

# Minnesota State Retirement System

Legislators Retirement Fund

Actuarial Valuation Report as of July 1, 2021





December 7, 2021

Minnesota State Retirement System  
Legislators Retirement Fund  
St. Paul, Minnesota

Dear Board of Directors:

The results of the July 1, 2021 annual actuarial valuation of the Legislators Retirement Fund are presented in this report. This report was prepared at the request of the Board and is intended for use by the Board and staff and those designated or approved by the Board. This report may be provided to parties other than the Board and staff only in its entirety. GRS is not responsible for the consequences of any unauthorized use of this report by parties other than the intended users described above.

The purpose of the valuation is to measure the Fund's funding progress and to determine the required contribution rate for the fiscal year beginning July 1, 2021 according to prescribed assumptions. Note that the impact of GASB Statements No. 67 and No. 68 is provided in a separate report.

Actuarial assumptions, including discount rates, mortality tables and others identified in this report, are prescribed by Minnesota Statutes Section 356.215, the Legislative Commission on Pensions and Retirement (LCPR), and the Board of Directors. These parties are responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in the Actuarial Basis section of this report. MSRS is solely responsible for communicating to GRS any changes required thereto.

The valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise. Therefore, we did not make such a determination.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in the Actuarial Basis section of this report. This report does not include a robust assessment of the risks of future experience differing materially from the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment. We encourage a review and assessment of investment and other significant risks that may have a material effect on the plan's financial condition.

The findings in this report are based on data and other information through June 30, 2021. The valuation was based upon information furnished by the Minnesota State Retirement System (MSRS), concerning benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by MSRS.

The Required Contribution rate shown on page 1 may be considered as a minimum contribution rate that complies with Minnesota Statutes and the requirements of the Standards for Actuarial Work published by the LCPR. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

This report reflects the impact of COVID-19 through June 30, 2021. It does not reflect the ongoing impact of COVID-19, which is likely to influence demographic and investment experience, at least in the short term. We will continue to monitor these developments and their impact on the plan.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

This report should not be relied on for any purpose other than the purpose described herein. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Brian B. Murphy and Bonita J. Wurst are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. In addition, Mr. Murphy meets the requirements of "approved actuary" under Minnesota Statutes Section 356.215, Subdivision 1, Paragraph (c).



Board of Directors  
Minnesota State Retirement System  
December 7, 2021  
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This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge and belief the information contained in this report is accurate and presents the actuarial position of the Legislators Retirement Fund as of the valuation date according to prescribed assumptions, and was performed in accordance with the requirements of Minnesota Statutes Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

We are available to answer any questions or provide further details.

Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Brian B. Murphy, FSA, EA, FCA, MAAA, PhD



Bonita J. Wurst, ASA, EA, FCA, MAAA

BBM/BJW:rmn



## Other Observations

### General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's pay-as-you-go contribution policy, if there are no changes in benefits or contributions and all actuarial assumptions are met (including the statutory assumption of the plan earning 0.00%), it is expected that:

- (1) The funded status of the plan will remain at 0%; and
- (2) The fund will be completely dependent upon current contributions to pay benefits.

### Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the market value of assets. Unless otherwise indicated, with regard to any funded status measurements presented in this report:

- (1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations; in other words, of transferring the obligations to an unrelated third party in an arm's length market value type transaction.
- (2) The measurement is dependent upon the actuarial cost method which, in combination with the plan's amortization policy, affects the timing and amounts of future contributions. The amounts of future contributions will most certainly differ from those assumed in this report due to future actual experience differing from assumed experience based upon the actuarial assumptions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. If the funded status were 100%, the plan would still require future normal cost contributions (i.e., contributions to cover the cost of the active membership accruing an additional year of service credit).

### Limitations of Project Scope

Actuarial standards do not require the actuary to evaluate the ability of the plan sponsor or other contributing entity to make required contributions to the plan when due. Such an evaluation was not within the scope of this project and is not within the actuary's domain of expertise. Consequently, the actuary performed no such evaluation.



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# Summary of Valuation Results

## Contributions

The following table summarizes important contribution information as described in the Development of Costs section.

<b>Total Contributions</b> (dollars in thousands)	<b>Actuarial Valuation as of</b>	
	<b>July 1, 2021</b>	<b>July 1, 2020</b>
Statutory Contributions* - Chapter 3A	\$ 66	\$ 86
Required Contributions - Chapter 356	\$ 35,770	\$ 33,848
Sufficiency / (Deficiency)	\$ (35,704)	\$ (33,762)

\* Active member contributions from the Legislators Retirement Plan are equal to 9% of payroll.

This plan has been closed to new members since July 1, 1997.

The Minnesota Statutes Chapter 356 Required Contribution shown above represents the estimated annual contribution amount that would be needed for this plan to attain 100% funding by July 1, 2026, based upon the prescribed assumptions. The Required Contribution includes not only the expected benefit payments for the year, but also amounts intended to pre-fund future benefit payments. Actual contributions have been less than the Required Contribution amount since 1999. The funding target identified by Chapter 356 will not be met given the history of actual contributions made to the Fund.

This plan is currently funded on a pay-as-you-go basis by annual appropriations from the state's General Fund. For the fiscal year ending June 30, 2021, total contributions were \$8.7 million and total expenditures were \$8.7 million.

Because of the pay-as-you-go funding policy described above, an important risk for this plan is contribution risk. The ability of the fund to pay benefits in the future is critically dependent upon timely receipt of the contributions from the State's General Fund. The actuary cannot judge the probability that such payments will, in fact, be made. See page 5 for the expected benefit payments based on current data methods and assumptions.

## Summary of Valuation Results

The ratio of retiree liabilities to total accrued liabilities gives an indication of the maturity of the System. As the ratio increases, cash flow needs increase, and the liquidity needs of the portfolio changes. A ratio on the order of 50% indicates a maturing system. The ratio of retiree liabilities to total accrued liabilities as of July 1, 2021 is 80.7%, up from 77.9% in the prior year.

Participant reconciliation and statistics are detailed in the *Membership Data* section. The *Actuarial Basis* section includes a summary of plan provisions and actuarial methods and assumptions used for the calculations in this report.

Accounting information prepared according to GASB Statements No. 67 and No. 68 has been provided in a separate report dated November 24, 2021.



## Summary of Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in plan provisions, actuarial assumptions or valuation methods and procedures between the two valuations are described after the summary.

	Actuarial Valuation as of	
	July 1, 2021	July 1, 2020
<b>Assumptions</b>		
- Pre-retirement discount rate	0.0%	0.0%
- Post-retirement discount rate	0.0%	0.0%
<b>Total Contributions (dollars in thousands)</b>		
Statutory - Chapter 3A	\$ 66 *	\$ 86
Required - Chapter 356	35,770 **	33,848
Sufficiency / (Deficiency)	(35,704) **	(33,762)
<b>Funding Ratios (dollars in thousands)</b>		
Accrued Liability Funding Ratio		
- Current assets (AVA)	\$ -	\$ -
- Actuarial accrued liability	174,301	195,405
- Unfunded actuarial accrued liability	174,301	195,405
- Funding ratio	0.00%	0.00%
Projected Benefit Funding Ratio		
- Current and expected future assets	\$ 187	\$ 281
- Current and expected future benefit obligations	176,029	197,827
- Projected benefit funding ratio	0.11%	0.14%
<b>Participant Data</b>		
Active Members		
- Number	12	17
- Actual covered payroll [GASB] (000s)	\$ 856	\$ 967
- Annual valuation earnings (000s)	\$ 701	\$ 907
- Average annual valuation earnings	\$ 58,378	\$ 53,326
- Projected annual earnings (000s)	\$ 730	\$ 952
- Average projected annual earnings	\$ 60,859	\$ 55,992
- Average age	70.6	71.7
- Average service	32.3	32.0
Service retirements	272	281
Survivors	85	79
Disability retirements	0	0
Deferred retirements	27	31
Non-vested terminations eligible for refund only	0	0
<b>Total</b>	<b>396</b>	<b>408</b>

\* Active member contributions from the Legislators Retirement Plan are equal to 9% of payroll.

\*\* Expected benefit payments for the fiscal year ending June 30, 2022 are \$8,930. The total contribution (employer plus active member) will need to be approximately this amount. The Required Contribution also includes amounts intended to pre-fund future benefit payments.



