necessary to make the payments from the correctional employees retirement fund and the participation in the Minnesota postretirement investment fund are annually appropriated from those funds for those purposes.

Sec. 21. Minnesota Statutes 1986, section 352B.01, is amended by adding a subdivision to read:

Subd. 11. AVERAGE SALARY. "Average monthly salary" means the average of the highest monthly salaries for five years of service as a member. It does not include any amounts of severance pay or any reduced salary paid during the period the person is entitled to workers' compensation benefit payments for temporary disability.

Sec. 22. Minnesota Statutes 1986, section 352B.02, subdivision 1, is amended to read:

Subdivision 1. **FUND CREATED; MEMBERSHIP.** There is hereby established a state patrol retirement fund, the membership of which shall consist of all persons defined in section 352B.01, subdivision 2.

Subd. 1a. MEMBER CONTRIBUTIONS. Each member shall pay a sum equal to 8.5 percent of the member's salary, which shall constitute the member contribution to the fund.

Subd. 1b. SALARY DEDUCTIONS. Member contribution amounts shall be deducted each pay period by the department head, who shall cause the total

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amount of the deductions to be paid to the state treasurer for deposit in the state patrol retirement fund, and shall cause a detailed report of all deductions to be made each pay period to the executive director of the Minnesota state retirement system.

Subd. 1c. EMPLOYER CONTRIBUTIONS. In addition thereto, there shall be paid out of money appropriated to the departments for this purpose, by the department heads, a sum equal to 18.9 percent of the salary upon which deductions were made, which shall constitute the employer contribution to the fund.

Subd. 1d. FUND REVENUE AND EXPENSES. ~~These~~ The amounts provided for in this section shall be credited to the state patrol retirement fund. All money received shall be deposited by the state treasurer in the state patrol retirement fund. Out of the fund shall be paid the administrative expenses of the retirement fund, and the benefits and annuities as ~~hereinafter~~ provided in this chapter. Appropriate amounts shall be transferred to or withdrawn from the Minnesota postretirement investment fund as provided in section 352B.26.

Subd. 1e. AUDIT; ACTUARIAL VALUATION. The legislative auditor shall audit the fund ~~and the executive director shall procure an actuarial study of the fund in accordance with chapter 356, the cost of which shall be borne by the fund.~~ Any actuarial valuation of the fund required under section 356.215 shall be prepared by the actuary retained by the legislative commission on pensions and retirement. Any approved actuary retained by the executive director under section 352.03, subdivision 6, may perform actuarial valuations and experience studies to supplement those performed by the commission-retained actuary. Any supplemental actuarial valuation or experience studies shall be filed with the executive director of the legislative commission on pensions and retirement.

Sec. 23. Minnesota Statutes 1986, section 352B.08, subdivision 2, is amended to read:

Subd. 2. NORMAL RETIREMENT ANNUITY. The annuity shall be paid in monthly installments. The annuity shall be equal to that portion of the amount determined by multiplying the average monthly salary of the member multiplied by 2-1/2 percent for each year and pro rata for completed months of service not exceeding 25 years and two percent for each year and pro rata for completed months of service in excess of 25 years. "Average monthly salary" shall mean the average of the monthly salaries for the five high years of service as a member. The monthly salary for the period prior to July 2, 1969 shall be deemed to be \$600. The term "average monthly salary" shall not include any amounts of severance pay or any reduced salary paid during the period the person is entitled to benefit payments from the workers' compensation court of appeals for temporary disability.

Subd. 3. OPTIONAL ANNUITY FORMS. In lieu of the single life annuity herein provided in subdivision 2, the member or former member with ten years or more of service may elect an optional annuity form. The board of the

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Minnesota state retirement system shall establish a joint and survivor annuity, payable to a designated beneficiary for life, adjusted to the actuarial equivalent value of the single life annuity. The board shall also establish an additional optional annuity with an actuarial equivalent value of the single life annuity in the form of a joint and survivor annuity elected by a member may also provide which provides that the elected annuity be reinstated to the single life annuity herein provided in subdivision 2, if after drawing commencing the elected joint and survivor annuity, the designated beneficiary dies prior to the death of before the member. This, which reinstatement shall not be retroactive but shall be in effect for the first full month subsequent to occurring after the death of the designated beneficiary. This additional joint and survivor option with reinstatement clause shall be adjusted to the The board may also establish other actuarial equivalent value optional annuity forms. In establishing actuarial equivalent value of optional annuity forms, each optional annuity form shall have the same present value as a regular single life annuity using the mortality table adopted by the board and the interest assumption specified in section 356.215, subdivision 4d and the board shall obtain the written recommendation of the commission-retained actuary. These recommendations shall be a part of the permanent records of the board.

Sec. 24. Minnesota Statutes 1986, section 352B.26, subdivision 3, is amended to read:

Subd. 3. **VALUATION OF ASSETS; ADJUSTMENT OF BENEFITS.** (1) ~~For these former members commencing to receive beginning receipt of annuities and qualified recipients of joint and survivor annuities and surviving spouse benefits, the required reserves shall be determined in accordance with the appropriate mortality table, calculated with an~~ adopted by the board of directors of the Minnesota state retirement system based on the experience of the fund as recommended by the commission-retained actuary and using the interest assumption set at the interest rate specified in section 356.215, subdivision 4d, and Assets representing the required reserves for these annuities shall be transferred to the Minnesota postretirement investment fund as of the last business day of the month in which the retirement annuity begins in accordance with procedures specified in section 11A.18.

(2) Annuity payments shall be adjusted in accordance with the provisions of section 11A.18.

(3) Notwithstanding section 356.18, ~~increases an~~ increase in annuity payments pursuant to this section shall be made automatically unless written notice is filed by the annuitant with the executive director of the Minnesota state retirement system requesting that the increase not be made.

Sec. 25. Minnesota Statutes 1986, section 353.01, subdivision 14, is amended to read:

Subd. 14. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the ~~annual amount determined by calculations based on mortality tables, purchasable with a given amount at a stated age~~ condition of one annuity or benefit

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having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the actuary retained by the legislative commission on pensions and retirement and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 26. Minnesota Statutes 1986, section 353.03, subdivision 3a, is amended to read:

Subd. 3a. **EXECUTIVE DIRECTOR.** (a) **APPOINTMENT.** The board shall appoint, with the advice and consent of the senate, an executive director on the basis of education, experience in the retirement field, and leadership ability. The executive director shall have had at least five years' experience in an executive level management position, which has included responsibility for pensions, deferred compensation, or employee benefits. The executive director serves at the pleasure of the board. The salary of the executive director is as provided by section 15A.081, subdivision 1.

(b) **DUTIES.** The management of the association is vested in the executive director who shall be the executive and administrative head of the association. The executive director shall act as adviser to the board on all matters pertaining to the association and shall also act as the secretary of the board. The executive director shall:

- (1) attend all meetings of the board;
- (2) prepare and recommend to the board appropriate rules for the purpose of ~~carrying to carry~~ out the provisions of this chapter;
- (3) establish and maintain an adequate system of records and accounts following recognized accounting principles and controls;
- (4) designate an assistant director, with the approval of the board, who shall serve in the unclassified service and whose salary is set in accordance with section 43A.18, subdivision 3, appoint a confidential secretary in the unclassified service, and appoint employees to carry out this chapter, who are subject to chapters 43A and 179A in the same manner as are executive branch employees;
- (5) organize the work of the association as the director deems necessary to fulfill the functions of the association, and define the duties of its employees and delegate to them any powers or duties, subject to the control of, and under such conditions as, the executive director may prescribe;
- (6) with the approval of the board, contract for ~~actuarial~~ the services of an approved actuary, professional management services, and any other consulting services as necessary to fulfill the purposes of this chapter. All contracts are subject to chapter 16B. The commissioner of administration shall not approve, and the association shall not enter into, any contract to provide lobbying serv-

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ices or legislative advocacy of any kind. Any approved actuary retained by the executive director shall function as the actuarial advisor of the board and the executive director and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained by the legislative commission on pensions and retirement. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the legislative commission on pensions and retirement. Copies of ~~all~~ professional management survey reports shall be ~~sent directly~~ transmitted to the legislature secretary of the senate, the chief clerk of the house of representatives, and the legislative reference library as provided by section 3.195, to the executive director of the commission and to the legislative auditor at the same time as reports are furnished to the board. Only management firms experienced in conducting management surveys of federal, state or local public retirement systems shall be qualified to contract with the director hereunder;

(7) with the approval of the board provide inservice training for ~~all~~ the employees of the association;

(8) make refunds of accumulated contributions to former members and to the designated beneficiary, surviving spouse, legal representative or next of kin of deceased members or deceased former members, ~~all~~ as provided in this chapter;

(9) determine the amount of the annuities and disability benefits of members covered by the association and authorize payment ~~thereof~~ of the annuities and benefits beginning as of the dates ~~such~~ on which the annuities and benefits begin to accrue, all in accordance with the provisions of this chapter;

(10) pay annuities, refunds, survivor benefits, salaries and ~~all~~ necessary operating expenses of the association;

(11) prepare and submit to the board and the legislature an annual financial report covering the operation of the association, as required by ~~chapter 356~~ section 356.20;

(12) prepare and submit biennial and annual budgets to the board for its approval and submit the approved budgets to the department of finance for approval by the commissioner; and

(13) with the approval of the board, perform such other duties as may be required for the administration of the association and the other provisions of this chapter and for the transaction of its business.

Sec. 27. Minnesota Statutes 1986, section 353.271, is amended to read:

**353.271 PARTICIPATION IN MINNESOTA POSTRETIREMENT INVESTMENT FUND.**

Subdivision 1. **AUTHORIZATION.** The public employees retirement association, including the police and fire fund, is ~~hereby~~ authorized to participate in

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the Minnesota postretirement investment fund. There shall be one general participation in the Minnesota postretirement investment fund for all purposes by the public employees retirement ~~association~~ fund and one general participation in the Minnesota postretirement investment fund for all purposes by the public employees police and fire fund.

Subd. 2. **VALUATION OF ASSETS; ADJUSTMENT OF BENEFITS.** (1) ~~For members retiring,~~ The required reserves for retirement annuities pursuant to this chapter as determined in accordance with the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the postretirement interest assumption specified in section 356.215, subdivision 4d, shall be transferred to the Minnesota postretirement investment fund as of the date of retirement last business day of the month in which the retirement annuity begins.

(2) Annuity payments shall be adjusted in accordance with the provisions of section 11A.18.

(3) Notwithstanding section 356.18, increases in payments pursuant to this section will be made automatically unless the intended recipient files written notice with the executive director of the public employees retirement association requesting that the increase shall not be made.

Sec. 28. Minnesota Statutes 1986, section 353.29, subdivision 6, is amended to read:

Subd. 6. **RETIREMENT BEFORE ELIGIBILITY FOR SOCIAL SECURITY BENEFITS.** Any member who retires before becoming eligible for social security retirement benefits may elect to receive ~~a~~ an optional retirement annuity from the association in an amount greater than the annuity computed on the basis of age at retirement, ~~provided in subdivisions 2 and 3 which provides for different annuity amounts over different periods of retirement. The election of this option~~ optional retirement annuity shall be exercised by making application to the board of trustees. This The optional annuity shall take the form of an annuity payable for the period before the annuitant becomes eligible for social security old age retirement benefits in a greater amount than the amount of the annuity calculated under subdivisions 2 and 3 on the basis of the age of the annuitant at retirement but equal insofar as possible to the social security old age retirement benefit and the adjusted retirement annuity amount payable immediately after the annuitant becomes eligible for social security old age retirement benefits in an amount less than the amount of the annuity calculated under subdivisions 2 and 3 on the basis of the age of the annuitant at retirement. The social security leveling option may be calculated based on broad average social security old age retirement benefits. The optional annuity shall be the actuarial equivalent of the normal retirement annuity computed on the basis of age at retirement. This greater amount shall be paid until the annuitant reaches the age of 62, at which time the payment from the association shall be reduced. The method of computing ~~an~~ the optional retirement annuity under this subdivision shall be ~~determined~~ established by ~~an approved actuary~~ the

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board of trustees. In establishing the method of computing the optional retirement annuity, the board of trustees shall obtain the written recommendation of the commission-retained actuary. The recommendations shall be a part of the permanent records of the board of trustees.

