



H.F. 2028
(Gunther)

S.F. XXXX
(Rosen)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Fairmont Police Relief Association; PERA-P&F
Relevant Provisions of Law: Minnesota Statutes, New Section 353.669
General Nature of Proposal: Consolidation of Fairmont Police Relief Association into PERA-P&F
Date of Summary: January 31, 2012

Specific Proposed Changes

- Totally consolidates the Fairmont Police Relief Association into PERA-P&F using the same model as used with the 2011 Special Session Minneapolis Police and Fire Relief Association consolidations and terminates the relief association upon consolidation, repealing Fairmont Police Relief Association-specific statutes and special laws.
- Provides for an immediate benefit increase for service pensioners and survivors and replaces the relief association benefit escalator and 13th check with the PERA-P&F post-retirement adjustment mechanism.

Policy Issues Raised by the Proposed Legislation

1. Precedent for the consolidation.
2. Extent of the proposed benefit increase accompanying the consolidation.
3. Adequacy of funding for the proposed consolidation.
4. Local approval or legislative mandate.
5. Need for future adaptations to the 1969 Local Police and Paid Fire Relief Association Financing Guidelines Act.

Technical Amendment

H2028-1A corrects an internal reference.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director *JAM*

RE: H.F. 2028 (Gunther); S.F. xxxx (Rosen): Fairmont Police Relief Association; Consolidation

DATE: January 30, 2012

Summary of H.F. 2028 (Gunther); S.F. xxxx (Rosen)

H.F. 2028 (Gunther); S.F. xxxx (Rosen) provides for a total consolidation of the Fairmont Police Relief Association into the Public Employees Police and Fire Retirement Plan (PERA-P&F) upon the end of the month in which final enactment occurs, with an immediate benefit increase for service pensioners and survivors and with the replacement of the relief association benefit escalator and the relief association 13th check by the PERA-P&F post-retirement adjustment mechanism, with the repeal of Fairmont Police Relief Association-specific statutes and special laws.

Discussion and Analysis

H.F. 2028 (Gunther); S.F. xxxx (Rosen) totally consolidates the Fairmont Police Relief Association into PERA-P&F using the same model as used with the 2011 Special Session Minneapolis Police and Fire Relief Association consolidations and terminates the relief association upon consolidation, repealing Fairmont Police Relief Association-specific statutes and special laws.

The proposed legislation raises a number of pension and related public policy issues for consideration by and possible discussion by the Commission, as follows:

1. Precedent for the Consolidation. The policy issue is the existence of any precedent for the proposed legislation and its potential for the creation of a situation that could be argued as binding in an adverse circumstance. The Fairmont Police Relief Association is the last of Minnesota's 48 local police and paid firefighter relief associations as of 1980 that have totally consolidated with PERA-P&F (four relief associations, five with Fairmont Police), have merged with PERA-P&F (42 relief associations), or have consolidated administratively with the Public Employees Retirement Association (PERA) (one relief association). The Fairmont Police Relief Association total consolidation with PERA-P&F follows the model of the 2011 total consolidations of the Minneapolis Police Relief Association and the Minneapolis Firefighters Relief Association. The sole remaining local relief association similar to the Fairmont Police Relief Association and other consolidated or merged relief associations for which this proposed legislation could have any precedential application is the Bloomington Firefighters Relief Association, a volunteer fire department pension plan that bases its service pensions and retirement benefits on the salary of a Bloomington top grade patrol officer at and after retirement, the local relief association "escalator," under a 1965 local law. The Bloomington Firefighters Relief Association is not a completely comparable situation to the 48 local police or paid fire associations, has no indicated interest in changing its retirement coverage in favor of the PERA-P&F retirement plan, and no adverse precedent appears likely to result.
2. Extent of the Proposed Benefit Increase Accompanying the Consolidation. The policy issue is the extent of the increases in service pensions and survivor benefits provided to accompany the consolidation. The maximum service pension amount will increase from \$55,429 to \$64,000 and the survivor benefit amount will increase from \$32,333 to \$37,333, or 15.46% increases. The ten service pensioners and three surviving spouses on the benefit rolls as of October 2011 also will be entitled to a 1.5% post-retirement adjustment on January 1, 2013. The service pension and survivor benefit increases are in part an inducement to consolidate and in part to offset the foregoing of its 13th check post-retirement adjustment mechanism, enacted in 1999. The benefit increases provided are smaller than those provided in the 2011 Minneapolis Police Relief Association and Minneapolis Police Relief Association consolidation legislation, where consolidation also was part of a settlement of a lawsuit with the City of Minneapolis over prior service pension and retirement benefit determination practices.
3. Adequacy of Funding for the Proposed Consolidation. The policy issue is the adequacy of the current funding of the Fairmont Police Relief Association with respect to the actuarial accrued liability likely to be transferred to the PERA-P&F upon consolidation. In October 2011, the Fairmont Police Relief

Association had its actuary, Van Iwaarden, estimate the actuarial accrued liability expected to be transferred to PERA-P&F, and that actuarial projection indicates the following:

	Most Recent (12/31/2010) Relief Association Valuation	October 2011 Projected Liability Valuation Upon Consolidation (8.5% Interest)	October 2011 Projected Liability Valuation Upon Consolidation (8.0% Interest)
Service Pensioners	10	10	10
Survivors	<u>3</u>	<u>3</u>	<u>3</u>
Total Membership	13	13	13
Actuarial Accrued Liability	\$7,528,411	\$6,456,901	\$6,695,665
Assets	<u>\$6,153,663</u>	<u>\$6,416,560</u>	<u>\$6,416,360</u>
Unfunded Actuarial Accrued Liability	\$1,374,748	\$40,341	\$279,305
Funded Ratio	81.74%	99.4%	95.8%
Benefits Payable	\$584,270		
Administrative Expenses	\$24,314	--	--
Amortization Contribution (2020)	<u>\$182,793</u>	<u>\$6,361</u>	<u>\$43,023</u>
Total Actuarial Requirements	\$207,107	\$6,361	\$43,023
Municipal Contribution	\$140,155	\$150,000 (budgeted)	\$150,000 (budgeted)

The projected valuation results include the likely impact of an interest actuarial assumption change from 8.5% to 8.0%, the liability for which the City of Fairmont would be obligated to cover under the proposed legislation. The Van Iwaarden actuarial results would need to be confirmed by the consulting actuary retained by PERA, which are the actual actuarial results that will drive the municipal obligation under the proposed legislation.

