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FROM: Lawrence A. Martin, Executive Director *LAM*
RE: Amendment Concerning The PERA-General Funding Deficiency
DATE: April 5, 2001

Summary of Draft Amendment LCPR01-170

Draft Amendment LCPR01-170 amends various provisions of Minnesota Statutes, Chapter 353, relating to the Public Employees Retirement Association (PERA), and Chapter 356, relating to public retirement generally, by making the following changes with respect to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General):

1. Elimination of MPRIF Mortality Gain and Loss Transfers. Transfers of assets to and from the Minnesota Post Retirement Investment Fund (MPRIF or Post Fund) for mortality losses and gains (and actuarial accrued liability changes from mortality assumption changes) would be eliminated, with future gains, losses, and liability changes to be borne by the postretirement adjustment mechanism. Any annual mortality gains are retained and netted against future mortality losses through the creation of a mortality stabilization reserve (Article 1);
2. Proration of Benefit Calculation Service For Part-time Employees. For PERA-General and PERA-P&F members employed less than half-time (under 80 hours per month), after July 1, 2002, service credit for benefit calculation purposes would be prorated (Article 2);
3. PERA-General Member and Employer Contribution Increases. The PERA-General member contribution rates are increased in two parts (January 1, 2002, and January 1, 2003) by a total of 0.625 percent of pay and the PERA-General employer contribution rates are increased in two parts (January 1, 2002, and January 1, 2003) by a total of 0.625 percent of pay (Article 3);
4. Extended Amortization Target Date. The current 2024 amortization target date for eliminating the PERA-General unfunded actuarial accrued liability is extended seven years, to 2031 but the extension is scaled back as the PERA-General funding ratio improves toward 100 percent (Article 4);
5. Implementation Study for MSRS-General/PERA/TRA Administrative Consolidation. MSRS-General, PERA, and TRA are required to prepare a detailed implementation report on a plan to affect a consolidation of the administrations of these systems, to be filed by February 15, 2002 (Article 5, Section 1); and
6. Implementation Study for Public Education Employee Retirement Plan Aggregation. TRA and the three first class city teacher retirement fund associations are required to prepare a detailed implementation report on a plan to aggregate the four retirement plans, to be filed by February 15, 2002 (Article 5, Section 2).

Potential Actuarial Funding Impact of Amendment LCPR01-170

Amendment LCPR01-170 attempts to cover the funding deficiency of the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), as of July 1, 2000, as follows:

Target Funding Deficiency

July 1, 2000, PERA-General funding deficiency: 1.96 percent of pay \$70.4 million

Likely Actuarial Cost Impact of LCPR01-170

1. MPRIF Mortality Loss Transfer Elimination	N/A	N/A
2. PERA-General Service Credit Proration For Part-Time Employees:	(0.30 percent of pay)	(\$10.8 million)
3. PERA-General Member and Employer Contribution Rate Increases:	(1.25 percent of pay)	(\$45.0 million)
4. Amortization Target Date Extension:	(0.36 percent of pay)	(\$13.0 million)
5. Major Fund Administrative Consolidation	N/A	N/A
6. Education Retirement Fund Aggregation	<u>N/A</u>	<u>N/A</u>
Total	(1.91 percent of pay)	(\$68.8 million)

1 M moves to amend S.F. No., H.F. No.
2, as follows:

3 Page ..., after line ..., insert:

4 ARTICLE 1

5 ELIMINATION OF MPRIF MORTALITY

6 GAIN AND LOSS TRANSFERS

7 Section 1. Minnesota Statutes 2000, section 11A.18,
8 subdivision 11, is amended to read:

9 Subd. 11. [~~ADJUSTMENT-FOR~~ DISPOSITION OF MORTALITY GAINS
10 AND LOSSES.] (a) As of June 30 annually, the commission-retained
11 actuary shall calculate the amount of required reserves
12 representing any mortality gains and any mortality losses
13 incurred by each participating public pension fund or plan
14 during the fiscal year and report the results of those
15 calculations to the applicable participating public pension fund
16 or plan. The actuary shall report separately the amount of the
17 reserves for annuitants and benefit recipients who are eligible
18 for a postretirement benefit adjustment and the amount of
19 reserves for annuitants and benefit recipients who are not
20 eligible for a postretirement benefit adjustment.

