

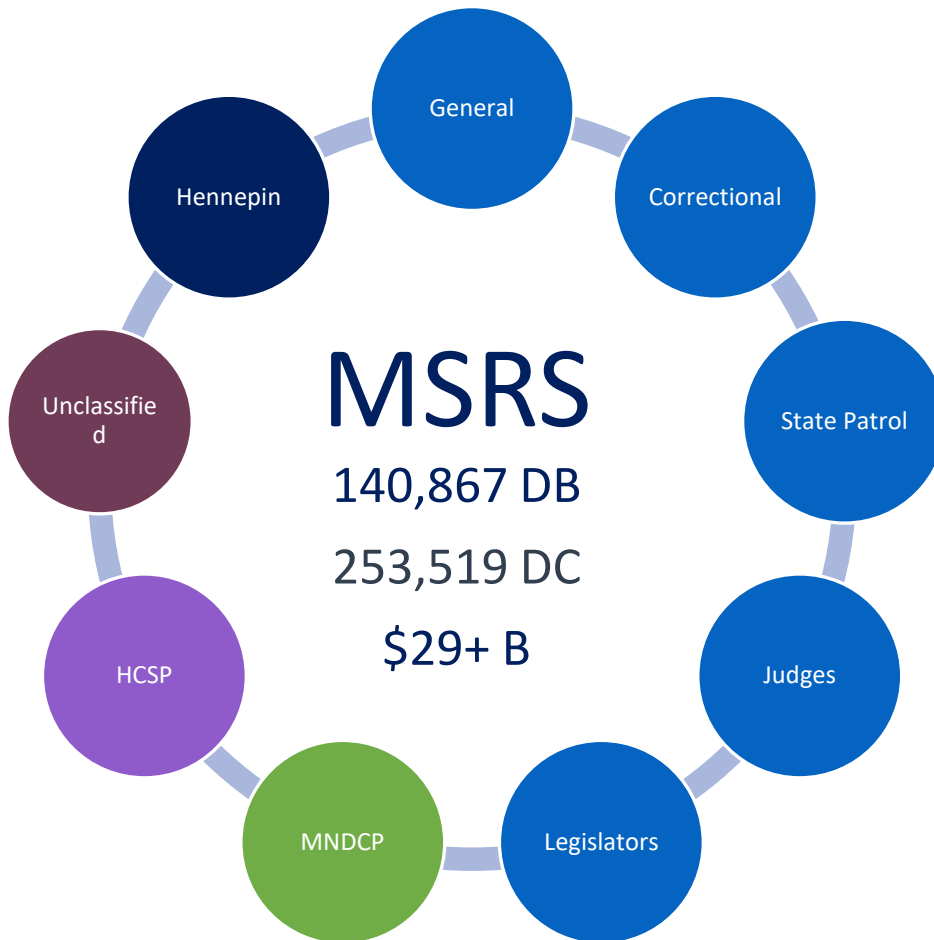


# Plan Funding Update

Erin Leonard, Executive Director

January 23, 2023

# Minnesota State Retirement System Overview



Governed by an 11 member Board of Directors

Responsibilities include:

- Set policies, approve the agency operating budget, hiring and advising the executive director
- Consider disability and other appeals
- Oversee the administration of plans administered by MSRS

DB plan and Unclassified Plan provisions are defined in Minnesota statutes

MNDCP and HCSP are governed by Plan Documents and federal laws and/or Internal Revenue Code

Updates provided are as of June 30, 2022

Rate of Return for this period was -6.4%



# General Plan Overview

(FY2022 Market Value Results Assuming 7.5% Return)

Includes State of Minnesota, Metropolitan Council, University of Minnesota civil service and some Minnesota State university system employees

98.51% Funded

\$15.8 Billion Assets

\$ 0.3 Billion Unfunded

126,555 Members

Active: 51,219

Retirees: 46,846

Deferred: 28,490

\$1,783 Average Initial Benefit

## Contribution Requirements Summary

Employee Contribution: 6.00%

Employer Contribution: 6.25%

**Statutory Contribution Total: 12.25%**

**Total Required Contribution: 8.73%**

**Contribution Sufficiency: 3.52%**

## Current Post-Retirement Increase

1% until January 2024

1.5% January 2024 thereafter



# General Plan Funding Summary

## (FY2022 Market Value Results)

	Assuming 7.5%	Assuming 7.0%
Funded Ratio	98.51%	92.96%
Contribution Sufficiency or (Deficiency)	3.52%	0.91%
Full Funding Date	2024	2036



