

March 28, 1980 Meeting  
Room 120, State Capitol  
2:00 P.M.

The chairman, Rep. Al Patton, opened the meeting.

PRESENT: Senators Ogdahl, Peterson, Renneke, Strand, Schmitz  
Representatives Al Patton, Biersdorf, Kaley, Moe, Sarna

Report of the Legislative Commission to the Tax Conference Committee:

Sen. Peterson moved to amend Article 2, Section 2, of H.F. 1121  
as follows:

Page 33, line 21, delete "which" and insert "where either a)  
the municipality"

Page 33, line 22, after "6," insert "or b) where the voters of  
the municipality have approved the question provided for in section  
4, subdivision 1,

Page 33, line 26, delete <sup>the second</sup> "which" and insert "where the municipality

Page 33, line 28, after "6," insert "and where the voters of  
the municipality have not approved the question provided for in  
section 4, subdivision 1,"

Page 38, line 3, after "effected" insert "either a)"

Page 38, line 6, after "with" insert "and approval by a majority  
of the members of"

Page 38, line 8, before the period insert "or b) by adoption  
of the question provided for in this subdivision by a majority of  
the voters voting on the question. If the implementing municipal  
resolution provided for in this subdivision is not adopted by the  
governing body of the municipality and approved by the board of  
trustees of the affected relief association before August 1, 1980,  
the question as to implementing this section shall be submitted to the  
voters of the municipality by the governing body at the 1980 state  
general election. The question shall either refer to this section  
in the text or shall describe in summary form the modifications provided  
for in this section. The governing body of the municipality shall by  
resolution establish the language to describe the question on the

ballot. If the question is approved by a majority of the voters voting on the issue, the governing body of the municipality shall file a certificate of approval with the Secretary of State, the commissioner of finance, the commissioner of insurance, and the executive secretary of the Legislative Commission on Pensions and Retirements."

Page 38, line 21, after "which" insert "either"

Page 33, line 22, after "resolution" insert "or the question submitted to the voters"

Page 38, line 24, before the comma insert "or the question submitted to the voters"

Page 38, line 26, before the comma insert "or the question submitted to the voters"

Page 38, line 29, before the comma insert "or the question submitted to the voters"

Page 39, line 5, after "which" insert "either".

Page 39, line 5, after "resolution" insert "or the question submitted to the voters"

Page 41, line 13, after "the" insert "question submitted to the voters or the"

Page 41, line 20, before "municipal" insert "the question submitted to the voters or the"

Page 41, line 26, delete "a" and insert "the question submitted to the voters or the"

Page 42, line 15, after "which" insert "either"

Page 42, line 16, after "resolution" insert "or has adopted the question submitted to the voters"

Page 42, line 18, before the comma insert "or the question submitted to the voters"

Page 43, line 2, after "6," insert "or has adopted the question submitted to the voters pursuant to section 4, subdivision 1,"

Motion carried - unanimous vote



Sen. Peterson moved to amend H.F. 1121, as amended by the Senate,  
Article 2, Section 4, as follows:

Page 42, after line 31, insert:

" Subd. 5. [AUTOMATIC POST RETIREMENT ADJUSTMENTS FOR  
32 CERTAIN NEWLY EMPLOYED, ACTIVE AND RETIRED MEMBERS.] (1)  
33 Notwithstanding any provision of law, municipal charter,  
1 municipal ordinance or resolution, or relief association  
2 articles of incorporation or bylaws to the contrary, any  
3 person who meets one of the following requirements for  
4 entitlement shall be entitled to an annual automatic post  
5 retirement adjustment in the amount of the service pension  
6 calculated pursuant to clause (2). A person meets the  
7 requirements for entitlement if:

8 (a) the person is a member of a covered local police  
9 or salaried firefighters' relief association enumerated in  
10 clause (3) concerning which the municipality has adopted a  
11 municipal resolution pursuant to subdivision 1, if  
12 applicable, commences receiving a service pension at an age  
13 no earlier than attaining the age of 55 years, and has met  
14 all applicable requirements for entitlement to a service  
15 pension specified in the applicable laws and relief  
16 association articles of incorporation or bylaws governing  
17 the local relief association;