Sec. 29. Minnesota Statutes 1986, section 353.30, subdivision 3, is amended to read:

Subd. 3. **OPTIONAL RETIREMENT ANNUITY FORMS.** The board of trustees shall establish optional annuities which shall take the form of a joint and survivor annuity. ~~Such~~ The optional annuity forms shall be actuarially equivalent to the forms provided in section 353.29 and subdivisions 1, 1a, 1b, and 1c of this section. In establishing those optional forms, the board shall obtain the written recommendation of ~~an approved~~ the commission-retained actuary and these. The recommendations shall be a part of the permanent records of board. A member or former member may select an optional form of annuity in lieu of accepting any other form of annuity which might otherwise be available.

Sec. 30. Minnesota Statutes 1986, section 354.05, subdivision 7, is amended to read:

Subd. 7. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the ~~annual amount determined by calculations based on mortality tables, purchasable with a given amount at a stated age condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the actuary retained by the legislative commission on pensions and retirement and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 4d.~~

Sec. 31. Minnesota Statutes 1986, section 354.06, subdivision 2a, is amended to read:

Subd. 2a. **DUTIES OF EXECUTIVE DIRECTOR.** The management of the association is vested in the executive director who shall be the executive and administrative head of the association. The executive director shall act as advisor to the board on all matters pertaining to the association and shall also act as the secretary of the board. The executive director shall:

- (1) Attend all meetings of the board;
- (2) Prepare and recommend to the board appropriate rules for the purpose of carrying to carry out the provisions of this chapter;
- (3) Establish and maintain an adequate system of records and accounts following recognized accounting principles and controls;
- (4) Designate an assistant executive director in the unclassified service and

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two assistant executive directors in the classified service with the approval of the board, and appoint such employees, both permanent and temporary, as are necessary to carry out the provisions of said chapter;

(5) Organize the work of the association as the director deems necessary to fulfill the functions of the association, and define the duties of its employees and delegate to them any powers or duties, subject to the director's control and under such conditions as the director may prescribe;

(6) With the approval of the board, contract for ~~actuarial~~ the services of an approved actuary, professional management services, and any other consulting services as may be necessary and fix the compensation therefor. Such contracts shall not be subject to the competitive bidding procedure prescribed by chapter ~~16~~ 16B. Professional management services may not be contracted for more often than once in every six years. Any approved actuary retained by the executive director shall function as the actuarial advisor of the board and the executive director and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained by the legislative commission on pensions and retirement. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the legislative commission on pensions and retirement. Copies of ~~all~~ professional management survey reports shall be ~~sent directly transmitted~~ sent directly transmitted to the legislature secretary of the senate, the chief clerk of the house of representatives, and the legislative reference library as provided by section 3.195, to the executive director of the commission and to the legislative auditor at the same time as reports are furnished to the board. Only management firms experienced in conducting management surveys of federal, state or local public retirement systems shall be qualified to contract with the director hereunder;

(7) With the approval of the board, provide inservice training for ~~all~~ the employees of the association;

(8) Make refunds of accumulated contributions to former members and to the designated beneficiary, surviving spouse, legal representative or next of kin of deceased members or deceased former members, ~~all~~ as provided in this chapter;

(9) Determine the amount of the annuities and disability benefits of members covered by the association and authorize payment ~~thereof of the annuities and benefits~~ beginning as of the dates such on which the annuities and benefits begin to accrue, all in accordance with the provisions of ~~said~~ this chapter;

(10) Pay annuities, ~~refunds~~ refunds, survivor benefits, salaries and ~~all~~ necessary operating expenses of the association;

(11) Prepare and submit to the board and the legislature an annual financial report covering the operation of the association, as required by ~~chapter 356~~ section 356.20;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(12) Certify funds available for investment to the state board of investment;

(13) With the advice and approval of the board, request the state board of investment to sell securities on determining that funds are needed for the purposes of the association;

(14) Prepare and submit biennial and annual budgets to the board and with the approval of the board submit ~~such~~ those budgets to the department of ~~administration~~ finance; and

(15) With the approval of the board, perform such other duties as may be required for the administration of the association and the other provisions of this chapter and for the transaction of its business.

Sec. 32. Minnesota Statutes 1986, section 354.07, subdivision 1, is amended to read:

Subdivision 1. **GENERAL POWERS OF THE BOARD.** The board ~~shall have, and is hereby granted, has~~ the power to frame bylaws for its own government and for the management of the fund not inconsistent with the laws of the state and to modify them at its pleasure; to adopt, alter, and enforce reasonable rules not inconsistent with the laws of the state for the administration and management of the fund, for the payment and collection of payments from members, and for the payment of withdrawals and benefits; to pass upon and allow or disallow ~~all~~ applications for membership in the fund and for credit for teaching service; to pass upon and allow or disallow ~~all~~ claims for withdrawals, pensions, or benefits payable from the fund; to adopt an appropriate mortality table based on experience of the fund as recommended by the ~~association~~ commission-retained actuary, ~~with and using the applicable postretirement interest set at the rate assumption~~ specified in section 356.215, subdivision 4d; to provide for the payment out of the fund of ~~all~~ necessary expenses for the administration ~~thereof of the fund~~ and of ~~all~~ claims for withdrawals, pensions, or benefits allowed.

Sec. 33. Minnesota Statutes 1986, section 354.35, is amended to read:

**354.35 RETIREMENT BEFORE BECOMING ELIGIBLE FOR SOCIAL SECURITY.**

Any coordinated member who retires before becoming eligible for social security retirement benefits, may elect to receive an optional retirement benefits annuity from the association ~~in an amount greater than the member's annuity computed on the basis of the member's age at retirement which provides for different annuity amounts over different periods of retirement.~~ The member shall exercise election of this option optional retirement annuity shall be exercised by making an application to the board on a form provided by the board. This The optional annuity shall take the form of an annuity payable for the period before the member attains the age of 65 years in a greater amount than the amount of the annuity calculated under section 354.44 on the basis of the age of the member at retirement but equal insofar as possible to the social

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security old age retirement benefit and the adjusted retirement annuity amount payable immediately after the annuitant becomes eligible for social security old age retirement benefits in an amount less than the amount of the annuity calculated under section 354.44 on the basis of the age of the member at retirement. The social security leveling option may be calculated based on broad average social security old age retirement benefits. The optional annuity shall be the actuarial equivalent of the member's annuity computed on the basis of the member's age at retirement. The greater amount shall be paid until the member reaches the age of 65 at which time the payment from the association shall be reduced. These annuities The method of computing the optional retirement annuity provided in this section shall be computed by an approved actuary established by the board of trustees. In establishing the method of computing the optional retirement annuity, the board of trustees shall obtain the written recommendation of the commission-retained actuary. The recommendations shall be a part of the permanent records of the board of trustees.

Sec. 34. Minnesota Statutes 1986, section 354.42, subdivision 5, is amended to read:

Subd. 5. **ADDITIONAL EMPLOYER CONTRIBUTION.** ~~For the purpose of amortizing~~ To amortize the unfunded ~~entry-age normal actuarial accrued liability computed under the entry age actuarial cost method and disclosed under the annual actuarial valuations prepared by the commission-retained actuary under section 356.215,~~ an additional employer contribution shall be made in the amount of 4.48 percent of the salary of each member. ~~For the fiscal year ending June 30, 1985, the commissioner of finance shall increase allotments to state agencies having members covered by the teachers retirement association in an amount equal to 1.43 percent of the salaries of basic and coordinated plan members of the teachers' retirement fund.~~

This contribution shall be made in the manner provided in section 354.43.

Sec. 35. Minnesota Statutes 1986, section 354.44, subdivision 2, is amended to read:

Subd. 2. **COMPUTATION OF MONEY PURCHASE ANNUITY.** The amount of retirement annuity is an amount equal to double the annuity which could be purchased by the member's accumulated deductions plus interest thereon. The annuity shall be determined by the member's age, sex, double the amount of accumulated deductions, double the interest earned on the accumulated deductions, and the appropriate mortality tables and interest rates. ~~For the purpose of determining~~ To determine the amount of the annuity for a basic member, the accumulated deductions prior to July 1, 1957, and the accumulated deductions subsequent to July 1, 1957, shall be considered separately.

(1) For service rendered prior to July 1, 1957, the accumulated deductions for any member shall be carried forward at a fixed amount which is shown credited to the member's account as of that date. That fixed amount shall also include any payments in lieu of salary deductions which are to be made in the

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future and are actually so made pursuant to an agreement executed between the member and the board as authorized by section 354.50 or any other authorized payments made by the member to the fund. The annuity granted with respect to ~~such~~ the period shall be determined ~~by the following as follows:~~

(a) The fixed amount of the accumulated deductions for ~~such~~ the period including the interest credited ~~thereon~~ on the amount as earned up to July 1, 1957.

(b) Annuity purchase rates based on the applicable mortality tables table established by the board and the interest rate assumption used by the board in effect prior to July 1, 1957, in the case of basic members and an annuity purchase rate based on an appropriate annuity table of mortality ~~with an interest assumption established by the board~~ as provided in section 354.07, subdivision 1, and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d in the case of coordinated members.

(2) For service rendered subsequent to July 1, 1957, the accumulated deductions for any member shall consist of the amounts actually credited to the member's account by reason of salary deductions. The annuity granted with respect to ~~such~~ the period shall be determined by the following:

(a) accumulated deductions for ~~such~~ the period;

(b) interest credited on these accumulated deductions from July 1, 1957, to the date of retirement;

(c) interest credited on accumulated deductions including prior credited interest provided in paragraph (1) from July 1, 1957, to the date of retirement;

(d) after the amount available for an annuity granted with respect to ~~such~~ the person is determined in accordance with the provisions of this subdivision, an additional amount equal to 20 percent of the sum of clause (2) (a) plus interest credited to members account from July 1, 1957, to date of retirement is to be added. This added amount is not to be doubled as provided for other amounts determined in this subdivision;

(e) annuity purchase rate based on an appropriate annuity table of mortality ~~with an interest assumption established by the board~~ as provided in section 354.07, subdivision 1, and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 36. Minnesota Statutes 1986, section 354.45, is amended to read:

#### 354.45 OPTIONAL RETIREMENT ANNUITIES; UNPAID ANNUITIES, DISPOSITION.

Subdivision 1. **OPTIONAL ANNUITY FORMS.** The retirement board shall establish optional annuities at retirement which shall take the form of an annuity payable for a period certain and for life thereafter; ~~or as the form of a~~

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joint and survivor annuity. The board shall also establish an optional annuity which shall take the form of a guaranteed refund annuity paying the annuitant a fixed amount for life with the guarantee that in the event of death the balance of the accumulated deductions and interest accrued to the date of retirement will be paid to the designated beneficiary. ~~Such~~ Any optional annuity forms shall be actuarially equivalent to the normal forms provided in section 354.44. In establishing these optional annuity forms, the board shall obtain the written recommendation of ~~an approved~~ the commission-retained actuary ~~and these.~~ The recommendations shall be a part of the permanent records of the board.

Subd. 2. **REFUND UPON DEATH OF RETIRED MEMBER.** Upon the death of the member after retirement where no designated beneficiary shall survive the member, any remaining unpaid guaranteed annuity payments shall be commuted at the applicable postretirement interest rate ~~of interest currently being used in determining the amount of optional annuities specified in section 356.215, subdivision 4d~~ and paid in one sum to the estate of the member. Upon the death of the last designated beneficiary after the death of the member, the value of any unpaid guaranteed annuity payments shall be commuted at the applicable postretirement interest rate ~~of interest currently being used in determining the amount of optional annuities specified in section 356.215, subdivision 4d~~ and paid in one sum to the estate of ~~such~~ the designated beneficiary.