# Correctional Plan Overview

(FY2022 Market Value Results Assuming 7.5% Return)

Includes employees working with offenders in the state correctional system or patients in security hospitals

78.46% Funded

\$1.5 Billion Assets

\$ 0.4 Billion Unfunded

10,978 Members

Active: 4,420

Retirees: 3,914

Deferred: 2,644

\$2,410 Average Initial Benefit

## Contribution Requirements Summary

Employee Contribution: 9.60%

Employer Contribution: 14.40%

Supplemental Contribution: 4.45%

**Statutory Contribution Total: 28.45%**

**Total Required Contribution: 24.81%**

**Contribution Sufficiency: 3.64%**

**Current Post-Retirement Increase: 1.5%**



# Correctional Plan Funding Summary

## (FY2022 Market Value Results)

	Assuming 7.5%	Assuming 7.0%
Funded Ratio	78.46%	73.25%
Contribution Sufficiency or (Deficiency)	3.64%	(0.57%)
Full Funding Date	2037	2047



# State Patrol Plan Overview

(FY2022 Market Value Results Assuming 7.5% Return)

Includes State Troopers, Conservation Officers, Crime Bureau officers and other state employed peace officers.

82.76% Funded

\$883.6 Million Assets

\$184.0 Million Unfunded

2,196 Members

Active: 937

Retirees: 1,140

Deferred: 119

\$5,448 Average Initial Benefit

Plan is not coordinated with Social Security

## Contribution Requirements Summary

Employee Contribution: 15.40%

Employer Contribution: 23.10%

Supplemental Contribution: 7.00%

State Funding: 0.93%

**Statutory Contribution Total: 46.43%**

**Total Required Contribution: 34.87%**

**Contribution Sufficiency: 11.56%**

**Current Post-Retirement Increase: 1%**



# State Patrol Plan Funding Summary

## (FY2022 Market Value Results)

	Assuming 7.5%	Assuming 7.0%
Funded Ratio	82.76%	77.94%
Contribution Sufficiency or (Deficiency)	11.56%	5.21%
Full Funding Date	2032	2038





# Judges Plan Overview

(FY2022 Market Value Results Assuming 7.5% Return)

Appointed and elected judges.

62.96% Funded

\$254.0 Million Assets

\$149.4 Million Unfunded

752 Members

Active: 320

Retirees: 412

Deferred: 20

\$6,019 Average Initial Benefit

## Contribution Requirements Summary

Employee Contribution: 7% or 9%

Employer Contribution: 22.50%

State Contribution (\$6M): 10.84%

**Statutory Contribution Total: 40.96%**

**Total Required Contribution: 35.86%**

**Contribution Sufficiency: 5.10%**

**Current Post-Retirement Increase: 1.5%**



# Judges Plan Funding Summary

## (FY2022 Market Value Results)

	Assuming 7.5%	Assuming 7.0%
Funded Ratio	62.96%	60.07%
Contribution Sufficiency or (Deficiency)	5.10%	1.90%
Full Funding Date	2044	2063

# Additional Plans

(June 30, 2022)