21 (b) A mortality stabilization reserve is established within
22 the Minnesota postretirement investment fund. If the net amount
23 of required reserves calculated under paragraph (a) represents a
24 mortality gain, the ~~participating-public-pension-fund-or-plan~~

1 ~~shall certify that amount to the~~ state board, ~~which shall set~~
2 ~~sufficient securities or transfer sufficient available~~
3 ~~cash credit to the mortality stabilization reserve an amount~~
4 equal to the ~~amount of money certified~~ mortality gain. If the
5 amount of required reserves calculated under paragraph (a)
6 represents a mortality loss, the ~~participating public pension~~
7 ~~fund or plan shall transfer to the~~ state board shall debit the
8 mortality stabilization reserve an amount equal to the ~~amount of~~
9 ~~the net~~ mortality loss.

10 (c) If a change in a mortality assumption of a
11 participating public pension plan is approved under section
12 356.215, subdivision 7, any associated reduction in the
13 actuarial accrued liability of the plan as calculated by the
14 commission-retained actuary under section 356.215 must be
15 credited to the mortality stabilization reserve by the state
16 board as a mortality gain and any associated increase in the
17 actuarial accrued liability of the plan as calculated by the
18 commission-retained actuary under section 356.215 must be
19 deducted from the mortality stabilization reserve by the state
20 board as a mortality loss.

21 (d) The amount of ~~the transfers shall~~ any mortality credit
22 or debit must be determined before any postretirement benefit
23 adjustments have been made. ~~All transfers resulting from~~
24 ~~mortality adjustments shall be completed annually by December 31~~
25 ~~for the preceding June 30. Interest shall be charged or~~
26 ~~credited on any transfers after December 31 based upon the~~
27 ~~preretirement interest assumption for the participating plan or~~
28 ~~fund as specified in section 356.215, subdivision 4d, stated as~~
29 ~~a monthly rate. Book values of the assets of the fund for the~~
30 ~~purposes of subdivision 9 shall be determined only after all~~
31 ~~adjustments for mortality gains and losses for the fiscal year~~
32 ~~have been made. A net positive mortality stabilization reserve~~
33 amount must be deducted from the market value of the Minnesota
34 postretirement investment fund under subdivision 9, paragraph
35 (c), clause (1). A net negative mortality stabilization reserve
36 amount must be considered a negative balance under subdivision

1 9, paragraph (c), clauses (7), (8), and (9).

2 ARTICLE 2

3 PERA-GENERAL SERVICE CREDIT

4 PRORATION

5 Section 1. Minnesota Statutes 2000, section 353.01,
6 subdivision 16, is amended to read:

7 Subd. 16. [ALLOWABLE SERVICE; LIMITS AND COMPUTATION.] (a)
8 "Allowable service" means:

9 (1) service during years of actual membership in the course
10 of which employee contributions were made, periods covered by
11 payments in lieu of salary deductions under section 353.357-and;
12 (2) service in years during which the public employee was not a
13 member but for which the member later elected, while a member,
14 to obtain credit by making payments to the fund as permitted by
15 any law then in effect;

16 ~~(b)-"Allowable service"-also means~~ (3) a period of
17 authorized leave of absence with pay from which deductions for
18 employee contributions are made, deposited, and credited to the
19 fund;

20 ~~(c)-"Allowable service"-also means~~ (4) a period of
21 authorized personal, parental, or medical leave of absence
22 without pay, including a leave of absence covered under the
23 federal Family Medical Leave Act, that does not exceed one year,
24 and during or for which a member obtained full or fractional
25 service credit for each month in the leave period by payments to
26 the fund made in place of salary deductions,--provided-that_ the
27 payments ~~are~~ must be made in an amount or amounts based on the
28 member's average salary on which deductions were paid for the
29 last six months of public service, or for that portion of the
30 last six months while the member was in public service, to apply
31 to the period in either case that immediately ~~preceeding~~ precedes
32 the commencement of the leave of absence. If the employee
33 elects to pay the employee contributions for the period of
34 any authorized personal, parental, or medical leave of absence
35 without pay, or for any portion of the leave, the employee shall
36 also, as a condition to the exercise of the election, pay to the