Sec. 37. Minnesota Statutes 1986, section 354.48, subdivision 3, is amended to read:

Subd. 3. **COMPUTATION OF BENEFITS.** (1) The amount of the disability benefit granted to members covered under section 354.44, subdivision 2, clauses (1) and (2), is an amount equal to double the annuity which could be purchased by the member's accumulated deductions plus interest ~~thereon~~ on the amount computed as though the teacher were age 65 at the time the benefit begins to accrue and in accordance with the law in effect when the disability application is received. Any member who applies for a disability benefit after June 30, 1974, and who failed to make an election pursuant to Minnesota Statutes 1971, section 354.145, shall have the disability benefit computed under ~~the provisions of~~ this clause or clause (2), whichever is larger.

The benefit granted shall be determined by the following:

- (a) the amount of the accumulated deductions;
- (b) interest actually earned on these accumulated deductions to the date the benefit begins to accrue;
- (c) interest for the years from the date the benefit begins to accrue to the date ~~such~~ the member attains age 65 at the rate of three percent;
- (d) annuity purchase rates based on an appropriate annuity table of mortality ~~with~~ established by the board as provided in section 354.07, subdivision 1, and using the applicable postretirement interest of five percent rate assumption specified in section 356.215, subdivision 4d.

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In addition, a supplementary monthly benefit shall be paid to basic members only in accordance with the following table:

Age When Benefit Begins to Accrue	Supplementary Benefit
Under Age 56	\$50
56	45
57	40
58	35
59	30
60	25
61	20
62	15
63	10
64	5

(2) The disability benefit granted to members covered under section 354.44, subdivision 6 or 7 shall be computed in the same manner as the annuity provided in subdivision 6 or 7 of that section, whichever is applicable. The disability benefit shall be the formula annuity without the reduction for each month the member is under age 65 ~~at the time~~ when the benefit begins to accrue.

(3) For the purposes of computing a retirement annuity when the member becomes eligible, the amounts paid for disability benefits shall not be deducted from the individual member's accumulated deductions. If the disability benefits provided in this subdivision exceed the monthly average salary of the disabled member, the disability benefits shall be reduced to an amount equal to the disabled member's average salary.

Sec. 38. Minnesota Statutes 1986, section 354.532, subdivision 1, is amended to read:

Subdivision 1. **CALCULATION OF PRESENT VALUE.** For the persons entitled to purchase prior service credit under section 354.531, there shall be paid to the applicable retirement fund or association an amount equal to the present value, on the date of payment, of the amount of the additional service pension or retirement annuity which would be obtained by virtue of the purchase of the additional service credit, using the applicable postretirement interest rate specified in section 356.215, subdivision 4d, and the applicable mortality table ~~adopted for~~ established by the board of the appropriate retirement fund or association under section 354.07, subdivision 1, and assuming continuous service until, and retirement at, the normal retirement age with the additional service credit purchased, for the ~~appropriate~~ retirement fund or association, or the age at the date of payment or of the agreement to pay, whichever is older, and a future salary history which includes annual salary increases at the rate of salary increase rate assumption specified in section 356.215, subdivision 4, ~~clause~~ (4) 4d. The person requesting the purchase of prior service must establish in the records of the retirement fund or association proof of the service for which the purchase of prior service is requested. The manner of the proof of service shall

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be in accordance with procedures prescribed by the board of trustees of the fund or association or by the executive director.

Sec. 39. Minnesota Statutes 1986, section 354.532, subdivision 2, is amended to read:

Subd. 2. **PAYMENT OF PRESENT VALUE; CREDITING OF SERVICE.** Payment shall be made in one lump sum, unless the executive director of the appropriate retirement fund or association agrees to accept payment in installments over a period of not to exceed three years from the date of the agreement, with interest at a rate deemed appropriate by the executive director. The period of allowable service shall be credited to the account of the person only after receipt of full payment by the executive director.

Sec. 40. Minnesota Statutes 1986, section 354.55, subdivision 11, is amended to read:

Subd. 11. **DEFERRED ANNUITY; AUGMENTATION.** Any person covered under section 354.44, subdivisions 6 and 7, who ceases to render teaching service may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement. Eligibility for an annuity under this subdivision shall be governed pursuant to section 354.44, subdivision 1, or 354.60.

The amount of the deferred retirement annuity shall be determined by section 354.44, subdivisions 6 and 7, and augmented as provided ~~herein~~ in this subdivision. The required reserves related to that portion of the annuity which had accrued ~~at the time when~~ the member ceased to render teaching service shall be augmented by interest compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There shall be no augmentation if this period is less than three months or if this period commences prior to July 1, 1971. The rates of interest used for this purpose shall be five percent commencing July 1, 1971, until January 1, 1981, and three percent thereafter. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period shall be augmented by interest pursuant to this subdivision. The sum of the augmented required reserves so determined shall be the basis for purchasing the deferred annuity. If a person does not render teaching service in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of the resumption of teaching service shall be those applicable to new members. The mortality table and interest assumption ~~contained therein~~ used to compute the annuity shall be ~~determined by the law~~ applicable mortality table established by the board under section 354.07, subdivision 1, and the interest rate assumption under section 356.215 in effect at the time of the member's retirement when the member retires. A period of uninterrupted service for the purposes of this subdivision ~~shall mean~~ means a period of covered teaching

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service during which the member has not been separated from active service for more than one fiscal year.

The provisions of this subdivision shall not apply to variable account accumulations as defined in section 354.05, subdivision 23.

In no case shall the annuity payable ~~herein~~ under this subdivision be less than the amount of annuity payable pursuant to section 354.44, subdivisions 6 and 7.

The requirements and provisions for retirement ~~prior to~~ before age 65 contained in section 354.44, subdivision 6, clause (2) shall also apply to an employee fulfilling the requirements with a combination of service as provided in section 354.60.

The augmentation provided by this subdivision shall not apply to any period in which a person is on an approved leave of absence from an employer unit covered by the provisions of this chapter.

Sec. 41. Minnesota Statutes 1986, section 354.55, subdivision 12, is amended to read:

Subd. 12. **PRE-1973 LAW RETIREMENTS.** ~~When~~ Any member who retires under the law in effect prior to July 1, 1973 shall have that portion of the member's annuity based on accumulations after June 30, 1957, ~~under the provisions of Minnesota Statutes 1971, section 354.44, subdivision 2 and all accumulations under the provisions of Minnesota Statutes 1971, section 354.33, subdivision 1 shall be calculated using the same mortality table established by the board under section 354.07, subdivision 1 and the interest rate assumption specified in section 356.215 used at the time of that retirement~~ to transfer the required reserves to the Minnesota postretirement investment fund.

Sec. 42. Minnesota Statutes 1986, section 354.55, subdivision 13, is amended to read:

Subd. 13. **PRE-1969 LAW RETIREMENTS.** Any person who ceased teaching service prior to July 1, 1968, who has ten years or more of allowable service and left accumulated deductions in the fund for the purpose of receiving when eligible a retirement annuity, and retires shall have the annuity computed in accordance with the law in effect on June 30, 1969, except that the portion of the annuity based on accumulations after June 30, 1957, ~~under the provisions of Minnesota Statutes 1967, section 354.44, subdivision 2, and all accumulations under the provisions of Minnesota Statutes 1967, section 354.33, subdivision 1, shall be calculated using the same mortality table established by the board under section 354.07, subdivision 1, and the interest rate assumption used specified in section 356.215, to transfer the required reserves to the Minnesota postretirement investment fund.~~

Sec. 43. Minnesota Statutes 1986, section 354.58, is amended to read:

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### 354.58 SUPPLEMENTAL RETIREMENT ANNUITY.

A supplemental retirement annuity shall be paid only to a member who retires pursuant to section 354.44, subdivision 2, and the ~~options related thereto~~ applicable optional retirement annuities as established in sections 354.35 and 354.45. In establishing this supplemental retirement annuity, the board shall ascertain the member's accumulated deduction including interest for the period of allowable service prior to July 1, 1957, and the member shall receive a retirement credit of 100 percent of this amount. The retirement credit so established shall be the basis for purchasing a supplemental retirement annuity using an annuity purchase rate based on ~~an appropriate~~ the applicable annuity table of mortality with an interest assumption as provided in section 354.07, subdivision 1. This supplemental retirement annuity shall be doubled.

Sec. 44. Minnesota Statutes 1986, section 354.62, subdivision 5, is amended to read:

Subd. 5. **VARIABLE RETIREMENT ANNUITY.** (1) At retirement, the amount of the member's variable account accumulation in the employee variable annuity contribution account, based on the valuation at the previous fiscal year end plus any contributions made by the person since the end of the previous fiscal year, and an equal amount from the employer variable annuity contribution account shall be transferred to the variable annuity reserve account, and the variable retirement annuity for the member shall be determined by the member's age; ~~and sex;~~ and the amount transferred for the member to the variable annuity reserve account at the date of retirement. The amount of the annuity shall be calculated on the basis of an ~~appropriate~~ applicable annuity table of mortality ~~with~~ established by the board of trustees under section 354.07, subdivision 1, using an interest rate assumption of eight percent, except that if the member elects to have the accumulation transferred to the Minnesota postretirement investment fund as authorized by clause (8), the amount of the annuity shall be calculated ~~with~~ using ~~an~~ the applicable postretirement interest rate assumption ~~of five percent specified in section 356.215.~~

(2) ~~Whenever~~ If the admitted value of the annuity reserve account of the variable annuity division, as of June 30 of any year, exceeds or is less than the then present value of all variable annuities in force, determined in accordance with the rate of interest and approved actuarial tables then in effect, by at least two percent of the present value, the amount of each variable annuity payment shall be proportionately increased or decreased for the following year.

(3) The death benefit payable in the event of a member's death prior to retirement shall be a lump sum refund of a member's variable account accumulation, based on the valuation at the previous fiscal year end plus any contributions made by the person since the end of the previous fiscal year, to the surviving spouse, or if there is no surviving spouse to the designated beneficiary. ~~Except that~~ If a member has made an election in accordance with section 354.46, ~~then~~ the surviving spouse shall receive a joint and survivor annuity as

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described in section 354.44 and computed as provided in clause (1) in lieu of a lump sum refund of a member's variable account accumulation. If a lump sum refund of a member's variable account accumulation is taken, an amount equal to the lump sum refund made in this clause shall be transferred from the employer contribution account to the variable annuity turnover account.

(4) Except as provided in section 354.44, subdivision 7, any person who ceases to be a member by reason of termination of teaching service, shall be entitled to a lump sum ~~refundment~~ refund of the member's variable account accumulations, based on the valuation at the previous fiscal year end plus any contributions made by the person since the end of the previous fiscal year. Application for a ~~refundment~~ refund may be made no sooner than 30 days after termination of teaching service if the applicant has not again become a teacher. Repayment of a ~~refundment~~ refund upon resumption of teaching is not permitted under this section. An amount equal to the ~~refundment~~ refund to the member shall be transferred from the employer contribution account to the variable annuity turnover account.

(5) If a member is determined to be totally and permanently disabled as provided in sections 354.05, subdivision 14; and 354.48, the member shall be entitled to the annuity provided in this subdivision.

(6) Those members eligible for retirement as provided in section 354.44, subdivision 1 shall, upon application for ~~the that annuity provided therein,~~ be entitled to the annuity provided in this subdivision. The annuity elected in accordance with sections 354.35, 354.44, and 354.45 shall be the annuity applicable to this subdivision.

(7) Notwithstanding section 356.18, ~~increases an~~ increase in annuity payments pursuant to this section shall be made automatically unless written notice is filed by the annuitant with the executive director of the teachers retirement association ~~board~~ requesting that the increase not be made.

(8) At retirement, a member may elect to have the amount of the member's variable annuity accumulation in the employee variable annuity contribution account and an equal amount from the employer variable annuity contribution account transferred to the Minnesota postretirement investment fund as provided in section 354.63, subdivision 2, clause (2). This election may also be made by a surviving spouse who receives an annuity under clause (3). The election shall be made on a form provided by the executive ~~secretary~~ director.