Legislators Plan  
386 Members

Pay as you go

Unclassified  
Employees  
Plan

3,404  
Members  
\$334 Million

Minnesota  
Deferred  
Compensation  
Plan

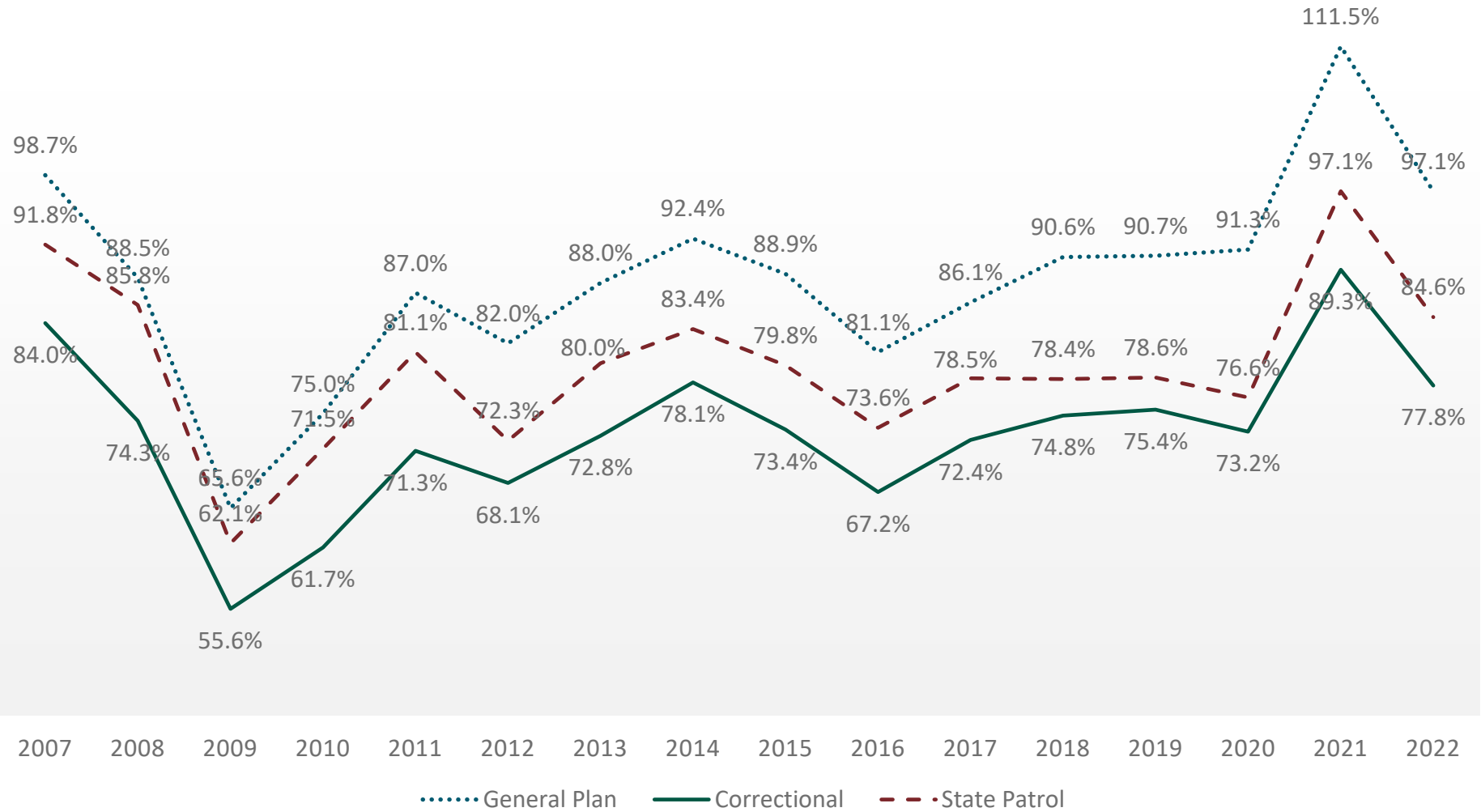
97,567  
Participants  
\$8.5 Billion

Health Care  
Savings Plan

151,572  