1 fund an amount equivalent to ~~both~~ the required employer and the
2 additional employer contributions, if any, for the employee.
3 The payment must be made within one year from the expiration of
4 the leave of absence or within 20 days after termination of
5 public service under subdivision 11a. The employer, if by
6 appropriate action of its governing body, which is made a part
7 of its official records, and which is adopted before the date of
8 the first payment of the employee contribution, may certify to
9 the association in writing its commitment to pay the employer
10 and additional employer contributions from the proceeds of a tax
11 levy made under section 353.28. Payments under this paragraph
12 must include interest at an annual rate of 8.5 percent
13 compounded annually from the date of the termination of the
14 leave of absence to the date payment is made. An employee shall
15 return to public service and ~~receive~~ render a minimum of three
16 months of allowable service in order to be eligible to pay
17 employee and employer contributions for a subsequent authorized
18 leave of absence without pay. Upon payment, the employee must
19 be granted allowable service credit for full calendar months or
20 fractions of a month during the leave period as described in
21 paragraph (d), clauses (1) and (2), based on the salary or the
22 compensated hours used in computing the payment amount;
23 ~~(d)-"Allowable-service"-also-means~~ (5) a periodic,
24 repetitive leave that is offered to all employees of a
25 governmental subdivision. The leave program may not exceed 208
26 hours per annual normal work cycle as certified to the
27 association by the employer. A participating member obtains
28 service credit by making employee contributions in an amount or
29 amounts based on the member's average salary that would have
30 been paid if the leave had not been taken. The employer shall
31 pay the employer and additional employer contributions on behalf
32 of the participating member. The employee and the employer are
33 responsible to pay interest on their respective shares at the
34 rate of 8.5 percent a year, compounded annually, from the end of
35 the normal cycle until full payment is made. An employer shall
36 also make the employer and additional employer contributions,

1 plus 8.5 percent interest, compounded annually, on behalf of an
2 employee who makes employee contributions but terminates public
3 service. The employee contributions must be made within one
4 year after the end of the annual normal working cycle or within
5 20 days after termination of public service, whichever is
6 sooner. The association shall prescribe the manner and forms to
7 be used by a governmental subdivision in administering a
8 periodic, repetitive leave. Upon payment, the member must be
9 granted allowable service credit for full calendar months or
10 fractions of a month during the leave period as described in
11 paragraph (d), clauses (1) and (2), based on the salary or the
12 compensated hours used in computing the payment amount;

13 ~~{e}-"Allowable service"-also means a period during which a~~
14 ~~member is on an authorized sick leave of absence, without pay,~~
15 ~~limited to one year.---An employee who has received one year of~~
16 ~~allowable service shall return to public service and receive a~~
17 ~~minimum of three months of allowable service to receive~~
18 ~~allowable service for a subsequent authorized sick leave of~~
19 ~~absence.~~

20 {f}-"Allowable service"-also means (6) an authorized
21 temporary layoff under subdivision 127. For temporary layoffs
22 that begin before July 1, 2001, allowable service credit is
23 limited to three months allowable service per authorized
24 temporary layoff in one calendar year. An employee who has
25 received the maximum service allowed for an authorized temporary
26 layoff shall return to public service and receive a minimum of
27 three months of allowable service to receive allowable service
28 for a subsequent authorized temporary layoff. For temporary
29 layoffs that begin on or after July 1, 2001, allowable service
30 credit for the calendar month in which the member does not
31 receive salary due to the layoff must be determined using the
32 following formula:

33 (i) members who earned one month of allowable service
34 credit for each of the nine calendar months of compensated
35 employment with the governmental subdivision authorizing the
36 layoff that immediately preceded the layoff shall receive one

1 month of allowable service credit, limited to three months of
2 allowable service credit per year, for each month of the
3 temporary layoff; or

