



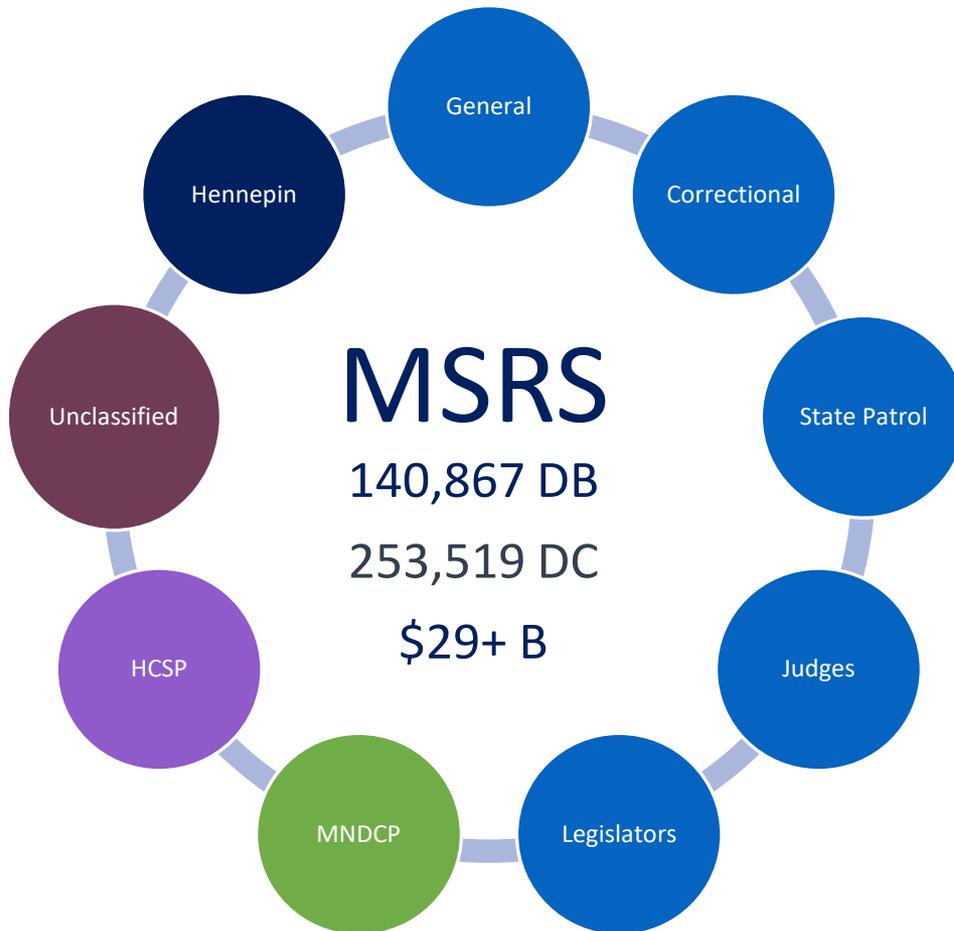
Minnesota State Retirement System  
Your Foundation for Retirement

# Funding & Benefits Options

Erin Leonard, Executive Director

March 6, 2023

# Minnesota State Retirement System Overview



**MSRS Board does not have a formal proposal or position**

**Next meeting March 16, 2023**

**The information provided are estimated amounts. Depending on the mix of policy changes, amounts may vary slightly.**

Governed by an 11 member Board of Directors

Responsibilities include:

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

# Background for Suggestions

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- Appropriation should be distributed to systems by a percentage of total membership or actuarial accrued liabilities (17-20%)
- Began with concepts or ideas considered in the past
- Assumed rate of return of 7% for all plans
- Connected with some stakeholders
- Favored one-time appropriations
  - Consider impact of one-time infusions on smaller plans
- Provide inflation relief to both active and retired members
- Include the Governor's recommendation for COLA increases in 2024
  - Potentially increase State Patrol retiree increase to be closer to 1.5% like other plans
- Modest benefit changes assuming they are funded (unless noted)



# Funding & Membership Summary

(Market Value Assuming 7% Return)

	General Plan	Correctional Plan	State Patrol Plan	Judges Plan
Total Members	126,555	10,978	2,196	752
Funded Ratio	92.96%	73.25%	77.94%	60.07%
Increased Liability at 7% (Millions)	\$900	\$133.7	\$66	\$19.4
Contribution Sufficiency or (Deficiency)	0.91%	(0.57%)	5.21%	1.90%
Full Funding Date	2036	2047	2038	2047
Total Increased Liability: \$1.12 Billion				