Participants  
\$ 1.6 Billion

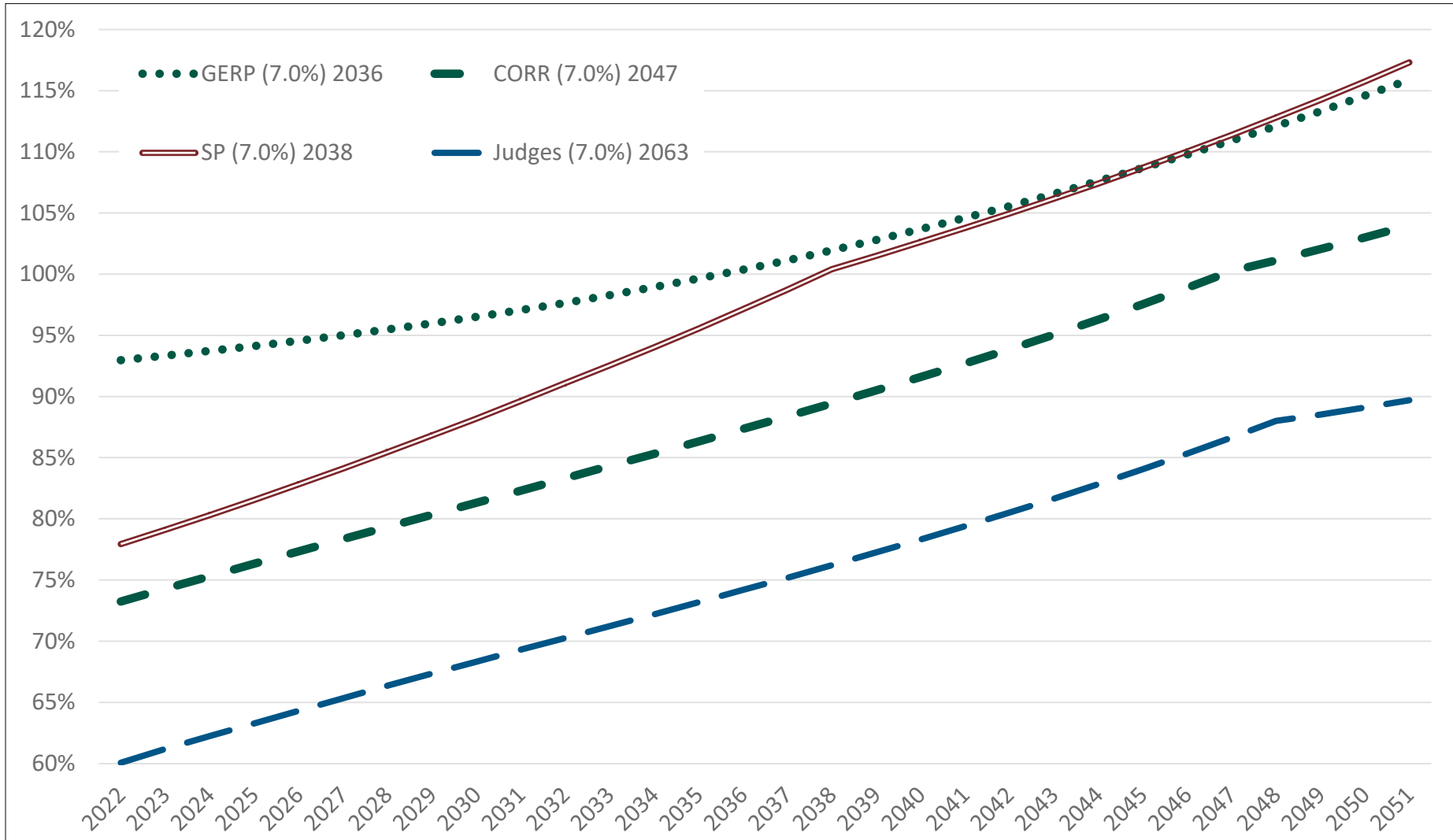
# Funded Ratio History

(Market Value)





# Funding Projections Assuming 7% (Market Value)





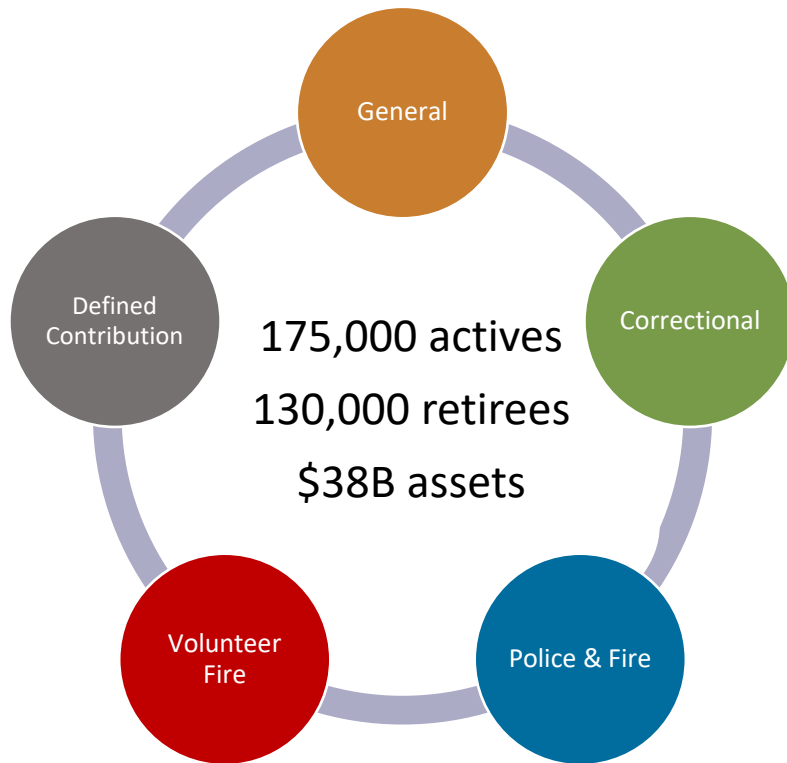
# Increased Liability Summary Assuming 7% (Market Value)

