

Retirement Systems of Minnesota

Minnesota State Retirement System
Public Employees Retirement Association
Teachers Retirement Association
Saint Paul Teachers' Retirement Fund Association



2021 Legislative Update



Overview of Minnesota Pension Plans

- Summaries
- Governance



Plan Overview & Funding Information

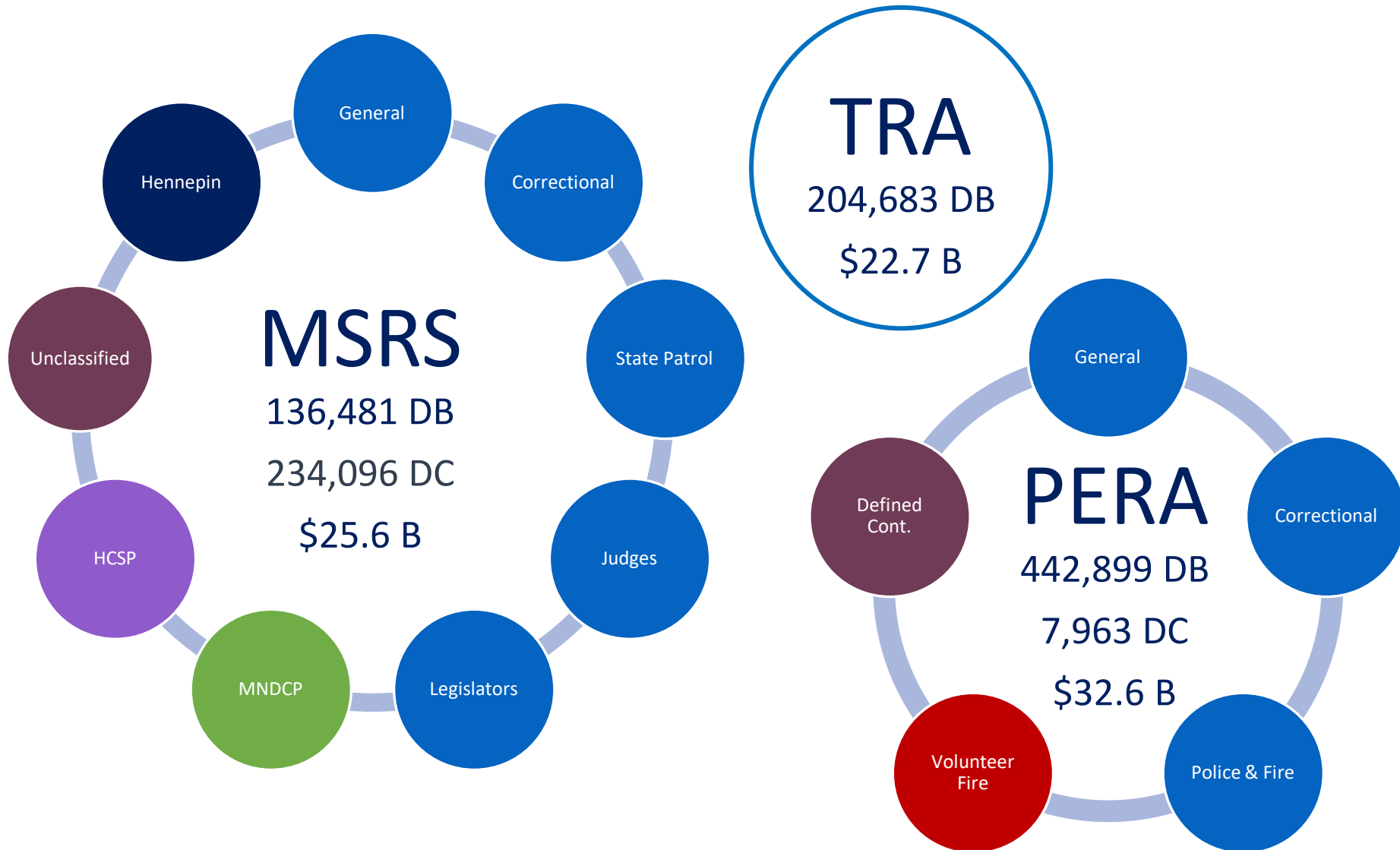
Erin Leonard, Minnesota State Retirement System

Doug Anderson, Public Employees Retirement Association

Jay Stoffel, Teachers Retirement Association

Jill Schurtz, St. Paul Teachers' Retirement Fund Association

Minnesota Statewide Public Pension Plans





Summary of Statewide Plan Funding

Current FUNDING

Statewide Pension Plans Funded Ratio (in aggregate)