4. Local Approval or Legislative Mandate. The policy issue is whether or not a consolidation by legislative mandate rather than a consolidation with local approval is appropriate. The proposed legislation would be effective at the end of the month in which final enactment occurs. The most recent local police and paid fire relief association consolidation, the 2011 consolidations of the Minneapolis Firefighters Relief Association and the Minneapolis Police Relief Association, required numerous non-legislative approvals to become effective, from the local relief association board of trustees, from the relief association membership, from the municipality, and from the board of the Public Employees Retirement Association, and included a precondition before becoming effective that both consolidations had to be approved. The Fairmont Police Relief Association, as a Minnesota nonprofit corporation, is a creature of Minnesota law and can be altered or extinguished by a change in Minnesota law. The consolidation of the Minneapolis Teachers Retirement Fund Association, in 2006, also was accomplished by legislative mandate. Where a consolidation is very controversial with various parties, as with the Minneapolis police and fire consolidations, that controversy can be addressed by requiring the local approval of the municipality or by requiring additional approvals. When the consolidation is not controversial, as appears to be the Fairmont situation, a consolidation by legislative mandate does not appear to do any considerable violence to public policy.
5. Need for Future Adaptations to the 1969 Local Police and Paid Fire Relief Association Financing Guidelines Act. The issue, with the consolidation of the last local police and paid firefighter relief association, is the future of the Local Police and Paid Fire Relief Association Financing Guidelines Act, enacted in 1969 to require actuarial funding of the state's local police and paid fire relief associations. With the Fairmont Police Relief Association consolidation, and with the proposed merger of the Virginia Fire Department Relief Association Consolidation Account of PERA into the PERA-P&F retirement plan, Minnesota Statutes, Section 69.77, now applies solely to the Bloomington Firefighters Relief Association, a volunteer fire department with a retirement plan similar to the former local police and paid fire relief associations in that the benefit amounts are based on the salary of an employment position within Bloomington. Minnesota Statutes, Section 69.77, now is in effect only as a codified local law. The statute either could be retained as an unprinted local law, designated as such in Minnesota Statutes, or could be rewritten as a Bloomington Fire law. Any adaptation in Minnesota Statutes, Section 69.77, should be attempted with the involvement of the Bloomington city officials and Bloomington Firefighters Relief Association officers.

Technical Amendment

Amendment H2028-1A is a technical amendment to correct an internal reference.

Section-by-Section Summary of H.F. 2028 (Gunther); S.F. xxxx (Rosen)

Summary of H.F. 2028 (Gunther); S.F. xxxx (Rosen), Revisor No. 12-4724

Article 1: Fairmont Police Relief Association Consolidation

Sec.	Pg.Ln	Retirement Plan	Stat. Provision	Summary
1	1.14	PERA-P&F	New 353.669	Provides for the consolidation of the Fairmont Police Relief Association into PERA-P&F by transferring the membership of the relief association, transferring the benefit liability of the relief association, transferring the records of the relief association, transferring the assets of the relief association, providing for the future benefit governing law for former relief association membership, including a benefit increase for current service pensioners and survivors and PERA-P&F post-retirement adjustments, and providing for future employer contributions in the event that there is an unfunded liability transfer.
2	4.10	Fairmont Police	Uncoded	Provides for the termination of the relief association as of the effective date of consolidation.
3	4.14	Fairmont Police	Repealer	Repeals the relief association special laws as of the effective date of consolidation
4	4.17	--	Effective Date	Sets the effective date of consolidation as the last day of the month of final enactment.

Article 2: Relief Association Consolidation Conforming Changes

Sec.	Pg.Ln	Retirement Plan	Stat. Provision	Summary
1	4.22	Local police & fire guidelines act	69.77, Subd. 1a	Removes the Fairmont Police Relief Association from application of the Guidelines Act.
2	4.29	Local police & fire guidelines act	69.77, Subd. 4	Eliminates the Fairmont Police Relief Association special administrative expense and amortization contribution provisions.
3	6.24	Actuarial reporting law	356.215, Subd. 8	Removes the specific Fairmont Police Relief Association interest rate and salary scale actuarial assumption.
4	11.22	Revisor's instruction	Laws 2002, Ch. 392, Art. 1	The 2002 Revisor's instruction to show the old statutes as inactive is stricken.
5	12.11	Fairmont Police	Repealer	Repeals the statutory provisions specifically applicable to the relief association.
6	12.18	--	Effective Date	Effective on the effective date of consolidation.

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1.1 moves to amend H.F. No. 2028; S.F. No. as follows:

1.2 Page 12, line 19, delete "3" and insert "4"

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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2028

01/30/2012 Authored by Gunther

The bill was read for the first time and referred to the Committee on Government Operations and Elections

1.1 A bill for an act
1.2 relating to retirement; Fairmont Police Relief Association; consolidating the
1.3 relief association with the Public Employees Police and Fire Retirement Plan
1.4 and Fund; amending Minnesota Statutes 2011 Supplement, sections 69.77,
1.5 subdivisions 1a, 4; 356.215, subdivision 8; Laws 2002, chapter 392, article 1,
1.6 section 8; proposing coding for new law in Minnesota Statutes, chapter 353;
1.7 repealing Minnesota Statutes 2010, section 423A.06; Laws 1947, chapter 624,
1.8 sections 1; 2; 3; 4; 5; 6; 8; 9; 10; 11; 12; 13; 14; 15; 16; 17; 18; 19; 21; 22, as
1.9 amended; Laws 1963, chapter 423; Laws 1999, chapter 222, article 3, sections
1.10 3; 4; 5.