# Summary of Valuation Results

## Effects of Changes

The following changes in actuarial assumptions were recognized as of July 1, 2021.

- The salary increase assumption changed from 5.00% to 4.25%.
- The inflation assumption changed from 2.50% to 2.25%.
- The base mortality table for retirees and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table and the mortality improvement scale was changed from MP-2015 to MP-2018.

Refer to the Actuarial Basis section of this report for a complete description of these changes. The combined impact of the above changes was to decrease the unfunded actuarial accrued liability by \$13 million and decrease the required contribution by \$2.8 million, as follows:

	(000s)	
	Before Changes	Reflecting Assumption Changes
Normal Cost	\$ 989	\$ 882
Amortization of UAAL*	37,519	34,860
Expenses	\$ 29	\$ 28
Total Required Contribution	\$ 38,537	\$ 35,770
Accrued Liability Funding Ratio	0.00%	0.00%
Projected Benefit Funding Ratio	0.10%	0.11%
Unfunded Accrued Liability	\$ 187,597	\$ 174,301

\* *Unfunded Actuarial Accrued Liability*

# Summary of Valuation Results

## Undiscounted Cash Flows

Fiscal Year Ending	Projected Benefit Payments	Fiscal Year Ending	Projected Benefit Payments
2022	\$ 8,930,000	2072	\$ 13,000
2023	9,056,000	2073	9,000
2024	9,111,000	2074	6,000
2025	9,005,000	2075	4,000
2026	8,816,000	2076	3,000
2027	8,643,000	2077	2,000
2028	8,408,000	2078	1,000
2029	8,122,000	2079	1,000
2030	7,819,000	2080	-
2031	7,501,000	2081	-
2032	7,199,000	2082	-
2033	6,865,000	2083	-
2034	6,525,000	2084	-
2035	6,183,000	2085	-
2036	5,840,000	2086	-
2037	5,496,000	2087	-
2038	5,155,000	2088	-
2039	4,817,000	2089	-
2040	4,483,000	2090	-
2041	4,156,000	2091	-
2042	3,836,000	2092	-
2043	3,525,000	2093	-
2044	3,224,000	2094	-
2045	2,934,000	2095	-
2046	2,657,000	2096	-
2047	2,394,000	2097	-
2048	2,145,000	2098	-
2049	1,912,000	2099	-
2050	1,693,000	2100	-
2051	1,490,000	2101	-
2052	1,304,000	2102	-
2053	1,133,000	2103	-
2054	978,000	2104	-
2055	838,000	2105	-
2056	713,000	2106	-
2057	602,000	2107	-
2058	505,000	2108	-
2059	419,000	2109	-
2060	345,000	2110	-
2061	281,000	2111	-
2062	226,000	2112	-
2063	180,000	2113	-
2064	142,000	2114	-
2065	110,000	2115	-
2066	84,000	2116	-
2067	64,000	2117	-
2068	48,000	2118	-
2069	35,000	2119	-
2070	25,000	2120	-
2071	18,000	2121	-
Total for all years:		\$ 176,029,000	



## Supplemental Information

The remainder of the report includes information supporting the results presented in the previous sections.

- **Plan assets** present information about the plan's assets as reported by the Minnesota State Retirement System. The assets represent the portion of total fund liabilities that has been funded.
- **Membership data** presents and describes the membership data used in the valuation.
- **Development of costs** shows the liabilities for plan benefits and the derivation of the contribution amount.
- **Actuarial basis** describes the plan provisions, as well as the methods and assumptions used to value the plan. The valuation is based on the premise that the plan is ongoing.
- **Additional schedules** include a summary of funding progress over the long term.
- **Glossary** defines the terms used in this report.

# Plan Assets

## Statement of Fiduciary Net Position (Dollars in Thousands)

Assets	Market Value	
	June 30, 2021	June 30, 2020
Cash, equivalents, short term securities	\$ 510	\$ 363
Fixed income	-	-
Equity	-	-
Other	-	-
<b>Total cash, investments, and other assets</b>	<b>\$ 510</b>	<b>\$ 363</b>
Amounts Receivable	2	2
<b>Total Assets</b>	<b>\$ 512</b>	<b>\$ 365</b>
Amounts Payable	(512)	(365)
<b>Net Position Restricted for Pensions</b>	<b>\$ -</b>	<b>\$ -</b>

# Plan Assets

## Reconciliation of Plan Assets (Dollars in Thousands)

The following exhibit shows the revenue, expenses and resulting assets of the Fund as reported by the Minnesota State Retirement System for the prior two fiscal years.

Change in Assets Year Ending	Market Value	
	June 30, 2021	June 30, 2020
<b>1. Fund balance at market value at beginning of year</b>	\$ -	\$ -
2. Contributions		
a. Member	77	87
b. Employer	-	-
c. Other sources (annual appropriations from state's General Fund)	8,639	8,764
d. Total contributions	\$ 8,716	\$ 8,851
3. Investment income		
a. Investment income/(loss)	-	-
b. Investment expenses	-	-
c. Net investment income/(loss)	\$ -	\$ -
4. Other	-	-
<b>5. Total income: (2.d.) + (3.c.) + (4.)</b>	<b>\$ 8,716</b>	<b>\$ 8,851</b>
6. Benefits paid		
a. Annuity benefits	\$ (8,679)	\$ (8,812)
b. Refunds	-	-
c. Total benefits paid	\$ (8,679)	\$ (8,812)
7. Expenses		
a. Other	\$ -	\$ -
b. Administrative	(37)	(39)
c. Total expenses	\$ (37)	\$ (39)
<b>8. Total disbursements: (6.c.) + (7.c.)</b>	<b>\$ (8,716)</b>	<b>\$ (8,851)</b>
<b>9. Fund balance at market value at end of year: (1.) + (5.) + (8.)</b>	<b>\$ -</b>	<b>\$ -</b>
10. State Board of Investment calculated investment return	N/A	N/A

## Actuarial Asset Value

The Actuarial Value of Assets (AVA) is equal to the Market Value of Assets (consistent with valuations since July 1, 2000).



# Membership Data

## Distribution of Active Members

Age	Years of Service as of June 30, 2021									Total	
	<3*	3 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+		
< 25											
Avg. Earnings											
25 - 29											
Avg. Earnings											
30 - 34											
Avg. Earnings											
35 - 39											
Avg. Earnings											
40 - 44											
Avg. Earnings											
45 - 49											
Avg. Earnings											
50 - 54											
Avg. Earnings											
55 - 59											
Avg. Earnings											
60 - 64							1	1		2	
Avg. Earnings							\$56,796	\$56,796		\$56,796	
65 - 69							1	3		4	
Avg. Earnings							\$60,802	\$57,719		\$58,490	
70+							1	1	1	3	6
Avg. Earnings							\$63,028	\$58,768	\$56,796	\$58,130	\$58,830
<b>Total</b>							<b>1</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>12</b>
<b>Avg. Earnings</b>							<b>\$63,028</b>	<b>\$58,789</b>	<b>\$57,350</b>	<b>\$58,130</b>	<b>\$58,378</b>

\* This exhibit does not reflect service earned in other MSRS Plans or service earned in a Combined Service Annuity arrangement. It should not be relied upon as an indicator of non-vested status.

In each cell, the top number is the count of active participants for the age/service combination and the bottom number is average valuation earnings for the fiscal year ending on the valuation date.



# Membership Data

## Distribution of Service Retirements

Age	Years Retired as of June 30, 2021							Total
	<1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
<50								
Avg. Benefit								
50 - 54								
Avg. Benefit								
55 - 59		1						1
Avg. Benefit		\$ 9,237						\$ 9,237
60 - 64		5	2					7
Avg. Benefit		\$ 15,562	\$ 18,952					\$ 16,531
65 - 69	3	10	7	3				23
Avg. Benefit	\$ 37,197	\$ 28,666	\$ 23,065	\$ 13,278				\$ 26,067
70 - 74	2	7	22	21	2			54
Avg. Benefit	\$ 33,660	\$ 37,744	\$ 27,838	\$ 25,137	\$ 18,769			\$ 27,952
75 - 79	2	4	4	26	23	10		69
Avg. Benefit	\$ 28,954	\$ 49,078	\$ 25,316	\$ 24,830	\$ 23,756	\$ 13,168		\$ 24,335
80 - 84	2	1	4	12	13	21		53
Avg. Benefit	\$ 49,119	\$ 55,256	\$ 33,488	\$ 22,506	\$ 15,502	\$ 20,021		\$ 22,254
85 - 89					5	18	12	35
Avg. Benefit					\$ 34,743	\$ 33,254	\$ 30,692	\$ 32,589
90+				2	4	2	22	30
Avg. Benefit				\$ 32,943	\$ 17,963	\$ 42,395	\$ 18,654	\$ 21,097
<b>Total</b>	<b>9</b>	<b>28</b>	<b>39</b>	<b>64</b>	<b>47</b>	<b>51</b>	<b>34</b>	<b>272</b>
<b>Avg. Benefit</b>	<b>\$ 37,229</b>	<b>\$ 31,767</b>	<b>\$ 26,846</b>	<b>\$ 24,207</b>	<b>\$ 21,937</b>	<b>\$ 24,225</b>	<b>\$ 22,903</b>	<b>\$ 25,243</b>

In each cell, the top number is the count of retired participants for the age/years retired combination and the bottom number is the average annual benefit amount.