	General Plan	Correctional Plan	State Patrol Plan	Judges Plan
Increased Liability (Millions)	\$900	\$133.7	\$66	\$19.4
Contribution Sufficiency or (Deficiency)	0.91%	(0.57%)	5.21%	1.90%
Full Funding Date	2036	2047	2038	2063

Total Increased Liability: \$1.12 Billion

# 2023 Legislative Initiatives

- Reduce the Assumed Rate of Return from 7.5% to 7.0%
  - This is the assumption used to value liabilities and does not change the investment allocation
- Administrative Bill
  
- Things to consider- no formal position
  - Inflation relief for DB plan members (active & retired)
  - One-time funding to reduce unfunded liabilities



Governed by an 11 member Board of Directors

- 5 elected by PERA membership
- 5 appointed by the Governor
- State Auditor

Board responsibilities include:

- Set policies, approve the agency operating budget, hiring and advising the executive director
- Consider disability and other appeals
- Oversee the administration of plans





# Non Cost-Sharing Plans

## Statewide Volunteer Firefighter

For volunteer firefighters who provide service to a municipal fire department or an independent nonprofit firefighting corporation.

**5,485**  
Total Members

**\$132M**  
Total Assets

## Defined Contribution Plan

Exclusively for physicians, elected local governmental officials, city managers, and governmental volunteer ambulance service personnel

**8,056**  
Total Members

**\$83M**  
Total Assets

## Other Post-Employment Benefits (OPEB)

A public entity that creates an actuarial liability to pay OPEB to employees after termination of service may establish a trust used to pay the benefits.

**23**  
Employers

**\$773M**  
Total Assets

## Long-Term Investment Account

Certain cities and counties have the option to invest a portion of their funds with the State Board of Investment in an account managed by PERA.

**2**  
Cities

**\$7M**  
Total Assets



# PERA Specific 2023 Initiatives

Initiatives	Cost
<p><b>Membership Eligibility Salary Threshold</b></p> <ul style="list-style-type: none"> <li>Return to a monthly threshold to administer eligibility for PERA General members</li> </ul>	None
<p><b>Dependent Child Survivor Benefits Standardization</b></p> <ul style="list-style-type: none"> <li>Modify the dependent child survivor age to 23 and eliminate student requirement for all Plans</li> </ul>	Insignificant
<p><b>Statutory Survivor Benefit Restructure</b></p> <ul style="list-style-type: none"> <li>Restructure current survivor benefit statutes for PERA General, P&amp;F, and Correctional</li> </ul>	None
<p><b>Leave Purchases</b></p> <ul style="list-style-type: none"> <li>Allow both terminated members and disability applicants same time period to purchase leaves</li> </ul>	None
<p><b>Police and Fire Duty and Regular Disability</b></p> <ul style="list-style-type: none"> <li>Address the existing difference for both duty and regular disability members over 55 with less than the minimum years of service</li> </ul>	None
<p><b>Privatization Withdrawal Liability</b></p> <ul style="list-style-type: none"> <li>Assess privatizing entities a withdrawal liability that covers the entity's unfunded liability</li> </ul>	Small Cost to Privatizing Entity



# General Plan

Membership includes eligible employees of cities, counties, townships, schools, and other entities

June 30, 2022	
Active	149,987
Retirees & Survivors	112,491
Disability Retirements	3,489
Deferred	153,311
Total Members	419,278

Average Initial Benefit: \$1,268

Annual Postretirement Increase: 50% of CPI, 1.0% Minimum, 1.5% Maximum



# General Plan

## Funded Status, using Market Value of Assets

	<b>7.5% Assumption</b>	<b>7.0% Assumption</b>
Actuarial Accrued Liability	\$30.2 B	\$32.1 B
Asset Value	<u>\$26.0 B</u>	<u>\$26.0 B</u>
Unfunded Liability	\$ 4.2 B	\$ 6.1 B
<b>Funded Ratio (assets ÷ liabilities)</b>	<b>86.2%</b>	<b>81.2%</b>