82.2 %



2018

72.4 %



National Average*

*Source: Publicplansdata.org

Projected FUNDING

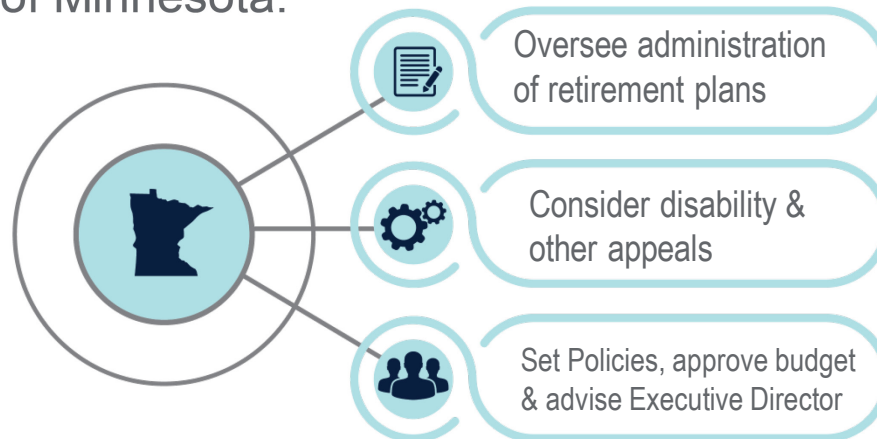


All Minnesota public pension plans are projected to reach full funding.



Plan Governance

- Each system has Board of Directors/Trustees
 - Fiduciary responsibility to act in the exclusive interest of the members and beneficiaries of the plans, the taxpayers, and the State of Minnesota.



- The Legislature under Minnesota Statute defines:
 - Plan provisions (plan eligibility, benefits & COLAs)
 - Contribution rates
 - Amortization methods (period etc.)
 - Investment return assumption
 - Investment guidelines



General Plan Overview

(June 30, 2020)

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

91.3% Funded (market value)
\$13.9 Billion Assets
\$ 1.3 Billion Unfunded Liability

120,634 Members
51,997 Active
42,373 Retired
26,264 Deferred

\$1,757 Average Initial Benefit

Contributions & Funding Requirements	
Employee Contribution	6.00%
Employer Contribution	6.25%
Total Statutory Contributions	12.25%
Total Required Contributions	10.74%
Contribution Sufficiency	1.51%



Correctional Plan Overview

(June 30, 2020)

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

73.2 % Funded (market value)

\$1.2 Billion Assets

\$0.4 Billion Unfunded Liability

10,346 Members

4,582 Active

3,428 Retired

2,336 Deferred

\$2,315 Average Initial Benefit

Contributions & Funding Requirements	
Employee Contribution	9.60%
Employer Contribution	14.4%
Supplemental Employer Contribution (beginning 7/1/2021)	4.45%
Total Statutory Contributions (assuming contributions fully phased in)	28.45%
Total Required Contributions	26.37%
Contribution Sufficiency	2.08%



Correctional Plan

Experience Study Results

(June 30, 2020)

- **Economic Assumption Changes**

- Price inflation from 2.5% to 2.25%
- Payroll growth from 3.25% to 3.00%
- Merit and seniority combined with lower payroll growth results in overall decrease in expected salaries

- **Demographic Assumptions**

- Mortality table
- Updated mortality improvement
- Other recommended changes have minimal financial impact

Financial Impact Using FY2020 Baseline	
Accrued Liability (in millions) + \$17.1	\$1.688
Funded Ratio (based on AVA) -0.7%	73.1%
Required Contributions +0.11%	26.26%



State Patrol Plan Overview

(June 30, 2020)

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

76.6 % Funded (market value)

\$0.8 Billion Assets

\$0.2 Billion Unfunded Liability

2,108 Members

943 Active

1,078 Retired

87 Deferred

\$5,786 Average Initial Benefit

Contributions & Funding Requirements

Employee Contribution	15.4%
Employer Contribution	23.1%
Supplemental Employer Contribution (beginning 7/1/2021)	7.0%
Total Statutory Contributions (assuming contributions fully phased in)	46.63%
Total Required Contributions	40.89%
Contribution Sufficiency	5.74%



State Patrol Plan

Experience Study Results

(June 30, 2020)