# Membership Data

## Distribution of Survivors

Age	Years Since Death as of June 30, 2021							Total
	<1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
<45								
Avg. Benefit								
45 - 49								
Avg. Benefit								
50 - 54								
Avg. Benefit								
55 - 59								
Avg. Benefit								
60 - 64	2	1	1	1				5
Avg. Benefit	\$ 16,652	\$ 16,154	\$ 7,168	\$ 14,452				\$ 14,216
65 - 69	1	2						3
Avg. Benefit	\$ 17,745	\$ 22,197						\$ 20,713
70 - 74		2	2					4
Avg. Benefit		\$ 16,032	\$ 15,200					\$ 15,616
75 - 79	1	1	4	3	2		2	13
Avg. Benefit	\$ 3,699	\$ 49,520	\$ 22,257	\$ 34,563	\$ 27,094		\$ 38,813	\$ 29,058
80 - 84	1	7	2	3			2	15
Avg. Benefit	\$ 8,517	\$ 29,380	\$ 19,330	\$ 11,324			\$ 13,155	\$ 20,875
85 - 89	3	6	5	5	2		1	22
Avg. Benefit	\$ 42,962	\$ 16,548	\$ 14,972	\$ 28,408	\$ 3,958		\$ 8,502	\$ 20,977
90+	6	6	7	1			3	23
Avg. Benefit	\$ 21,474	\$ 22,888	\$ 11,987	\$ 13,448			\$ 32,780	\$ 20,081
<b>Total</b>	<b>14</b>	<b>25</b>	<b>21</b>	<b>13</b>	<b>4</b>		<b>8</b>	<b>85</b>
<b>Avg. Benefit</b>	<b>\$ 22,928</b>	<b>\$ 23,376</b>	<b>\$ 15,430</b>	<b>\$ 23,662</b>	<b>\$ 15,526</b>		<b>\$ 26,347</b>	<b>\$ 21,293</b>

In each cell, the top number is the count of survivors for the age/years since death combination and the bottom number is the average annual benefit amount.



# Membership Data

## Reconciliation of Members

	Terminated			Recipients			Total
	Actives	Deferred Retirement	Other Non-Vested	Service Retirement	Disability Retirement	Survivor	
<b>Members on 7/1/2020</b>	<b>17</b>	<b>31</b>	<b>0</b>	<b>281</b>	<b>0</b>	<b>79</b>	<b>408</b>
Additions	0	0	0	0	0	0	0
Return to active	0	0	0	0	0	0	0
Terminated non-vested	0	0	0	0	0	0	0
Service retirements	(5)	(4)	0	9	0	0	0
Terminated deferred	0	0	0	0	0	0	0
Terminated refund/transfer	0	0	0	0	0	0	0
Deaths	0	0	0	(18)	0	(8)	(26)
New beneficiary	0	0	0	0	0	14	14
Disabled	0	0	0	0	0	0	0
Unexpected status changes	0	0	0	0	0	0	0
Net change	(5)	(4)	0	(9)	0	6	(12)
<b>Members on 6/30/2021</b>	<b>12</b>	<b>27</b>	<b>0</b>	<b>272</b>	<b>0</b>	<b>85</b>	<b>396</b>

## Summary of Membership

Active Member Statistics	Total
Number	12
Average age	70.6
Average service	32.3
Average salary	\$ 58,378

Terminated Member Statistics	Deferred Retirement	Other Non-Vested	Total
Number	27	0	27
Average age	61.7	N/A	61.7
Average service	10.5	N/A	10.5
Average annual benefit	\$23,664	N/A	\$23,664
Average refund value	\$84,962	N/A	\$84,962

Retiree & Survivor Member Statistics	Service Retirees	Disabled Retirees	Survivors	Total
Number	272	-	85	357
Average age	78.6	N/A	83.4	79.8
Average annual benefit	\$ 25,243	N/A	\$ 21,293	\$ 24,303



# Development of Costs

## Actuarial Valuation Balance Sheet (*Dollars in Thousands*)

The actuarial balance sheet is based on the principle that the long-term projected benefit obligations of the plan should be ideally equal to the long-term resources available to fund those obligations. **A Projected Benefit Funding Ratio less than 100% indicates that contributions are insufficient.** The resources available to meet projected obligations for current members consist of current fund assets plus the present value of anticipated future contributions intended to fund benefits for current members. In the exhibit below, since statutory contributions are less than normal cost, B.2. is equal to the statutory contribution rate, minus expenses, times the present value of future payroll and Item B.1 is zero, as required by the LCPR Standards for Actuarial Work. Item D. Current Benefit Obligation, is the liability based on current service and projected compensation (the Entry Age Normal cost method is used to determine liabilities and contributions elsewhere in the report). Future pay-as-you-go contributions are not reflected in this exhibit.

				<b>June 30, 2021</b>
A. Actuarial Value of Assets				\$ -
B. Expected Future Assets				
1. Present value of expected future statutory supplemental contributions				-
2. Present value of future normal cost contributions*				187
3. Total expected future assets: (1.) + (2.)				\$ 187
C. Total Current and Expected Future Assets				\$ 187
D. Current Benefit Obligations**				
1. Benefit recipients	<b>Non-Vested</b>	<b>Vested</b>	<b>Total</b>	
a. Service retirements	\$ -	\$ 121,138	\$ 121,138	
b. Disability retirements	-	-	-	
c. Survivors	-	19,577	19,577	
2. Deferred retirements	-	21,582	21,582	
3. Former members without vested rights	-	-	-	
4. Active members	-	12,927	12,927	
5. Total Current Benefit Obligations	\$ -	\$ 175,224	\$ 175,224	
E. Expected Future Benefit Obligations				\$ 805
F. Total Current and Expected Future Benefit Obligations***				\$ 176,029
G. Unfunded Current Benefit Obligations: (D.5.) - (A.)				\$ 175,224
H. Unfunded Current and Future Benefit Obligations: (F.) - (C.)				\$ 175,842
I. Accrued Benefit Funding Ratio: (A.)/(D.5.)				0.00%
J. Projected Benefit Funding Ratio: (C.)/(F.)				0.11%

\* Based on a present value of future payroll of \$3,650,000.

\*\* Present value of credited projected benefits (projected compensation, current service).

\*\*\* Present value of projected benefits (projected compensation, projected service).



## Development of Costs

### Determination of Unfunded Actuarial Accrued Liability and Supplemental Contribution Rate *(Dollars in Thousands)*

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability (AAL)			
1. Active members			
a. Retirement annuities	\$ 13,591	\$ 1,636	\$ 11,955
b. Disability benefits	-	-	-
c. Survivor's benefits	141	40	101
d. Deferred retirements	-	46	(46)
e. Refunds*	-	6	(6)
f. Total	\$ 13,732	\$ 1,728	\$ 12,004
2. Deferred retirements	21,582	-	21,582
3. Former members without vested rights	-	-	-
4. Benefit recipients	140,715	-	140,715
5. Total	\$ 176,029	\$ 1,728	\$ 174,301
B. Determination of Unfunded Actuarial Accrued Liability (UAAL)			
1. Actuarial accrued liability			\$ 174,301
2. Current assets (AVA)			-
3. Unfunded actuarial accrued liability			\$ 174,301
C. Determination of Supplemental Contribution Rate			
1. Current unfunded actuarial accrued liability to be amortized by June 30, 2026			\$ 174,301
2. Supplemental contribution amount			34,860 **

\* Includes non-vested refunds and non-married survivor benefits only.