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

1.12 **ARTICLE 1**

1.13 **FAIRMONT POLICE RELIEF ASSOCIATION CONSOLIDATION**

1.14 Section 1. **[353.669] CONSOLIDATION OF THE FAIRMONT POLICE RELIEF**
1.15 **ASSOCIATION.**

1.16 **Subdivision 1. Membership transfer.** On the effective date of consolidation, the
1.17 retired members, including surviving spouses, of the Fairmont Police Relief Association
1.18 are transferred to the public employees police and fire retirement plan, are no longer
1.19 members of the former Fairmont Police Relief Association, and are members of the public
1.20 employees police and fire retirement plan.

1.21 **Subd. 2. Benefit liability transfer.** The liability for the payment of retirement
1.22 annuities, service pensions, and survivor benefits of the retired members, service
1.23 pensioners, surviving spouses, and any other retirement benefit recipients of the former
1.24 Fairmont Police Relief Association, as contained in the transferred records of the former
1.25 relief association, is transferred to the public employees police and fire retirement plan on
1.26 the effective date of consolidation.

2.1 Subd. 3. Transfer of records. On the effective date of consolidation, the
 2.2 chief administrative officer of the Fairmont Police Relief Association shall transfer all
 2.3 records and documents relating to the special fund of the former Fairmont Police Relief
 2.4 Association to the executive director of the Public Employees Retirement Association. To
 2.5 the extent possible, original copies of all records and documents must be transferred.

2.6 Subd. 4. Transfer of assets; transfer of title to assets. (a) On the effective date of
 2.7 consolidation, the chief administrative officer of the Fairmont Police Relief Association
 2.8 shall transfer the entire assets of the special fund of the Fairmont Police Relief Association
 2.9 to the public employees police and fire retirement fund at market value. Unless ineligible
 2.10 or inappropriate as determined by the State Board of Investment, the transfer must be
 2.11 in the form of investment securities and must include any accounts receivable that are
 2.12 determined by the State Board of Investment as being capable of being collected. The city
 2.13 of Fairmont must transfer, in cash, an amount equal to the market value, as recognized by
 2.14 the relief association of any investment securities that are determined by the executive
 2.15 director of the State Board of Investment to be not in compliance with the requirements
 2.16 and limitations set forth in sections 11A.09, 11A.14, 11A.23, and 11A.24, or to be
 2.17 inappropriate for retention in light of the established investment objectives of the State
 2.18 Board of Investment, or of any accounts receivable that are determined by the executive
 2.19 director as being incapable of being collected. The legal and beneficial title to assets that
 2.20 are determined to be noncompliant or inappropriate securities or that are determined to be
 2.21 uncollectable accounts receivable are transferred from the relief association special fund
 2.22 to the city of Fairmont as of the effective date of consolidation. Any accounts payable
 2.23 of the special fund of the Fairmont Police Relief Association on the effective date of
 2.24 consolidation, are an obligation of the public employees police and fire retirement fund
 2.25 and reduce the value of the transferred relief association special fund assets for purposes
 2.26 of subdivision 6. Assets transferred from the special fund of the Fairmont Police Relief
 2.27 Association must be deposited in the public employees police and fire retirement fund
 2.28 and must be managed by the State Board of Investment through the Minnesota combined
 2.29 investment funds under section 11A.14.

2.30 (b) Upon the transfer of the assets to the management of the State Board of
 2.31 Investment under paragraph (a), legal title to those transferred assets vests with the State
 2.32 Board of Investment on behalf of the public employees police and fire retirement plan,
 2.33 and beneficial title to the transferred assets remains with the former membership of the
 2.34 former Fairmont Police Relief Association.

2.35 (c) The public employees police and fire retirement plan and fund is the successor in
 2.36 interest to all claims for and against the Fairmont Police Relief Association. The public

3.1 employees police and fire retirement plan and fund is not liable for any claim against the
3.2 Fairmont Police Relief Association or its governing board acting in a fiduciary capacity
3.3 under chapter 356A or under common law which is founded upon a claim of a breach of
3.4 fiduciary duty if the act or acts constituting the claimed breach were not undertaken in
3.5 good faith. The public employees police and fire retirement plan may assert any applicable
3.6 defense to any claim in any judicial or administrative proceeding that the former Fairmont
3.7 Police Relief Association or its former governing board would otherwise have been
3.8 entitled to assert and the public employees police and fire retirement plan may assert any
3.9 applicable defense that it has in its capacity as a statewide agency.

3.10 (d) The Public Employees Retirement Association shall indemnify any former
3.11 fiduciary of the Fairmont Police Relief Association consistent with the provisions of
3.12 section 356A.11. The indemnification may be effected by the purchase by the Public
3.13 Employees Retirement Association of reasonable fiduciary liability tail insurance for the
3.14 officers and directors of the former Fairmont Police Relief Association.

3.15 Subd. 5. **Benefits.** (a) The annuities, service pensions, and other retirement benefits
3.16 of or attributable to retired members and surviving spouses of the Fairmont Police Relief
3.17 Association who had that status as of the effective date of consolidation, continue after
3.18 consolidation in the same amount and under the same terms as provided under Minnesota
3.19 Statutes 2000, sections 423.41 to 423.46, 423.48 to 423.59, 423.61, and 423.62; Laws
3.20 1963, chapter 423; Laws 1977, chapter 100; and Laws 1999, chapter 222, article 3, section
3.21 4, except as provided in paragraph (b).