- **Economic Assumption Changes**

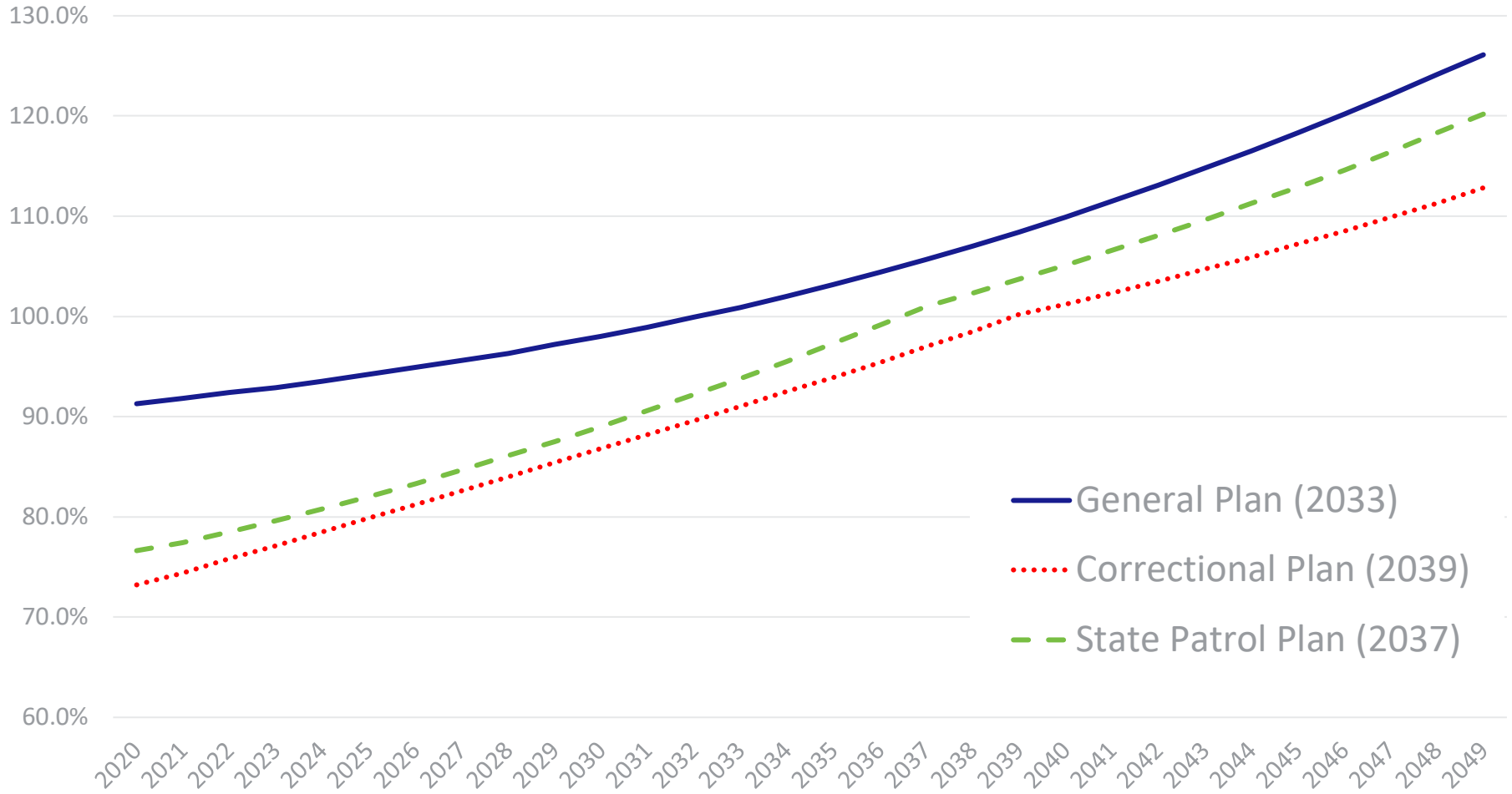
- Price inflation from 2.5% to 2.25%
- Payroll growth from 3.25% to 3.00%
- Merit and seniority combined with lower payroll growth results in overall decrease in expected salaries

- **Demographic Assumptions**

- Mortality table
- Updated mortality improvement
- Other recommended changes have minimal financial impact

Financial Impact Using FY2020 Baseline	
Accrued Liability (in millions) -\$31.9	\$957.1
Funded Ratio (based on AVA) +2.6%	79.7%
Required Contributions -3.07%	37.46%

Funding Projections





Judges Plan Overview

(June 30, 2020)

Appointed and elected judges.

53.8 % Funded (market value)
\$0.216 Billion Assets
\$0.186 Billion Unfunded Liability

718 Members
315 Active
383 Retired
20 Deferred

\$5,463 Average Initial Benefit

Contributions & Funding Requirements	
Employee Contribution	7.00% 9.00%
Employer Contribution	22.50%
Supplemental Employer Contribution (\$6 M annual)	11.28%
Total Statutory Contributions	41.70%
Total Required Contributions	42.37%
Contribution Deficiency	(0.67%)



Judges Plan

Experience Study Results

(June 30, 2020)

