
67th Annual Conference

Southern Conference on Teacher Retirement

The Minnesota Retirement Systems' Story

Financial Status before and after 2010 Financial Sustainability Legislation

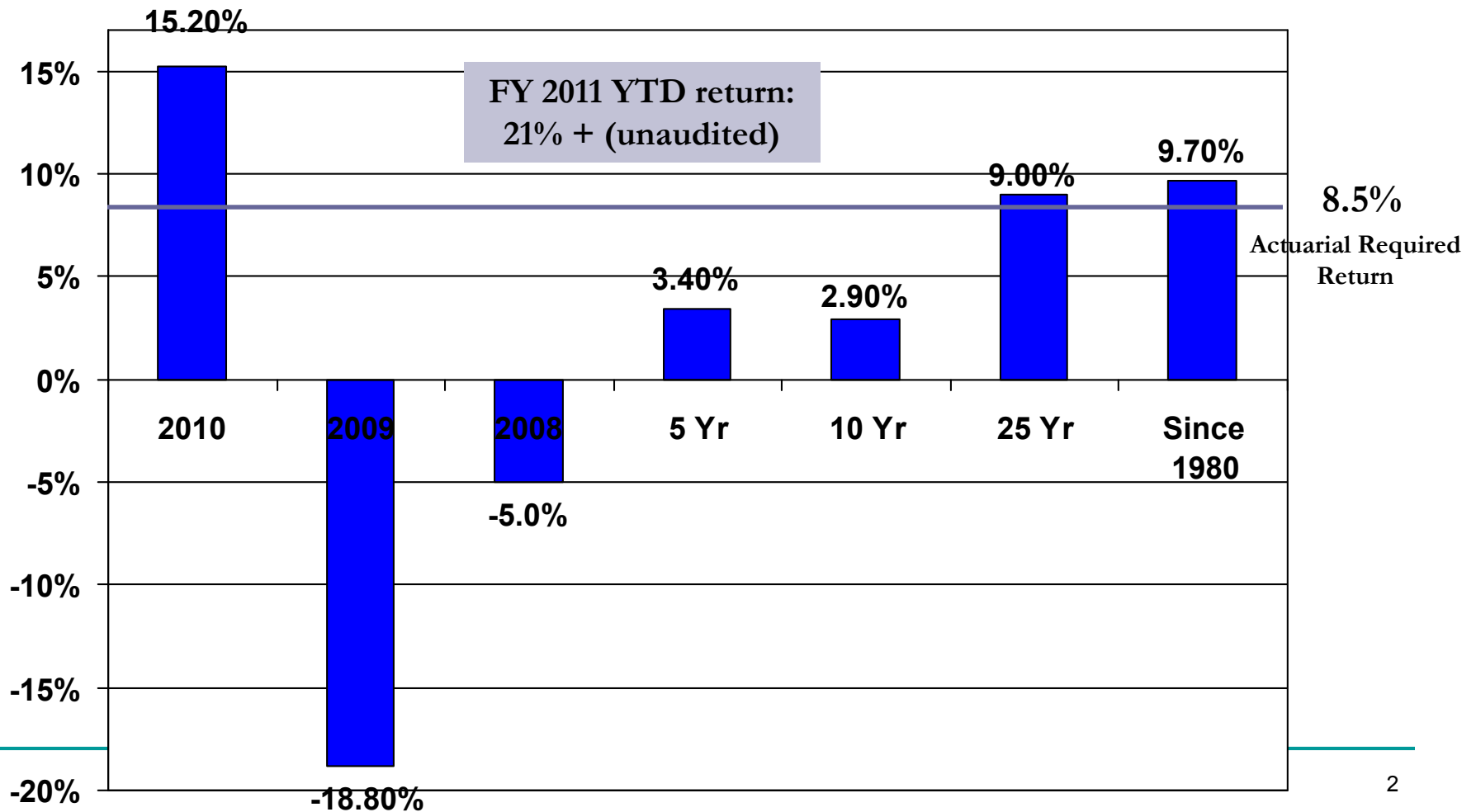
*Minnesota State Retirement System (MSRS)
Public Employees Retirement Association (PERA)
Teachers Retirement Association (TRA)*