18 (b) the person is a retired member of a covered local  
19 police or salaried firefighters' relief association  
20 enumerated in clause (3) concerning which the municipality  
21 has adopted a municipal resolution pursuant to subdivision  
22 1, if applicable, retired on a service pension after the  
23 effective date of this section and after attaining the age  
24 of at least 50 years but prior to attaining the age of 55  
25 years and attains the age of 55 years subsequent to  
26 retirement; or

27 (c) the person was a retired member of a covered local  
28 police or salaried firefighters' relief association or  
29 retirement trust fund enumerated in clause 3, concerning  
30 which the municipality has adopted a municipal resolution  
31 pursuant to subdivision 1, if applicable, on the  
32 effective date of this section, is receiving a service  
33 pension, and has attained the age of at least 55 years.

1 (2) Any person who meets the requirements specified in  
2 clause (1)(a) or (1)(b) shall be entitled to receive the  
3 annual automatic post retirement adjustment on the January  
4 1 next following the date upon which the requirements for  
5 entitlement are met but in no event prior to the date upon  
6 which the person attains the age of 55 years. Any person  
7 who meets the requirements specified in clause (1)(c) shall  
8 be entitled to receive the annual automatic post retirement  
9 adjustment on the January 1 next following the effective  
10 date of the approval of the benefit modification by the  
11 municipality as provided for in clause (3) or the date upon  
12 which the person attains the age of 55 years; whichever  
13 occurs later. The amount of the annual automatic post  
14 retirement adjustment shall be determined by the board of  
15 trustees of the local relief association on or before  
16 December 1 annually and the annual automatic post  
17 retirement adjustment shall accrue each year as of January  
18 1 next following the determination date. The annual  
19 automatic post retirement adjustment shall be first payable  
20 with the service pension payment made for January. Each  
21 annual automatic post retirement adjustment in the amount  
22 of the service pension shall be equal to the dollar amount  
23 determined by applying the percentage by which the salary  
24 payable by the municipality to a top grade patrol officer  
25 or a top grade firefighter, whichever is applicable, has



26 increased during the year subject to the limitation  
27 provided for in this clause to the amount of service  
28 pension payable to the person for the month immediately  
29 prior to the month in which the determination is made. The  
30 maximum percentage increase shall not exceed three and  
31 one-half percent in any year and any increase in the salary  
32 level of the applicable position used to govern the  
33 determination of annual automatic post retirement  
1 adjustments in excess of three and one-half percent in any  
2 year shall not carry over to or be used to calculate the  
3 rate of salary increase for any succeeding year in which  
4 the increase in the applicable position does not exceed  
5 three and one-half percent.

6 (3) The provisions of this subdivision shall apply to  
7 the active members and retired members of a local police or  
8 salaried firefighters' relief association or to the retired  
9 members of a retirement trust fund contained in the  
10 following enumeration of covered relief associations if the  
11 governing body of the applicable municipality approves the  
12 modification in the benefit plan of the relief association  
13 specified in this subdivision following consideration of an  
14 actuarial valuation which is, or actuarial estimate based  
15 on the most recent actuarial valuation which was, prepared  
16 in accordance with Minnesota Statutes, Sections 356.215 and  
17 356.216, based on the benefit plan of the applicable local  
18 relief association or retirement trust fund including the  
19 modification provided for in this subdivision, approves the  
20 modification in retirement coverage for newly hired  
21 personnel specified in subdivision 2, and files a  
22 resolution indicating that approval with the secretary of  
23 state, the commissioner of insurance and the executive  
24 secretary of the legislative commission on pensions and  
25 retirement on or before the first day of the tenth month



26 following the effective date of this act:

- 27 (a) Buhl police relief association;  
28 (b) Crookston firefighters relief association;  
29 (c) Crookston police relief association;  
30 (d) Eveleth joint retired police and firefighters  
31 retirement trust fund;  
32 (e) Moorhead firefighters relief association;  
33 (f) Moorhead police relief association;  
1 (g) Thief River Falls police retirement trust fund;  
2 (h) Virginia firefighters relief association;  
3 (i) West St. Paul police relief association.