- **Economic Assumption Changes**

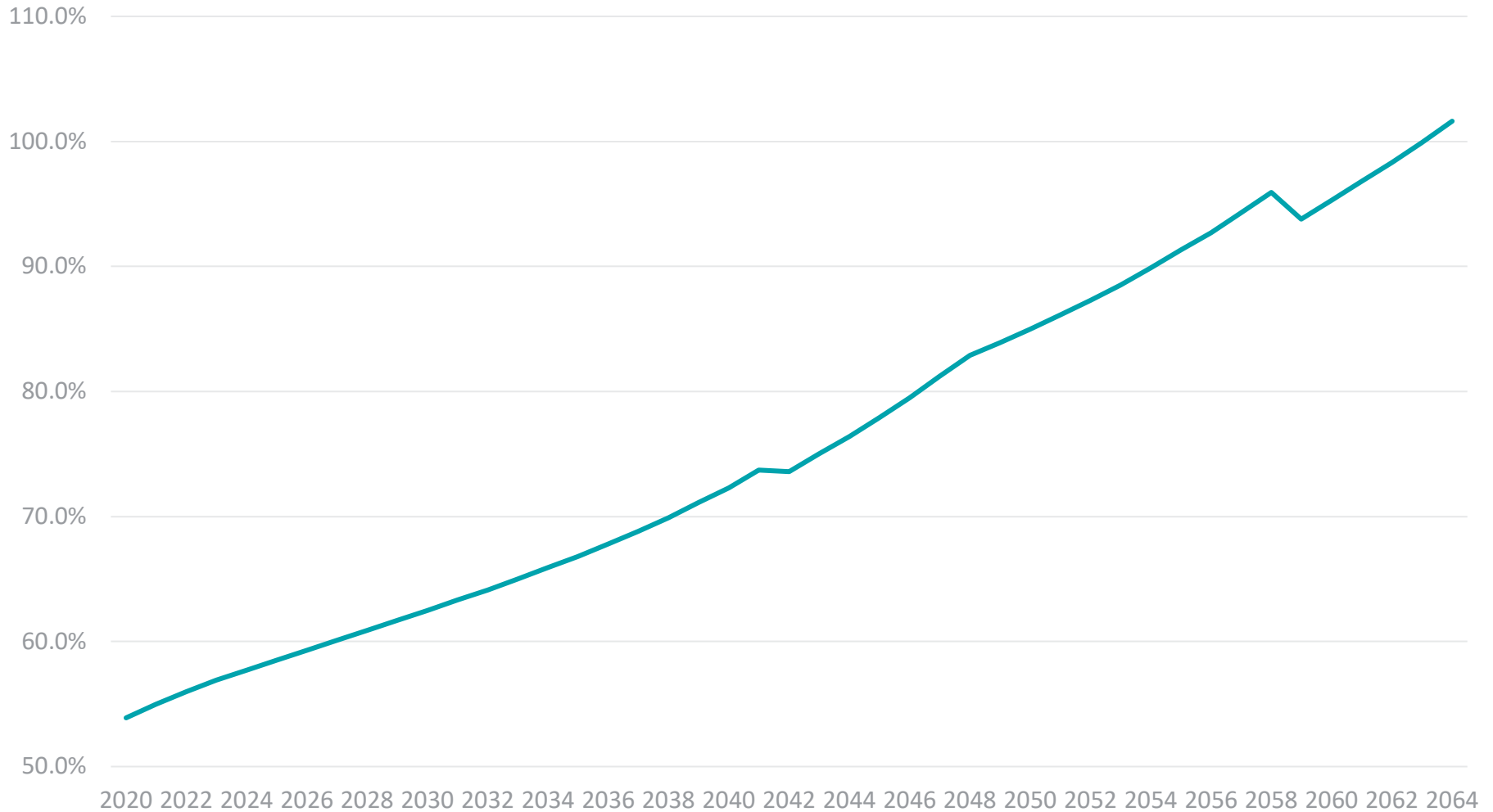
- Price inflation from 2.5% to 2.25%
- Salary scale adjustment

