

MOTION LCPR25-M1
(MSRS State Patrol, Correctional, and Judges Retirement Funds,
and PERA Police and Fire and Local Government Correctional Service Retirement Plans)

_____ moves that the Legislative Commission on Pensions and Retirement (LCPR) approve changes to the demographic and economic assumptions used in the annual actuarial valuations, beginning with the July 1, 2025, valuations, of the following pension plans:

- Minnesota State Retirement System (MSRS) State Patrol Retirement Fund
- MSRS Correctional Employees Retirement Fund
- MSRS Judges Retirement Fund
- Public Employees Retirement Association (PERA) Police and Fire Plan
- PERA Local Government Correctional Service Retirement Plan

Minnesota Statutes, section 356.215, subdivision 18, paragraph (a), governs LCPR approval of changes in the actuarial assumptions other than the investment rate of return:

The actuarial assumptions used for the preparation of actuarial valuations under this section that are other than the interest rate may be changed only with the approval of the Legislative Commission on Pensions and Retirement or after a period of one year has elapsed since the date on which the proposed assumption change or changes were received by the Legislative Commission on Pensions and Retirement without commission action.

The executive directors of MSRS and PERA submitted letters to the LCPR, requesting approval of the assumption changes, summarizing the changes, and referring to the 2019-2023 experience study for the specific changes. The letters, attached, are the following:

- Three letters from the executive director of MSRS, dated January 13, 2025, one regarding the MSRS State Patrol Retirement Fund, one regarding the MSRS Correctional Employees Retirement Fund, and one regarding the MSRS Judges Retirement Fund
- Letter from the executive director of PERA, dated December 17, 2024, regarding the PERA Police and Fire Plan and the PERA Local Government Correctional Service Retirement Plan

The complete experience study reports are available on the LCPR website and at the following links:

- [Experience Study Report](#) for the MSRS State Patrol Retirement Fund
- [Experience Study Report](#) for the MSRS Correctional Employees Retirement Fund
- [Experience Study Report](#) for the MSRS Judges Retirement Fund
- [Experience Study Report](#) for the PERA Police and Fire Plan
- [Experience Study Report](#) for the PERA Local Government Correctional Service Retirement Plan

January 13, 2025

Via Electronic Mail

Susan Lenczewski, Executive Director
Legislative Commission on Pensions and Retirement
110 Rev. Dr. Martin Luther King Jr. Blvd.
State Office Building, Room 55
St. Paul, MN 55155

Dear Ms. Lenczewski:

At its September 19, 2024 meeting the Minnesota State Retirement System (MSRS) Board of Directors reviewed the results of the latest Experience Study report for the State Patrol Retirement Fund (SPRF). This study was conducted by MSRS' actuarial firm, Gabriel Roeder Smith & Company, and examined the period from July 1, 2019 through June 30, 2023.

The MSRS Board approved the recommended economic and demographic assumption changes proposed by the MSRS Actuary. Below is a summary of those recommendations:

- Adjust rates of merit and seniority assumptions by 28 basis points lower (in total) than current rates.
- Slight increase to disability rates under age 31; and a more substantial increase to rates above age 40.
- Increase the rate of assumed unreduced retirements at age 56, 58 and 59.
- Decrease the rates of assumed early retirement at ages 51, 52 and 54
- Modify the withdrawal rates. At most ages, the propose rates are greater than the current assumption.
- Utilize the published public safety mortality tables (PUB-2010) with the latest mortality improvement scale (MP-2021)

The MSRS Board of Directors requests that the Legislative Commission on Pensions and Retirement approve the adoption of these recommendations. Detailed descriptions of these recommendations are included in the SPRF Experience Study, a copy of which is on-file with the Commission.

Please let me know if you have any questions about the assumptions and the Board's request.

Sincerely,



Erin Leonard
Executive Director

January 13, 2025

Via Electronic Mail

Susan Lenczewski, Executive Director
Legislative Commission on Pensions and Retirement
110 Rev. Dr. Martin Luther King Jr. Blvd.
State Office Building, Room 55
St. Paul, MN 55155

Dear Ms. Lenczewski:

At its September 19, 2024 meeting the Minnesota State Retirement System (MSRS) Board of Directors reviewed the results of the latest Experience Study report for the Correctional Employees Retirement Fund (CERF). This study was conducted by MSRS' actuarial firm, Gabriel Roeder Smith & Company, and examined the period from July 1, 2019 through June 30, 2023.

The MSRS Board approved the recommended economic and demographic assumption changes proposed by the MSRS Actuary. Below is a summary of those recommendations:

- Adjust rates of merit and seniority rate assumptions by 21 basis points lower (in total) than current rates.
- Minor changes to rates of disability for those under age 50 and lower rates of disability at ages 50 and older.
- Increase the rate of assumed unreduced retirements prior to age 58, and at ages 61, 64, 67, and 68. Overall more unreduced retirements.
- Decrease the rates of assumed early retirements prior to age 53, and increased rates at ages 53, and 54. Overall, slightly fewer early retirements.
- Modify the current withdrawal rates. In general, proposed rates are higher than current assumptions for males with less than 15 years of service.
- Proposed withdrawal rates are higher for females in the first five years of service and lower in other years. The new rates assume fewer female withdrawals.
- Utilize the published public safety mortality tables (PUB-2010) with the latest mortality improvement scale (MP-2021)

The MSRS Board of Directors requests that the Legislative Commission on Pensions and Retirement approve the adoption of these recommendations. Detailed descriptions of these recommendations are included in the CERF Experience Study, a copy of which is on-file with the Commission.

