

Minnesota Public Pension Funds

Funded Ratios and Contribution Sufficiency using 7.5% and 7.0% Investment Return Assumption

As of June 30, 2021

“**Funded ratio**” is the ratio of actuarial accrued liabilities compared to the actual market value of plan assets. Market value of assets reflects the price of the investments as of the close of business on June 30, 2021. The rate of return for fiscal year 2021 was 30.3%.

“**Contribution Sufficiency**” is a percentage of payroll equal to actual annual amounts contributed to each plan minus the amount required annually, as determined by the actuary, to fund liabilities by the end of the amortization period, June 30, 2048.

	Funded ratio at 7.5%	Contribution Sufficiency at 7.5%	Funded ratio at 7.0%	Contribution Sufficiency at 7.0%
<u>TRA</u>	92.0%	5.05%*	86.6%	1.89%*
<u>MSRS</u>				
General	111.5%	7.08%	105.4%	4.56%
State Patrol	96.6%	20.62%	91.3%	14.05%
Correctional	89.3%	8.09%	83.6%	4.07%
Judges	70.7%	9.23%	67.6%	6.07%
<u>PERA</u>				
General	97.9%	6.16%	92.4%	3.89%
Police and Fire	105.6%	14.72%	99.6%	8.60%
Correctional	119.0%	6.18%	110.1%	2.77%
St. Paul TRFA	74.9%	7.47%	70.9%	5.13%

** This incorporates the impact of future employee and employer contribution increases in FY 23 and FY 24, scheduled to take effect under current law.*

Teachers Retirement Association

Status of Pension Legislation Affecting TRA, May 4, 2022

OMNIBUS PENSION BILL I – SF3540 / HF4017 – POLICY BILL

- A compilation of 14 non-controversial bills affecting many public pension plans.
 - Two provisions affecting TRA:
 - Article 3 – Suspends for three years the earnings limit (\$46,000) for retired teachers who return to covered employment. Applies to salaries earned in FYs 2022, 2023, 2024.
 - Article 5 – Allows Advanced Practice Registered Nurses to provide disability determinations for TRA members who apply for disability benefits.
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OMNIBUS PENSION BILL II – SF3541/HF4016 – BENEFITS & FUNDING

- A meeting of the LCPR was scheduled for April 5 but was cancelled. A delete everything amendment was on the agenda that would have affected TRA as follows:
 - **Employee contribution rate** reduced 0.25% on 7/1/2022, and the scheduled increase of 0.25% to take effect on 7/1/2023 is eliminated. Final rate = 7.25%
 - **Employer contribution rate** increased 0.25% on 7/1/2022 and an additional 0.25% on 7/1/2023. Final rate = 9.25%
 - **Pension adjustment revenue** in the general education aid formula for all school districts is increased 0.25% for FY2023 and an additional 0.25% in FY2024 and thereafter.
 - **An appropriation** to the Dept. Education/Pension Adjustment Revenue is included totaling \$12.8 million for FY2023, \$27.4 million for FY2024, and \$29.2 million for FY2025 (per Senate Counsel, Research, and Fiscal Analysis).
 - **TRA post-retirement adjustment** would permanently increase from 1.0% to 1.5% effective 1/1/2023. Under current law this does not occur until 1/1/2028.
 - **Direct aid to TRA of \$7 million annually** is provided to offset the higher liability associated with the increased post-retirement adjustment.
 - **Investment return assumption** lowered from 7.5% to 7.0%.

Other Pension Bills

1. HF4306-DE3 (Rep. Mary Murphy): Post-Retirement Adjustment and Investment Return Assumptions. (House amended this into **HF4293**, the state government, veterans, pensions, and transportation omnibus bill. The Senate did not.)

- Provides for an additional 2.5% lump-sum payment to retirees on 1/1/2023 and 1/1/2024, in addition to the COLA
- Appropriates \$390 million to the pension plans to cover the cost of the lump-sum payments
- Reduces the investment return assumption from 7.5% to 7.0%

2. HF4623 / SF4335: Purchase of Out-of-State teaching service

Allows a teacher to purchase up to five years of service credit in TRA for the time they taught in a public school in another state.

INVESTMENT RETURN ASSUMPTION

As of 6/30/2021	7.5% Assumption	7.0% Assumption	Difference
Funded Ratio	92.0%	86.6%	(5.4%)
Contribution Sufficiency	5.05%*	1.89%*	(3.16%)
Actuarial Accrued Liability	\$30.8 billion	\$32.7 billion	\$1.9 billion
Projected full funding date (if all assumptions met)	6/30/2027	6/30/2036	9 years
<i>*This incorporates the impact of future employee and employer contribution rate increases (in FY23 and FY24) scheduled to take effect under current law.</i>			

2022 Omnibus Pensions Finance Bill

General Fund

\$s in thousands

	FY22	FY23	FY22-23	FY24	FY25	FY24-25
DIRECT AIDS						
MSRS						
General Plan	0	8,000	8,000	8,000	8,000	16,000
Correctional Plan	0	6,000	6,000	6,000	6,000	12,000
State Patrol Plan	0	16,000	16,000	16,000	16,000	32,000
<i>Subtotal: MSRS</i>	<i>0</i>	<i>30,000</i>	<i>30,000</i>	<i>30,000</i>	<i>30,000</i>	<i>60,000</i>
PERA						
Police and Fire Plan	0	91,000	91,000	91,000	91,000	182,000
TRA	0	7,000	7,000	7,000	7,000	14,000
SPTRFA	0	12,000	12,000	12,000	12,000	24,000
Subtotal: Direct Aids	0	140,000	140,000	140,000	140,000	280,000
PENSION ADJUSTMENT REVENUE						
Department of Education	0	12,774	12,774	27,423	29,226	56,649
Leg. Coordinating Comm. - LCPR	0	30	30	30	30	60
TOTAL	0	152,804	152,804	167,453	169,256	336,709

Teachers Retirement Association

(This analysis does not include costs for St. Paul Teachers Retirement Fund Association)

<u>Rule of 90 added to Tier II</u>		7.5% ROR	7.0% ROR
HF3942	• Past service , current members	\$2,054,285,000	\$4,106,750,000
SF3649	• Future service, current members	\$558,808,000	\$1,706,481,000
	• Future service, new active members	<u>\$643,441,000</u>	<u>\$1,475,310,000</u>
		\$3,256,534,000	\$7,288,541,000
		lump-sum	lump-sum
- or -			
Additional required contribution rate		3.71%	6.90%
Annual required contribution amount*		\$215,180,000	\$400,200,000
<i>*Based on covered payroll of \$5.8 billion, which is assumed to increase by 3% each year</i>			

<u>Double service credit</u>		7.5% ROR	7.0% ROR
HF3773	The bill would provide 24 months of service credit for every 12 months of service in 2020, 2021, 2022.	\$2,133,966,000	\$2,443,695,000
SF3558		lump-sum	lump-sum
- or -			
Additional required contribution rate		2.39%	2.60%
Annual required contribution amount*		\$138,620,000	\$150,800,000
*Based on covered payroll of \$5.8 billion, which is assumed to increase by 3% each year			