\*\* The amortization factor as of July 1, 2021 is 5.00000.

# Development of Costs

## Changes in Unfunded Actuarial Accrued Liability (UAAL) (Dollars in Thousands)

	<u>Year Ending June 30, 2021</u>
A. Unfunded actuarial accrued liability at beginning of year	\$ 195,405
B. Changes due to interest requirements and current rate of funding	
1. Normal cost, including expenses	1,278
2. Contributions	(8,716)
3. Interest on A., B.1. and B.2.	-
4. Total (B.1. + B.2. + B.3.)	<u>\$ (7,438)</u>
C. Expected unfunded actuarial accrued liability at end of year (A. + B.4.)	\$ 187,967
D. Increase (decrease) due to actuarial losses (gains) because of experience deviations from expected	
1. Age and service retirements	(104)
2. Disability retirements	-
3. Death-in-service benefits	21
4. Withdrawals	-
5. Salary increases	275
6. Investment income	-
7. Mortality of annuitants	131
8. Other items	<u>(693)</u>
9. Total	\$ (370)
E. Unfunded actuarial accrued liability at end of year before plan amendments and changes in actuarial assumptions (C. + D.9.)	\$ 187,597
F. Change in unfunded actuarial accrued liability due to changes in plan provisions	-
G. Change in unfunded actuarial accrued liability due to changes in actuarial assumptions	(13,296)
H. Change in unfunded actuarial accrued liability due to changes in actuarial methods	-
I. Unfunded actuarial accrued liability at end of year (E. + F. + G. + H.)	174,301

# Development of Costs

## Determination of Contribution Sufficiency/(Deficiency)\*

The required contribution is defined in Minnesota Statutes as the sum of normal cost, a supplemental contribution to amortize the UAAL, and an allowance for expenses. The dollar amounts shown are for illustrative purposes and equal percent of payroll multiplied by projected annual payroll.

	Percent of Payroll	Dollar Amount (000s)
A. Statutory Contributions - Chapter 3A		
1. Employee contributions	9.00%	\$ 66
2. Employer contributions	0.00%	-
3. Total	9.00%	\$ 66
B. Required Contributions - Chapter 356		
1. Normal cost		
a. Retirement benefits	114.18%	\$ 834
b. Disability benefits	0.00%	-
c. Survivors	2.63%	19
d. Deferred retirement benefits	3.52%	26
e. Refunds	0.49%	3
f. Total	120.82%	\$ 882
2. Supplemental contribution amortization of Unfunded Actuarial Accrued Liability by June 30, 2026		
	4,775.34%	\$ 34,860
3. Allowance for expenses		
	3.89%	28
4. Total		
	4,900.05% *	\$ 35,770
C. Contribution Sufficiency/(Deficiency) (A.3. - B.4.)		
	(4,891.05%)	\$ (35,704)

\* Plan is funded by annual appropriations from the State's General Fund. Estimated benefit payments of \$8,930 are expected to be paid during the upcoming fiscal year.

Note: Projected annual payroll for fiscal year beginning on the valuation date: \$730 (determined by increasing reported pay for each member by one full year's assumed pay increase according to the actuarial salary scale, as prescribed by the LCPR Standards for Actuarial Work).

## Development of Costs

### Elective State Officers Retirement Plan (*Dollars in Thousands*)

The Elective State Officers Retirement Plan was consolidated with the Legislators Retirement Plan on July 1, 2013, per 2013 legislation. These liabilities are included in the Unfunded Actuarial Accrued Liabilities on page 14 of this report.

#### Year Ending June 30, 2021

<b>Group</b>	<b>Number</b>	<b>Annual Benefits</b>	<b>Average Age</b>	<b>Actuarial Accrued Liability</b>
Deferred, Vested	0	N/A	N/A	\$ -
Service Retirements	7	\$ 277	84.3	\$ 2,888
Survivors	4	\$ 157	85.7	\$ 1,455
<b>Total</b>	<b>11</b>	<b>\$ 434</b>	<b>84.8</b>	<b>\$ 4,343</b>

# Actuarial Basis

## Actuarial Methods

All actuarial methods are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement, or the MSRS Board of Directors. Different methodologies may also be reasonable and results based on other methodologies would be different.

### Actuarial Cost Method

Actuarial accrued liability and required contributions in this report are computed using the Entry Age Normal Cost method. This method is prescribed by Minnesota Statute. Under this method, a normal cost is developed by amortizing the actuarial value of benefits expected to be received by each active participant (as a level percentage of pay) over the total working lifetime of that participant, from hire to termination. Age as of the valuation date was calculated based on the dates of birth provided by the Fund. Entry age for valuation purposes was calculated as the age on the valuation date minus the provided years of service on the valuation date.

To the extent that current assets and future normal costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is amortized over the statutory amortization period using level dollar. The total contribution developed under this method is the sum of normal cost, expenses, and the payment toward the UAAL.

### Asset Valuation Method

Market Value (consistent with valuations since July 1, 2000).

### Payment on the Unfunded Actuarial Accrued Liability

The unfunded liability is amortized as a level dollar amount each year to the statutory amortization date of June 30, 2026. If the Unfunded Actuarial Accrued Liability is negative, the surplus amount shall be amortized over 30 years as a level dollar amount. If the unfunded liability increases due to changes in benefits, assumptions, or methods, the statutory amortization date may be extended.

### Funding Objective

This plan is primarily funded on a pay-as-you-go basis, offset by active Legislators Retirement Fund member contributions and annual appropriations from the State's General Fund.

### Changes in Methods since Prior Valuation

There have been no changes in actuarial methods since the prior valuation.





# Actuarial Basis

## Summary of Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the plan. All actuarial assumptions are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement (LCPR), or the MSRS Board of Directors. These parties are responsible for selecting the assumptions used for this valuation. A review of actuarial assumptions was completed on July 15, 2020. This review recommended changes to economic and demographic assumptions, which are reflected in this valuation. The Allowance for Combined Service Annuity assumptions are based on an analysis completed by the LCPR actuary and documented in a report dated October 2016.

<b>Investment return</b>	0.00% per annum.
<b>Salary increases</b>	4.25% annually.
<b>Inflation</b>	2.25% annually.
<b>Mortality rates</b>	
<b>Pre-retirement</b>	Pub-2010 General Employee Mortality Table adjusted for mortality improvements using projection scale MP-2018. Rates are multiplied by a factor of 0.97 for males and 1.06 for females.
<b>Post-retirement</b>	Pub-2010 Healthy Retired General Mortality Table, adjusted for mortality improvements using projection scale MP-2018. Rates are multiplied by a factor of 1.04 for males and 1.10 for females.
<b>Notes</b>	The Pub-2010 employee mortality table as published by the Society of Actuaries (SOA) contains mortality rates for ages 18 to 80 and the annuitant mortality table contains mortality rates for ages 50 to 120. We have extended the annuitant mortality table as needed for members younger than age 50 who are receiving a benefit by deriving rates based on the employee table and the juvenile table. Similarly, we have extended the employee table as needed for members older than age 80 by deriving rates based on the annuitant table.
<b>Retirement</b>	Members retiring from active status are assumed to retire according to the age related rates shown in the rate table. Members who have attained the highest assumed retirement age are assumed to retire in one year.
<b>Withdrawal</b>	Ultimate rates based on actual experience. Rates are shown in rate table.
<b>Disability</b>	None.
<b>Allowance for combined service annuity</b>	None.