Pages 202 to 210 of Article X, delete sections 10 and 11

Page 213, line 5, delete "10,11"

Renumber the sections in sequence

Motion carried - unanimous vote

Rep. Sarna moved to amend H.F. 1121 as amended by the Senate, the unofficial engrossment, Article 2, Section 7, as follows:

Page 45, line 8, delete "contrary" and "of Laws 1969" and after "provision" insert "of law to the contrary"

Page 45, line 9, delete "Chapters 641 to 694"

Motion Carried - unanimous vote

Rep. Kaley moved to amend H.F. 1121 as amended by the Senate, the unofficial engrossment, Article 2, Section 7, as follows:

Page 45, line 11, after "municipality" insert ", except the city of Minneapolis,"

Motion carried - unanimous vote

Rep. Moe moved to amend H.F. 1121 as amended by the Senate, the unofficial engrossment, Article 2, Section 7, as follows:

Page 46, line 3, after "contrary" insert "and if the city of Minneapolis adopts a resolution affecting the applicable relief association pursuant to section 4, subdivision 1"

Motion failed with 2 dissenting votes

Sen. Peterson moved that the Commission recommend Article 2 of H.F. 1121 as amended by the Commission.

Motion carried - unanimous vote

Sen. Peterson moved to amend H.F. 1121, Article 9 of the unofficial engrossment, as follows:

Page 126, line 9, after "board" insert "the commissioner of finance and the executive directors of each of the following: the minnesota state retirement system, the public employees retirement association, and the teachers retirement association"

Motion carried - unanimous vote

Rep. Biersdorf moved to amend H.F. 1121, Article 9, Section 16, Subdivision 10 of the unofficial engrossment, as follows:

Page 145, line 5, after "and" insert "if the percentage is equal to or greater than one percent, the amount"

Page 145, line 8, after the period, insert:

"If the percentage is less than one percent, the amount 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 post retirement adjustment in the subsequent year. The amount certified shall be carried to five decimal places and stated as a percentage."

Motion carried - unanimous

Rep. Biersdorf moved that the Commission recommend Article 9, Section 16 of H.F. 1121 as amended by the Commission.

Motion carried - unanimous vote



Rep. Moe moved to amend H.F. 1121, Article 9 of the unofficial engrossment as follows:

Page 125, line 29, after "organizations." insert "This report shall contain financial statements for funds managed by the board prepared in accordance with generally accepted accounting principles."

Page 155, line 7, delete "one of"

Motion carried - unanimous vote

Sen. Peterson moved to amend H.F. 1121, Article 9, Section 22, Subdivision 4 of the unofficial engrossment as follows:

Page 154, lines 11 to 12, delete "notes or bonds secured by mortgages" and insert "mortgage participation certificates and pools"

Page 154, delete lines 31 to 33 and insert "(d) Mortgage participation certificates and pools secured by first mortgages or trust deeds on improved real estate located in the United States where there is a guarantee of replacement by a note or bond of comparable value and security in the event of a default, and where the loan to value ratio for each loan does not exceed 80% for fully amortizable residential properties and in all other respects meets the requirements of Minnesota statutes, Section 61A.28, Subdivision 3."

Page 155, delete lines 1 to 5

Motion carried - unanimous vote



Sen. Peterson moved to amend H.F. 1121, Article 9, Section 22, Subdivision 5 of the unofficial engrossment as follows:

Page 155, line 17, after "Exchange" insert ", if they conform to the following provisions:

- 15           (a) The aggregate value of corporate stock  
16 investments, as adjusted for realized profits and losses,  
17 shall not exceed 50 percent of the book value of a fund;  
18           (b) Investments in any one corporation shall not  
19 exceed three percent of the book value of a fund;  
20           (c) Investments shall not exceed five percent of the  
21 total outstanding shares of any one corporation;  
22           (d) Cash dividends on corporate stock investments  
23 shall have been earned and paid for the preceding five  
24 years;  
25           (e) Investments which do not conform to the dividend  
26 standard contained in clause (d) may be held but the total  
27 amount of these securities shall not exceed five percent of  
28 the book value of a fund "