Sec. 45. Minnesota Statutes 1986, section 354.63, subdivision 2, is amended to read:

Subd. 2. VALUATION OF ASSETS; ADJUSTMENT OF BENEFITS. (1) ~~Effective July 1, 1973 for those members retiring pursuant to this chapter, The~~ required reserves for retirement annuities as determined in accordance with ~~these sections this chapter~~ shall be transferred to the Minnesota postretirement investment fund as of the ~~date of retirement~~ last business day of the month in

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which the retirement annuity begins. ~~An~~ The required reserves shall be determined in accordance with the appropriate annuity table of mortality with an interest assumption adopted by the board of trustees as provided in section 354.07, subdivision 1, ~~will be used to determine the amount to be transferred based on the experience of the fund as recommended by the commission-retained actuary and using the interest assumption specified in section 356.215, subdivision 4d.~~

(2) Annuity payments shall be adjusted in accordance with the provisions of section 11A.18. ~~For the purpose of in~~ making these adjustments, members who retire effective July 1 shall be considered to have retired effective the preceding June 30. This section ~~is applicable for~~ applies to persons who retired effective July 1, 1982 or later.

(3) Notwithstanding section 356.18, ~~increases an~~ increase in annuity payments pursuant to this section will be made automatically unless written notice is filed by the annuitant with the executive director of the teachers retirement association board requesting that the increase shall not be made.

Sec. 46. Minnesota Statutes 1986, section 354A.011, is amended by adding a subdivision to read:

Subd. 3a. ACTUARIAL EQUIVALENT. "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the appropriate board of trustees based on the experience of that retirement fund association as recommended by the actuary retained by the legislative commission on pensions and retirement and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 47. Minnesota Statutes 1986, section 354A.011, subdivision 17, is amended to read:

Subd. 17. OPTIONAL SURVIVORS ANNUITY. "Optional survivors annuity" means the payments made by the teachers retirement fund association to a survivor of a former member pursuant to an actuarial equivalent optional annuity form established by the applicable board of trustees under section 354A.32 and selected by the member at or before retirement.

Sec. 48. Minnesota Statutes 1986, section 354A.021, is amended by adding a subdivision to read:

Subd. 7. ACTUARIAL CONSULTANT. The board of trustees or directors of each teachers retirement fund association may contract for the services of an approved actuary and fix the reasonable compensation for those services. Any approved actuary retained by the board shall function as the actuarial advisor to the board and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained by the legislative commission

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on pensions and retirement. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the legislative commission on pensions and retirement.

Sec. 49. Minnesota Statutes 1986, section 354A.32, is amended to read:

**354A.32 OPTIONAL RETIREMENT ANNUITIES.**

Subdivision 1. OPTIONAL FORMS GENERALLY. The boards of the Minneapolis and the St. Paul teachers retirement fund associations shall each establish for the coordinated program and the board of the Duluth teachers retirement fund association shall establish for the new law coordinated program an optional retirement annuity which shall take the form of a joint and survivor annuity. Each board may also in its discretion establish an optional annuity which shall take the form of an annuity payable for a period certain and for life thereafter. Each board shall also establish an optional retirement annuity which shall take the form of a guarantee that in the event of death the balance of the accumulated deductions shall be paid to a designated beneficiary. ~~All~~ Optional annuity forms shall be the actuarial equivalent of the normal forms provided in section 354A.31. In establishing these optional annuity forms, the board shall obtain the written recommendation of an approved the commission-retained actuary and. The recommendation shall be a part of the permanent records of the board.

Subd. 2. SPECIAL OPTIONAL ANNUITY PROVISIONS. In the event of the death of the designated beneficiary of a retired member who had elected an optional annuity in the form of a joint and survivor annuity under subdivision 1, the retired member shall thereafter receive the unreduced amount of the earned benefit computed pursuant to 354A.31. The effect of this provision shall be reflected in calculating the actuarial equivalent joint and survivor annuity under subdivision 1.

Sec. 50. Minnesota Statutes 1986, section 354A.33, is amended to read:

**354A.33 SOCIAL SECURITY LEVELING ADJUSTMENT OPTION.**

Any coordinated member who retires prior to the time the member becomes eligible for social security old age retirement benefits shall be entitled to elect to receive a social security leveling adjustment optional annuity from the teachers retirement fund association. The social security leveling adjustment optional annuity shall be established by the board of the teachers retirement fund association. It shall take the form of an annuity payable for the period prior to the member's becoming eligible for social security old age retirement benefits in an amount greater than the amount of the member's annuity calculated pursuant to section 354A.31 on the basis of the age of the member at retirement but equal insofar as possible to the social security old age retirement benefit and the adjusted retirement annuity amounts payable immediately subsequent to becoming eligible for social security old age retirement benefits in an amount less than the amount of the member's annuity calculated pursuant to section 354A.31 on

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the basis of the age of the member at retirement. The optional form shall be the actuarial equivalent to the normal forms provided in section 354A.31. In establishing the optional form, the board shall obtain the written recommendation of an approved the commission-retained actuary and the recommendation shall be a part of the permanent records of the board.

Sec. 51. Minnesota Statutes 1986, section 354A.41, subdivision 2, is amended to read:

Subd. 2. **ACTUARIAL VALUATIONS.** ~~Whenever~~ In any actuarial valuation of the Minneapolis teachers retirement fund association ~~or, the St. Paul teachers retirement fund association shall make an actuarial valuation as required by section 356.215 after July 1, 1979;~~ there shall be included in the report of the actuarial valuation a finding of the condition of the fund showing separately the basic and coordinated programs and ~~whenever,~~ or the Duluth teachers retirement fund association ~~shall make an actuarial valuation as required by under section 356.215 after July 1, 1981 prepared by the commission-retained actuary or supplemental actuarial valuation prepared by an approved actuary retained by the teachers retirement fund association,~~ there shall be included in the report of the actuarial valuation a finding of the condition of the fund showing separately the basic and coordinated programs or the old law coordinated and new law coordinated programs, as appropriate. The finding shall include the level normal cost; accrued liability, assets, unfunded accrued liability, contribution required to meet the interest at the assumed rate on the unfunded accrued liability, and the contribution required to amortize the unfunded accrued liability by the date specified in section 356.215, subdivision 4g, and the applicable employee and employer contribution rates for each program.

Sec. 52. Minnesota Statutes 1986, section 356.20, subdivision 2, is amended to read:

Subd. 2. **COVERED PUBLIC PENSION FUNDS.** (1) State employees retirement fund.

- (2) Public employees retirement fund.
- (3) Teachers retirement fund.
- (4) State patrol retirement fund.
- (5) Minneapolis teachers retirement fund association.
- (6) St. Paul teachers retirement fund association.
- (7) Duluth teachers retirement fund association.
- (8) Minneapolis employees retirement fund.
- (9) University of Minnesota faculty retirement plan.

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- (10) University of Minnesota faculty supplemental retirement plan.
- (11) Judges retirement fund.
- (12) Any police or firefighters' relief association enumerated in section 69.77, subdivision 1a or 69.771, subdivision 1.
- (13) Public employees police and fire fund.
- (14) Minnesota state retirement system correctional officers retirement ~~plan~~ fund.

Sec. 53. Minnesota Statutes 1986, section 356.20, subdivision 3, is amended to read:

Subd. 3. **FILING REQUIREMENT.** ~~Each~~ The financial report is a public record. A copy ~~thereof of the report~~ or a synopsis ~~of the report~~ 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 the~~ report shall be delivered ~~not later than six months after the close of each fiscal year~~ to the executive director of the legislative commission on pensions and retirement and to the legislative reference library ~~not later than six months after the close of each fiscal year or one month following the completion and delivery to the retirement fund of the actuarial valuation report of the fund by the actuary retained by the legislative commission on pensions and retirement, if applicable, whichever is later.~~

Sec. 54. Minnesota Statutes 1986, section 356.20, subdivision 4, is amended to read:

Subd. 4. **CONTENTS OF FINANCIAL REPORT.** ~~Each~~ The financial report required by this section shall include:

(1) An exhibit ~~prepared based on the actuarial valuation prepared by the commission-retained actuary~~ according to applicable actuarial ~~standards requirements~~ 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 exhibit shall show the accrued assets of the fund, the accrued liabilities, including accrued reserves, and the ~~accrued~~ unfunded actuarial accrued liability of the fund. The exhibit shall contain the certificate of ~~an approved the actuary certifying retained by the legislative commission on pensions and retirement specifying~~ that the required reserves for any retirement, disability, or survivor benefits provided under a benefit formula are computed in accordance with the entry age Normal Cost (Level Normal Cost) actuarial cost method and any applicable standards adopted by the legislative commission on pensions and retirement.

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

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

- 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~~ cash equivalents, and short-term securities
- Fixed income investments
- Equity investments
- Real estate investments
- Equity in the Minnesota postretirement investment fund
- Other

(c) The exhibit shall include a statement of the unfunded actuarial accrued liability of the fund which shall include the following measures of unfunded actuarial accrued liability, using the actuarial value of current assets as specified in section 356.215, subdivision 4 1:

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

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

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

If the assets of the fund exceed the actuarial liabilities, the excess shall be listed as a 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

Retirement annuity payments

Disability benefit 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 the "current and expected future benefit obligations." The schedule shall contain the following information on the benefit obligations:

1. Current benefit obligations, which shall be the actuarial value of benefit obligations on account of service rendered to date, separately identified as follows

- (a) For annuitants
    - Retirement annuities
    - Disability ~~annuities~~ benefits
    - Surviving ~~spouses' annuities~~ spouse and child benefits
    - ~~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~~ annuities
    - Disability benefits
    - Refund liability due to death or withdrawal
    - Survivors' benefits
- Total current benefits obligations

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2. Expected future benefit obligations, which shall be the 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 prepared 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; the payment of~~ retirement benefits annuities, 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~~ concerning the 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.

Sec. 55. Minnesota Statutes 1986, section 356.215, is amended to read:

**356.215 ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES.**

Subdivision 1. **DEFINITIONS.** For the purposes of sections 3.85 and 356.20 to 356.23, each of the following terms hereinafter defined shall have the meanings meaning given:

(1) "Actuarial valuation" means a ~~calculation~~ set of calculations prepared by an approved actuary to determine the normal cost and the accrued actuarial liabilities of a benefit plan, according to a stated actuarial cost method and based upon stated assumptions as including, but not limited to rates of interest, mortality, salary increase, disability, withdrawal, and retirement and a ~~determination of to determine~~ the payment necessary to amortize over a stated period

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any unfunded accrued actuarial liability disclosed as a result of the actuarial valuation and the resulting actuarial balance sheet of the benefit plan; ~~and a determination of the payment necessary to prevent any increase in any disclosed unfunded accrued liability.~~

(2) "Approved actuary" means a person who is regularly engaged in the business of providing actuarial services and who has at least 15 years of service to major public employee pension or retirement funds or who is a fellow in the society of actuaries.

(3) "Entry age actuarial cost method" means an actuarial cost method under which the actuarial present value of the projected benefits of each individual currently covered by the benefit plan and included in the actuarial valuation is allocated on a level basis over the service of the individual if the benefit plan is governed by section 69.773 or over the earnings of the individual if the benefit plan is governed by any other law between the entry age and the assumed exit age, with the portion of this actuarial present value which is allocated to the valuation year to be the normal cost and the portion of this actuarial present value not provided for at the valuation date by the actuarial present value of future normal costs to be the actuarial accrued liability, with aggregation in the calculation process to be the sum of the calculated result for each covered individual and with recognition given to any different benefit formulas which may apply to various periods of service.

(4) "Experience study" means a report which furnishes provides experience data and an actuarial analysis which substantiate the actuarial assumptions on which valuations are based.

(5) "Expected future statutory supplemental contributions" means the sum of future employee and employer contributions at the rates specified in statute when the valuation is completed, reduced by the present value of future normal costs.

(6) "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.