- **Demographic Assumptions**

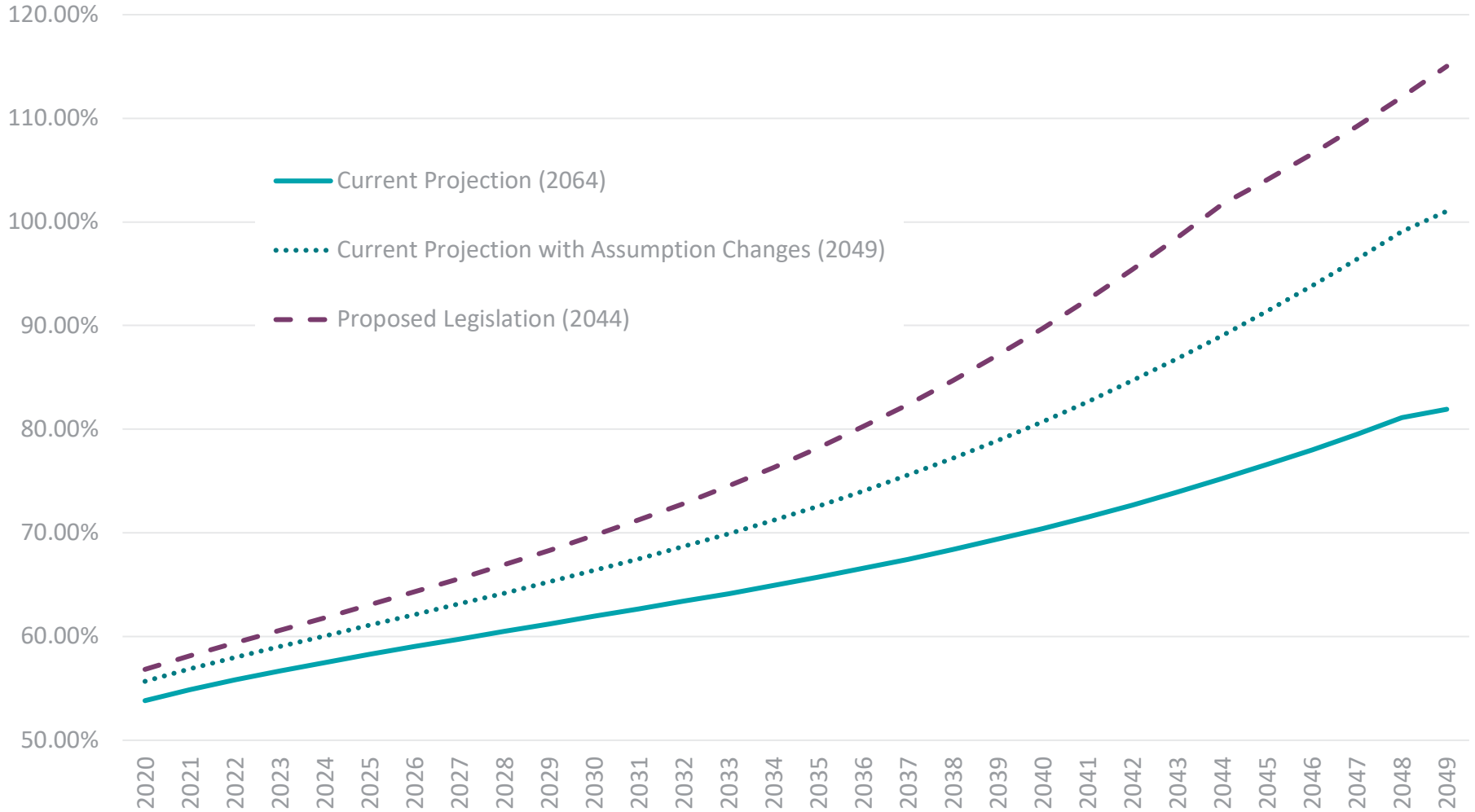
- Mortality table
- Updated mortality improvement
- Other recommended changes have minimal financial impact

Financial Impact Using FY2020 Baseline	
Accrued Liability (in millions) -\$14.1	\$388.5
Funded Ratio (based on AVA) +2.0%	56.2%
Required Contributions -2.34%	37.46%

Judges Plan Funding Projections



Proposed Legislation Impact



Additional Plans

(June 30, 2020)



Legislators Plan
408 Members

Pay as you go

Unclassified
Employees
Plan

3,304
Members
\$330.7 Million

Minnesota
Deferred
Compensation
Plan

93,638
Participants
\$7.7 Billion

Health Care
Savings Plan

137,160
Participants
\$ 1.3 Billion



General Plan Overview

(June 30, 2020)

Includes eligible employees of cities, counties, townships, schools, and other entities

79.1% Funded (market value)
\$22.6 Billion Assets
\$6.0 Billion Unfunded Liability

405,974 Members
153,741 Active
108,492 Retired
143,741 Deferred

\$1,318 Avg. Initial Benefit

Contributions & Funding Requirements	
Employee Contribution	6.50%
Employer Contribution	7.50%
Mpls MERF - \$21M*	0.30%
State MERF - \$16M*	<u>0.23%</u>
Total Statutory Contribution	14.53%
Total Required Contribution	<u>13.27%</u>
Contribution Sufficiency	1.26%

* \$37M/year Total MERF contribution through 2031



Police & Fire Plan Overview

(June 30, 2020)

Includes all full-time and certain part-time police officers and firefighters and certain paramedics.

87.2% Funded (market value)
\$9.0 Billion Assets
\$1.3 Billion Unfunded Liability

25,806 Members
12,025 Active
11,201 Retired
2,580 Deferred

\$4,971 Avg. Initial Benefit

P&F Members do not contribute to
Social Security

Contributions & Funding Requirements	
Employee Contribution	11.80%
Employer Contribution	17.70%
Mpls MPRA & MFRA*	0.70%
State**	<u>1.64%</u>
Total Statutory Contribution	31.84%
Total Required Contribution	<u>28.05%</u>
Contribution Sufficiency	3.79%

* Minneapolis Police & Fire Relief Association payments fixed at \$7.769M/year through 2031

** \$9M/year until both PERA P&F and MSRS State Patrol are 90% funded; plus \$9M/year until 2048 or 100% funded



Correctional Plan Overview

(June 30, 2020)