May 18, 2011

Minnesota State Board of Investment

short and long term returns

SBI Returns – for periods ending 6/30/2010



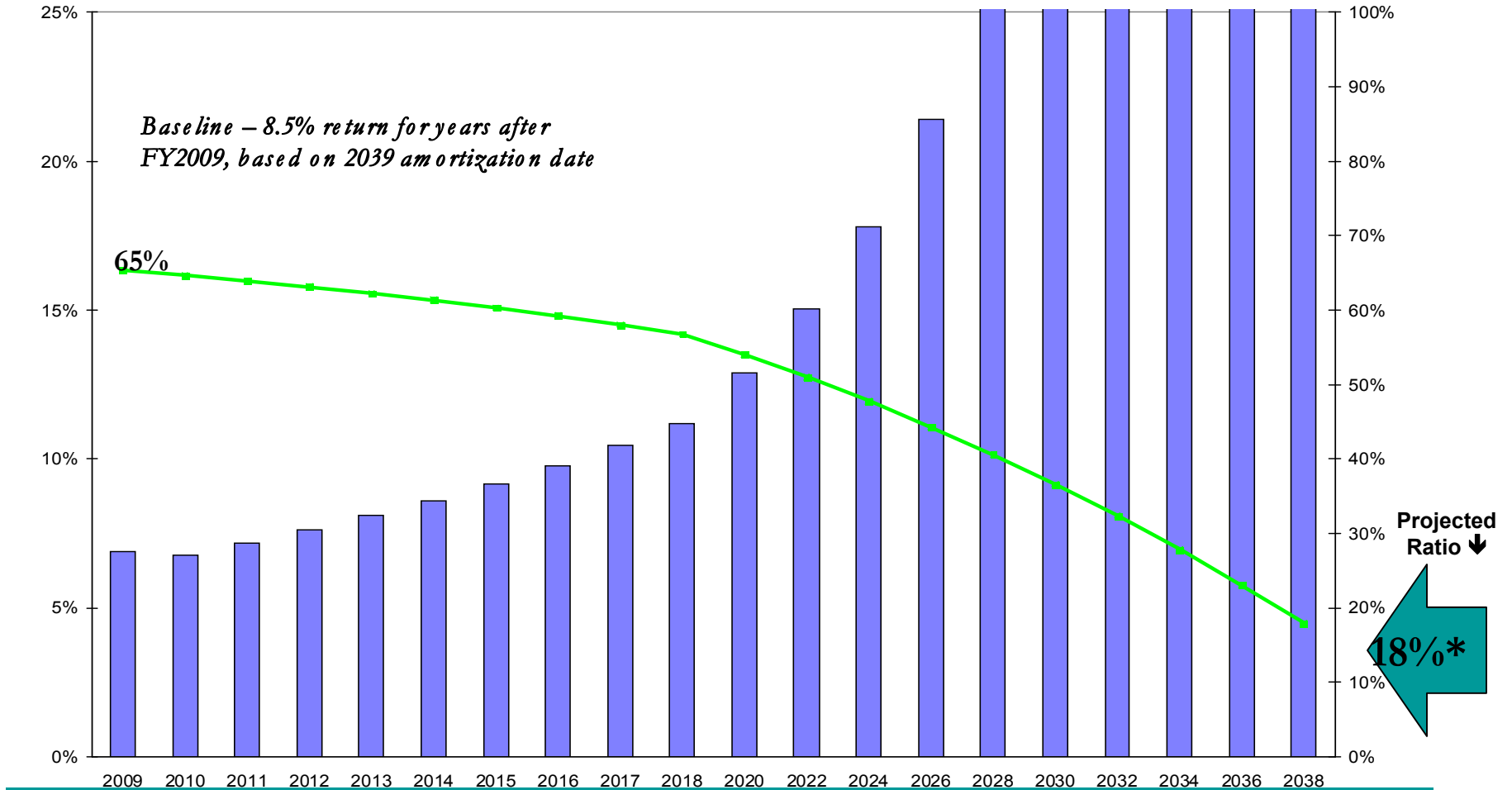
Action Taken – *Shared Sacrifice*

2010 Financial Sustainability Legislation

	MSRS	PERA	TRA
Post-Retirement Adjustments	Lower COLA to 2% until 90% funded	Lower COLA to 1% until 90% funded	Two-year suspension, then lower COLA to 2% until 90% funded
Vesting	Increase from 3 to 5 years (Correctional: increase from 5 to 10 years)	Increase from 3 to 5 years (Police & Fire: increase from 5 to 10 years)	Remain at 3 years
Deferred Interest-Inactive Members	2% for all plans	1% for all plans	2% for all plans
Contribution Rate Changes	None (State Patrol: 2% for employee and 3% for employer)	¼ % for both employee and employer (Police & Fire: 0.2% for employee and 0.3% for employer)	2% increase for both employee and employer, phased in 2011-2014
Refund Interest	Lower to 4%	Lower to 4%	Lower to 4%