Motion carried - unanimous vote

Rep. Patton moved to amend H.F. 1121, Article 9, Section 24, of the unofficial engrossment as follows:

Page 155, line 27, delete "ways in which" and insert "whether or not"

Page 155, delete line 30

Page 155, line 31, delete "total rates of return. The report" and insert "and be consistent with the investment standards of care set forth in statute for the board. The report shall assess the policy desirability of these increased investments. If the director concludes that such investments are desirable and can be accomplished consistent with the investment standard of care, he"

Motion carried - unanimous vote



Rep. Patton moved to accept the following technical amendments to H.F. 1121, the unofficial engrossment:

Page 145, line 21, delete "january" and insert "January"

Page 150, line 6, delete "22" and insert "23"

Page 153, line 9, delete "development" and insert "Development"

Page 155, line 8, delete "2a" and insert "2, clause (a)."

Page 155, line 26, delete "have submitted" and insert "prepare and submit"

Page 191, line 8, after "state board" insert "of investment"

Page 192, line 28, after "STATE BOARD" insert "OF INVESTMENT"

Page 192, line 30, reinstate the stricken language

Page 193, line 2, reinstate the stricken language

Page 193, line 8, reinstate "of"

Page 194, line 9, reinstate "investment"

Page 194, line 17, delete "11A.16" and insert "11A.18"

Page 194, line 20, delete "11A.22" and insert "11A.24"

Page 194, line 21, delete "11A.22" and insert "11A.24"

Page 194, line 23, delete "11A.22" and insert "11A.18"

Page 194, line 25, delete "11A.14" and insert "11A.16"

Page 194, line 27, delete "11A.10" and insert "11A.12"

Page 194, line 29, delete "11A.23" and insert "11A.25"

Page 194, line 31, delete "11A.19" and insert "11A.21"

Page 194, line 33, delete "11A.19" and insert "11A.21"

Page 195, line 1, delete "11A.19" and insert "11A.21"

Page 195, line 2, delete "11A.23" and insert "11A.25"

Page 195, line 3, delete "11A.16" and insert "11A.18"

Page 195, line 5, delete "11A.16" and insert "11A.18"

Page 195, line 6, delete "11A.22" and insert "11A.24"

Page 195, line 7, delete "11A.16" and insert "11A.18"

Page 195, line 10, delete "11A.16" and insert "11A.18"

Page 195, line 12, delete "11A.15" and insert "11A.17"

Page 195, line 14, delete "11A.16" and insert "11A.18"

Page 195, line 17, delete "11A.15" and insert "11A.17"

Page 195, line 19, delete "11A.15" and insert "11A.17"



Page 195, line 20, delete "11A.16" and insert "11A.18"  
Page 195, line 21, delete "11A.16" and insert "11A.18"  
Page 195, line 24, delete "11A.17" and insert "11A.19"  
Page 195, line 26, delete "11A.16" and insert "11A.18"  
Page 195, line 28, delete "11A.17" and insert "11A.19"  
Page 195, line 30, delete "11A.16" and insert "11A.18"  
Page 195, line 33, delete "11A.16" and insert "11A.18"  
Page 196, line 2, delete "11A.23" and insert "11A.25"  
Page 196, line 4, delete "11A.16" and insert "11A.18"  
Page 196, line 6, delete "11A.16" and insert "11A.18"  
Page 196, line 8, delete "11A.16" and insert "11A.18"  
Page 196, line 10, delete "11A.22" and insert "11A.24"  
Page 196, line 13, delete "(8)" and insert "(9)"  
Page 196, line 15, delete "(8)" and insert "(9)" and delete "11A.08" and insert "11A.10"

Page 196, line 20, delete "11A.23" and insert "11A.25"

Page 212, line 2, delete "1970" and insert "1979"

Page 213, line 5, delete "3, 4" and insert "2,7"

Page 213, line 6, before "and" insert ",13, 14" and after "and" delete "14" and insert "15"

Page 213, line 7, delete "2, 5 and 15" and insert "3,4,5 and 6"

Page 213, line 9, delete "Sections 8 and" and insert "Section" and delete "are" and insert "is"

Page 213, line 10, after the period, insert "Section 8 is effective the first pay period ending after July 1, 1980."