4 (ii) members who earned less than nine months of allowable
5 service credit in the year of compensated employment with the
6 governmental subdivision authorizing the layoff that immediately
7 preceded the layoff shall receive allowable service credit on a
8 fractional basis for each month of the authorized layoff,
9 limited to three months of allowable service credit, determined
10 by dividing the total number of months of service credit earned
11 for the compensated employment by nine and multiplying the
12 resulting number by the total number of months in the layoff
13 period that are not compensated; or

14 ~~(g)-Notwithstanding any law to the contrary, "allowable~~
15 ~~service" also means a parental leave. The association shall~~
16 ~~grant a maximum of two months service credit for a parental~~
17 ~~leave, within six months after the birth or adoption, upon~~
18 ~~documentation from the member's governmental subdivision or~~
19 ~~presentation of a birth certificate or other evidence of birth~~
20 ~~or adoption to the association.~~

21 ~~(h)-"Allowable service" also means~~ (7) a period during
22 which a member is on an authorized leave of absence to enter
23 military service in the armed forces of the United States,
24 provided that the member returns to public service upon
25 discharge from military service under section 192.262 and pays
26 into the fund employee contributions based upon the employee's
27 salary at the date of return from military service. Payment
28 must be made within three times the length of the military leave
29 period, or five years of the date of discharge from the military
30 service, whichever is less. The amount of these contributions
31 must be in accord with the contribution rates and salary
32 limitations, if any, in effect during the leave, plus interest
33 at an annual rate of 8.5 percent compounded annually from the
34 date of return to public service to the date payment is made.
35 The matching employer contribution and additional employer
36 contribution under section 353.27, subdivisions 3 and 3a, must

1 be paid by the governmental subdivision employing the member
2 upon return to public service if the member makes the employee
3 contributions. The governmental subdivision involved may
4 appropriate money for those payments. A member may not receive
5 credit for a voluntary extension of military service at the
6 instance of the member beyond the initial period of enlistment,
7 induction, or call to active duty. Upon payment, the employee
8 must be granted allowable service credit for full calendar
9 months or fractions of a month during the leave period as
10 described in paragraph (d), clauses (1) and (2), based on the
11 salary or compensated hours used in computing the payment amount.

12 ~~(i)~~ (b) For calculating benefits under sections 353.30,
13 353.31, 353.32, and 353.33 for state officers and employees
14 displaced by the Community Corrections Act, chapter 401, and
15 transferred into county service under section 401.04, "allowable
16 service" means combined years of allowable service as defined in
17 ~~paragraphs~~ paragraph (a) ~~to-(i)~~, clauses (1) to (6), and section
18 352.01, subdivision 11.

19 ~~(j)~~ (c) For a public employee who has prior service covered
20 by a local police or firefighters relief association that has
21 consolidated with the public employees retirement association or
22 to which section 353.665 applies, and who has elected the type
23 of benefit coverage provided by the public employees police and
24 fire fund either under section 353A.08 following the
25 consolidation or under section 353.665, subdivision 4,
26 "applicable service" is a period of service credited by the
27 local police or firefighters relief association as of the
28 effective date of the consolidation based on law and on bylaw
29 provisions governing the relief association on the date of the
30 initiation of the consolidation procedure.

31 (d) For persons who, after June 30, 2001, either first
32 become members or terminated membership under subdivision 11b,
33 and again become members, of the public employees retirement
34 plan, the public employees police and fire plan under this
35 chapter, or the local government correctional employee
36 retirement plan under chapter 353E, whichever applies,

1 "allowable service" means credit for compensated hours from
2 which deductions are made, or for which payments are made in
3 lieu of salary deductions as provided under this subdivision,
4 and which are deposited and credited in the fund as provided in
5 section 353.27, determined as follows:

6 (1) one month of allowable service credit for each month
7 during which the employee has received salary for 80 or more
8 compensated hours; or

9 (2) a fraction of one month of allowable service for each
10 month for which the employee has received salary for less than
11 80 compensated hours equal to the percentage relationship that
12 the number of compensated hours bear to 80 hours.