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

Subd. 2. **REQUIREMENTS.** It is the policy of the legislature that 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 legislative commission on pensions and retirement shall have prepared annual actuarial valuations and periodic experience studies of the public pension and retirement plans enumerated in section 3.85, subdivision 12, clause (b), and the governing or managing board or administrative officials of each public pension and retirement fund or plan enumerated in section 356.20,

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subdivision 2, clauses (9), (10), and (12) shall ~~cause to be made~~ have prepared annual actuarial valuations and ~~quadrennial~~ periodic experience studies of their respective funds as ~~herein provided in this section~~. 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 the governing or managing board or administrative officials of 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, and any local police or fire fund coming within the provisions of section 356.216.

Subd. 3. **REPORTS.** The actuarial valuations required annually shall be made as of the beginning of each fiscal year. Two copies of ~~each~~ the valuation shall be delivered to the executive director of the legislative commission on pensions and retirement, to the commissioner of finance and to the legislative reference library, not later than the first day of the sixth month occurring after the end of the previous fiscal year. ~~Every fourth year occurring after 1975,~~ Two copies of ~~an any~~ experience study covering four fiscal years prepared periodically as provided for in the standards adopted by the commission shall be filed with the executive director of the legislative commission on pensions and retirement, with the commissioner of finance, and ~~to with~~ the legislative reference library, not later than the first day of the ~~sixth~~ eleventh month occurring after the end of the last fiscal year of the period which the experience study covers. For actuarial valuations and experience studies prepared at the direction of the legislative commission on pensions and retirement, two copies of the document shall be delivered to the governing or managing board or administrative officials of the applicable public pension and retirement fund or plan.

Subd. 4. **ACTUARIAL VALUATIONS; CONTENTS.** ~~The~~ The actuarial ~~valuations~~ valuation 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~~ The actuarial valuation shall measure all aspects of the benefit plan of the fund in accordance with changes in benefit plans, if any, and salaries as ~~will or can reasonably be anticipated to be in force~~ during the ensuing fiscal year. ~~Each~~ The actuarial valuation shall be prepared in accordance with the entry age ~~normal~~ actuarial cost (~~level normal cost~~) method.

~~Each~~ The 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 defined benefit formula plan, the actuarial valuation shall contain an exhibit indicating 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~~ actuarial 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.

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Subd. 4b. **ACCRUED LIABILITY.** For each fund providing any benefits under a defined benefit plan, the actuarial valuation shall contain an exhibit indicating 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~~ actuarial cost method.

Subd. 4c. **DEFINED CONTRIBUTION ACCUMULATIONS.** For each fund providing benefits under the money purchase or defined contribution ~~method~~ plan, the actuarial valuation shall contain an exhibit indicating 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 a manner as to reflect which~~ properly reflects any differences in money purchase or defined contribution annuity rates which may apply.

Subd. 4d. **INTEREST AND SALARY ASSUMPTIONS.** For funds governed by chapters 3A, 352, 352B, 352C, 353, 354 (~~except other than~~ the variable annuity fund, which is governed by section 354.62), and 490, the actuarial valuation shall use 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, the actuarial valuation shall use 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 actuarial valuation shall reflect 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, the actuarial valuation shall use 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.

For funds governed by chapters 3A, 352C, and 490, the actuarial valuation shall use a preretirement interest assumption of eight percent, a postretirement interest assumption of five percent, and an assumption that in each future year in which the salary amount payable is not determinable from section 3.099, 15A.081, subdivision 6, or 15A.083, subdivision 1, whichever is applicable, or from applicable compensation council recommendations under section 15A.082, the salary on which a retirement or other benefit is based is 1.065 multiplied by the known or computed salary for the preceding year, whichever is applicable.

Subd. 4e. **OTHER ASSUMPTIONS.** ~~Other~~ The actuarial valuation shall use assumptions as to concerning mortality, disability, retirement, withdrawal, entry age and retirement age, and any other relevant demographic or economic factor, which shall be set at levels consistent with those determined in the most recent experience study completed pursuant to subdivision 5; may be utilized. ~~These other~~ The actuarial valuation shall contain an exhibit indicating any actuarial assumptions must be set forth used in preparing the valuation report.

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Subd. 4f. **ACTUARIAL BALANCE SHEET.** The actuarial valuation shall contain an actuarial balance sheet ~~must show, which shall indicate~~ current and expected future benefit obligations, current and expected future assets, unfunded actuarial accrued liability, current unfunded actuarial liability, and current and future unfunded actuarial liability. Specifically, the balance sheet for all funds, except local police ~~and~~ salaried firefighter, and specified volunteer firefighter funds, shall ~~be include~~ organized in the following manner:

Current assets		
Cash <del>and</del> <u>cash</u> equivalents,		
<u>and short-term securities</u>	\$...	
Fixed income investments	...	
Equity investments	...	
Real estate investments	...	
<u>Equity in the Minnesota postretirement investment fund</u>	...	
Other	...	
Total current assets		\$...
Expected future assets		
Present value of expected future statutory supplemental contributions	...	
Present value of future normal costs	...	
Total expected future assets		\$...
Total current and expected future assets		\$...
Current benefit obligations		
Actuarial <u>present value of credited projected benefit obligations</u> on account of service rendered to date:		
For annuitants		
Retirement annuities	\$...	
Disability <del>annuities</del> <u>benefits</u>	...	
Surviving <del>spouses' annuities</del> <u>spouse and child benefits</u>	...	
Surviving <del>children's annuities</del>	...	
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		\$...

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Current unfunded <u>actuarial</u> liability (Total current benefit obligations less total current assets):	\$...
Current and future unfunded <u>actuarial</u> 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 that 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 that itemization.

Subd. 4g. **AMORTIZATION CONTRIBUTIONS.** In addition to the exhibit indicating the level normal cost, the actuarial valuation shall contain an exhibit indicating the additional annual contribution which would be required to retire amortize the unfunded actuarial 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 percentage of covered payroll basis by the established date for full funding which is in effect at the time of when the valuation is prepared. 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 annual dollar amount basis.

If, for any fund other than the Minneapolis employees retirement fund, 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 actuarial 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 actuarial 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 actuarial accrued liability of the fund, the established

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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, for any fund or plan other than the Minneapolis employees retirement fund, 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 actuarial 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 actuarial accrued liability of all or a portion of the fund, or a combination of the three, ~~which~~ and the change or changes, by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding shall be determined using the following procedure:

(i) the unfunded actuarial 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~~ before an applicable change;

(ii) the level annual dollar contribution or level percentage, whichever is applicable, which is needed to amortize the unfunded actuarial 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~~ before the change;

(iii) the unfunded actuarial 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~~ before the change;

(iv) the level annual dollar contribution or level percentage, whichever is applicable, which is needed to amortize the difference between the unfunded actuarial accrued liability amount calculated pursuant to subclause (i) and the unfunded actuarial 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 applicable interest assumption specified in ~~clause (4)~~ subdivision 4d in effect ~~subsequent to~~ after 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 actuarial 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)~~ subdivi-

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sion 4d in effect ~~subsequent to~~ after 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~~ before 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.

For the Minneapolis employees retirement fund, the established date for full funding shall be June 30, 2017.

Subd. 4h. **ACTUARIAL GAINS AND LOSSES.** The actuarial valuation shall contain an exhibit consisting of an analysis by the actuary explaining the net increase or decrease in the unfunded actuarial accrued liability since the last valuation must be provided. The explanation shall subdivide the net increase or decrease in the unfunded actuarial accrued liability into at least the following parts:

(a) increases or decreases in the unfunded actuarial accrued liability because of changes in benefits;

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

(c) increases or decreases in the unfunded actuarial accrued liability separately by source attributable to actuarial gains or losses resulting from any deviations of actual investment earnings, actual postretirement mortality rates, and actual salary increase rates; actual disability rates; actual withdrawal rates and actual retirement rates from the assumptions on which the valuations are based and the remainder of the increase or decrease not attributable to any separate source;

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

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

Subd. 4i. **MEMBERSHIP TABULATION.** The actuarial valuation shall contain an exhibit consisting of 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

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general benefit program. The tabulations shall be ~~submitted in~~ contain the following ~~form~~ information:

	Annual
	Payroll
(a) Active members	Number
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
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~~ Disability benefit recipients
- (c) Surviving spouse ~~annuitants~~ benefit recipients
- (d) Surviving ~~children annuitants~~ child benefit recipients
- (e) Deferred annuitants

Subd. 4j. **ADMINISTRATIVE EXPENSES.** The actuarial valuation shall contain an exhibit indicating a statement of the administrative expenses must be provided expressed both in dollars and also as a percentage of covered payroll.

Subd. 4k. **PLAN SUMMARY.** The actuarial valuation shall contain an exhibit indicating a summary of the principal provisions of the plan upon which the valuation is based must be included.

Subd. 5. **EXPERIENCE STUDY; CONTENTS.** Each experience study shall contain an actuarial analysis which substantiates of the experience of the fund or association and a comparison of the experience with the actuarial assump-

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tions on which the most recent actuarial valuation of the retirement fund or relief association was based, and shall also 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 years.

Subd. 6. **APPROVED ACTUARIES.** Each actuarial valuation or experience study shall be made and any actuarial consulting services for a retirement fund or plan shall be provided by an approved actuary. An approved actuary is an actuary who has 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 The actuarial valuation or experience study shall state include a certification that it has been completed prepared in accordance with the provisions of sections 356.20 to 356.23 and the standards for actuarial work adopted by the legislative commission on pensions and retirement.

Subd. 7. ESTABLISHMENT OF ACTUARIAL ASSUMPTIONS. Actuarial assumptions used for actuarial valuations under this section that are other than those set forth in this section may be changed only with the approval of the legislative commission on pensions and retirement. A change in the applicable actuarial assumptions may be proposed by the governing board of the applicable pension fund or relief association, by the actuary retained by the legislative commission on pensions and retirement, by the actuarial advisor retained by a pension fund governed by chapter 352, 353, 354, or 354A, or by the actuary retained by a local police or firefighters relief association governed by sections 69.77 or 69.771 to 69.776.

Sec. 56. Minnesota Statutes 1986, section 356.216, is amended to read:

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

The provisions of section 356.215 governing the contents of actuarial valuations 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, if required to be

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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 any member contributions are calculated and deducted;

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

(3) in addition to the tabulation of active members and annuitants provided for in section 356.215, subdivision 4i, 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 valued at market value if the actuarial valuation is required to be prepared at least every four years or valued as current assets under section 356.215, subdivision 1, clause (5), if the actuarial valuation is required to be prepared annually, actuarial accrued liabilities, and the ~~deficit from full funding of liabilities~~ (unfunded actuarial 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

~~(6) actuarial valuations shall be due not later than the first day of the seventh month after the end of the fiscal year which the valuation covers.~~

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

(6) actuarial valuations shall be due by the first day of the seventh month after the end of the fiscal year which the actuarial valuation covers.

Sec. 57. Minnesota Statutes 1986, section 356.22, subdivision 2, is amended to read:

Subd. 2. **ACCELERATED AMORTIZATION.** No provision in sections 356.20 to 356.23 shall be construed to preclude any public pension and retirement fund ~~herein~~ enumerated in section 356.20, subdivision 2 from requesting, or the legislature from providing for, the amortization of any ~~deficit~~ unfunded actuarial accrued liability in a shorter period of time than by the established date for full funding as determined pursuant to section 356.215, subdivision 4g.

Sec. 58. Minnesota Statutes 1986, section 356.23, is amended to read:

**356.23 SUPPLEMENTAL VALUATIONS; ALTERNATIVE REPORTS AND VALUATIONS.**

Subdivision 1. SUPPLEMENTAL ACTUARIAL VALUATIONS. Any supplemental actuarial valuations prepared on behalf of any governing or managing board of any pension and retirement fund enumerated in section 356.20, subdivision 2, by an approved actuary, shall be prepared in accordance with the applicable provisions of sections 356.20 to 356.23 and the standards adopted by the legislative commission on pensions and retirement. Any pension and retirement fund which prepares an alternative actuarial valuation under subdivision 2 shall also have a supplemental actuarial valuation prepared.