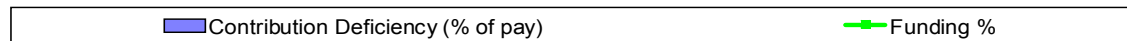
MSRS Projections FY 2009 - if nothing changed

State Employees Retirement Fund
Projection of Funding Scenarios



Each of the first 10 years is represented; every other year after

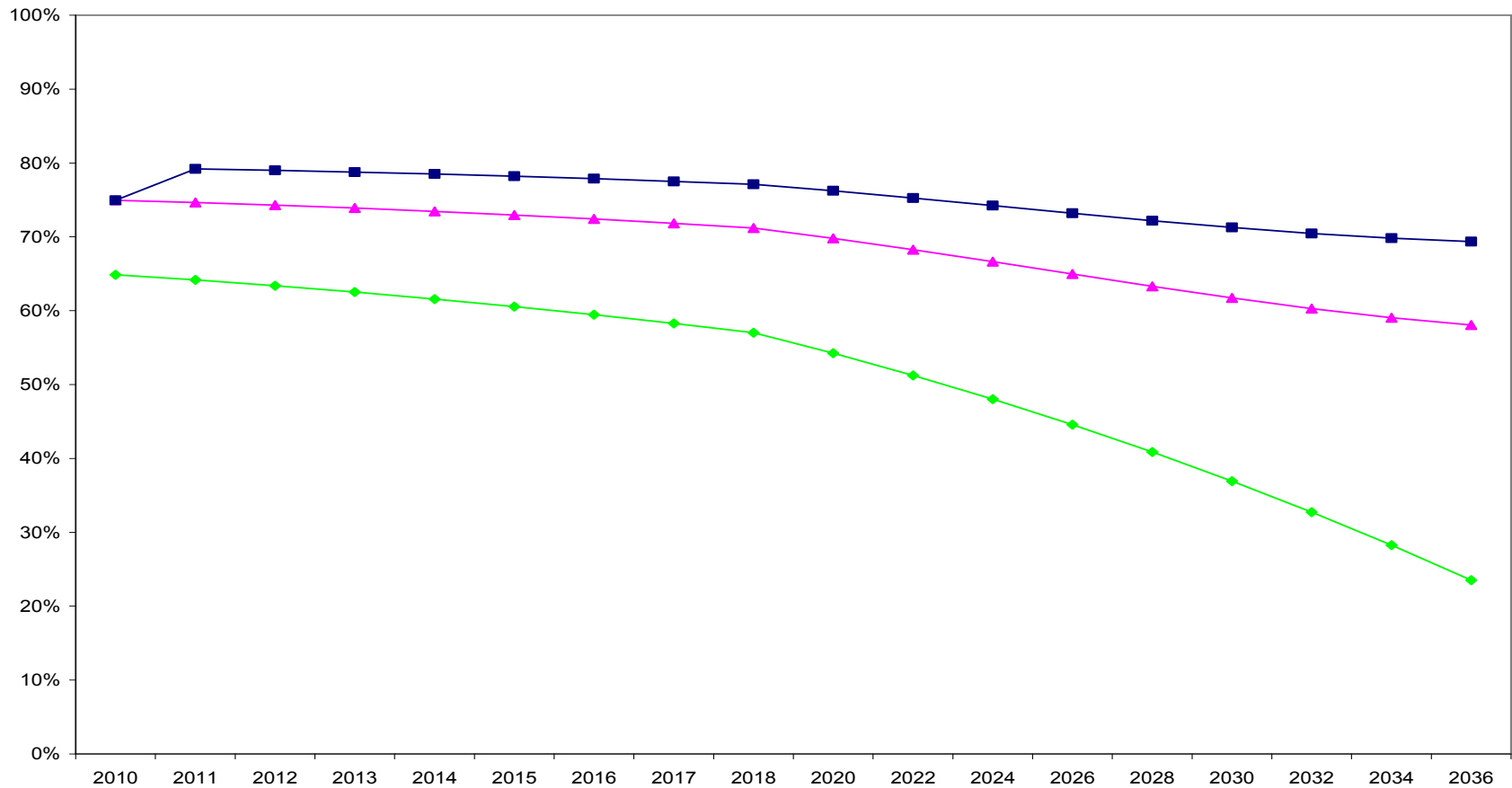