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

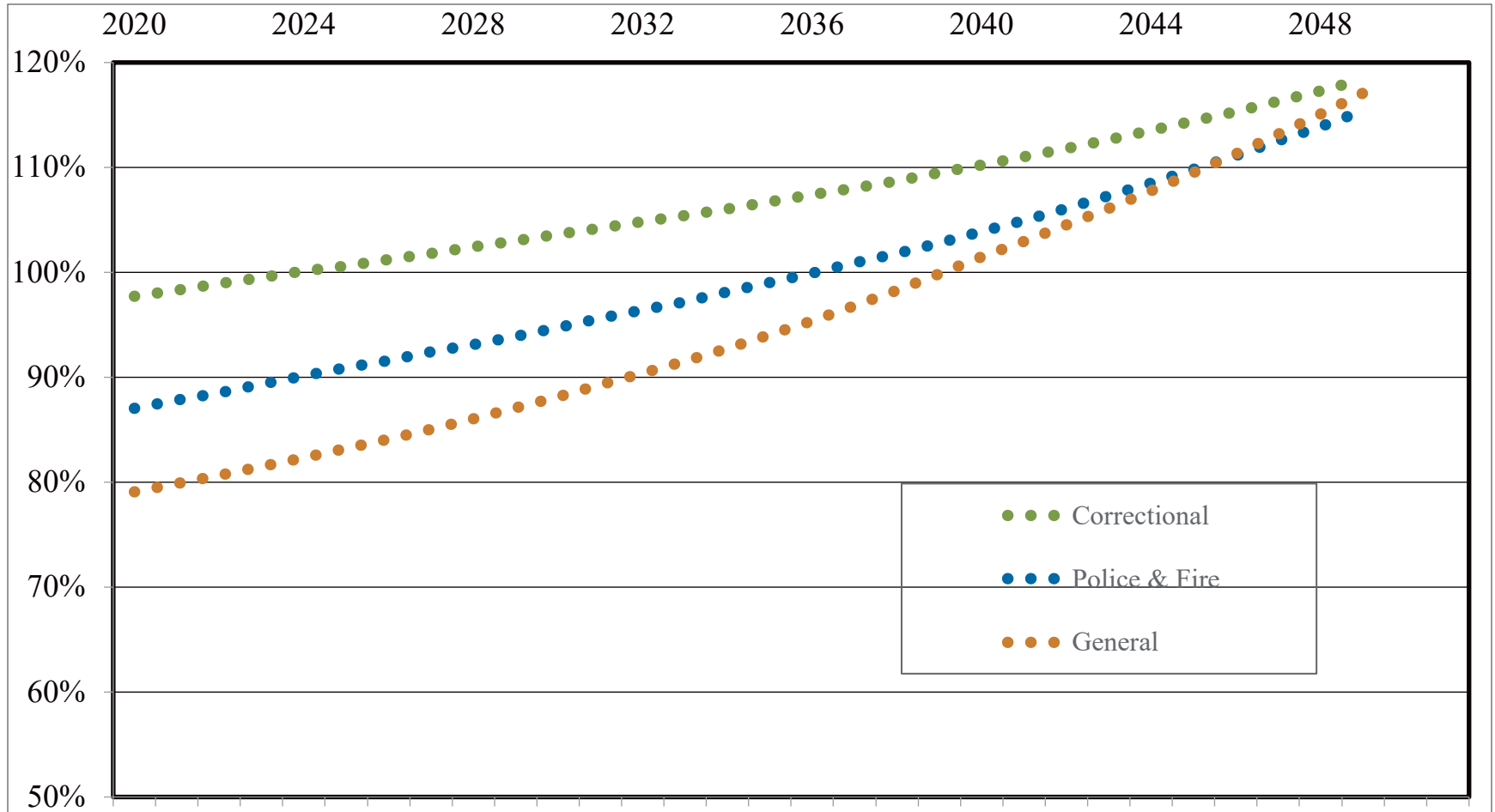
96.7% Funded (market value)
\$787.3 Million Assets
\$27.1 Million Unfunded Liability

11,119 Members
3,855 Active
1,443 Retired
5,821 Deferred

\$1,375 Avg. Initial Benefit

Contributions & Funding Requirements	
Employee Contribution	5.83%
Employer Contribution	<u>8.75%</u>
Total Statutory Contribution	14.58%
Total Required Contribution	<u>14.64%</u>
Contribution Sufficiency	(0.06%)

Funding Projections



Additional Plans

(June 30, 2020)



Statewide Volunteer Firefighter

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

4,877
Total Members

\$118M
Total Assets



Defined Contribution Plan

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

7,963
Total Members

\$78M
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.

24
Participants

\$698M
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.

1
Participants

\$4M
Total Assets

- PERA Administrative Changes
 - Focus on leave purchases to simplify the process for members and employers
- Statewide Volunteer Firefighter (SVF) Plan Fire State Aid Allocation
 - Allow entities with a combination department to submit an allocation plan to use fire state aid to make employer contributions for firefighters in the PERA P&F Plan
 - Allows volunteer firefighters to respond via a petition process
- PERA Police & Fire Plan Regular and Duty Disability Benefits
 - Create equitable classification for members receiving a duty disability who are over normal retirement age
 - Ensures regular disability benefits are granted fairly for members impacted by an extended vesting schedule
- Privatization Withdrawal Liability (Chapter 353F)
 - Requires future privatizing employers to fully fund their member's accrued benefits
 - Legislation includes a delayed effective date
 - Defer to 2022 legislative session

Includes public and charter school educators (except for members of SPTRFA) and some faculty of Minnesota State.