Subd. 2. ALTERNATIVE REPORTS AND VALUATIONS. In addition to the financial reports and actuarial valuations required by sections 356.20 to 356.23, the governing or managing board of ~~the funds~~ any fund concerned may submit alternative reports and valuations for distribution to the legislature ~~or~~, any of its ~~commissions or committees,~~ or the legislative commission on pensions and retirement on a different basis or on different assumptions than are specified in sections 356.20 to 356.23; ~~provided.~~ The assumptions and basis of ~~such~~ any alternative reports and valuations ~~are~~ shall be clearly set forth ~~therein~~ stated in the document.

Sec. 59. Minnesota Statutes 1986, section 356.41, is amended to read:

**356.41 BENEFIT ADJUSTMENTS FOR CERTAIN DISABILITY AND SURVIVOR BENEFITS.**

Disability benefits and survivor benefits payable to a disabilitant ~~or~~, if not otherwise included in the participation in the Minnesota postretirement investment fund, and survivor benefits payable to a survivor ~~now or hereafter~~ receiving benefits from any public pension fund which participates in the Minnesota

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postretirement investment fund shall be adjusted in the same manner, at the same times and in the same amounts as are benefits payable from the Minnesota postretirement investment fund to ~~retirees~~ eligible benefit recipients of that public pension fund. If a disability benefit is not included in the participation in the Minnesota postretirement investment fund, the disability benefit is recomputed as a retirement annuity and the recipient would have been eligible for an adjustment pursuant to this section if the disability benefit was not recomputed, the recipient will continue to be eligible for the adjustment pursuant to this section after the recomputation. For the survivor of a deceased annuitant who receives a survivor benefit calculated pursuant to a prior law rather than the second portion of a joint and survivor annuity, any period of receipt of a retirement annuity by the annuitant shall be utilized in determining the period of receipt for eligibility to receive an adjustment pursuant to this section. No recipient shall, however, be entitled to more than one adjustment pursuant to this section or section 11A.18 applicable to one benefit at one time by reason of this section.

Sec. 60. Minnesota Statutes 1986, section 356.451, subdivision 1, is amended to read:

Subdivision 1. **RESERVE ACCOUNT FOR PROVISIONAL MEMBERS; AUTHORIZATION.** Notwithstanding any provisions to the contrary of the laws governing the funds enumerated in subdivision 2, any person who is employed in subsidized on-the-job training, work experience or public service employment as an enrollee under the federal Comprehensive Employment and Training Act, who does not have as of the later of March 30, 1978 or the date of employment sufficient service credit in the retirement fund to meet the minimum vesting requirements for a deferred annuity, who otherwise meets all of the applicable eligibility requirements of the fund and who is designated as such by the city council of the city of Minneapolis or the board of education of special school district No. 1, whichever is applicable, shall be considered a provisional member of the fund. There shall be established a subsidiary reserve account for provisional members which shall be managed by the board of trustees of the fund as a separate account and which shall not be considered as an asset or a liability of the fund. To this account shall be credited all employee and required employer contributions made by or on account of provisional members. A separate record for each provisional member shall be maintained showing the length of service completed, the accrued employee and required employer contributions made by or on account of each provisional member, and the actual rate of interest earned on the assets of the account. The assets of the separate account shall be invested in the same manner as and subject to the same limitations ~~which are~~ as applicable to the general assets of the retirement fund. The board of trustees shall remit back to the prime sponsor of the federal Comprehensive Employment and Training Act program periodically as required by the applicable federal regulation an amount equal to the total required employer contributions made on account of provisional members who terminate or who are terminated from subsidized on-the-job training, work experience or public service employment without obtaining unsubsidized employment with an employer who employs members who

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regularly have retirement coverage provided by that retirement fund or by a retirement fund enumerated in section 356.30, subdivision 3, or without obtaining sufficient service credit to become entitled to a deferred retirement annuity had they been regular members of that retirement fund during the period of their provisional membership, plus interest at the rate or rates actually earned and in addition any amounts which exceed the funds required to cover current provisional members as projected by the board of trustees. Any provisional member who terminates or is terminated from subsidized on-the-job training, work experience or public service employment without obtaining unsubsidized employment with an employer who employs members who regularly have retirement coverage provided by that retirement fund or by a retirement fund enumerated in section 356.30, subdivision 3, or without obtaining sufficient service to become entitled to a deferred retirement annuity had the provisional member been a regular member of the retirement fund during the period of provisional membership shall be entitled upon making valid written application to a refund of all employee contributions credited to the member in the subsidiary reserve account for provisional members, plus interest at the average actual rate of interest earned on the assets of the account, but not to exceed the rate of 3-1/2 percent per annum compounded annually from the date of commencement of provisional membership, computed to the first day of the month in which the refund is processed, and based on fiscal year balances. If the provisional member obtains unsubsidized employment with an employer who employs members who regularly have retirement coverage provided by that retirement fund or by a retirement fund enumerated in section 356.30, subdivision 3, or obtains sufficient service to become entitled to a deferred retirement annuity had the period of provisional membership been as a regular member, the board of trustees shall transfer the total employee and required employer contributions and any interest attributable to those contributions to the regular retirement fund and shall credit the period of service as a provisional member as allowable or formula service. Unless the provisional member becomes a regular member of ~~the same~~ that retirement fund or a retirement fund enumerated in section 356.30, subdivision 3, within the time period allowed under the applicable federal regulations following the person's termination of provisional status, no period of provisional membership shall be considered allowable service for purposes of the combined service annuity pursuant to section 356.30 or any service in more than one retirement fund provision. For any former provisional member who becomes a regular member of a retirement fund enumerated in section 356.30, subdivision 3, the board of trustees shall require written certification of the fact of unsubsidized employment from the subsequent employer and of the fact of regular fund membership from the subsequent retirement fund. If any provisional member obtains service in an amount sufficient to entitle the provisional member to a disability benefit or the provisional member's survivor to a survivor's benefit had the provisional member been a regular member for that period of service, then the provisional member or the provisional member's survivor shall be entitled to a benefit when otherwise qualified notwithstanding the fact that the person was a provisional member. Upon the commencement of ~~such~~ the benefit, an amount equal to the contributions and interest credited to the provi-

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sional member shall be transferred from the reserve account for provisional members to the regular fund. ~~In any actuarial valuation made by the fund pursuant to this chapter, the results of the subsidiary reserve account for provisional members shall be contained in a separate calculation or tabulation. The separate calculation or tabulation shall use the actuarial assumptions used by the fund which are appropriate to the experience of the subsidiary reserve account for provisional members, and shall include the items contained in section 356.215, subdivisions 4, 4a, 4b, 4f, and 4k.~~

Sec. 61. Minnesota Statutes 1986, section 422A.01, subdivision 6, is amended to read:

Subd. 6. **PRESENT VALUE.** "Present worth" or "present value" means that the present amount of money if increased at an assumed rate of the applicable postretirement or preretirement interest rate assumption specified in section 356.215, subdivision 4d and based on the mortality table adopted by the board of trustees based on the experience of the fund as recommended by the actuary retained by the legislative commission on pensions and retirement will at the time of retirement equal the ~~cost~~ actuarial accrued liability of the annuity already earned.

Sec. 62. Minnesota Statutes 1986, section 422A.01, subdivision 7, is amended to read:

Subd. 7. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means ~~two or more settlements, annuities, or benefits that have the same condition of one annuity or benefit having an equal present worth or present value as another annuity or benefit.~~

Sec. 63. Minnesota Statutes 1986, section 422A.01, subdivision 10, is amended to read:

Subd. 10. **UNFUNDED ACTUARIAL ACCRUED LIABILITY.** "Actuarial deficit" or "actuarial surplus" of an allowance or of allowances "Unfunded actuarial accrued liability" means the difference between the actuarial accrued liabilities liability to date of the allowance or allowances and the corresponding assets valued under section 356.215, subdivision 1, clause (6).

Sec. 64. Minnesota Statutes 1986, section 422A.04, subdivision 2, is amended to read:

Subd. 2. **ACTUARIAL DATA.** The board shall keep in convenient form ~~such any data as shall be necessary for the preparation of the annual~~ actuarial valuation of the various funds and accounts fund created by sections 422A.01 to 422A.25 this chapter. The ~~board~~ actuarial valuations of the fund shall be governed by the provisions of chapter 356.

Sec. 65. Minnesota Statutes 1986, section 422A.04, subdivision 3, is amended to read:

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Subd. 3. **EXPERIENCE DATA AND MORTALITY TABLES.** The board shall prepare and keep ~~all~~ any needful tables, records and accounts required for carrying out the provisions of sections 422A.01 to 422A.25, including data showing the mortality and disability experience of the officers and employees of the service and the date of withdrawal from ~~such~~ service, and any other information that may serve as a guide for future actuarial valuations and adjustments ~~of in the plan~~ actuarial assumptions for the retirement of ~~officers and employees~~ fund. Mortality tables shall be adopted and may be modified from time to time by the board based on the experience of the fund as recommended by the actuary retained by the legislative commission on pensions and retirement as a basis of calculation for retirement allowances, ~~which tables may be modified from time to time with any recommendation by the actuary retained as a part of the permanent records of the board.~~

Sec. 66. Minnesota Statutes 1986, section 422A.06, subdivision 2, is amended to read:

Subd. 2. **ACTUARIAL VALUATIONS REQUIRED.** ~~At the end~~ As of July 1 of each ~~class~~ year, an actuarial valuation of the retirement fund shall be prepared by the commission-retained actuary and filed in conformance with the provisions and requirements of sections 356.215 to 356.23. Experience studies shall be prepared ~~at such those times as required by statute,~~ required by the standards for actuarial work adopted by the legislative commission on pensions and retirement or ordered by the board.

The board may contract for the services of an approved actuary and fix the reasonable compensation for those services. Any approved actuary retained by the board shall function as the actuarial advisor to the board and may perform actuarial valuations and experience studies to supplement those performed by the actuary retained by the legislative commission on pensions and retirement. Any supplemental actuarial valuations or experience studies shall be filed with the executive director of the legislative commission on pensions and retirement.

Sec. 67. Minnesota Statutes 1986, section 422A.06, subdivision 5, is amended to read:

Subd. 5. **TRANSFER OF RESERVES TO RETIREMENT BENEFIT FUND; ADJUSTMENTS OF ANNUITIES AND BENEFITS.** (a) ~~For those members retiring pursuant to this chapter,~~ Assets equal to the required reserves for retirement annuities as determined in accordance with a the appropriate mortality table appropriate to the retirement fund with an adopted by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the postretirement interest assumption set at the rate specified in section 356.215, subdivision 4d, shall be transferred to the disability benefit fund as provided in subdivision 7, or the retirement benefit fund, except for any amounts payable from the survivor benefit fund, as of date of retirement.

(b) Annuity payments shall be adjusted in accordance with the provisions of

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this chapter, except that no minimum retirement payments ~~therein~~ described in this chapter shall include any amounts payable from the survivors' benefit fund or disability benefit fund and supplemented benefits specifically financed by statute.

(c) Notwithstanding the provisions of section 356.18, increases in annuity payments pursuant to this section shall be made automatically unless written notice on a form prescribed by the board is filed with the retirement board requesting that the increase not be made.

(d) Any additional annuity which began to accrue on July 1, 1973 or which began to accrue on January 1, 1974, pursuant to Laws 1973, chapter 770, section 1, shall be considered as part of the base amount to be used in determining any postretirement adjustments payable pursuant to the provisions of subdivision 8.

Sec. 68. Minnesota Statutes 1986, section 422A.06, subdivision 7, is amended to read:

Subd. 7. **DISABILITY BENEFIT FUND.** (a) ~~The disability benefit fund shall consist of amounts held for payment of disability allowances which become effective after December 31, 1973.~~ required reserves for all disability allowances which become effective after such date ~~assets equal to the present value of such allowances December 31, 1973,~~ shall be transferred from the deposit accumulation fund to the disability benefit fund. A proportionate share of income from investments shall be allocated to this fund. There shall be paid from this fund the disability allowances which become effective after December 31, 1973.