3.22 (b) The annual base salary figure for pension and benefit determinations upon
3.23 consolidation and for the balance of calendar year 2012 is \$106,666.67 and for calendar
3.24 years after 2012 is the prior calendar year's annual base pay plus an increase equal to the
3.25 adjustment percentage under section 356.415, subdivision 1c, effective as of January
3.26 1 of that calendar year. After December 31, 2012, annual postretirement adjustments
3.27 of pensions and benefits in force must be calculated solely under section 356.415,
3.28 subdivision 1c.

3.29 Subd. 6. **Employer contributions.** (a) As of the effective date of consolidation, the
3.30 approved actuary retained by the Public Employees Retirement Association shall calculate
3.31 the present value of future benefits of the former Fairmont Police Relief Association
3.32 special fund and, by subtracting the market value of the transferred assets of the Fairmont
3.33 Police Relief Association as of the effective date of consolidation, the remainder present
3.34 value of future benefits amount, if any. Annually, on or before December 31, if there is a
3.35 remainder present value of future benefits account, the city of Fairmont shall pay to the
3.36 public employees police and fire retirement fund an amount sufficient, on a level annual

4.1 dollar basis, to amortize the calculated remainder present value of future benefits amount
 4.2 by December 31, 2020.

4.3 (b) If, after the effective date of consolidation, the postretirement or preretirement
 4.4 interest rate actuarial assumption applicable to the public employees police and fire
 4.5 retirement plan under section 356.215, subdivision 8, is modified from the rates specified
 4.6 in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of
 4.7 future benefits amount calculation under paragraph (a), updated for the passage of time,
 4.8 must be revised and the amortization contribution by the city of Fairmont for the balance
 4.9 of the amortization period must be redetermined and certified to the city of Fairmont.

4.10 Sec. 2. **TERMINATION OF THE FAIRMONT POLICE RELIEF**
 4.11 **ASSOCIATION.**

4.12 On the effective date of consolidation, the Fairmont Police Relief Association
 4.13 ceases to exist.

4.14 Sec. 3. **REPEALER.**

4.15 Laws 1963, chapter 423; and Laws 1999, chapter 222, article 3, sections 3; 4; and
 4.16 5, are repealed.

4.17 Sec. 4. **EFFECTIVE DATE.**

4.18 Sections 1 to 3 are effective as of the last day of the month in which final enactment
 4.19 occurs.

4.20 **ARTICLE 2**

4.21 **RELIEF ASSOCIATION CONSOLIDATION CONFORMING CHANGES**

4.22 Section 1. Minnesota Statutes 2011 Supplement, section 69.77, subdivision 1a, is
 4.23 amended to read:

4.24 Subd. 1a. **Covered retirement plans.** The provisions of this section apply to the
 4.25 following local retirement plans:

4.26 (1) the Bloomington Firefighters Relief Association; and

4.27 ~~(2) the Fairmont Police Relief Association; and~~

4.28 ~~(3) (2) the Virginia Fire Department Relief Association.~~

4.29 Sec. 2. Minnesota Statutes 2011 Supplement, section 69.77, subdivision 4, is amended
 4.30 to read:

5.1 Subd. 4. **Relief association financial requirements; minimum municipal**
 5.2 **obligation.** (a) The officers of the relief association shall determine the financial
 5.3 requirements of the relief association and minimum obligation of the municipality for
 5.4 the following calendar year in accordance with the requirements of this subdivision.
 5.5 The financial requirements of the relief association and the minimum obligation of the
 5.6 municipality must be determined on or before the submission date established by the
 5.7 municipality under subdivision 5.

5.8 (b) The financial requirements of the relief association for the following calendar
 5.9 year must be based on the most recent actuarial valuation or survey of the special fund of
 5.10 the association if more than one fund is maintained by the association, or of the association,
 5.11 if only one fund is maintained, prepared in accordance with sections 356.215, subdivisions
 5.12 4 to 15, and 356.216, as required under subdivision 10. If an actuarial estimate is prepared
 5.13 by the actuary of the relief association as part of obtaining a modification of the benefit
 5.14 plan of the relief association and the modification is implemented, the actuarial estimate
 5.15 must be used in calculating the subsequent financial requirements of the relief association.

5.16 (c) If the relief association has an unfunded actuarial accrued liability as reported in
 5.17 the most recent actuarial valuation or survey, the total of the amounts calculated under
 5.18 clauses (1), (2), and (3), constitute the financial requirements of the relief association for
 5.19 the following year. If the relief association does not have an unfunded actuarial accrued
 5.20 liability as reported in the most recent actuarial valuation or survey, the amount calculated
 5.21 under clauses (1) and (2) constitute the financial requirements of the relief association for
 5.22 the following year. The financial requirement elements are:

5.23 (1) the normal level cost requirement for the following year, expressed as a dollar
 5.24 amount, which must be determined by applying the normal level cost of the relief
 5.25 association as reported in the actuarial valuation or survey and expressed as a percentage
 5.26 of covered payroll to the estimated covered payroll of the active membership of the relief
 5.27 association, including any projected change in the active membership, for the following
 5.28 year;

5.29 (2) for the Bloomington Fire Department Relief Association, ~~the Fairmont Police~~
 5.30 ~~Relief Association~~, and the Virginia Fire Department Relief Association, to the dollar
 5.31 amount of normal cost determined under clause (1) must be added an amount equal to the
 5.32 dollar amount of the administrative expenses of the special fund of the association if more
 5.33 than one fund is maintained by the association, or of the association if only one fund is
 5.34 maintained, for the most recent year, multiplied by the factor of 1.035. The administrative
 5.35 expenses are those authorized under section 69.80; and

6.1 (3) to the dollar amount of normal cost and expenses determined under clauses
 6.2 (1) and (2) must be added an amount equal to the level annual dollar amount which
 6.3 is sufficient to amortize the unfunded actuarial accrued liability as determined from
 6.4 the actuarial valuation or survey of the fund, using an interest assumption set at the
 6.5 applicable rate specified in section 356.215, subdivision 8, by that fund's amortization
 6.6 date as specified in paragraph (d).