Source: Mercer Consulting Services



MSRS Projections FY 2010

Financial Sustainability Legislation Enacted

State Employees Retirement Fund
Projection of Funding Status



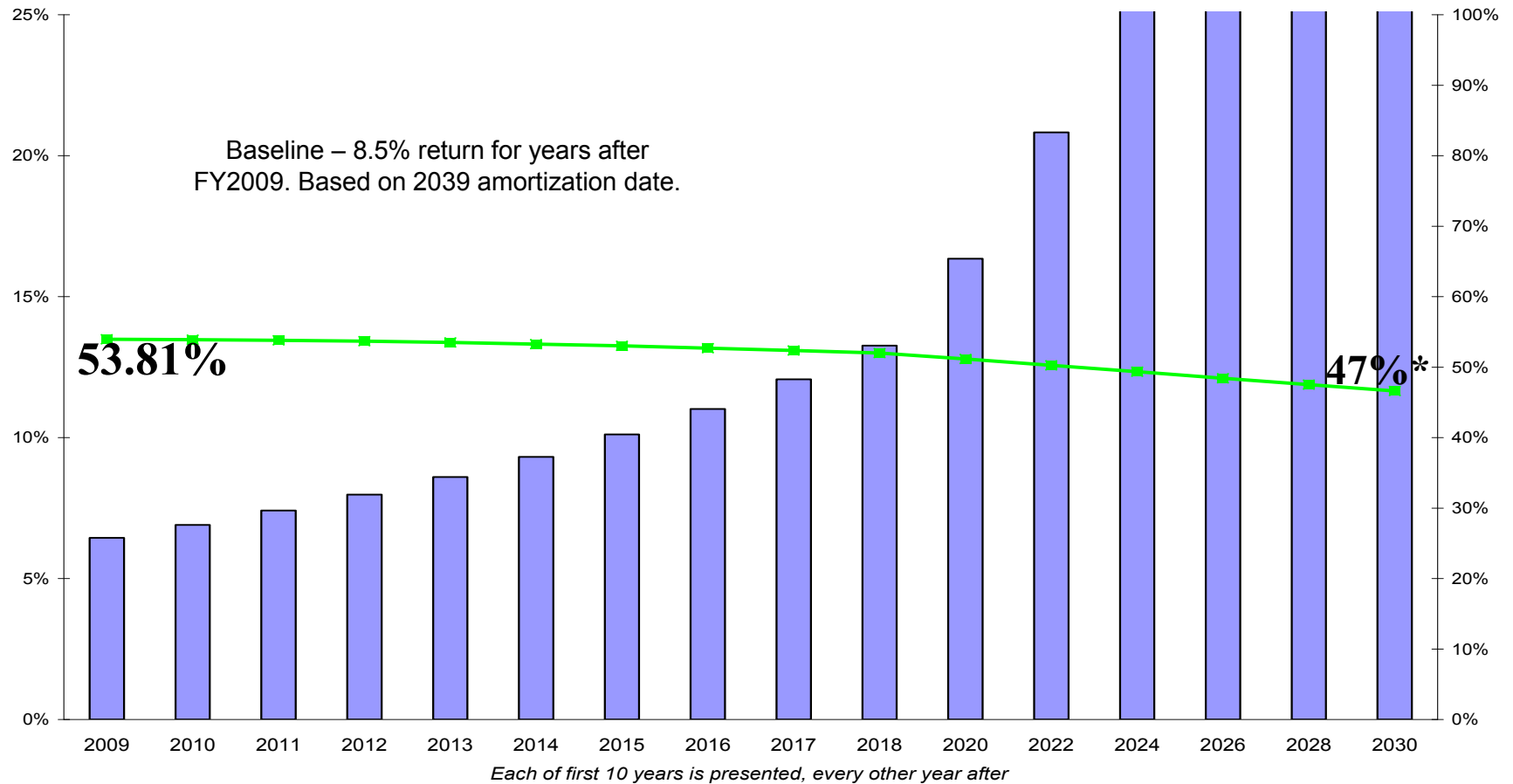
Each of the first 9 years is represented; every other year after