(b) In the event of termination of any ~~such~~ disability allowance for any reason other than the death of the recipient, ~~the present value of such balance of the required reserves for the disability~~ allowance as of the date of termination shall be transferred from the disability benefit fund to the deposit accumulation fund.

(c) At the end of each fiscal year ~~an~~, as part of the annual actuarial valuation, a determination shall be made of the required reserves for all disability allowances being paid from the disability benefit fund. Any excess of assets over actuarial required reserves in the disability benefit fund shall be transferred to the deposit accumulation fund. Any excess of actuarial reserves over assets in the disability benefit fund shall be funded by a transfer of ~~such excess~~ the appropriate amount of assets from the deposit accumulation fund.

Sec. 69. Minnesota Statutes 1986, section 422A.06, subdivision 8, is amended to read:

Subd. 8. **RETIREMENT BENEFIT FUND.** The retirement benefit fund shall consist of amounts held for payment of retirement allowances for members retired pursuant to ~~sections 422A.01 to 422A.25.~~ For members retiring after the established date for the transfer of assets and liabilities specified in see-

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~~tion 422A.06, subdivision 3, this chapter.~~ Assets equal to the required reserves for retirement allowances pursuant to ~~law this chapter determined in accordance with the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary~~ shall be transferred from the deposit accumulation fund to the retirement benefit fund as of the last business day of the month in which the retirement allowance begins. ~~All~~ The income from investments of these assets shall be allocated to this fund. There shall be paid from this fund ~~all~~ the retirement annuities authorized by law. A required reserve calculation for the retirement benefit fund must be made by the actuary retained by the legislative commission on pensions and retirement and must be certified to the retirement board by the commission-retained actuary. The retirement benefit fund shall be governed by the applicable laws governing the accounting and audit procedures, investment, actuarial requirements, calculation and payment of postretirement benefit adjustments, discharge of any deficiency in the assets of the fund when compared to the actuarially determined required reserves, and other applicable operations and procedures regarding the Minnesota postretirement investment fund established pursuant to section 11A.18, and any legal or administrative interpretations of those laws of the state board of investment, the legal advisor to the board of investment and the executive director of the state board of investment. If a deferred yield adjustment account is established for the Minnesota postretirement investment fund under section 11A.18, subdivision 5, the retirement board shall also establish and maintain a deferred yield adjustment account within this fund.

Annually, following the calculation of any postretirement adjustment payable from the retirement benefit fund, the board of trustees shall submit a report to the executive director of the legislative commission on pensions and retirement and to the commissioner of finance indicating the amount of any postretirement adjustment and the underlying calculations on which that postretirement adjustment amount is based, including the amount of dividends, the amount of interest, and the amount of net realized capital gains or losses utilized in the calculations.

Sec. 70. Minnesota Statutes 1986, section 422A.101, is amended to read:

**422A.101 PREPARATION OF FINANCIAL REQUIREMENTS OF FUND;  
EMPLOYER CONTRIBUTIONS.**

Subdivision 1. **FINANCIAL REQUIREMENTS OF FUND.** Prior to August 31 annually, the retirement board, in consultation with the commission-retained actuary, shall prepare an itemized statement of the financial requirements of the fund for the succeeding fiscal year. A copy of the statement shall be submitted to the city council, the board of estimate and taxation of the city, the managing board or chief administrative officer of each city owned public utility, improvement project or municipal activity supported in whole or in part by revenues other than real estate taxes, public corporation, or unit of metropolitan government employing members of the fund, the board of special school district No. 1,

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and the state commissioner of finance prior to September 15 annually. The statement shall be itemized and shall include the following:

(1) an estimate of the administrative expenses of the fund for the following year, ~~less any amount which the retirement board may charge against the interest income account of the fund as the cost of handling the investment securities of the fund~~ which shall be determined by multiplying the figure for administrative expenses as reported in the most recent actuarial valuation prepared by the commission-retained actuary by the factor of 1.035;

(2) an estimate of the normal cost of the fund expressed as a dollar amount, which shall be determined by applying the normal cost of the fund as reported in the most recent actuarial valuation prepared by the commission-retained actuary and expressed as a percentage of covered payroll to the estimated total covered payroll of all employees covered by the fund for the following year;

(3) an estimate of the contribution required to amortize on a level annual dollar basis the unfunded actuarial accrued liability of the fund by ~~the year June 30, 2017,~~ using an interest rate of five percent compounded annually as reported in the most recent actuarial valuation, prepared by the commission-retained actuary expressed as a dollar amount. In determining the amount of the unfunded actuarial accrued liability of the fund, all assets other than the assets of the retirement benefit fund shall be valued as current assets as defined under section 356.215, subdivision 1, clause (5), and the assets of the retirement benefit fund shall be valued equal to the actuarially determined required reserves for benefits payable from that fund;

(4) the amount of any deficiency in the actual amount of any employer contribution provided for in this section when compared to the required contribution amount certified for the previous year, plus interest on the amount at the rate of six percent per annum.

Subd. 1a. **CITY CONTRIBUTIONS.** Prior to August 31 of each year, the retirement board shall prepare an itemized statement of the financial requirements of the fund payable by the city for the succeeding fiscal year, and a copy of the statement shall be submitted to the board of estimate and taxation and to the city council by September 15. The financial requirements of the fund payable by the city shall be calculated as follows:

(a) a regular employer contribution of an amount equal to the percentage rounded to the nearest two decimal places of the salaries and wages of all employees covered by the retirement fund which equals the difference between the level normal cost plus administrative cost as reported in the annual actuarial valuation prepared by the commission-retained actuary and the employee contributions provided for in section 422A.10 less any amounts contributed toward the payment of the balance of the normal cost not paid by employee contributions by any city owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than real estate taxes, any public corporation, any employing unit of metropolitan government, or by special school district number 1 pursuant to subdivision 2;

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(b) an additional employer contribution of an amount equal to the percent specified in section 353.27, subdivision 3a, clause (a), multiplied by the salaries and wages of all employees covered by the retirement fund less any amounts contributed toward amortization of the unfunded actuarial accrued liability by ~~the year June 30, 2017,~~ attributable to their respective covered employees by any city owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than real estate taxes, any public corporation, any employing unit of metropolitan government, or by Special School District No. 1 pursuant to subdivision 2; and

(c) a proportional share of an additional employer amortization contribution of an amount equal to \$3,900,000 annually until ~~the year June 30, 2017,~~ based upon the share of the fund's unfunded actuarial accrued liability attributed to the city as disclosed in the annual actuarial valuation prepared by the commission-retained actuary.

The city council shall, in addition to ~~all~~ other taxes levied by the city, annually levy a tax equal to the amount of the financial requirements of the fund which are payable by the city. The tax, when levied, shall be extended upon the county lists and shall be collected and enforced in the same manner as other taxes levied by the city. If the city does not levy a tax sufficient to meet the requirements of this subdivision, the retirement board shall submit the tax levy statement directly to the county auditor, who shall levy the tax. The tax, when levied, shall be extended upon the county lists and shall be collected and paid into the city treasury to the credit of the retirement fund. Any amount to the credit of the retirement fund shall constitute a special fund and shall be used only for the payment of obligations authorized pursuant to this chapter.

**Subd. 2. CONTRIBUTIONS BY OR FOR CITY-OWNED PUBLIC UTILITIES, IMPROVEMENTS, OR MUNICIPAL ACTIVITIES.** Contributions by or for any city-owned public utility, improvement project and other municipal activities supported in whole or in part by revenues other than real estate taxes, any public corporation, any employing unit of metropolitan government, special school district No. 1 or Hennepin county, on account of any employee covered by the fund shall be calculated as follows:

(a) a regular employer contribution of an amount equal to the percentage rounded to the nearest two decimal places of the salaries and wages of all employees of the employing unit covered by the retirement fund which equals the difference between the level normal cost plus administrative cost reported in the annual actuarial valuation prepared by the commission-retained actuary and the employee contributions provided for in section 422A.10;

(b) an additional employer contribution of an amount equal to the percent specified in section 353.27, subdivision 3a, clause (a), multiplied by the salaries and wages of all employees of the employing unit covered by the retirement fund;

(c) a proportional share of an additional employer amortization contribu-

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tion of an amount equal to \$3,900,000 annually until ~~the year~~ June 30, 2017, based upon the share of the fund's unfunded actuarial accrued liability attributed to the employer as disclosed in the annual actuarial valuation prepared by the commission-retained actuary.

The city council or any board or commission may, by proper action, provide for the inclusion of the cost of the retirement contributions for employees of any city-owned public utility or for persons employed in any improvement project or other municipal activity supported in whole or in part by revenues other than taxes who are covered by the retirement fund in the cost of operating the utility, improvement project or municipal activity. The cost of retirement contributions for these employees shall be determined by the retirement board and the respective governing bodies having jurisdiction over the financing of these operating costs.

The cost of the employer contributions on behalf of employees of special school district No. 1 who are covered by the retirement fund shall be the obligation of the school district. The retirement board shall prepare an itemized statement of the financial requirements of the fund payable by the school district, which shall be submitted prior to September 15. Contributions by the school district shall be made at times designated by the retirement board. The school district may levy for its contribution to the retirement fund only to the extent permitted pursuant to section 275.125, subdivision 6a.

The cost of the employer contributions on behalf of elective officers or other employees of Hennepin county who are covered by the retirement fund pursuant to section 422A.09, subdivision 3, clause (2), 422A.22, subdivision 2, or 488A.115, or Laws 1973, chapter 380, section 3, Laws 1975, chapter 402, section 2, or any other applicable law shall be the obligation of Hennepin county. The retirement board shall prepare an itemized statement of the financial requirements of the fund payable by Hennepin county, which shall be submitted prior to September 15. Contributions by Hennepin county shall be made at times designated by the retirement board. Hennepin county may levy for its contribution to the retirement fund.

Subd. 2a. **CONTRIBUTIONS BY METROPOLITAN AIRPORT COMMISSION AND METROPOLITAN WASTE CONTROL COMMISSION.** The metropolitan airport commission and the waste control commission shall pay to the Minneapolis employees retirement fund annually in installments as specified in subdivision 3 the share of the additional support rate required for full amortization of the unfunded actuarial accrued liabilities by ~~the year~~ June 30, 2017, that is attributable to airport commission or waste control commission employees who are members of the fund. The amount of the payment ~~is~~ shall be determined by utilizing the most recent actuarial valuation, ~~as calculated~~ prepared by the actuary ~~for~~ retained by the legislative commission on pensions and retirement.

Subd. 3. **STATE CONTRIBUTIONS.** The state shall pay to the Minneapo-

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lis employees retirement fund annually an amount equal to the financial requirements of the Minneapolis employees retirement fund reported by the actuary in the actuarial valuation of the fund prepared by the commission-retained actuary pursuant to section 356.215 for the most recent year but based on a target date for full amortization of the unfunded actuarial accrued liabilities by ~~the year~~ June 30, 2017, less the amount of employee contributions required pursuant to section 422A.10, and the amount of employer contributions required pursuant to subdivisions 1a, 2, and 2a. Payments shall be made in four equal installments, occurring on March 15, July 15, September 15, and November 15 annually.

Sec. 71. Minnesota Statutes 1986, section 422A.15, subdivision 2, is amended to read:

Subd. 2. **WITHDRAWAL OF VOLUNTARY CONTRIBUTIONS.** Voluntary additions to the employee's deposits made by the employee under ~~the provisions of~~ section 422A.10 may be withdrawn by the retiring employee or, with the approval of the retirement board, applied to the purchase of an additional annuity computed and determined under a procedure specified by the actuary in accordance with retained by the legislative commission on pensions and retirement utilizing the same assumptions used by the fund appropriate mortality table established by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 72. Minnesota Statutes 1986, section 422A.15, subdivision 3, is amended to read:

Subd. 3. **OPTIONAL DEFINED CONTRIBUTION ANNUITY.** In lieu of the formula pension and annuity, each a person who was a contributing member on the effective date of this act April 28, 1973, who is eligible to retire and who ceases to be employed and who qualifies for retirement shall have the option of electing to receive what shall be a retirement allowance known as "the \$2 bill and annuity".