# General Plan Suggestions

- Any suggestions for the General Plan active members impact the Unclassified Plan
- Changes to post-retirement increases impact retirees of both the Unclassified Plan and Legislators Plan

## **Remove the delay in COLA for those retiring early (to start in 2024)**

Impact to AAL: \$38 million    Proposed Funding: None

## **Reduce Employee Contribution from 6% to 5.5%**

## **Increase Employer Contribution from 6.25% to 6.75%**

Impact to AAL: None    Proposed Funding: Increase budgets approx. \$17.7 million, ongoing

## **2024 COLA Increase; Governor's recommendation**

Impact to AAL: None    Proposed Funding: \$15.13 million, one-time

**TOTAL: \$15.13 million, one-time**

**\$17.7 million, ongoing**



# Correctional Plan Suggestions

Two multipliers exist depending on hire date (2.2% for new hires since 2010)

**Modify the expiration date of ongoing funding of supplemental contribution**

**Increase multiplier to 2.4% for all active members prospectively**

Impact to AAL: \$8.8 million

Proposed Funding: \$8.8 million, one-time & increase supplemental ongoing

**Increase supplemental contribution from 4.45% to 6.05% to cover multiplier and current deficiency**

Impact to AAL: None

Proposed Funding: Increase agency budgets approx. \$4.7 million, ongoing

**2024 COLA Increase; Governor's recommendation**

Impact to AAL: None

Proposed Funding: \$0.9 million, one-time

**TOTAL: \$9.7 million, one-time**

**\$4.7 million, ongoing**



# State Patrol Plan Suggestions

- Members do not pay into Social Security
- Retiree increases have been 1% fixed since 2014.