75.5% Funded

(market value)

\$22.7 Billion Assets

\$ 7.4 Billion Unfunded Liability

204,683 Members

83,149 Active teachers

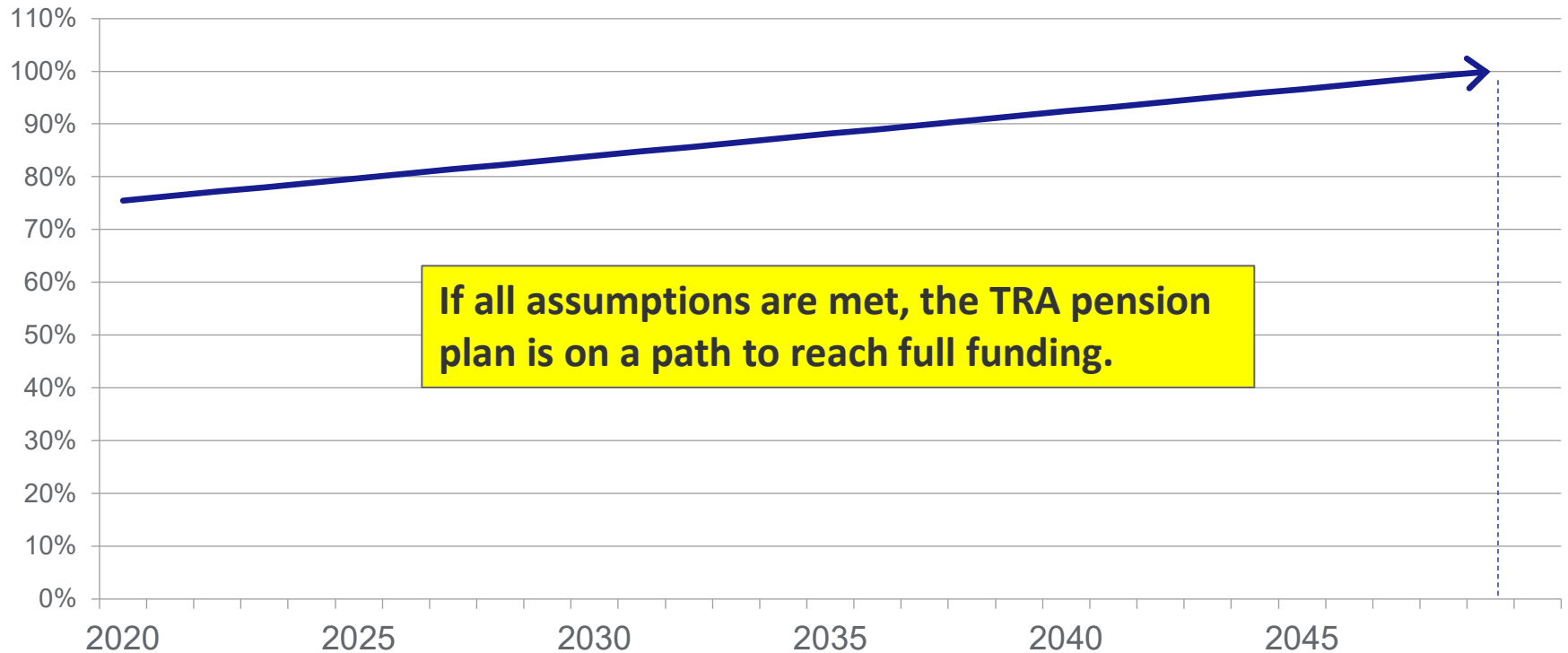
68,154 Benefit Recipients

53,380 Deferred

\$2,186 Average benefit for new retirements in FY2020

Contributions & Funding Requirements	
Employee Contribution*	7.75%
Employer Contribution*	8.94%
Additional State Funding	<u>0.64%</u>
Total Statutory Contributions	17.33%
Actuarially Required Contrib.	<u>17.87%</u>
Contribution Sufficiency	(0.54%)

*Assumes fully phased in contribution rates as passed in 2018 Omnibus Pension Bill



Plan Overview

(June 30, 2020)

Includes licensed teachers and staff of Independent School District No. 625 and some MN State faculty.

