

2026 LCPR Actuarial Update



Presented to: Legislative Commission on Pensions and Retirement

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2025 and 2026 Actuarial Projects

Actuarial Overview

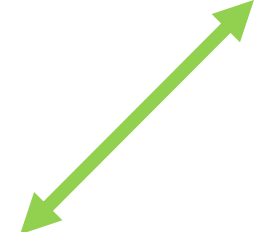
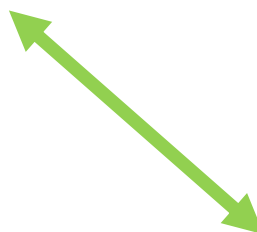


Independent Actuarial Perspective

Systems' Retained Actuaries

Pension Systems

LCPR



2025 Completed Projects

Projects	Plans	Result
Replicate 7/1/2024 valuations	TRA SPTRFA	Confirmed actuarial calculations with high degree of accuracy
Review actuarial experience studies	PERA Correctional PERA Police & Fire MSRS Correctional MSRS State Patrol Judges	We reviewed the detailed assumption analyses and confirmed the recommended assumption updates were reasonable
Actuarial costs estimates of proposed legislation		<ul style="list-style-type: none"> ▪ TRA unreduced 62&30 proposals ▪ TRA deferred vested early retirement enhancements ▪ Testimony on proposed benefit changes ▪ Testimony on proposed Amortization changes

2026 Upcoming Projects

Projects	Plans	Result
Replicate 7/1/2025 valuations	MSRS General MSRS State Patrol MSRS Correctional MSRS Judges	To be completed by end of 6/30 fiscal year
Actuarial cost estimates of proposed legislation	Various	Prepare as-needed
Expert testimony on actuarial topics	Various	Testify as-needed

Actuarial Topics

2025 Amortization Changes

- Chapter 356 “Required” contribution rates gauge the actuarial sufficiency of the current Employer + Employee contribution rates
- 2025 legislation updated the Chapter 356 actuarial benchmark rates so that they aligned with contemporary best practices



Prior statutory benchmarks used up to 30 years to pay down unfunded liability and were reset periodically



New statutory benchmarks use shorter periods to amortize unfunded liability changes and separately identify sources of historical changes



Additional details should provide transparency for current and future stakeholders

2025 Amortization Changes

Excerpt below shows how new valuation reports are illustrating the layered amortizations

Excerpt from <u>MSRS General 7/1/2025 Actuarial Valuation Report</u>						
Changes in Unfunded Actuarial Accrued Liability (UAAL)						
<i>(Dollars in Thousands)</i>						
Unfunded Actuarial Accrued Liability						
Source of Unfunded Liability	Date Established	Initial Amount	Initial Period	Current Amount	Remaining Period 6/30/2025	Contribution (% of Payroll)
Initial unfunded actuarial accrued liability	6/30/2024	\$ 513,537	24 yrs.	\$ 515,205	23 yrs.	0.69%
Experience (Gain)/Loss	6/30/2025	353,288	15 yrs.	353,288	15 yrs.	0.64%
Asset (Gain)/Loss	6/30/2025	(553,299)	15 yrs.	(553,299)	15 yrs.	(1.00)%
Assumption or Method Change	6/30/2025	61,578	20 yrs.	61,578	20 yrs.	0.09%
Benefit Changes - Active	6/30/2025	464,631	15 yrs.	464,631	15 yrs.	0.84%
Benefit Changes - Inactive, Long Term	6/30/2025	252,400	15 yrs.	252,400	15 yrs.	0.46%
Benefit Changes - Inactive, Short Term	6/30/2025	-	1 yr.	-	1 yr.	0.00%
Contribution (Sufficiency)/Deficiency	6/30/2025	(104,041)	15 yrs.	(104,041)	15 yrs.	(0.19)%
Total				\$ 989,762		1.53%

Overview of 7/1/2025 Valuation Results

- Actuarial valuation reports summarize many important measures of each pension plan’s fiscal health
- The table below summarizes some of the July 1, 2025 information. All asset and liability results are in \$1,000,000’s

Retirement Plan	Participant Count	Market Value of Assets (MVA)	Actuarial Accrued Liability	Unfunded Liability (MVA Basis)	Funded Status (MVA Basis)	Contribution Sufficiency/ (Deficiency)
PERA General	454,650	\$32,639	\$35,953	\$3,314	90.8%	2.21%
Teachers Retirement Association	221,196	\$31,261	\$36,992	\$5,731	84.5%	0.44%
MSRS General	138,916	\$19,539	\$19,852	\$313	98.4%	0.61%
PERA Police and Fire	28,268	\$13,078	\$14,250	\$1,172	91.8%	-1.48%
St. Paul Teachers	13,695	\$1,434	\$1,986	\$552	72.2%	4.50%
PERA Correctional	13,519	\$1,344	\$1,278	(\$66)	105.2%	3.36%
MSRS Correctional	12,454	\$1,986	\$2,397	\$411	82.8%	2.97%
MSRS State Patrol	2,358	\$1,156	\$1,317	\$161	87.8%	10.50%
MSRS Judges	790	\$319	\$470	\$151	67.9%	3.51%

Pension Surplus Considerations

- Minnesota pension plans' funded status have generally improved over the past several years
- Looking ahead: should consider policies when plans reach/exceed 100% funding
- American Academy of Actuaries' Issue brief: 'Surplus' Considerations for Public Pension Plans

Pension Surplus Considerations

- Key takeaways from issue brief
 - ‘Surplus’ for pension plans defined as being *“at or ahead of their [long-term] funding schedule”*; NOT the everyday meaning of *“an amount left over after all requirements are met”*
 - In plain language: **don’t immediately spend a pension surplus when reach 100% funding**
- Potential surplus strategy elements in funding policy

Strategy	Some considerations
Validate key assumptions	Ensure decisions are based on realistic (or even somewhat conservative) view of plan’s current funded status.
Risk reduction strategies	Consider reducing investment portfolio risk/volatility; add margin for adverse deviation; use contemporary amortization methods. Also may want a funding “cushion” before adjusting contribution or benefit levels.
Contribution adjustments	Carefully consider contribution reductions before enacting since they can be difficult to restore once removed from budgets. What are “target” contribution rates?
Benefit enhancements	Prudent benefit enhancements to restore previously reduced benefits may be a priority once contribution levels are addressed. Carefully evaluate potential effect on current and future funded status.

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