6.7 (d) The Virginia Fire Department Relief Association special fund amortization date
 6.8 is December 31, 2010. ~~The Fairmont Police Relief Association special fund amortization~~
 6.9 ~~date is December 31, 2020.~~ The Bloomington Fire Department Relief Association
 6.10 special fund amortization date is determined under section 356.216, clause (2). The
 6.11 amortization date specified in this paragraph supersedes any amortization date specified in
 6.12 any applicable special law.

6.13 (e) The minimum obligation of the municipality is an amount equal to the financial
 6.14 requirements of the relief association reduced by the estimated amount of member
 6.15 contributions from covered salary anticipated for the following calendar year and the
 6.16 estimated amounts anticipated for the following calendar year from the applicable state aid
 6.17 program established under sections 69.011 to 69.051 receivable by the relief association
 6.18 after any allocation made under section 69.031, subdivision 5, paragraph (b), clause (2),
 6.19 or 423A.01, subdivision 2, paragraph (a), clause (6), from the local police and salaried
 6.20 firefighters' relief association amortization aid program established under section 423A.02,
 6.21 subdivision 1, from the supplementary amortization state-aid program established under
 6.22 section 423A.02, subdivision 1a, and from the additional amortization state aid under
 6.23 section 423A.02, subdivision 1b.

6.24 Sec. 3. Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8, is
 6.25 amended to read:

6.26 Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use
 6.27 the applicable following preretirement interest assumption and the applicable following
 6.28 postretirement interest assumption:

6.29		preretirement	postretirement
6.30		interest	interest
6.31	plan	rate assumption	rate assumption
6.32	general state employees retirement plan	8.5%	6.0%
6.33	correctional state employees retirement plan	8.5	6.0
6.34	State Patrol retirement plan	8.5	6.0
6.35	legislators retirement plan	8.5	6.0
6.36	elective state officers retirement plan	8.5	6.0
6.37	judges retirement plan	8.5	6.0

7.1	general public employees retirement plan	8.5	6.0
7.2	public employees police and fire retirement plan	8.5	6.0
7.3	local government correctional service		
7.4	retirement plan	8.5	6.0
7.5	teachers retirement plan	8.5	6.0
7.6	Duluth teachers retirement plan	8.5	8.5
7.7	St. Paul teachers retirement plan	8.5	8.5
7.8	Fairmont Police Relief Association	5.0	5.0
7.9	Virginia Fire Department Relief Association	5.0	5.0
7.10	Bloomington Fire Department Relief		
7.11	Association	6.0	6.0
7.12	local monthly benefit volunteer firefighters		
7.13	relief associations	5.0	5.0

7.14 (b) Before July 1, 2010, the actuarial valuation must use the applicable following
 7.15 single rate future salary increase assumption, the applicable following modified single
 7.16 rate future salary increase assumption, or the applicable following graded rate future
 7.17 salary increase assumption:

7.18 (1) single rate future salary increase assumption

7.19	plan	future salary increase assumption
7.20	legislators retirement plan	5.0%
7.21	judges retirement plan	4.0
7.22	Fairmont Police Relief Association	3.5
7.23	Virginia Fire Department Relief Association	3.5
7.24	Bloomington Fire Department Relief	
7.25	Association	4.0

7.26 (2) age-related select and ultimate future salary increase assumption or graded rate
 7.27 future salary increase assumption

7.28	plan	future salary increase assumption
7.29	correctional state employees retirement plan	assumption D
7.30	State Patrol retirement plan	assumption C
7.31	local government correctional service retirement plan	assumption C
7.32	Duluth teachers retirement plan	assumption A
7.33	St. Paul teachers retirement plan	assumption B

7.34 The select calculation is: during the
 7.35 designated select period, a designated
 7.36 percentage rate is multiplied by the result of
 7.37 the designated integer minus T, where T is
 7.38 the number of completed years of service,
 7.39 and is added to the applicable future salary
 7.40 increase assumption. The designated select

8.1 period is five years and the designated
 8.2 integer is five for the general state employees
 8.3 retirement plan. The designated select period
 8.4 is ten years and the designated integer is ten
 8.5 for all other retirement plans covered by
 8.6 this clause. The designated percentage rate
 8.7 is: (1) 0.2 percent for the correctional state
 8.8 employees retirement plan, the State Patrol
 8.9 retirement plan, and the local government
 8.10 correctional service retirement plan; (2)
 8.11 0.6 percent for the general state employees
 8.12 retirement plan; and (3) 0.3 percent for the
 8.13 teachers retirement plan, the Duluth Teachers
 8.14 Retirement Fund Association, and the St.
 8.15 Paul Teachers Retirement Fund Association.
 8.16 The select calculation for the Duluth Teachers
 8.17 Retirement Fund Association is 8.00 percent
 8.18 per year for service years one through seven,
 8.19 7.25 percent per year for service years seven
 8.20 and eight, and 6.50 percent per year for
 8.21 service years eight and nine.