If a member of the contributing class makes the election ~~herein~~ provided for in this section, the member shall receive a minimum pension of \$2 per month for each year of service. The pension shall be the actuarial equivalent of the accumulated amounts of ~~such~~ the annual installments as may be now or hereafter fixed and designated by law throughout the period of service of the retiring employee, not to exceed 25 years, accumulated to the date of retirement at six percent compound interest, and such extra credit to be ~~furnished~~ provided by the city as will produce ~~such~~ the minimum pension of \$2 per month for each year of service. The pension shall be in addition to the annuity. The annuity shall be in the actuarial equivalent of the net accumulated contributions ~~for to~~ the credit of the retiring employee, calculated at the date of retirement. For the purposes of ~~sections 422A.04 to 422A.25 this chapter,~~ the "service allowance" for members of the contributing class shall consist of an "annuity" and a "pension".

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The pension provided for herein shall be the actuarial equivalent of the accumulated annual installments of \$2 per month for each year of service. The sum of \$2 shall be computed ~~under the~~ as a single life plan annuity, and subject to the ~~same~~ option selections provided for in section 422A.17. The pension and annuity provided for ~~herein~~ in this subdivision shall be first paid from the contributing member's own contributions and normal earned credits, plus interest, until ~~such~~ those credits are exhausted.

The retirement allowance provided under this subdivision or any optional annuity form of the retirement allowance shall be computed and determined under a procedure specified by the commission-retained actuary utilizing the appropriate mortality table established by the board of trustees based on the experience of the fund as recommended by the actuary retained by the legislative commission on pensions and retirement and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 73. Minnesota Statutes 1986, section 422A.16, subdivision 2, is amended to read:

Subd. 2. **DEFERRED DEFINED CONTRIBUTION ANNUITY.** A person who is a member of the contributing class ~~on the effective date of this act~~ April 28, 1973, and who makes the election ~~herein~~ provided for in this subdivision and in subdivision 1 ~~provided for~~, may, upon attaining the age of 55 years, but before attaining the age of 65 years, or someone acting in the member's behalf, may make application to receive ~~such~~ the retirement allowance ~~as is~~ provided for in section 422A.15, subdivision 3, or an optional retirement allowance in the manner provided for by section 422A.17. ~~Such~~ The retirement allowance shall be the actuarial equivalent of the city's contribution and the member's deposit, as they were on the date the separation becomes permanent, plus interest, as provided for in section 422A.12.

The retirement allowance provided under this subdivision or any optional annuity form of the retirement allowance shall be computed and determined under a procedure specified by the commission-retained actuary utilizing the appropriate mortality table established by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 74. Minnesota Statutes 1986, section 422A.16, subdivision 3a, is amended to read:

Subd. 3a. **DEATH WHILE DEFERRED SURVIVOR BENEFIT.** If a ~~contributing member~~ person who has become permanently separated from the service of the city after 20 or more years of service as a contributing member, has at ~~the time of~~ separation allowed the member's contributions to the fund to remain on deposit, and has filed a written request with the board on prescribed forms, ~~dies prior to~~ before the effective date of retirement as determined by the board, the board shall pay a monthly allowance for life to the surviving spouse

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of the employee, in lieu of the city credit referred to in section 422A.23. The monthly allowance ~~herein provided for~~ in this subdivision shall be the actuarial equivalent of a single life service allowance specified in section 422A.15, subdivision 1, which would have been payable to the employee person on the date of death, notwithstanding the age requirement stated ~~therein~~ in section 422A.15, subdivision 1. For purposes of this subdivision, the amount of any excess contributions or voluntary additions by the member person shall not be included in determining the monthly allowance.

The surviving spouse allowance under this subdivision shall be computed and determined under a procedure specified by the commission-retained actuary utilizing the appropriate mortality table established by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 75. Minnesota Statutes 1986, section 422A.16, subdivision 10, is amended to read:

Subd. 10. **DEFERRED ALLOWANCE AUGMENTATION.** ~~All~~ Deferred allowances granted under this section shall be calculated as of the date of separation and shall be increased by the interest ~~assumption~~ rate provided for in chapter 356 of five percent per year until January 1, 1981, and thereafter by the interest rate of three percent per year, compounded annually.

Sec. 76. Minnesota Statutes 1986, section 422A.17, is amended to read:

#### **422A.17 RETIREMENT ALLOWANCE; OPTIONS.**

At ~~the time of~~ retirement, any employee who is eligible to receive a service allowance may elect to receive benefits in a retirement allowance payable throughout life or may on retirement elect to receive the actuarial equivalent at that time of annuity, pension, or retirement allowance in a lesser annuity, or a lesser pension, or a lesser retirement allowance, payable throughout life, with the provisions that:

Option I. If the ~~beneficiary~~ benefit recipient dies before receiving in payments an amount equal to the present value of the ~~beneficiary's~~ benefit recipient's annuity, pension, or retirement allowance, as ~~it was at~~ of the time date of the ~~beneficiary's~~ benefit recipient's retirement, the balance shall be paid to the ~~beneficiary's~~ benefit recipient's legal representatives or to such person, having an insurable interest in the ~~beneficiary's~~ benefit recipient's life, as the ~~beneficiary~~ benefit recipient shall nominate by written designation duly acknowledged and filed with the retirement board ~~at the time~~ as of the date of retirement, or

Option II. Upon the death of the ~~beneficiary~~ benefit recipient, the ~~beneficiary's~~ benefit recipient's annuity, pension, or retirement allowance shall be continued throughout the life of and paid to ~~such~~ the person, having an insurable interest in the ~~beneficiary's~~ benefit recipient's life, as the ~~beneficiary~~ benefit recipient

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shall nominate by written designation duly acknowledged and filed with the retirement board ~~at as of the time date~~ of retirement, or

Option III. Upon death of the ~~beneficiary benefit recipient~~, one-half of the ~~beneficiary's benefit recipient's~~ annuity, pension, or retirement allowance shall be continued throughout the life of and paid to ~~such~~ the person, having an insurable interest in the ~~beneficiary's benefit recipient's~~ life, as the ~~beneficiary benefit recipient~~ shall nominate by written designation duly acknowledged and filed with the retirement board ~~at as of the time date~~ of retirement, or

Option IV. Other ~~benefits optional retirement allowance forms~~ shall be paid to the ~~beneficiary benefit recipient~~ or ~~such other person or persons~~ as the ~~beneficiary benefit recipient~~ shall ~~nominate~~ nominates, provided ~~such other benefits~~ shall be certified by the ~~executive director of the retirement board~~ to be that the optional annuity is of equivalent actuarial value to the applicable single life annuity calculated under section 422A.15 and is approved by the retirement board.

Any optional retirement allowance shall be computed and determined under a procedure specified by the commission-retained actuary utilizing the appropriate mortality table established by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

In adopting optional annuity forms, the board of trustees shall obtain the written recommendation of the commission-retained actuary. The recommendations shall be a part of the permanent records of the board of trustees.

Sec. 77. Minnesota Statutes 1986, section 422A.23, subdivision 6, is amended to read:

Subd. 6. **SURVIVOR BENEFIT EMPLOYEE CONTRIBUTION.** The retirement board shall create a reserve account for survivor's benefits from which shall be paid on an actuarial basis all ~~such~~ survivor benefits due and payable. ~~The board shall cause an~~ At the end of each fiscal year, as part of the annual actuarial valuation of the fund prepared by the commission-retained actuary, a determination of the normal cost of the benefits payable from the survivor's benefit account to ~~shall be made by the board's actuary,~~ and ~~the board~~ shall reduce or increase the employee contribution rate of one fourth of one percent if and when it is actuarially determined based on the annual actuarial valuation that ~~such the member contribution rate~~ is in excess of or is less than the amount necessary to pay for 50 percent of the calculated normal cost of the survivor benefits herein provided in this section.

Sec. 78. Minnesota Statutes 1986, section 422A.23, subdivision 7, is amended to read:

Subd. 7. **ACTIVE MEMBER SURVIVOR COVERAGE.** If the contribut-

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

ing member dies after having been in the service of the city 20 or more years, and before the effective date of retirement, as determined by the retirement board, ~~such~~ the board shall pay a monthly allowance for life to the designated beneficiary of ~~such~~ the employee. The monthly allowance herein provided for shall be the actuarial equivalent of a single life service allowance specified in section 422A.15, subdivision 1, which would have been payable to the employee on the date of death, notwithstanding the age requirement stated ~~therein~~ in section 422A.15, subdivision 1. For purposes of this section, the amount of any excess contributions or voluntary additions by the member shall not be included in the calculations in determining the monthly allowance.

The survivor allowance under this subdivision shall be computed and determined under a procedure specified by the commission-retained actuary utilizing the appropriate mortality table established by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 4d.

Sec. 79. Minnesota Statutes 1986, section 490.121, subdivision 20, is amended to read:

Subd. 20. **ACTUARIAL EQUIVALENT.** "Actuarial equivalent" means the ~~annual amount determined by calculations based on mortality tables, purchasable with a given amount at a stated age condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary and using the applicable preretirement or postretirement interest rate assumption specified in section 356.215, subdivision 4d.~~

Sec. 80. Minnesota Statutes 1986, section 490.124, subdivision 11, is amended to read:

Subd. 11. **OPTIONAL ANNUITIES.** There shall be no survivor or death benefits in connection with the death of a judge who retires after December 31, 1973, except as otherwise provided ~~herein~~ in sections 490.121 to 490.132. Within 30 days ~~prior to such~~ before retirement, except as provided in subdivision 10, a judge may elect to receive, in lieu of the normal retirement annuity, an optional annuities retirement annuity which shall take the form of either an annuity payable for a period certain and for life thereafter or a joint and survivor annuity. ~~Such~~ The optional annuities retirement annuity shall be actuarially equivalent to ~~an a single life annuity for life,~~ with no term certain, and shall be established by the ~~governing body~~ board of directors of the Minnesota state retirement system ~~upon~~. In establishing these optional retirement annuity forms, the board shall obtain the written recommendation of an approved the actuary retained by the legislative commission on pensions and retirement. The recommendations shall be a part of the permanent records of the board.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

**Sec. 81. TRANSITIONAL PROVISION.**

In establishing the correctional employees retirement fund under section 20, the board of directors of the Minnesota state retirement system shall allocate the assets currently held by the state employees retirement fund between that fund and the newly created fund. The assets shall be allocated based on the actuarial valuations of the state employees retirement plan and the correctional employees retirement plan prepared by the actuary retained by the legislative commission on pensions and retirement as of July 1, 1986, and adjusted for the actual receipts of contributions and investment income and actual disbursements of benefits, refunds, and administrative expenses attributable to the correctional employees retirement plan occurring between July 1, 1987, and the date on which the correctional employees retirement fund is established.

**Sec. 82. TEMPORARY PROVISION.**

The provisions of sections 11, 12, 14 to 16, 23, 25, 28 to 30, 33, 35 to 38, 40, 44, 46, 47, 49, 61, 62, 65, 69, 71 to 74, and 78 to 80 may not be construed to require any immediate change in current actuarial assumptions, optional annuity forms, optional annuity factors, and early retirement reduction factors and shall only apply to any changes in these items after the effective date of this section and may not be construed to require any change without a significant deviation from actual experience.

**Sec. 83. REPEALER.**

Minnesota Statutes 1986, section 352B.26, subdivision 2, is repealed.

**Sec. 84. EFFECTIVE DATE.**

Sections 1 to 19 and 21 to 83 are effective on the day following final enactment. Section 20 is effective as soon as is practicable following final enactment.

Approved May 27, 1987

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**CHAPTER 260—H.F.No. 1083**

*An act relating to government liability; authorizing municipal insurers to settle tort claims; clarifying that instrumentalities of municipalities incorporated as nonprofit corporations may be included in the self-insurance pool; amending Minnesota Statutes 1986, sections 466.06; 466.08; and 471.98, subdivision 2.*

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

Section 1. Minnesota Statutes 1986, section 466.06, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.