# General Plan

## Contribution Requirements, using Market Value of Assets

	<u>7.5% Assumption</u>	<u>7.0% Assumption</u>
Employee Contribution	6.50%	6.50%
Employer Contribution*	7.50%	7.50%
MERF Contribution**	<u>0.51%</u>	<u>0.51%</u>
<b>Total Statutory Contributions</b>	<b>14.51%</b>	<b>14.51%</b>
Normal Cost & Administrative Expense	7.84%	8.70%
Amortization of Unfunded Liability	<u>3.74%</u>	<u>5.16%</u>
<b>Total Required Contributions</b>	<b>11.58%</b>	<b>13.86%</b>
<b>Contribution Sufficiency</b>	<b>2.93%</b>	<b>0.65%</b>
<b>Projected Full Funding Date</b>	<b>2034</b>	<b>2045</b>

\* The Employer Contribution will be reduced by 1.0% when the plan reaches full funding, or July 1, 2048 if earlier.

\*\* The MERF contribution continues until 2031



# Police & Fire Plan

Membership includes all full-time and certain part-time police officers and firefighters, and certain paramedics

June 30, 2022	
Active	11,629
Retirees & Survivors	10,195
Disability Retirements	1,912
Deferred	2,821
Total Members	26,557

Average Initial Benefit: \$5,584

Annual Postretirement Increase: 1.0%



# Police & Fire Plan

## Funded Status, using Market Value of Assets

	7.5% Assumption	7.0% Assumption
Actuarial Accrued Liability	\$11.4 B	\$12.1 B
Asset Value	<u>\$10.4 B</u>	<u>\$10.4 B</u>
Unfunded Liability	\$ 1.0 B	\$ 1.7 B
<b>Funded Ratio (assets ÷ liabilities)</b>	<b>91.8%</b>	<b>86.3%</b>



# Police & Fire Plan

## Contribution Requirements, using Market Value of Assets

	<u>7.5% Assumption</u>	<u>7.0% Assumption</u>
Employee Contribution*	11.80%	11.80%
Employer Contribution*	17.70%	17.70%
Minneapolis & State Contributions**	<u>2.27%</u>	<u>2.27%</u>
<b>Total Statutory Contributions</b>	<b>31.77%</b>	<b>31.77%</b>
Normal Cost & Administrative Expense	20.50%	23.22%
Amortization of Unfunded Liability	<u>5.36%</u>	<u>9.04%</u>
<b>Total Required Contributions</b>	<b>25.86%</b>	<b>32.26%</b>
<b>Contribution Sufficiency/(Deficiency)</b>	<b>5.91%</b>	<b>(0.49%)</b>
<b>Projected Full Funding Date</b>	<b>2032</b>	<b>2082</b>

\* Employee and Employer Contributions have a longstanding 40%/60% relationship.

\*\* Includes \$7.6M/year from Minneapolis for MPRA and MFRA and \$18M directly from the State





# Correctional Plan

Membership includes employees expected to respond to incidents and who are directly responsible for security, custody, and control of confined persons

	June 30, 2022
Active	3,564
Retirees & Survivors	1,494
Disability Retirements	223
Deferred	6,609
Total Members	11,890

Average Initial Benefit: \$1,700

Annual Postretirement Increase: 100% of CPI, 1.0% Minimum, 2.5% Maximum



# Correctional Plan

## Funded Status, using Market Value of Assets

	<b>7.5% Assumption</b>	<b>7.0% Assumption</b>
Actuarial Accrued Liability	\$945 M	\$1,024 M
Asset Value	<u>\$975 M</u>	<u>\$975 M</u>
Unfunded Liability	(\$30) M	\$49 M
<b>Funded Ratio (assets ÷ liabilities)</b>	<b>103.2%</b>	<b>95.2%</b>