13 (e) Elected officials and other public employees who are
14 compensated solely on an annual basis shall be granted a full
15 year of credit for each year for which compensation is earned.

16 (f) Allowable service that is determined and credited on a
17 fractional basis must be used only in calculating the amount of
18 benefits payable. In determining the length of service required
19 for vesting, a member shall be granted a month of service credit
20 for each month in which the member received compensation from
21 which employee contributions were deducted. For periods of
22 part-time service that are duplicated service credit, section
23 356.30, subdivision 1, paragraphs (g) and (h), govern.

24 (g) No member shall receive more than 12 months of
25 allowable service credit in a year for either vesting purposes
26 or for benefit calculation purposes.

27 Sec. 2. Minnesota Statutes 2000, section 353.01, is
28 amended by adding a subdivision to read:

29 Subd. 39. [COMPENSATED HOURS.] "Compensated hours" means
30 the hours during which an employee performs services in one or
31 more positions for a single governmental subdivision for which
32 the employee receives compensation. The term also includes the
33 following:

34 (1) paid holiday hours for which the employee is not
35 required to work;

36 (2) paid used sick leave hours;

1 (3) paid used personal leave hours and vacation hours; and

2 (4) the paid hours drawn from accrued compensatory time.

3 Sec. 3. Minnesota Statutes 2000, section 353.27,
4 subdivision 4, is amended to read:

5 Subd. 4. [EMPLOYER REPORTING REQUIREMENTS; CONTRIBUTIONS;
6 MEMBER STATUS.] (a) A representative authorized by the head of

7 each department shall deduct employee contributions from the
8 salary of each employee who qualifies for membership under this
9 chapter and remit payment in a manner prescribed by the

10 executive director for the aggregate amount of the employee
11 contributions, the employer contributions and the additional

12 employer contributions to be received within 14 calendar days.

13 The head of each department or the person's designee shall for
14 each pay period submit to the association a salary deduction

15 report in the format prescribed by the executive director. Data
16 to be submitted as part of salary deduction reporting must
17 include, but are not limited to:

18 (1) the legal names and social security numbers of
19 employees who are members;

20 (2) the amount of each employee's salary deduction;

21 (3) the amount of salary from which each deduction was
22 made;

23 (4) the beginning and ending dates of the payroll period
24 covered and the date of actual payment; and

25 (5) adjustments or corrections covering past pay periods;
26 and

27 (6) the number of compensated hours of each employee during
28 the payroll period.

29 (b) Employers must furnish the data required for enrollment
30 for each new employee who qualifies for membership in the format
31 prescribed by the executive director. The required enrollment
32 data on new employees must be submitted to the association prior
33 to or concurrent with the submission of the initial employee
34 salary deduction. The employer shall also report to the
35 association all member employment status changes, such as leaves
36 of absence, terminations, and death, and the effective dates of

1 those changes, on an ongoing basis for the payroll cycle in
2 which they occur. The employer shall furnish data, forms, and
3 reports as may be required by the executive director for proper
4 administration of the retirement system. Before implementing
5 new or different computerized reporting requirements, the
6 executive director shall give appropriate advance notice to
7 governmental subdivisions to allow time for system modifications.

8 (c) Notwithstanding paragraph (a), the association may
9 provide for less frequent reporting and payments for small
10 employers.

11 Sec. 4. Minnesota Statutes 2000, section 353.27,
12 subdivision 11, is amended to read:

13 Subd. 11. [EMPLOYERS; REQUIRED TO FURNISH REQUESTED
14 INFORMATION.] All governmental subdivisions shall furnish
15 promptly such other information relative to the employment
16 status of all employees or former employees, including but not
17 limited to payroll abstracts pertaining to all past and present
18 employees, as may be requested by the association or its
19 executive director, including schedules of salaries applicable
20 to various categories of employment, and the number of actual or
21 estimated compensated hours for employees. In the event payroll
22 abstract records have been lost or destroyed, for whatever
23 reason or in whatever manner, so that such schedules of salaries
24 cannot be furnished therefrom, the employing governmental
25 subdivision, in lieu thereof, shall furnish to the association
26 an estimate of the earnings of any employee or former employee
27 for any period as may be requested by the association or its
28 executive director. Should the association receive such
29 schedules of estimated earnings, the executive director is
30 hereby authorized to use the same as a basis for making whatever
31 computations might be necessary for determining obligations of
32 the employee and employer to the retirement fund. If estimates
33 are not furnished by the employer pursuant to the request of the
34 association or its executive director, the association may
35 estimate the obligations of the employee and employer to the
36 retirement fund based upon such records as are in its