8.22 The ultimate future salary increase assumption is:

8.23	age	A	B	C	D
8.24	16	8.00%	6.90%	7.7500%	7.2500%
8.25	17	8.00	6.90	7.7500	7.2500
8.26	18	8.00	6.90	7.7500	7.2500
8.27	19	8.00	6.90	7.7500	7.2500
8.28	20	6.90	6.90	7.7500	7.2500
8.29	21	6.90	6.90	7.1454	6.6454
8.30	22	6.90	6.90	7.0725	6.5725
8.31	23	6.85	6.85	7.0544	6.5544
8.32	24	6.80	6.80	7.0363	6.5363
8.33	25	6.75	6.75	7.0000	6.5000
8.34	26	6.70	6.70	7.0000	6.5000
8.35	27	6.65	6.65	7.0000	6.5000
8.36	28	6.60	6.60	7.0000	6.5000
8.37	29	6.55	6.55	7.0000	6.5000
8.38	30	6.50	6.50	7.0000	6.5000
8.39	31	6.45	6.45	7.0000	6.5000

9.1	32	6.40	6.40	7.0000	6.5000
9.2	33	6.35	6.35	7.0000	6.5000
9.3	34	6.30	6.30	7.0000	6.5000
9.4	35	6.25	6.25	7.0000	6.5000
9.5	36	6.20	6.20	6.9019	6.4019
9.6	37	6.15	6.15	6.8074	6.3074
9.7	38	6.10	6.10	6.7125	6.2125
9.8	39	6.05	6.05	6.6054	6.1054
9.9	40	6.00	6.00	6.5000	6.0000
9.10	41	5.90	5.95	6.3540	5.8540
9.11	42	5.80	5.90	6.2087	5.7087
9.12	43	5.70	5.85	6.0622	5.5622
9.13	44	5.60	5.80	5.9048	5.4078
9.14	45	5.50	5.75	5.7500	5.2500
9.15	46	5.40	5.70	5.6940	5.1940
9.16	47	5.30	5.65	5.6375	5.1375
9.17	48	5.20	5.60	5.5822	5.0822
9.18	49	5.10	5.55	5.5404	5.0404
9.19	50	5.00	5.50	5.5000	5.0000
9.20	51	4.90	5.45	5.4384	4.9384
9.21	52	4.80	5.40	5.3776	4.8776
9.22	53	4.70	5.35	5.3167	4.8167
9.23	54	4.60	5.30	5.2826	4.7826
9.24	55	4.50	5.25	5.2500	4.7500
9.25	56	4.40	5.20	5.2500	4.7500
9.26	57	4.30	5.15	5.2500	4.7500
9.27	58	4.20	5.10	5.2500	4.7500
9.28	59	4.10	5.05	5.2500	4.7500
9.29	60	4.00	5.00	5.2500	4.7500
9.30	61	3.90	5.00	5.2500	4.7500
9.31	62	3.80	5.00	5.2500	4.7500
9.32	63	3.70	5.00	5.2500	4.7500
9.33	64	3.60	5.00	5.2500	4.7500
9.34	65	3.50	5.00	5.2500	4.7500
9.35	66	3.50	5.00	5.2500	4.7500
9.36	67	3.50	5.00	5.2500	4.7500
9.37	68	3.50	5.00	5.2500	4.7500
9.38	69	3.50	5.00	5.2500	4.7500
9.39	70	3.50	5.00	5.2500	4.7500

9.40 (3) service-related ultimate future salary increase assumption

10.1	general state employees retirement plan of the				assumption A
10.2	Minnesota State Retirement System				
10.3	general employees retirement plan of the Public				assumption B
10.4	Employees Retirement Association				
10.5	Teachers Retirement Association				assumption C
10.6	public employees police and fire retirement plan				assumption D
10.7	service				
10.8	length	A	B	C	D
10.9	1	10.75%	12.25%	12.00%	13.00%
10.10	2	8.35	9.15	9.00	11.00
10.11	3	7.15	7.75	8.00	9.00
10.12	4	6.45	6.85	7.50	8.00
10.13	5	5.95	6.25	7.25	6.50
10.14	6	5.55	5.75	7.00	6.10
10.15	7	5.25	5.45	6.85	5.80
10.16	8	4.95	5.15	6.70	5.60
10.17	9	4.75	4.85	6.55	5.40
10.18	10	4.65	4.65	6.40	5.30
10.19	11	4.45	4.45	6.25	5.20
10.20	12	4.35	4.35	6.00	5.10
10.21	13	4.25	4.15	5.75	5.00
10.22	14	4.05	4.05	5.50	4.90
10.23	15	3.95	3.95	5.25	4.80
10.24	16	3.85	3.85	5.00	4.80
10.25	17	3.75	3.75	4.75	4.80
10.26	18	3.75	3.75	4.50	4.80
10.27	19	3.75	3.75	4.25	4.80
10.28	20	3.75	3.75	4.00	4.80
10.29	21	3.75	3.75	3.90	4.70
10.30	22	3.75	3.75	3.80	4.60
10.31	23	3.75	3.75	3.70	4.50
10.32	24	3.75	3.75	3.60	4.50
10.33	25	3.75	3.75	3.50	4.50
10.34	26	3.75	3.75	3.50	4.50
10.35	27	3.75	3.75	3.50	4.50
10.36	28	3.75	3.75	3.50	4.50
10.37	29	3.75	3.75	3.50	4.50
10.38	30 or more	3.75	3.75	3.50	4.50

10.39 (c) Before July 2, 2010, the actuarial valuation must use the applicable following
 10.40 payroll growth assumption for calculating the amortization requirement for the unfunded
 10.41 actuarial accrued liability where the amortization retirement is calculated as a level
 10.42 percentage of an increasing payroll:

11.1	plan	payroll growth assumption
11.2	general state employees retirement plan of the	
11.3	Minnesota State Retirement System	3.75%
11.4	correctional state employees retirement plan	4.50
11.5	State Patrol retirement plan	4.50
11.6	legislators retirement plan	4.50
11.7	judges retirement plan	4.00
11.8	general employees retirement plan of the Public	
11.9	Employees Retirement Association	3.75
11.10	public employees police and fire retirement plan	3.75
11.11	local government correctional service retirement plan	4.50
11.12	teachers retirement plan	3.75
11.13	Duluth teachers retirement plan	4.50
11.14	St. Paul teachers retirement plan	5.00

11.15 (d) After July 1, 2010, the assumptions set forth in paragraphs (b) and (c) continue to
11.16 apply, unless a different salary assumption or a different payroll increase assumption:

11.17 (1) has been proposed by the governing board of the applicable retirement plan;

11.18 (2) is accompanied by the concurring recommendation of the actuary retained under
11.19 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the
11.20 most recent actuarial valuation report if section 356.214 does not apply; and

11.21 (3) has been approved or deemed approved under subdivision 18.

11.22 Sec. 4. Laws 2002, chapter 392, article 1, section 8, is amended to read:

11.23 Sec. 8. **REVISOR INSTRUCTIONS.**

11.24 ~~(a) In the next and subsequent editions of Minnesota Statutes, the revisor of statutes~~
11.25 ~~shall not print Minnesota Statutes, sections 423.41 to 423.62, but shall denote those~~
11.26 ~~sections as "[LOCAL, CITY OF FAIRMONT, POLICE PENSIONS]."~~

11.27 ~~(b)~~ In the next and subsequent editions of Minnesota Statutes, the revisor of statutes
11.28 shall, in each section indicated in column A, replace the cross-reference specified in
11.29 column B with the cross-reference set forth in column C:

11.30	Column A	Column B	Column C
11.31	69.021, subd. 10	69.77, subd. 2a	69.77, subd. 3
11.32	69.021, subd. 10	69.77, subd. 2b	69.77, subd. 4
11.33	69.021, subd. 10	69.77, subd. 2c	69.77, subd. 5
11.34	299A.465, subd. 5	424.03	Minnesota Statutes, 2000,
11.35			424.03
11.36	353A.07, subd. 6	69.77, subd. 2a	69.77, subd. 3
11.37	353A.09, subd. 4	69.77, subd. 2a	69.77, subd. 3
11.38	356.216	69.77, subd. 2b	69.77, subd. 4
11.39	356.219, subd. 2	69.77, subd. 2g	69.77, subd. 9

12.1	423.01, subd. 2	69.77, subd. 2b	69.77, subd. 4
12.2	423A.18	69.77, subd. 2i	69.77, subd. 11
12.3	423A.19, subd. 4	69.77, subd. 2i	69.77, subd. 11
12.4	423B.06, subd. 1	69.77, subd. 2a	69.77, subd. 3
12.5	423B.06, subd. 1	69.77, subd. 2b	69.77, subd. 4
12.6	423B.06, subd. 1	69.77, subd. 2c	69.77, subd. 5
12.7	423B.06, subd. 1	69.77, subd. 2d	69.77, subd. 6
12.8	423B.06, subd. 1	69.77, subd. 2e	69.77, subd. 7
12.9	423B.06, subd. 1	69.77, subd. 2f	69.77, subd. 8
12.10	423B.21, subd. 1	69.77, subd. 2b	69.77, subd. 4

12.11 **Sec. 5. REPEALER.**

12.12 (a) Minnesota Statutes 2010, section 423A.06. is repealed.

12.13 (b) Laws 1947, chapter 624, sections 1; 2; 3; 4; 5; 6; 8; 9; 10; 11; 12; 13; 14; 15;
 12.14 16; 17; 18; 19; 21; and 22, as amended, are repealed. The revisor shall show Minnesota
 12.15 Statutes, sections 423.41, 423.42, 423.43, 423.44, 423.45, 423.46, 423.48, 423.49, 423.50,
 12.16 423.51, 423.52, 423.53, 423.54, 423.55, 423.56, 423.57, 423.58, 423.59, 423.61, and
 12.17 423.62, as repealed.

12.18 **Sec. 6. EFFECTIVE DATE.**

12.19 Sections 1 to 5 are effective on the effective date of article 1, section 3.

APPENDIX
Article locations in 12-4724

ARTICLE 1 FAIRMONT POLICE RELIEF ASSOCIATION CONSOLIDATION . Page.Ln 1.12
RELIEF ASSOCIATION CONSOLIDATION CONFORMING
ARTICLE 2 CHANGES Page.Ln 4.20

423A.06 MINIMUM DISABILITY BENEFIT COVERAGE FOR CERTAIN POLICE OFFICERS AND FIREFIGHTERS.

Subdivision 1. **Disability benefit coverage.** Notwithstanding any provision of law, municipal charter, municipal ordinance, municipal resolution, relief association articles of incorporation or relief association bylaws to the contrary, any person who is a member of a covered local police or salaried firefighters' relief association enumerated in subdivision 3 where the governing body of the appropriate municipality has approved the modification in the benefit plan of the relief association and who becomes disabled in the line of duty, or not in the line of duty, if the benefit is subject to the provisions of this section as specified in subdivision 3, as that disability is defined in and as that disability is determined pursuant to the statute, special law, articles of incorporation or bylaws governing the relief association, shall be entitled to a disability benefit calculated pursuant to subdivision 2.

Subd. 2. **Disability benefit amount.** The amount of the monthly disability benefit shall be equal to 40 percent of the salary payable by the municipality on the date of disability to a top grade patrol officer or a top grade firefighter, whichever is applicable. If the service pension payable to retiring members by the relief association is subject to annual automatic postretirement adjustments or is in any fashion escalated, the disability benefit shall also be adjusted or escalated in the same manner, at the same times, and in the same amounts as service pensions are adjusted or escalated.