# Correctional Plan

## Contribution Requirements, using Market Value of Assets

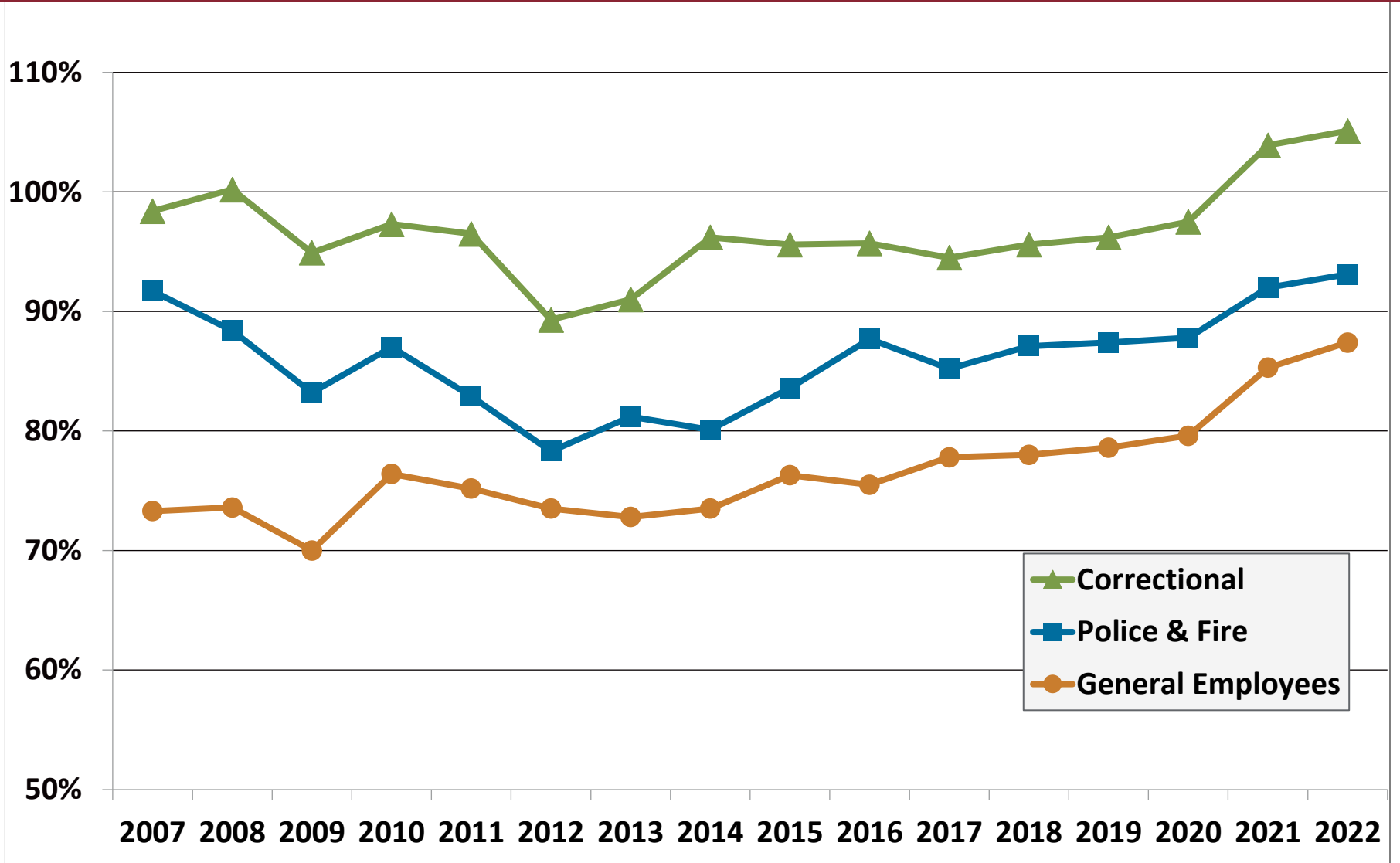
	<u>7.5% Assumption</u>	<u>7.0% Assumption</u>
Employee Contribution*	5.83%	5.83%
Employer Contribution*	<u>8.75%</u>	<u>8.75%</u>
<b>Total Statutory Contributions</b>	<b>14.58%</b>	<b>14.58%</b>
Normal Cost & Administrative Expense	12.66%	14.27%
Amortization of Unfunded Liability	<u>(0.81%)</u>	<u>1.26%</u>
<b>Total Required Contributions</b>	<b>11.85%</b>	<b>15.53%</b>
<b>Contribution Sufficiency/(Deficiency)</b>	<b>2.73%</b>	<b>(0.95%)</b>
<b>Projected Full Funding Date</b>	<b>2022</b>	<b>Never</b>

\* Employee and Employer Contributions have a longstanding 40%/60% relationship.



# PERA Plan 15 History

(Actuarial Value of Assets / Actuarial Accrued Liability)





# PERA Plan Projections

(Market Value of Assets / Actuarial Accrued Liability @ 7.0%)

