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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 1103

02/14/2019 Authored by Vogel
The bill was read for the first time and referred to the Committee on Government Operations

1.1 A bill for an act
1.2 relating to retirement; requiring annual stress testing for certain public retirement
1.3 systems; appropriating money; proposing coding for new law in Minnesota Statutes,
1.4 chapter 356.

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

1.6 Section 1. [356.231] STRESS TEST AND RISK ASSESSMENT.

1.7 Subdivision 1. Annual assessment required. The Legislative Commission on Pensions
1.8 and Retirement shall conduct an annual stress test and risk assessment of each pension plan
1.9 administered by the Minnesota State Retirement System and the Public Employees
1.10 Retirement Association that has assets with a market value in excess of \$1,000,000,000 as
1.11 of the most recent actuarial valuation date, the Teachers Retirement Association, and the
1.12 St. Paul Teachers Retirement Fund Association.

1.13 Subd. 2. Standards for assessment. The assessment shall be performed by a consultant
1.14 in accordance with generally accepted and nationally recognized actuarial standards of
1.15 practice relating to measuring pension plan obligations or costs, selecting economic and
1.16 demographic assumptions, assessing and disclosing risks associated with measuring
1.17 obligations and contributions, and actuarial communications.

1.18 Subd. 3. Scope of assessment. The assessment shall include:

1.19 (1) projections that consider the effect of long-term conditions and patterns of behavior
1.20 of the investment market to assess the impact on each pension plan in periods when market
1.21 returns are significantly above or below baseline assumed returns;

2.1 (2) projections of assets, liabilities, pension debt, service costs, employee contributions,  
2.2 employer contributions, net amortization, benefit payments, payroll, and funded ratio for  
2.3 each pension plan for each of the next 30 years based upon the then-current actuarial  
2.4 assumptions, including the assumed investment rate of return; and

2.5 (3) use of methods deemed appropriate by the consultant, in consultation with the  
2.6 executive director of the Legislative Commission on Pensions and Retirement, which  
2.7 methods may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and  
2.8 a comparison of actuarial present values using a discount derived from minimal-risk  
2.9 investments and using the discount rate set forth in the plan's actuarial valuation.

2.10 Subd. 4. **Consultant retention; timing of reports.** The assessment shall be conducted  
2.11 by a consultant engaged pursuant to section 3.225 by the executive director of the Legislative  
2.12 Commission on Pensions and Retirement, who is an actuary, investment adviser, or other  
2.13 individual with appropriate experience and expertise. The consultant shall produce a report  
2.14 on the assessment and the consultant's conclusions and recommendations. The consultant  
2.15 shall deliver the report to the executive director of the Legislative Commission on Pensions  
2.16 and Retirement no later than March 1 of each year.

2.17 Subd. 5. **Report; posting on website.** The Legislative Commission on Pensions and  
2.18 Retirement shall post the report required by subdivision 4 on its website.

2.19 **EFFECTIVE DATE.** This section is effective July 1, 2019.

2.20 Sec. 2. **APPROPRIATIONS.**

2.21 \$..... in fiscal year 2020 and \$..... in fiscal year 2021 are appropriated from the general  
2.22 fund to the Legislative Coordinating Commission for the Legislative Commission on Pensions  
2.23 and Retirement to conduct assessments under Minnesota Statutes, section 356.231.