# Actuarial Basis

## Summary of Actuarial Assumptions (Continued)

<b>Administrative expenses</b>	Prior year administrative expenses expressed as percentage of prior year projected payroll.
<b>Refund of contributions</b>	For non-vested members, account balances accumulate interest until the assumed commencement date and are discounted back to the valuation date. Active members decrementing after becoming eligible for a benefit are assumed to take the contributions accumulated with interest if larger than the value of the benefit.
<b>Commencement of deferred benefits</b>	Members receiving deferred annuities (including current terminated deferred members) are assumed to begin receiving benefits at age 62.
<b>Percentage married</b>	85% of active members are assumed to be married. Legislators in payment status are assumed to be 100% married for purposes of a death benefit, except if reported with a joint & survivor benefit. 100% of Elective State Officers members are assumed to be eligible for the automatic survivor benefit.
<b>Age of spouse</b>	Females are assumed to be three years younger than their spouses, and males are assumed to be three years older than their spouses.
<b>Eligible children</b>	Each member may have two dependent children depending on member's age. Assumed first born child born at member's age 28 and second born child at member's age 31.
<b>Form of payment</b>	Active married members are assumed to elect 50% joint and survivor annuity. Active single members and deferred members are assumed to elect a life annuity. Unless reported with a joint & survivor option, retired members are assumed to have a spouse that is eligible for the automatic survivor benefit. Deferred Elective State Officers Retirement Fund members are assumed to elect a life annuity with automatic survivor benefits.
<b>Eligibility testing</b>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<b>Decrement operation</b>	Withdrawal decrements do not operate during retirement eligibility. Decrements are assumed to occur mid-fiscal year.
<b>Service credit accruals</b>	It is assumed that members accrue one year of service credit per year.
<b>Pay increases</b>	Pay increases are assumed to happen at the beginning of the fiscal year. This is equivalent to assuming that reported earnings are pensionable earnings for the year ending on the valuation date.



# Actuarial Basis

## Summary of Actuarial Assumptions (Continued)

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**Unknown data for certain members**

To prepare this report, GRS has used and relied on participant data supplied by the Fund. Although GRS has reviewed the data in accordance with Actuarial Standards of Practice No. 23, GRS has not verified or audited any of the data or information provided.

In cases where submitted data was missing or incomplete, the following assumptions were applied:

**Legislators Retirement Plan**Data for active members:

There were no members reported with zero or invalid salary.

There were no members reported with missing service.

There were no members reported with missing or invalid gender or birth dates.

Data for terminated members:

There were 2 members reported without a benefit. If available, we calculated benefits for these members using the reported Average Salary and credited service. If Average Salary was also not reported (2 members), we assumed a value of \$30,000. There were no members reported without credited service or a termination date.

There were no members reported with missing or invalid gender or birth dates.

Data for members receiving benefits:

There were no members reported with missing or invalid gender, birth dates or benefits.

There were 265 retired members reported:

- 106 members were reported with the 75% or 100% joint and survivor option. These members were valued as indicated by the option elected.
- 158 members were reported with the life annuity option and 1 member was reported with the 50% joint and survivor option. All of these members were valued as a 50% joint & survivor annuity per MSRS' direction.

Of the 265 retired members, 118 members had an invalid or missing survivor gender and 109 members had a missing or invalid survivor date of birth. We used the valuation assumptions if the survivor gender or date of birth was missing or invalid.

There were no retirees reported with a bounceback annuity and an unreasonable reduction factor. There were no survivors reported on the data file with an expired benefit.

# Actuarial Basis

## Summary of Actuarial Assumptions (Continued)

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**Unknown data for certain members – (Concluded)****Elective State Officers Retirement Plan**Data for members receiving benefits:

There were no members reported with missing or invalid birth dates, genders or benefits.

All retired members were reported with a life annuity option. Members were assumed to have a spouse that is eligible for the automatic survivor benefits. Valuation assumptions were used if the survivor gender (4 members) or date of birth (4 members) were missing or invalid.

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**Changes in actuarial assumptions**

The inflation assumption was changed from 2.50% to 2.25%.

The salary increase assumption was changed from 5.00% to 4.25%.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2015 to Scale MP-2018.

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# Actuarial Basis

## Summary of Actuarial Assumptions (Concluded)

Age in 2021	Percent of Members Dying Each Year*			
	Post-Retirement Mortality**		Pre-Retirement Mortality**	
	Male	Female	Male	Female
20	0.04%	0.01%	0.04%	0.01%
25	0.03%	0.01%	0.03%	0.01%
30	0.05%	0.02%	0.04%	0.02%
35	0.06%	0.03%	0.06%	0.03%
40	0.08%	0.04%	0.08%	0.04%
45	0.11%	0.07%	0.09%	0.06%
50	0.28%	0.23%	0.13%	0.08%
55	0.43%	0.33%	0.20%	0.14%
60	0.66%	0.44%	0.32%	0.21%
65	0.96%	0.65%	0.46%	0.30%
70	1.49%	1.05%	0.64%	0.47%
75	2.51%	1.87%	0.96%	0.77%
80	4.47%	3.42%	1.51%	1.30%
85	8.15%	6.43%	6.39%	5.32%
90	14.08%	11.93%	13.14%	11.50%

\* Generally, mortality rates are expected to increase as age increases (with the exception of young ages, where expected mortality may decrease as age increases). In cases where the application of the projection scale would reverse the nature of this trend, standard mortality rates have been adjusted slightly. The adjustment has no material effect on results.

\*\* Rates are adjusted for mortality improvements using Scale MP-2018 from a base year of 2010.

Age	Percent Retiring	Service	Percent Terminating (Withdrawing)	
			House	Senate
60	0.00%	1	0.0%	0.0%
61	0.00	2	30.0	0.0
62	40.00	3	0.0	0.0
63	30.00	4	20.0	25.0
64	30.00	5	0.0	0.0
65	40.00	6	10.0	0.0
66	30.00	7	0.0	0.0
67	25.00	8	5.0	10.0
68	25.00	9+	0.0	0.0
69	25.00			
70	30.00			
71+	100.00			



# Actuarial Basis

## Summary of Plan Provisions – Legislators Retirement Plan

Following is a summary of the major plan provisions used in the valuation of this report. MSRS is solely responsible for the validity, accuracy and comprehensiveness of this information. If any of the plan provisions shown below are not accurate and complete, the valuation results may differ significantly from those shown in this report and may require a revision of this report.

<b>Plan year</b>	July 1 through June 30.
<b>Eligibility</b>	Members of the State Legislature first elected to office before July 1, 1997, and who elect to retain coverage under this plan (i.e., do not elect Social Security coverage). Plan is closed to new members.
<b>Contributions</b>	
<b>Member</b>	9.00% of salary which must be paid to the state's General Fund.
<b>Employer</b>	Plan is funded by annual appropriations from the state's General Fund. Employee contributions are "picked up" according to the provisions of Internal Revenue Code 414(h).
<b>Allowable service</b>	Service while in an eligible position.
<b>Salary</b>	Compensation received for service as a member of the legislature. Salary includes the monthly compensation paid to a legislator and the per diem payments paid during a regular or special session. Salary does not include additional compensation attributable to a leadership position.
<b>Average salary</b>	Average of the five highest successive years of salary.
<b>Retirement</b>	
<b><u>Normal retirement benefit</u></b>	
<b>Age/Service requirements</b>	Age 62 and either six full years of service or service during all or part of four regular legislative sessions. For eligibility purposes, service does not include credit for time not served when a member does not serve a full term of office.
<b>Amount</b>	A percentage of Average Salary for each year of service as follows: First elected prior to January 1, 1979: (a) 5.00% for the first eight years of service prior to January 1, 1979; and (b) 2.50% for subsequent years. Elected after December 31, 1978: (a) 2.50%.
<b><u>Early retirement benefit</u></b>	
<b>Age/service requirements</b>	Age 55 and either six full years of service or service during all or part of four regular legislative sessions.



# Actuarial Basis

## Summary of Plan Provisions – Legislators Retirement Plan (Continued)

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<b>Retirement (Concluded)</b>	
<b><u>Early retirement benefit (Concluded)</u></b>	
<b>Amount</b>	Normal retirement benefit based on service and Average Salary at retirement date and actuarially reduced for each month the member is under age 62 assuming augmentation to age 62 at 3.00% per year.
<b><u>Form of payment</u></b>	Paid as a 50% joint and survivor annuity to member, spouse and dependent children. Annuitants may elect 100% joint and survivor bounce back annuity, life annuity, or a term certain and life annuity on an actuarially equivalent basis.
<b><u>Benefit increases</u></b>	Through December 31, 2018: 2.0% January 1, 2019 – December 31, 2023: 1.0% January 1, 2024 and after: 1.5% For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a pro rata increase.
<b>Disability</b>	No additional benefits provided beyond standard plan. Treated as retirement or termination, depending on age and service at termination.
<b>Death</b>	
<b><u>Surviving spouse benefit</u></b>	
<b>Age/Service requirement</b>	Death while active, or after termination if service requirements for a normal retirement benefit is met but payments have not begun.
<b>Amount</b>	Survivor payments of 50% of the retirement benefit of the member assuming the member had attained normal retirement age and had a minimum of eight years of service. Benefit is paid for life. A former member's benefit is augmented as a Deferred Annuity to date of death before determining the portion payable to the spouse. If the legislator was at least age 60 at death, the surviving spouse may elect an optional joint and survivor annuity. If a deferred benefit was not eligible to be in pay status before July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
<b>Benefit increases</b>	Same as for retirement, except benefit increases are paid prior to Normal Retirement.