1 possession. Where payroll abstracts have been lost or
2 destroyed, the governmental agency need not furnish any
3 information pertaining to employment prior to July 1, 1963. The
4 association shall make no estimate of any obligation of any
5 employee, former employee, or employer covering employment prior
6 to July 1, 1963.

7 Sec. 5. [EFFECTIVE DATE.]

8 Sections 1 through 4 are effective on July 1, 2001.

9 ARTICLE 3

10 PERA-GENERAL MEMBER AND

11 EMPLOYER CONTRIBUTION

12 INCREASES

13 Section 1. Minnesota Statutes 2000, section 353.27,
14 subdivision 2, is amended to read:

15 Subd. 2. [EMPLOYEE CONTRIBUTION.] (a) The employee
16 contribution is an the following applicable percentage of total
17 salary amount ~~(1)~~ for a "basic member" ~~equal-to-8.75-percent-of~~
18 ~~total-salary;~~ and ~~(2)~~ for a "coordinated member" ~~equal-to-4.75~~
19 ~~percent-of-total-salary-:~~

	<u>basic program</u>	<u>coordinated program</u>
20		
21	<u>before January 1, 2002</u>	<u>4.75</u>
22	<u>effective January 1, 2002</u>	<u>5.125</u>
23	<u>effective January 1, 2003</u>	<u>5.375</u>

24 (b) These contributions must be made by deduction from
25 salary in the manner provided in subdivision 4. Where any
26 portion of a member's salary is paid from other than public
27 funds, such member's employee contribution must be based on the
28 total salary received from all sources.

29 Sec. 2. Minnesota Statutes 2000, section 353.27,
30 subdivision 3, is amended to read:

31 Subd. 3. [EMPLOYER CONTRIBUTION.] (a) The employer
32 contribution is an the following applicable percentage of total
33 salary amount ~~equal-to-the-employee-contribution-under~~
34 ~~subdivision-2-:~~

	<u>basic program</u>	<u>coordinated program</u>
35		
36	<u>before January 1, 2002</u>	<u>4.75</u>
37	<u>effective January 1, 2002</u>	<u>5.125</u>
38	<u>effective January 1, 2003</u>	<u>5.375</u>

39 (b) This contribution must be made from funds available to

1 the employing subdivision by the means and in the manner
2 provided in section 353.28.

3 Sec. 3. [EFFECTIVE DATE.]

4 Sections 1 and 2 are effective on July 1, 2001.

5 ARTICLE 4

6 AMORTIZATION TARGET DATE

7 REVISION

8 Section 1. Minnesota Statutes 2000, section 356.215,
9 subdivision 4g, is amended to read:

10 Subd. 4g. [AMORTIZATION CONTRIBUTIONS.] (a) In addition to
11 the exhibit indicating the level normal cost, the actuarial
12 valuation must contain an exhibit indicating the additional
13 annual contribution sufficient to amortize the unfunded
14 actuarial accrued liability. For funds governed by chapters 3A,
15 352, 352B, 352C, 353, 354, 354A, and 490, the additional
16 contribution must be calculated on a level percentage of covered
17 payroll basis by the established date for full funding in effect
18 when the valuation is prepared. For funds governed by chapter
19 3A, sections 352.90 through 352.951, chapters 352B, 352C,
20 sections 353.63 through 353.68, and chapters 353C, 354A, and
21 490, the level percent additional contribution must be
22 calculated assuming annual payroll growth of 6.5 percent. For
23 funds governed by sections 352.01 through 352.86 and chapter
24 354, the level percent additional contribution must be
25 calculated assuming an annual payroll growth of five percent.
26 For the fund governed by sections 353.01 through 353.46, the
27 level percent additional contribution must be calculated
28 assuming an annual payroll growth of six percent. For all other
29 funds, the additional annual contribution must be calculated on
30 a level annual dollar amount basis.