Please let me know if you have any questions about the assumptions and the Board's request.

Sincerely,



Erin Leonard
Executive Director

January 13, 2025

Via Electronic Mail

Susan Lenczewski, Executive Director
Legislative Commission on Pensions and Retirement
110 Rev. Dr. Martin Luther King Jr. Blvd.
State Office Building, Room 55
St. Paul, MN 55155

Dear Ms. Lenczewski:

At its September 19, 2024 meeting the Minnesota State Retirement System (MSRS) Board of Directors reviewed the results of the latest Experience Study report for the Judges Retirement Fund (JRF). This study was conducted by MSRS' actuarial firm, Gabriel Roeder Smith & Company, and examined the period from July 1, 2019 through June 30, 2023.

The MSRS Board approved the recommended economic and demographic assumption changes proposed by the MSRS Actuary. Below is a summary of those recommendations:

- Increase the rate of assumed unreduced retirements at ages 67 and 68.
- For Tier 1 Judges, increase the retirement rate age 65 and decrease the rate for age 66.
- For Tier 2 Judges, increase the rate of assumed unreduced retirements at age 66.
- Minor changes to the rates of early retirement. For Tier 2, reduce the assumed rate of early retirement at age 65. Overall, impact is fewer predicted early retirements.
- Utilize the published public sector general mortality, above median income tables (PUB-2010) with the latest mortality improvement scale (MP-2021)

The MSRS Board of Directors requests that the Legislative Commission on Pensions and Retirement approve the adoption of these recommendations. Detailed descriptions of these recommendations are included in the JRF Experience Study, a copy of which is on-file with the Commission.

Please let me know if you have any questions about the assumptions and the Board's request.

Sincerely,



Erin Leonard
Executive Director



December 17, 2024

Susan Lenczewski, Executive Director
Legislative Commission on Pensions and Retirement
Centennial Office Building, 1st Floor
658 Cedar St.
St. Paul, MN 55155

Dear Ms. Lenczewski,

Our retained actuary, GRS Consulting, presented results from the Police and Fire Plan and the Local Government Correctional Service Retirement Plan 4-year Experience Studies to the PERA Board of Trustees on June 13, 2024. The studies covered the four-year period from July 1, 2019 through June 30, 2023. The PERA Board of Trustees accepted the actuarial assumption changes recommended by GRS.

The recommended changes for the Police and Fire Plan are:

Assumption	Police and Fire Plan Recommendations
Individual Merit and Seniority	Adjust current rates to be slightly lower than the current rates.
Retirement Rates	Higher normal retirement rates before age 65 and at age 66 and lower at age 65 and 67 or later. Lower early retirement rates at ages 50 and 51 and higher rates at ages 53 and 54.
Termination Rates	Increase in rates during the first 15 years; slight increase in years 18 through 21.
Disability Rates	Increase rates at all ages.
Mortality Rates	Continued use of the base mortality rate table with minor adjustments and no change to the mortality improvement scale.
Other	Minor changes to the form of payment and percent married assumptions.

The estimated cost impact using July 1, 2024, actuarial valuation results as a baseline were provided by GRS on November 27, 2024. The key results are as follows:

	Valuation Baseline	With Recommended Changes	Impact of Assumption Changes
Funding Ratio (MV Basis)	90.2%	90.0%	(0.2%)
Funding Sufficiency/(Deficiency)	1.51%	(1.58%)	(3.09%)

The increase in disability rates were the primary cause of the significant increase in the Funding Deficiency.

The recommended changes for the Local Government Correctional Service Retirement Plan are:

Assumption	Correctional Plan Recommendations
Individual Merit and Seniority	Adjust current rates to be slightly lower than the current rates.
Retirement Rates	Increase normal retirement rates prior to age 63 and at ages 65, 67, and 68. Reduce rates at ages 64 and 66. Increase early retirement rates at ages 50, 52, and 54.
Termination Rates	Increase in rates with larger increases earlier in a member's career. Termination rates changed from age based to service based.
Disability Rates	For males, slight increase in rates mid-career and also for ages 50 to 54; lower rates for ages 60 and over. For females, rates are primarily unchanged prior to age 55 and lower at ages 55 and over.
Mortality Rates	Continued use of the base mortality rate table and no change to the mortality improvement scale.
Other	Minor changes to the percent married and form of payment assumptions.

The estimated cost impact using expected July 1, 2024, actuarial valuation results are as follows:

	Valuation Baseline	With Recommended Changes	Impact of Assumption Changes
Funding Ratio (MV Basis)	97.5%	98.1%	0.6%
Funding Sufficiency/(Deficiency) - Includes 2.5% contribution increase effective July 1, 2025	0.57%	1.96%	1.39%

Minnesota Statutes Section 356.215, states that actuarial assumptions used for the preparation of actuarial valuations, other than the assumed rate of return, may only be changed with the approval of the LCPR or after a period of one year has elapsed since the date on which the proposed assumption change, or changes were received by the LCPR without commission action.

The PERA Board of Trustees respectfully requests that the LCPR review and approve the recommended changes so that the revised assumptions may be used in the July 1, 2025, actuarial valuations.

Please contact me if we can provide any additional information to help with the evaluation process.

Sincerely,

Doug Anderson
 Doug Anderson, ASA, MAAA
 Executive Director

Cc: Amy Strenge, Policy Coordinator