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# Actuarial Basis

## Summary of Plan Provisions – Legislators Retirement Plan (Continued)

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### Death (Concluded)

#### Surviving dependent children's benefit

<b>Age/Service requirement</b>	Same as spouse's benefit.
<b>Amount</b>	Benefit for first child is 25.00% of the retirement benefit (computed as for surviving spouse) with 12.50% for each additional child. Maximum payable (including spouse) is 100.00% of the retirement benefit. Benefits cease when a child marries or attains age 18 (22 if a full-time student).
<b>Benefit increases</b>	Same as for retirement, except benefit increases are paid prior to Normal Retirement.

#### Refund of contributions

<b>Age/Service requirement</b>	Member dies before receiving any retirement benefits and survivor benefits are not payable.
<b>Amount</b>	Member's contributions with 6.00% interest through June 30, 2011. Beginning July 1, 2011, a member's contributions increase at 4.00% interest. Beginning July 1, 2018, a member's contributions increase at 3.00% interest.

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### Termination

#### Refund of contributions

<b>Age/Service requirement</b>	Termination of service.
<b>Amount</b>	Member's contributions with 6.00% interest through June 30, 2011. Beginning July 1, 2011, a member's contributions increase at 4.00% interest. Beginning July 1, 2018, a member's contributions increase at 3.00% interest. If a member is vested, a deferred annuity may be elected in lieu of a refund.

#### Deferred benefit

<b>Age/service requirement</b>	Same service requirements as for normal retirement.
<b>Amount</b>	Benefit computed under law in effect at termination and increased by the following annual augmentation percentage: (a.) 0.00% before July 1, 1973; (b.) 5.00% from July 1, 1973, to January 1, 1981; (c.) 3.00% until the earlier of January 1 of the year following attainment of age 55 and January 1, 2012; (d.) 5.00% until the earlier of January 1, 2012, and when the annuity begins; and (e.) 2.00% from January 1, 2012 through December 31, 2018; and (f.) 0.00% from January 1, 2019, thereafter.





# Actuarial Basis

## Summary of Plan Provisions – Legislators Retirement Plan (Concluded)

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<b>Deferred benefit - (Concluded)</b>	
<b>Amount (Concluded)</b>	Amount is payable at normal or early retirement. For members who terminated prior to July 1, 1997, but were not eligible to commence their pensions before July 1, 1997, the benefit shall be increased to reflect the actuarial equivalent change in post-retirement interest rate from 5.00% to 6.00%.
<b>Adjustments for benefits not in pay status</b>	Benefits are adjusted on an actuarial equivalent basis to reflect the 1997 change in post-retirement interest rate assumption from 5.00% to 6.00%.
<b>Actuarial equivalent factors</b>	Actuarially equivalent factors based on RP-2014 mortality for healthy annuitants, white collar adjustment, male rates set forward two years, projected to 2019 using Scale MP-2015, blended 50% males, 5.88% post-retirement interest, and 8.00% pre-retirement interest. Based upon statutory requirements; Joint and Survivor factors are based on an interest assumption of 6.50%.
<b>Combined service annuity</b>	Members are eligible for combined service benefits if they: (a.) Have sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement; (b.) Have at least six months of allowable service credit in each plan worked under; and (c.) Are not in receipt of a benefit from another plan, or have applied for benefits with an effective date within one year. Members who meet the above requirements must have their benefit based on the following: (a.) Allowable service in all covered plans are combined in order to determine eligibility for early retirement. (b.) Average salary is based on the high five consecutive years during their entire service in all covered plans.
<b>Changes in Plan Provisions</b>	There were no changes in plan provisions since the prior valuation.

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# Actuarial Basis

## Summary of Plan Provisions – Elective State Officers Retirement Plan

Following is a summary of the major plan provisions used in the valuation of this report. MSRS is solely responsible for the validity, accuracy and comprehensiveness of this information. If any of the plan provisions shown below are not accurate and complete, the valuation results may differ significantly from those shown in this report and may require a revision of this report.

<b>Plan year</b>	July 1 through June 30.
<b>Eligibility</b>	Must be employed as a "Constitutional Officer" first elected prior to July 1, 1997, and must elect to retain coverage under this plan (i.e., does not elect Social Security coverage). Plan is closed to new members since July 1, 1997.
<b>Contributions</b>	Plan is funded by annual appropriations from the State's General Fund.
<b>Allowable service</b>	Service while in an eligible position as a constitution officer.
<b>Salary</b>	Salary upon which Elective State Officers Retirement Fund contributions have been made.
<b>Average salary</b>	Average of the five highest successive years of Salary.
<b>Retirement</b>	
<b><u>Normal retirement benefit</u></b>	
<b>Age/Service requirements</b>	Age 62 and eight years of Allowable Service.
<b>Amount</b>	2.50% of Average Salary for each year of Allowable Service. For members who terminated service after June 30, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
<b><u>Early retirement benefit</u></b>	
<b>Age/Service requirement</b>	Age 60 and eight years of Allowable Service.
<b>Amount</b>	Normal retirement benefit based on Allowable Service and Average Salary at retirement date with reduction of 0.50% for each month the member is under age 62 at the time of retirement.
<b><u>Form of payment</u></b>	Life annuity.
<b><u>Benefit increases</u></b>	Through December 31, 2018: 2.0% January 1, 2019 – December 31, 2023: 1.0% January 1, 2024 and after: 1.5% For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to disability benefit recipients, or survivors).



# Actuarial Basis

## Summary of Plan Provisions – Elective State Officers Retirement Plan (Continued)

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### Retirement (Concluded)

#### **Benefit increases (Concluded)**

A benefit recipient who has been receiving a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a pro rata increase.

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### Disability

No additional benefits provided beyond standard plan. Treated as retirement or termination, depending on age and Allowable Service as of disablement.

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### Death

#### **Surviving spouse benefit**

##### **Age/Service requirement**

Death while active, or after retirement, or after termination but prior to retirement with at least eight years of Allowable Service.

##### **Amount**

Survivor payments of 50% of the retirement benefit of the member assuming the member had attained age 62 and had a minimum of eight years of Allowable Service. A former member's benefit is augmented as a Deferred Annuity to date of death before determining the portion payable to the spouse.

If a member dies prior to July 1, 1997, and the beneficiary was not eligible to commence a survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

##### **Benefit increases**

Same as for retirement, except benefit increases are paid prior to Normal Retirement.

#### **Surviving dependent children's benefit**

##### **Age/Service requirement**

Same as spouse's benefit.

##### **Amount**

Benefit for first child is 25.00% of the retirement benefit (computed as for surviving spouse) with 12.50% for each additional eligible child. Maximum payable (including spouse) is 100.00% of the retirement benefit. Benefits cease when a child marries or attains age 18 (22 if a full-time student).

##### **Benefit increases**

Same as for retirement, except benefit increases are paid prior to Normal Retirement.

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### Termination

#### **Refund of contributions**

##### **Age/Service requirement**

Termination of service.



# Actuarial Basis

## Summary of Plan Provisions – Elective State Officers Retirement Plan (Continued)

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### Termination (Concluded)

#### Refund of contributions (Concluded)

**Amount** Member's contributions with 6.00% interest through June 30, 2011. Beginning July 1, 2011, a member's contributions increase at 4.00% interest. Beginning July 1, 2018, a member's contributions increase at 3.00% interest. If a member is vested, a deferred annuity may be elected in lieu of a refund.

#### Deferred benefit

**Age/service requirement** Eight years of Allowable Service.

**Amount** Benefit computed under law in effect at termination and increased by the following annual augmentation percentage:

- (a.) 0.00% before July 1, 1979;
- (b.) 5.00% from July 1, 1979, to January 1, 1981;
- (c.) 3.00% until age 55, or until January 1, 2012, whichever is earlier;
- (d.) 5.00% thereafter until the annuity begins but prior to January 1, 2012;
- (e.) 2.00% from January 1, 2012 through December 31, 2018; and
- (f.) 0.00% from January 1, 2019, thereafter.