31 (b) For any fund other than the Minneapolis employees
32 retirement fund and the general employee retirement plan of the
33 public employees retirement association, after ~~the-first~~
34 ~~actuarial-valuation-date-occurring-after~~ June 1, 1989, if there
35 has not been a change in the actuarial assumptions used for
36 calculating the actuarial accrued liability of the fund, a

1 change in the benefit plan governing annuities and benefits
2 payable from the fund, a change in the actuarial cost method
3 used in calculating the actuarial accrued liability of all or a
4 portion of the fund, or a combination of the three, which change
5 or changes by themselves without inclusion of any other items of
6 increase or decrease produce a net increase in the unfunded
7 actuarial accrued liability of the fund, the established date
8 for full funding for the first actuarial valuation made after
9 June 1, 1989, and each successive actuarial valuation is the
10 first actuarial valuation date occurring after June 1, 2020.

11 (c) Except as adjusted in paragraph (e), for any fund or
12 plan other than the Minneapolis employees retirement fund, after
13 the first actuarial valuation date occurring after June 1, 1989,
14 if there has been a change in any or all of the actuarial
15 assumptions used for calculating the actuarial accrued liability
16 of the fund, a change in the benefit plan governing annuities
17 and benefits payable from the fund, a change in the actuarial
18 cost method used in calculating the actuarial accrued liability
19 of all or a portion of the fund, or a combination of the three,
20 and the change or changes, by themselves and without inclusion
21 of any other items of increase or decrease, produce a net
22 increase in the unfunded actuarial accrued liability in the
23 fund, the established date for full funding must be determined
24 using the following procedure:

25 (i) the unfunded actuarial accrued liability of the fund
26 must be determined in accordance with the plan provisions
27 governing annuities and retirement benefits and the actuarial
28 assumptions in effect before an applicable change;

29 (ii) the level annual dollar contribution or level
30 percentage, whichever is applicable, needed to amortize the
31 unfunded actuarial accrued liability amount determined under
32 item (i) by the established date for full funding in effect
33 before the change must be calculated using the interest
34 assumption specified in subdivision 4d in effect before the
35 change;

36 (iii) the unfunded actuarial accrued liability of the fund

1 must be determined in accordance with any new plan provisions
2 governing annuities and benefits payable from the fund and any
3 new actuarial assumptions and the remaining plan provisions
4 governing annuities and benefits payable from the fund and
5 actuarial assumptions in effect before the change;

6 (iv) the level annual dollar contribution or level
7 percentage, whichever is applicable, needed to amortize the
8 difference between the unfunded actuarial accrued liability
9 amount calculated under item (i) and the unfunded actuarial
10 accrued liability amount calculated under item (iii) over a
11 period of 30 years from the end of the plan year in which the
12 applicable change is effective must be calculated using the
13 applicable interest assumption specified in subdivision 4d in
14 effect after any applicable change;

15 (v) the level annual dollar or level percentage
16 amortization contribution under item (iv) must be added to the
17 level annual dollar amortization contribution or level
18 percentage calculated under item (ii);

19 (vi) the period in which the unfunded actuarial accrued
20 liability amount determined in item (iii) is amortized by the
21 total level annual dollar or level percentage amortization
22 contribution computed under item (v) must be calculated using
23 the interest assumption specified in subdivision 4d in effect
24 after any applicable change, rounded to the nearest integral
25 number of years, but not to exceed 30 years from the end of the
26 plan year in which the determination of the established date for
27 full funding using the procedure set forth in this clause is
28 made and not to be less than the period of years beginning in
29 the plan year in which the determination of the established date
30 for full funding using the procedure set forth in this clause is
31 made and ending by the date for full funding in effect before
32 the change; and

33 (vii) the period determined under item (vi) must be added
34 to the date as of which the actuarial valuation was prepared and
35 the date obtained is the new established date for full funding.