61.4% Funded
(market value)

\$1 Billion Assets

\$653.6 Million Unfunded
Liability

12,872 Members

3,445 Active

4,102 Retired

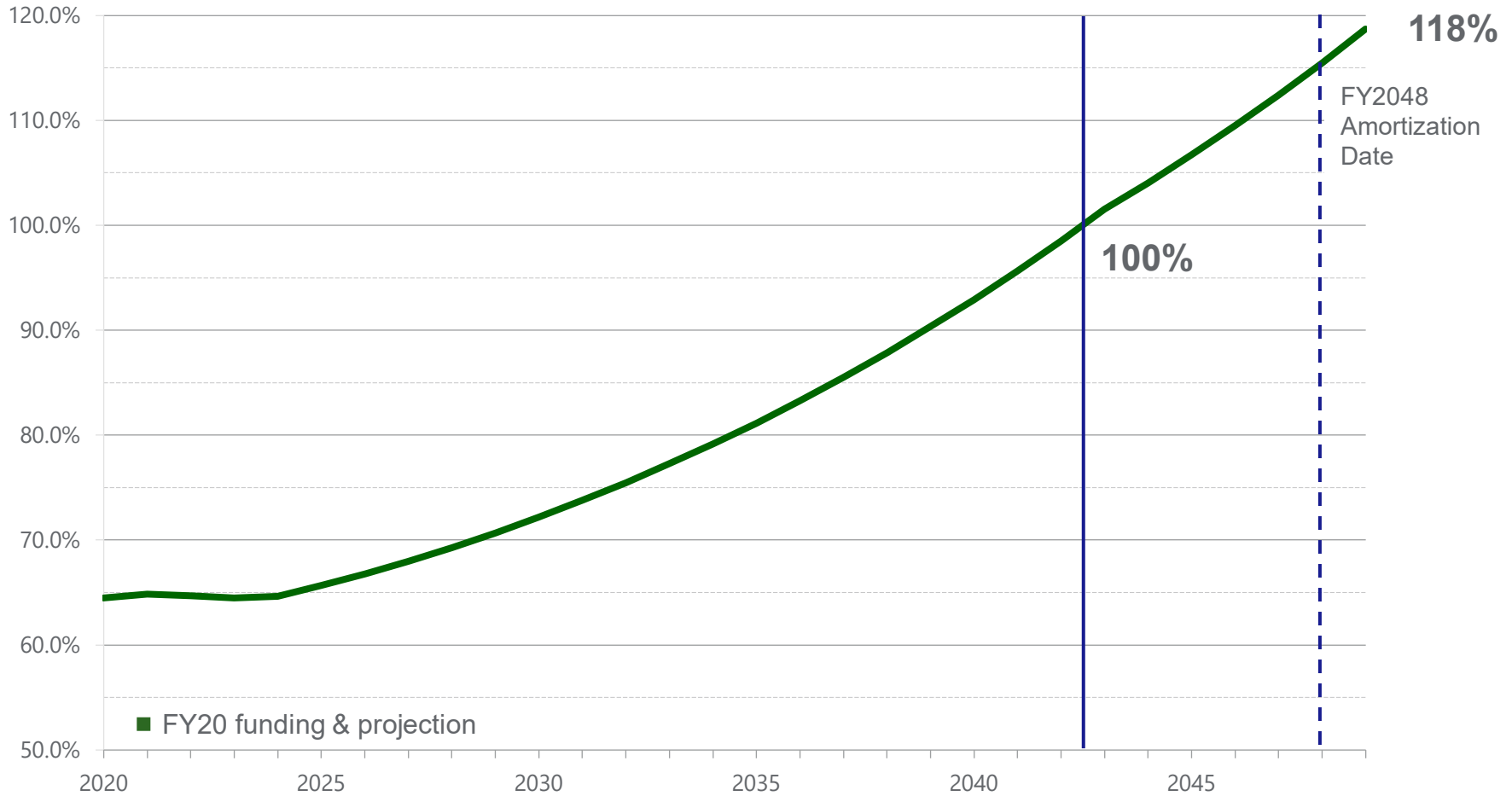
5,325 Deferred

\$2,088 Avg. Initial Benefit
(Coord Plan)

Contributions & Funding Requirements	
Employee Contribution*	7.75%
Employer Contribution*	9.00% Regular 3.84% Suppl.
Direct State Funding	\$15.7 million
Total Required Contribution	22.72%
Contribution Sufficiency	2.44%

* Assumes fully phased-in contributions included in 2018 Omnibus Pension Bill (2.5% ER increase over 6 years/0.25% EE increase in FY '23)

Funding Projections



ER contribution increase funded through annual appropriation to MDE

7.5% Assumed Rate of Return

Source: FY20 GRS

Contact INFORMATION



Erin Leonard
Executive Director
651.284.7848
Erin.Leonard@msrs.us

Holly Dayton
Legislative Liaison
651.284.7831
Holly.Dayton@msrs.us



Doug Anderson
Executive Director
651.201.2690
Doug.Anderson@mnpera.org

Amy Streng
Policy Coordinator
651.201.2669
Amy.Streng@mnpera.org



Jay Stoffel
Executive Director
651.205.4252
JStoffel@minnesotatra.org

Rachel Barth
Legal & Legislative Director
651.215.9541
RBarth@minnesotatra.org



Jill Schurtz
Executive Director
651.642.2552
jschurtz@sptrfa.org

Christine MacDonald
Deputy Director
651.642.2550
cmacdonald@sptrfa.org