Subd. 3. **Covered relief associations and covered type of disability benefit.** The provisions of this section shall apply to the active members of a local police or salaried firefighters' relief association contained in the following enumeration of covered relief associations if the governing body of the applicable municipality approves the modification in the benefit plan of the relief association specified in this section following consideration of an actuarial valuation which is, or an actuarial estimate based on the most recent actuarial valuation which was, prepared in accordance with sections 356.215 and 356.216, based on the benefit plan of the appropriate local relief association including the modification provided for in this subdivision and files a resolution indicating approval of the modification in the benefit plan with the secretary of state, the commissioner of commerce, and the executive director of the legislative commission on pensions and retirement on or before the first day of the tenth full month following March 24, 1982, and shall apply to the type or types of disability benefit coverage indicated:

- (1) Chisholm Firefighters' Relief Association, disability not in the line of duty benefit;
- (2) Crookston Firefighters' Relief Association, disability not in the line of duty benefit;
- (3) Fairmont Police Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit;
- (4) Hibbing Firefighters' Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit;
- (5) Hibbing Police Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit;
- (6) Virginia Police Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit; and
- (7) West St. Paul Police Relief Association, disability in the line of duty benefit and disability not in the line of duty benefit.

Laws 1947, chapter 624, section 1 is not available in xtend

Laws 1947, chapter 624, section 10 is not available in xtend

Laws 1947, chapter 624, section 11 is not available in xtend

Laws 1947, chapter 624, section 12 is not available in xtend

Laws 1947, chapter 624, section 13 is not available in xtend

Laws 1947, chapter 624, section 14 is not available in xtend

Laws 1947, chapter 624, section 15 is not available in xtend

Laws 1947, chapter 624, section 16 is not available in xtend

Laws 1947, chapter 624, section 17 is not available in xtend

Laws 1947, chapter 624, section 18 is not available in xtend

Laws 1947, chapter 624, section 19 is not available in xtend

Laws 1947, chapter 624, section 2 is not available in xtend

Laws 1947, chapter 624, section 21 is not available in xtend

Laws 1947, chapter 624, section 22 is not available in xtend

Laws 1947, chapter 624, section 3 is not available in xtend

Laws 1947, chapter 624, section 4 is not available in xtend

Laws 1947, chapter 624, section 5 is not available in xtend

Laws 1947, chapter 624, section 6 is not available in xtend

Laws 1947, chapter 624, section 8 is not available in xtend

Laws 1947, chapter 624, section 9 is not available in xtend

Laws 1963, chapter 423 is not available in xtend

Laws 1999, chapter 222, article 3, section 3

Sec. 3. FAIRMONT POLICE RELIEF ASSOCIATION; ADDITIONAL ANNUAL
POSTRETIREMENT ADJUSTMENT.

APPENDIX

Repealed Minnesota Session Laws: 12-4724

(a) If the requirement of paragraph (f) is met, every recipient of a pension or benefit from the Fairmont police relief association on June 30, annually, is entitled to receive a postretirement adjustment as provided in this section in addition to any pension or benefit increase payable by virtue of an increase in the salary of active patrol officers in the city of Fairmont on the following July 1.

(b) If the value of current assets of the relief association is equal to at least 102 percent of the actuarial accrued liability of the Fairmont police relief association as of December 31 in the prior calendar year as calculated under Minnesota Statutes, sections 356.215 and 356.216, one percent of the value of current assets of the relief association is available for the payment of the postretirement adjustment under this section.

(c) The amount of the postretirement adjustment must be calculated by the chief administrative officer of the relief association. The postretirement adjustment amount is payable monthly. The total amount of all service pensions, disability pensions, and survivor benefits, without inclusion of any postretirement adjustment paid previously under this section must be calculated and the percentage amount of each recipient's annual pension or benefit of the total amount, expressed as four digits beyond the decimal point, must be determined. The monthly postretirement adjustment payable to each pension or benefit recipient is 1/12 of the dollar amount determined by applying each recipient's determined percentage of the total amount of pensions and benefits to the total dollar amount available for payment as a postretirement adjustment.

(d) The postretirement adjustment amount paid in any year under this section does not compound and must not be added to the pension base for the calculation of a subsequent postretirement adjustment. If a pension or benefit recipient dies before the 12 monthly postretirement adjustments under this section have been paid, the remaining monthly postretirement adjustment payments cancel to the special fund of the relief association. Nothing in this section authorizes the payment of the postretirement adjustment to an estate or to a person who did not qualify for a postretirement adjustment in the person's own right.

(e) The chief administrative officer of the relief association will report the total amount of benefits paid under this section to the executive director of the legislative commission on pensions and retirement, the city clerk, and the state auditor.

(f) Payment of the postretirement adjustment amount provided under this section may be made in a given year only if the average time-weighted total rate of return for the total portfolio for the most recent five-year period exceeds by at least two percent the actual average percent increase in the current monthly salary of a first class patrol officer in the most recent prior five fiscal years.

Laws 1999, chapter 222, article 3, section 4

Sec. 4. FAIRMONT POLICE RELIEF ASSOCIATION; RETROACTIVITY OF SURVIVING SPOUSE BENEFIT INCREASE.

(a) The surviving spouse benefit amount under Laws 1963, chapter 423, is payable to all surviving spouses receiving benefits as of the date of the approval of this act.

(b) Any surviving spouse benefit increase under this section is first payable on the first day of the month next following the effective date of this section.

Laws 1999, chapter 222, article 3, section 5

Sec. 5. FAIRMONT POLICE RELIEF ASSOCIATION; BYLAWS AMENDMENTS REQUIRED.

Sections 3 and 4 must be implemented by the appropriate amendments to the bylaws of the Fairmont police relief association.