Amount is payable at normal or early retirement.

If a member terminated prior to July 1, 1997, but was not eligible to commence his or her pension before July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

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### Combined service annuity

Members are eligible for combined service benefits if they:

- (a.) Have sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement;
  - (b.) Have at least six months of allowable service credit in each plan worked under; and
  - (c.) Are not in receipt of a benefit from another plan, or have applied for benefits with an effective date within one year.
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# Actuarial Basis

## Summary of Plan Provisions – Elective State Officers Retirement Plan (Concluded)

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<b>Combined service annuity (Concluded)</b>	Members who meet the above requirements must have their benefit based on the following:  (a.) Allowable service in all covered plans are combined in order to determine eligibility for early retirement.  (b.) Average salary is based on the high five consecutive years during their entire service in all covered plans.
<b>Actuarial equivalent factors</b>	Actuarially equivalent factors based on Pub-2010 mortality for healthy annuitants, white collar adjustment, male rates set forward two years, projected to 2019 using Scale MP-2015, blended 50% males, 5.88% post-retirement interest, and 8.00% pre-retirement interest. Based upon statutory requirements; Joint and Survivor factors are based on an interest assumption of 6.50%.
<b>Changes in plan provisions</b>	There were no changes in plan provisions since the prior valuation.

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# Additional Schedules

## Schedule of Funding Progress<sup>1</sup> (Dollars in Thousands)

### Legislators Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Actual Covered Payroll (Previous FY) (c)	UAAL as a Percentage of Covered Payroll (b)-(a) (c)
07/01/1991	\$ 14,694	\$ 30,403	\$ 15,709	48.33%	\$ 7,078	221.94%
07/01/1992	15,160	33,224	18,064	45.63	6,556	275.53
07/01/1993	17,169	36,801	19,632	46.65	7,322	268.12
07/01/1994	18,738	45,448	26,710	41.23	6,589	405.37
07/01/1995	21,213	50,255	29,042	42.21	7,056	411.59
07/01/1996	22,532	54,225	31,693	41.55	6,267	505.71
07/01/1997	25,678	60,055	34,377	42.76	7,767	442.60
07/01/1998	31,212	62,928	31,716	49.60	6,802	466.27
07/01/1999	33,474	66,418	32,944	50.40	7,490	439.84
07/01/2000	37,265	69,364	32,099	53.72	5,808	552.67
07/01/2001	42,608	75,072	32,464	56.76	5,858	554.18
07/01/2002	45,501	78,070	32,569	58.28	5,089	639.99
07/01/2003 <sup>2</sup>	-	-	-	-	-	-
07/01/2004	46,155	83,197	37,042	55.48	3,815	970.89
07/01/2005	45,523	81,836	36,314	55.63	3,014	1,204.84
07/01/2006	48,504	81,361	32,858	59.62	2,894	1,135.45
07/01/2007	44,869	86,449	41,580	51.90	2,380	1,747.42
07/01/2008	39,209	86,131	46,922	45.52	1,993	2,354.34
07/01/2009	28,663	90,431	61,768	31.70	1,963	3,146.61
07/01/2010	26,821	86,236	59,415	31.10	1,877	3,165.42
07/01/2011 <sup>3</sup>	19,140	216,559	197,419	8.84	1,774	11,128.47
07/01/2012	15,523	247,657	232,134	6.27	1,378 <sup>4</sup>	16,845.72
07/01/2013	11,493	235,877	224,384	4.87	1,233 <sup>4</sup>	18,198.22
07/01/2014 <sup>5</sup>	8,258	250,860	242,602	3.29	1,122 <sup>4</sup>	21,622.28
07/01/2015	3,430	230,219	226,789	1.49	1,700 <sup>4</sup>	13,340.53
07/01/2016	-	218,514	218,514	0.00	989 <sup>4</sup>	22,094.44
07/01/2017	-	227,700	227,700	0.00	889 <sup>4</sup>	25,613.05
07/01/2018	-	213,008	218,008	0.00	1,033 <sup>4</sup>	20,620.33
07/01/2019	-	200,982	200,982	0.00	1,011 <sup>4</sup>	19,879.53
07/01/2020	-	195,405	195,405	0.00	967 <sup>4</sup>	20,207.34
07/01/2021	-	174,301	174,301	0.00	856 <sup>4</sup>	20,362.27

<sup>1</sup> Information prior to 2012 provided by prior actuaries. See prior reports for additional detail.

<sup>2</sup> An actuarial valuation was not completed as of July 1, 2003.

<sup>3</sup> Based on the alternate assumptions, including an investment return assumption of 0%.

<sup>4</sup> Assumed equal to actual member contributions divided by 9%.

<sup>5</sup> Effective July 1, 2013, the Elective State Officers Retirement Fund was administratively consolidated with the Legislators Retirement Fund, first combined as of July 1, 2014 in this exhibit.

## Additional Schedules

### Schedule of Funding Progress<sup>1</sup> (Dollars in Thousands)

#### Elective State Officers Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Actual Covered Payroll (Previous FY) (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
7-1-1991	\$ 308	\$ 2,249	\$ 1,941	13.69%	\$ 422	459.95 %
7-1-1992	334	2,380	2,046	14.03	378	541.27
7-1-1993	322	2,689	2,367	11.97	500	473.40
7-1-1994	361	2,848	2,487	12.68	411	605.11
7-1-1995	378	2,948	2,570	12.82	422	609.00
7-1-1996	412	2,983	2,571	13.81	456	563.82
7-1-1997	456	3,214	2,758	14.19	467	590.58
7-1-1998	500	3,369	2,869	14.84	461	622.34
7-1-1999	198	3,373	3,175	5.87	291	1091.07
7-1-2000	199	3,535	3,336	5.63	-	N/A
7-1-2001	201	3,775	3,574	5.32	-	N/A
7-1-2002	201	4,075	3,874	4.93	-	N/A
7-1-2003 <sup>2</sup>						
7-1-2004	204	4,002	3,798	5.09	-	N/A
7-1-2005	204	4,065	3,861	5.03	-	N/A
7-1-2006	207	3,970	3,763	5.22	-	N/A
7-1-2007	212	3,969	3,757	5.33	-	N/A
7-1-2008	212	3,908	3,696	5.43	-	N/A
7-1-2009	213	3,886	3,673	5.49	-	N/A
7-1-2010	214	3,782	3,568	5.66	-	N/A
7-1-2011 <sup>3</sup>	-	7,610	7,610	0.00	-	N/A
7-1-2012	-	8,907	8,907	0.00	-	N/A
7-1-2013 <sup>4</sup>	-	8,595	8,595	0.00	-	N/A

<sup>1</sup> Information prior to 2012 provided by prior actuaries. See prior reports for additional detail.

<sup>2</sup> An actuarial valuation was not completed as of July 1, 2003.

<sup>3</sup> Based on the alternate assumptions, including an investment return assumption of 0%.

<sup>4</sup> Effective July 1, 2013, the Elective State Officers Retirement Fund was administratively consolidated with the Legislators Retirement Fund. Effective July 1, 2014 combined results are shown with the Legislators Retirement Fund exhibit.