**Modify the expiration date of ongoing funding of supplemental contribution**

**One-time appropriation to cover recent duty disability losses (\$10 million)**

**Option A: Increase fixed post-retirement increases to 1.25% beginning 2024**

**Option A: Increase supplemental contribution from 7% to 9.6% to cover increase**

Impact to AAL: \$30 million

Proposed Funding: \$30 million, one-time

\$2.8 million, ongoing

**Option B: 2024 COLA Increase; Governor's recommendation**

Impact to AAL: None

Proposed Funding: \$1 million, one-time

**TOTAL: \$11 to \$40 million, one-time**

**\$2.8 million, ongoing**



# Judges Plan Suggestions

Plan started prefunding in 1992, established lower tier of benefits in 2013

**Modify the expiration date of ongoing funding of supplemental contribution**

**One-time appropriation to enhance funding**

\$9 million covers large percentage (46.%) of lower return assumption

**2024 COLA Increase; Governor's recommendation**

Impact to AAL: None

Proposed Funding: \$0.3, one-time

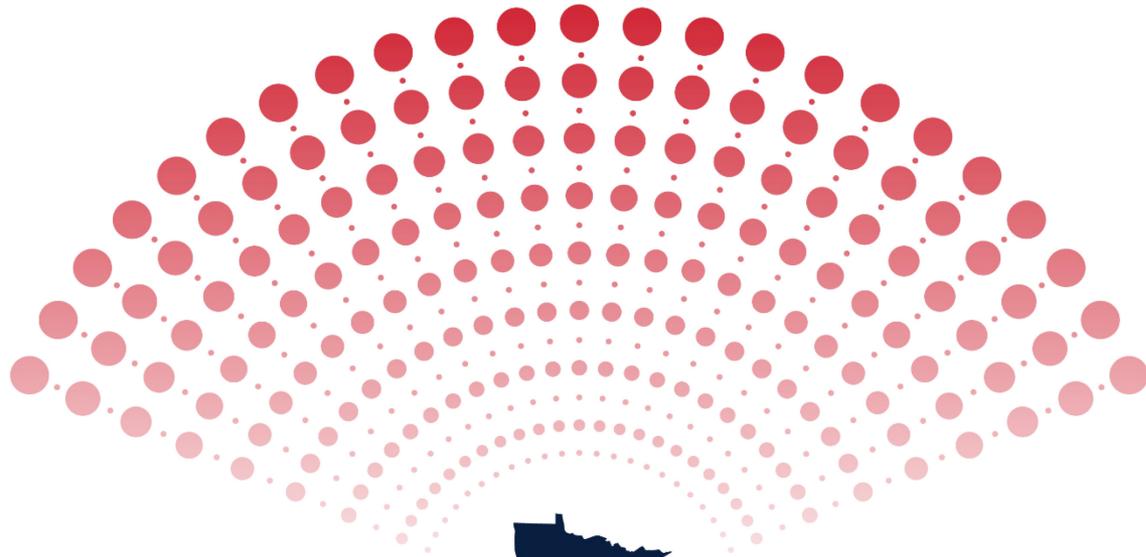
**TOTAL: \$9.3 million, one-time**



# Summary of Suggestions

	General Plan	Correctional Plan	State Patrol Plan	Judges Plan
Retiree Increase	1% one-time	1% one-time	1.25% ongoing or 1.5% one-time	1% one-time
Contribution Change(s)	Increase ER by 0.5%	Increase Supplemental by 0.8%	Increase Supplemental by 2.6%	None
Benefit Change(s) or Appropriation	Remove delayed COLA before FRA	Increase multiplier for all to 2.4% prospective	\$10 million or another amount to offset disability	\$9 million or another amount
Total Funding	\$15.13 M one-time \$17.7 M ongoing	\$9.7 M one-time \$4.7 M ongoing	\$11 to \$40 M one-time \$0 to \$2.8 M ongoing	\$9.3 M one-time

\$45.13 M to \$75.13 M one-time / \$22.4 M to \$25.2 annual ongoing



**Thank  YOU!**

Questions?

# Reference Materials

- Cost of 0.5% Compounded Post-retirement Increase
- Plan Funding Overviews



# Post-retirement Increase Overview

	General Plan	Correctional Plan	State Patrol Plan	Judges Plan
Recent Changes	In 2018 Bill, changed from 2% to 1% from 2019 to 2024	In 2018 Bill, changed from 2% to 1.5%	Fixed 1% since 2014	Fixed 1.75% from 2014 until 2020, changed to 1.5% 2021
2024 Increase (current law)	1.5% fixed compounded	1.5% fixed compounded	1% fixed compounded	1.5% fixed compounded
Cost of 0.5% Compounded Increase	1.62% of pay \$700 million AAL	3.34% of pay \$112.5 million AAL	5.17% of pay \$60 million AAL	2.91% of pay \$17 million AAL
Cost of one-time increase of additional 1% compounded-current law rate 2025 thereafter	0.18% of pay \$102 million AAL	0.22% of pay \$10.5 million AAL	0.41% of pay \$7.1 million AAL	0.33% of pay \$1.4 million AAL



# General Plan Overview

(FY2022 Market Value Results Assuming 7.5% Return)

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

98.51% Funded

\$15.8 Billion Assets

\$ 0.3 Billion Unfunded

126,555 Members

Active: 51,219

Retirees: 46,846

Deferred: 28,490

\$1,783 Average Initial Benefit

## Contribution Requirements Summary

Employee Contribution: 6.00%

Employer Contribution: 6.25%

**Statutory Contribution Total: 12.25%**

**Total Required Contribution: 8.73%**

**Contribution Sufficiency: 3.52%**

## Current Post-Retirement Increase

1% until January 2024

1.5% January 2024 thereafter



# Correctional Plan Overview

(FY2022 Market Value Results Assuming 7.5% Return)

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

78.46% Funded

\$1.5 Billion Assets

\$ 0.4 Billion Unfunded

10,978 Members

Active: 4,420

Retirees: 3,914

Deferred: 2,644

\$2,410 Average Initial Benefit

## Contribution Requirements Summary

Employee Contribution: 9.60%

Employer Contribution: 14.40%

Supplemental Contribution: 4.45%

**Statutory Contribution Total: 28.45%**

**Total Required Contribution: 24.81%**

**Contribution Sufficiency: 3.64%**

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



# State Patrol Plan Overview

(FY2022 Market Value Results Assuming 7.5% Return)

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

82.76% Funded

\$883.6 Million Assets

\$184.0 Million Unfunded

2,196 Members

Active: 937

Retirees: 1,140

Deferred: 119

\$5,448 Average Initial Benefit

Plan is not coordinated with Social Security

## Contribution Requirements Summary

Employee Contribution: 15.40%

Employer Contribution: 23.10%

Supplemental Contribution: 7.00%

State Funding: 0.93%

**Statutory Contribution Total: 46.43%**

**Total Required Contribution: 34.87%**

**Contribution Sufficiency: 11.56%**

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



# Judges Plan Overview

(FY2022 Market Value Results Assuming 7.5% Return)

Appointed and elected judges.

62.96% Funded

\$254.0 Million Assets

\$149.4 Million Unfunded

752 Members

Active: 320

Retirees: 412

Deferred: 20

\$6,019 Average Initial Benefit

## Contribution Requirements Summary

Employee Contribution: 7% or 9%

Employer Contribution: 22.50%

State Contribution (\$6M): 10.84%

**Statutory Contribution Total: 40.96%**

**Total Required Contribution: 35.86%**

**Contribution Sufficiency: 5.10%**

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