Motion

________________________ moves the following regarding the valuation projections required under Section V of the Legislative Commission on Pensions and Retirement's Standards for Actuarial Work (Standards):

- The requirement that valuation projections for the State Employees Retirement Fund, administered by the Minnesota State Retirement System (MSRS General Plan), the General Employees Retirement Plan, administered by the Public Employees Retirement Association (PERA General Plan), and the Teachers Retirement Association (TRA) be prepared in conjunction with the July 1, 2019, actuarial valuation and submitted to the LCPR no later than January 31, 2020, is hereby waived; and

- Valuation projections shall be prepared for the MSRS General Plan, PERA General Plan and TRA in conjunction with the July 1, 2020, actuarial valuations and submitted to the LCPR no later than January 31, 2021.

Note from Commission staff:

Please see the attached excerpt from the Commission's Standards on Actuarial Work that is Section V, entitled "Valuation Projections," for more information regarding the requirement for 30-year valuation projections.

With the concurrence of the executive directors for each of the plans and Mark Schulte, Consulting Actuary with Van Iwaarden Associates, the LCPR's actuary, Commission staff is recommending adoption of the motion. Reasons to waive the requirement for this year only and defer the preparation of valuation projections to next year include:

- Projections for the three plans were prepared by January 31, 2019, for the July 1, 2018, actuarial valuations and submitted to the Commission just a year ago.

- Little of significance has changed in the intervening year that would make another set of projections useful based on the July 1, 2019, valuations. The rate of return on plan investments roughly matched the rate of return assumption set forth in the statutes.

- A one-year delay will allow the next set of projections, which will be due to the Commission by January 31, 2021, to use the new assumptions resulting from the most recently completed quadrennial experience study for each of the plans, if the Commission approves the new assumptions during this session.

Excerpt from the Commission's "Standards for Actuarial Work," dated August 11, 2010, page 17 (Section V):

V. Valuation Projections

The valuation results provide information about the plan's funding on a single date, the valuation date, assuming all assumptions are met in future years. In order to provide a longer term perspective on the financial health of the plan and the potential variability of future valuation results, projections shall be prepared every two years by the Actuary for each Plan except for the Legislators Plan and the Elective State Officers Plan, unless this requirement is waived by the Commission.

The projections for MSRS-General, PERA-General and TRA will first be prepared in conjunction with the July 1, 2011 actuarial valuation. Projections for all other plans must first be prepared based on a valuation date not later than July 1, 2012. The projections must be provided to the LCPR executive director and the Commission's Actuary not later than the January 31 following the valuation date used for the projection model.

At a minimum the projections shall show the fixed statutory contribution rate and the actuarial contribution rate, UAAL, Actuarial Liability Funded Ratio, and cash flows (expected benefit payments and total contributions) for each year projected over the next 30 years. At a minimum, the projections provided to the Commission shall include (1) a baseline projection assuming all actuarial assumptions are met in future years including the assumed rate of return, (2) an alternative projection assuming all actuarial assumptions are met in future years other than the assumed rate of return, which shall be assumed to be equal to the assumed rate of return minus 1.5%, (3) a second alternative projection assuming all actuarial assumptions are met in the future other than the assumed rate of return, which shall be assumed to be equal to the assumed rate of return plus 1.5%.

The projections shall assume the number of active members in the Plan remains level during the 30 year projection period (stationary population), payroll increases at the applicable payroll increase assumption, and a constant normal cost percentage equal to the percentage developed in the most recent actuarial valuation unless these are not deemed to be reasonable assumptions by the Actuary. In that case, the projections shall be completed using the assumptions that are deemed to be the most reasonable by the Actuary and such assumptions shall be disclosed with the results of the projections. The projection models shall also permit the analysis by the Actuary of the impact of changing the amortization period and/or the statutory contribution rate.