## Additional Schedules

### Schedule of Contributions from the Employer and Other Contributing Entities<sup>1</sup> (Dollars in Thousands)

#### Legislators Retirement Fund

Plan Year Ended June 30	Actuarially Required Contribution Rate (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Contributions [(a)x(b)] - (c) = (d)	Actual Employer Contributions <sup>2</sup> (e)	Percentage Contributed (e)/(d)
1991	32.62 %	\$ 7,078	\$ 637	\$ 1,672	\$ 1,889	112.98 %
1992	27.67	6,556	590	1,224	601	49.10
1993	30.49	7,322	659	1,573	2,284	145.20
1994	32.12	6,589	593	1,457	1,618	111.05
1995	38.34	7,056	635	2,070	2,938	141.93
1996	41.54	6,267	564	2,039	1,511	74.10
1997	43.96	7,767	699	2,715	3,176	116.98
1998	48.03	6,802	612	2,655	5,199	195.82
1999	47.19	7,490	674	2,861	2,091	73.09
2000	52.72	5,808	523	2,539	3,192	125.72
2001	47.26	5,858	527	2,241	5,039	224.85
2002	60.14	5,089	458	2,603	4,135	158.86
2003 <sup>3</sup>	63.12	-	-	-	-	-
2004	63.12	3,815	343	2,065	425	20.58
2005	104.72	3,014	384	2,773	1,822	65.71
2006	112.64	2,894	264	2,995	5,684	189.78
2007	111.24	2,380	239	2,408	1,772	73.59
2008	171.10	1,993	180	3,230	2,217	68.64
2009	243.21	1,963	248	4,526	1,269	28.04
2010	413.00	1,877	170	7,582	1,975	26.05
2011	432.92	1,774	160	7,520	2,805	37.30
2012 <sup>4</sup>	1,320.95	1,378 <sup>5</sup>	124	18,079	3,935	21.77
2013	1,340.00	1,233 <sup>5</sup>	111	16,411	3,399	20.71
2014 <sup>6</sup>	1,983.78	1,122 <sup>5</sup>	101	22,157	3,436	15.51
2015	2,287.58	1,700 <sup>5</sup>	153	38,736	3,216	8.30
2016	2,204.22	989 <sup>5</sup>	89	21,711	5,087	23.43
2017	2,578.68	889 <sup>5</sup>	80	22,844	8,716	38.15
2018	3,257.81	1,033 <sup>5</sup>	93	33,560	8,856	26.39
2019	2,716.47	1,011 <sup>5</sup>	91	27,373	8,798	32.14
2020	3,139.75	967 <sup>5</sup>	87	30,274	8,764	28.95
2021	3,555.45	856 <sup>5</sup>	77	30,358	8,639	28.46
2022	4,900.05	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> Information prior to 2012 provided by prior actuary. See prior reports for additional detail.

<sup>2</sup> Includes contributions from other sources (if applicable). Information for 2004 to 2012 provided by MSRS.

<sup>3</sup> An actuarial valuation for this fiscal year was not completed.

<sup>4</sup> Based on the alternate assumptions, including an investment return assumption of 0%.

<sup>5</sup> Assumed equal to actual member contributions divided by 9%.

<sup>6</sup> Effective July 1, 2013, the Elective State Officers Retirement Fund was administratively consolidated with the Legislators Retirement Fund, first combined for plan year ending June 30, 2014 in this exhibit.



## Additional Schedules

### Schedule of Contributions from the Employer and Other Contributing Entities<sup>1</sup> (Dollars in Thousands)

#### Elective State Officers Retirement Fund

Plan Year Ended June 30	Actuarially Required Contribution Rate/Amount <sup>2</sup> (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Contributions <sup>3</sup> [(a)x(b)] - (c) = (d)	Actual Employer Contributions (e)	Percentage Contributed (e)/(d)
1991	34.84%	\$ 422	\$ 38	\$ 109	\$ 40	36.70%
1992	33.28	378	34	92	111	120.65
1993	36.23	500	45	136	88	64.71
1994	38.64	411	37	122	164	134.43
1995	42.00	422	38	139	165	118.71
1996	43.58	456	41	158	151	95.57
1997	43.49	467	42	161	167	103.73
1998	51.07	461	42	193	175	90.67
1999	51.66	291	26	124	40	32.26
2000	\$ 321	-	-	321	306	95.33
2001	340	-	-	340	330	97.06
2002	371	-	-	371	354	95.42
2003	412	-	-	412	371	90.12
2004	412	-	-	412	383	92.88
2005	437	-	-	437	395	90.37
2006	465	-	-	465	417	89.66
2007	477	-	-	477	427	89.57
2008	506	-	-	506	435	85.92
2009	558	-	-	558	442	79.28
2010	601	-	-	601	453	75.37
2011	644	-	-	644	460	71.54
2012 <sup>4</sup>	1,269	-	-	1,269	466	36.73
2013 <sup>5</sup>	991	-	-	991	470	47.43

<sup>1</sup> Information prior to 2012 provided by prior actuaries. See prior reports for additional detail.

<sup>2</sup> Shown as a percent of payroll for years before 2000.

<sup>3</sup> For years after 1999, the Annual Required Contribution is the dollar amount shown in (a).

<sup>4</sup> Based on the alternate assumptions, including an investment return assumption of 0%.

<sup>5</sup> Effective July 1, 2013, the Elective State Officers Retirement Fund was administratively consolidated with the Legislators Retirement Fund. Effective July 1, 2014 combined results are shown with the Legislators Retirement Fund exhibit.

## Glossary of Terms

<b>Accrued Benefit Funding Ratio</b>	The ratio of assets to Current Benefit Obligations.
<b>Accrued Liability Funding Ratio</b>	The ratio of assets to Actuarial Accrued Liability.
<b>Actuarial Accrued Liability (AAL)</b>	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
<b>Actuarial Assumptions</b>	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members; and other items.
<b>Actuarial Cost Method</b>	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of future Normal Costs and the Actuarial Accrued Liability.
<b>Actuarial Equivalent</b>	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
<b>Actuarial Present Value (APV)</b>	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
<b>Actuarial Present Value of Projected Benefits</b>	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, non-retired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<b>Actuarial Valuation</b>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for developing and monitoring retirement system's funding policy, such as the Funded Ratio and the Annual Required Contribution (ARC).
<b>Actuarial Value of Assets</b>	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the Funded Ratio and the Actuarially Required Contribution (ARC).
<b>Amortization Method</b>	A method for determining the Amortization Payment. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. The stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.

## Glossary of Terms (Continued)

<b>Amortization Payment</b>	That portion of the plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
<b>Amortization Period</b>	The period used in calculating the Amortization Payment.
<b>Annual Required Contribution (ARC)</b>	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The ARC consists of the Employer Normal Cost and Amortization Payment.
<b>Augmentation</b>	Annual increases to deferred benefits.
<b>Closed Amortization Period</b>	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
<b>Current Benefit Obligations</b>	The present value of benefits earned to the valuation date, based on current service and including future salary increases to retirement (comparable to a Projected Unit Credit measurement).
<b>Employer Normal Cost</b>	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
<b>Expected Assets</b>	The present value of anticipated future contributions intended to fund benefits for current members.
<b>Experience Gain/Loss</b>	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience; e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, losses are the result of unfavorable experience; i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.
<b>GASB</b>	Governmental Accounting Standards Board.
<b>GASB Statements No. 25 and No. 27</b>	These are the governmental accounting standards that previously set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. GASB Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while GASB Statement No. 25 sets the rules for the systems themselves. These statements remain in effect only for pension plans that are not administered as trusts or equivalent arrangements. Please refer to the definition for GASB Statements No. 67 and No. 68 below.

## Glossary of Terms (Concluded)

<b>GASB Statement No. 50</b>	The accounting standard governing a state or local governmental employer's accounting for pensions. This statement remains in effect for pension plans that are not administered as trusts. Please refer to the definition of GASB Statements No. 67 and No. 68 below.
<b>GASB Statements No. 67 and No. 68</b>	GASB Statements No. 67 and No. 68, issued in June 2012, replace the requirements of GASB Statements No. 25, No. 27, and No. 50, respectively for pension plans administered as trusts. GASB Statement No. 68, effective for the fiscal year beginning July 1, 2014, sets the accounting and financial reporting rules for the employers that sponsor or contribute to public retirement systems, while GASB Statement No. 67, effective for the fiscal year beginning July 1, 2013, sets the rules for the systems themselves. Accounting and financial reporting information prepared according to GASB Statements No. 67 and No. 68 is provided in a separate report beginning with the June 30, 2014 actuarial valuation.
<b>GASB Statement No. 82</b>	GASB Statement No. 82, issued in March 2016, is an amendment to GASB Statements No. 67, No. 68, and No. 73, and is intended to improve consistency in the application of the accounting statements.
<b>Normal Cost</b>	The annual cost assigned, under the Actuarial Cost Method, to the current plan year.
<b>Projected Annual Earnings</b>	Projected annual payroll for fiscal year beginning on the valuation date, determined by increasing reported pay for each member by one full year's assumed pay increase according to the actuarial salary scale, as prescribed by the LCPR Standards for Actuarial Work.
<b>Projected Benefit Funding Ratio</b>	The ratio of the sum of Actuarial Value of Assets and Expected Assets to the Actuarial Present Value of Projected Benefits. A Ratio less than 100% indicates that contributions are insufficient.
<b>Unfunded Actuarial Accrued Liability</b>	The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.
<b>Valuation Date</b>	The date as of which the Actuarial Present Value of Future Benefits is determined. The benefits expected to be paid in the future are discounted to this date.