36 (d) For the Minneapolis employees retirement fund, the

1 established date for full funding is June 30, 2020.

2 (e) For the general employee retirement plan of the public
3 employees retirement association, if the funding ratio of the
4 plan is less than 93 percent, the established date for full
5 funding may not be earlier than June 30, 2031. If the funding
6 ratio of the plan is equal to or greater than 93 percent, the
7 established date for full funding is as follows:

	<u>established date for full funding is</u>	
	<u>July 1 of the applicable year</u>	
<u>funding ratio</u>	<u>or July 1 of the subsequent year,</u>	
<u>greater than</u>	<u>less than</u>	<u>whichever is later</u>
12 93	94	2030
13 94	95	2029
14 95	96	2028
15 96	97	2027
16 97	98	2026
17 98	99	2025
18 99		2024

19 (f) For the retirement plans for which the annual actuarial
20 valuation indicates an excess of valuation assets over the
21 actuarial accrued liability, the valuation assets in excess of
22 the actuarial accrued liability must be recognized as a
23 reduction in the current contribution requirements by an amount
24 equal to the amortization of the excess expressed as a level
25 percentage of pay over a 30-year period beginning anew with each
26 annual actuarial valuation of the plan.

27 Sec. 2. [EFFECTIVE DATE.]

28 Section 1 is effective for actuarial valuations prepared on
29 or after June 1, 2001.

30 ARTICLE 5

31 ADMINISTRATIVE AND STRUCTURAL

32 MATTERS

33 Section 1. [IMPLEMENTATION PLAN; MAJOR STATEWIDE
34 RETIREMENT SYSTEM ADMINISTRATIVE SERVICES CONSOLIDATION.]

35 (a) Based on the July 15, 2001, report required under Laws
36 1999, chapter 222, article 22, section 5, the executive

1 directors of the Minnesota state retirement system, the public
2 employees retirement association, and the teacher retirement
3 association jointly shall prepare a report detailing the
4 implementation steps that would be necessary to consolidate the
5 administrations of the three systems into a single
6 administrative structure if the legislature subsequently
7 determines that such a consolidation would be in the best
8 interests of the state, its taxpayers, and its public employees.

9 (b) The report must include the draft proposed legislation
10 that would be required to effect an administrative consolidation
11 as well as a detailed schedule and timetable of the completion
12 steps for a consolidation.

13 (c) The report must be filed by February 15, 2002, with the
14 chair of the legislative commission on pensions and retirement,
15 the chair of the senate committee on state and local
16 governmental operations, and the chair of the house committee on
17 governmental operations and veterans affairs policy.

18 Sec. 2. [IMPLEMENTATION PLAN; AGGREGATION OF TEACHER
19 RETIREMENT PLANS.]

20 (a) The executive director of the teachers retirement
21 association, the secretary of the Duluth teachers retirement
22 fund association, the executive director of the Minneapolis
23 teachers retirement fund association, and the secretary of the
24 St. Paul teachers retirement fund association jointly shall
25 prepare a report detailing the implementation steps that would
26 be necessary to aggregate the benefit plans, retirement funds,
27 and governance structures of the four teacher retirement plans
28 into a single Minnesota public education employees retirement
29 plan and system if the legislature subsequently determines that
30 such an aggregation would be in the best interests of the state,
31 its taxpayers, and the public education community.

32 (b) The report must include the draft proposed legislation
33 that would be required to effect the public education employees
34 retirement plan and system aggregation as well as a detailed
35 schedule and timetable of the completion steps for an
36 aggregation.

1 (c) The report must be filed by February 15, 2002, with the
2 chair of the legislative commission on pensions and retirement,
3 the chair of the senate committee on state and local
4 governmental operations, and the chair of the house committee on
5 governmental operations and veterans affairs policy.

6 Sec. 3. [EFFECTIVE DATE.]

7 Sections 1 and 2 are effective on the day following final
8 enactment.

9 Renumber the articles in sequence

10 Amend the title accordingly