Motion Carried - unanimous vote

Sen. Peterson moved that the language amending Chapter 11 contained in H.F. 1121, the unofficial engrossment, be recommended to pass.

Motion carried - unanimous vote



Sen. Peterson moved to H.F. 1121, Article 9 of the unofficial engrossment as follows:

Page 185, delete Section 53 and insert "Sec. 53. Minnesota Statutes 1978, Section 422A.06, is amended by adding a subdivision 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 June 30, 1980, assets equal to the required reserves pursuant to law shall be transferred from the deposit accumulation fund to the retirement benefit fund. All 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.

The state board of investment shall transfer the assets and obligations in the Minnesota adjustable fixed benefit fund belonging to the retired members of the Minneapolis employee retirement fund to the retirement benefit fund under the management of the Minneapolis employees retirement board.

The laws governing accounting procedures, actuarial requirements, investments, benefit increases and other applicable provisions regarding the adjustable fixed benefit fund shall apply to the retirement benefit fund. The retirement board shall establish a deferred yield adjustment account equal to the Minneapolis municipal employees' retirement fund's proportional share of the Minnesota adjustable fixed benefit fund's deferred yield adjustment account as of June 30, 1980.

Notwithstanding any law to the contrary, the transfer of assets and obligations will be based on the proportional share of required reserves of the Minnesota adjustable fixed benefit fund owned by Minneapolis retirement fund members as determined by the actuary for the legislative commission on pensions and retirement for June 30, 1980. The proportional share of required reserves owned shall determine the proportional share of the assets of the Minnesota adjustable fixed benefit fund to be transferred based on market value.

As of June 30, 1980, the liability for the payment of all annuities to annuitants of the Minneapolis municipal employees retirement fund previously payable from the Minnesota adjustable fixed benefit fund shall be transferred to the retirement benefit fund of the Minneapolis municipal employees retirement fund and shall no longer be the liability of the Minnesota adjustable fixed benefit fund.

At the close of the business day on June 30, 1980 there shall be transferred to the Minneapolis retirement board title to no less than 90% of the total market value of the estimated Minneapolis employees retirement fund participation. All market valuations shall be determined by a nationally recognized firm known to perform such evaluations mutually agreed upon by the investment board and Minneapolis retirement board. The transfer shall be in securities mutually agreeable to both parties and cash, representative of the portfolio composition on June 30. The remainder of the transfer shall be in cash with interest at the average rate earned in the Minnesota adjustable fixed benefit fund short term portfolio from June 30 to the date of transfer after the actuarial determination of the proportional share of reserves owned

by the Minneapolis retirement fund is calculated by the actuary for the legislative commission on pensions and retirements.



Upon the completion of the transfer authorized by this section, the legislative auditor shall conduct an examination of the transfer proceedings, prepare specific findings as to the propriety of fiscal correctness thereof and transmit his findings to the state board of investment, Minneapolis retirement board, the remaindermen in the Minnesota adjustable fixed benefit fund and the legislative commission on pensions and retirement. If the legislative auditor finds any error in the transfer proceedings, the parties to the transfer shall immediately cause the error to be corrected.

The Minneapolis retirement board shall pay any costs arising from the transfer authorized by this section if the costs would not have been incurred in the absence of the transfer.

If the state board of investment and the Minneapolis retirement board jointly agree that the transfer authorized by this section should not be consummated on June 30, 1980, the transfer shall be undertaken on June 30, 1981, and the date 1980, wherever it appears in this section, shall be read as 1981."

Motion carried - 6 affirmative; 3 dissenting

Sen. Peterson moved to recommend the pension portions of the Senate Tax Bill as amended.

Motion carried - unanimous vote

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Rep. Al Patton  
Chairman

*E. Diebel*

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E. Diebel  
Steno