—◆— 2009 Baseline —▲— 2010 Baseline —■— 2010 Baseline with 15% Return for 2010/2011

Source:
Mercer Consulting

PERA Projections FY 2009 - if nothing changed

Public Employees Retirement Association of Minnesota
Projection of Funding Scenarios



Contribution Deficiency (% of pay)

Funding %

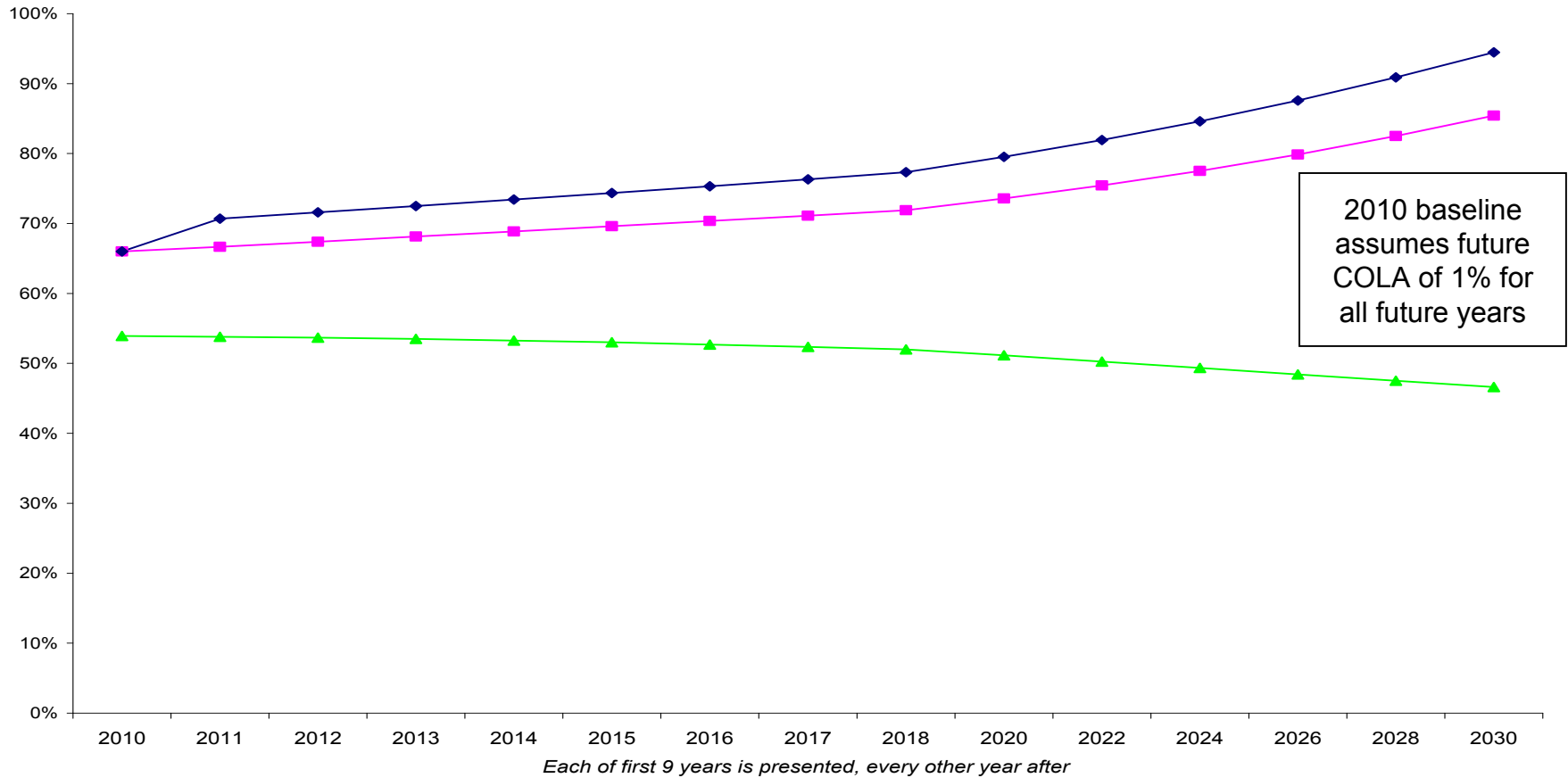
Source: Mercer Consulting Services

*Projected Funding Ratio

PERA Projections FY 2010

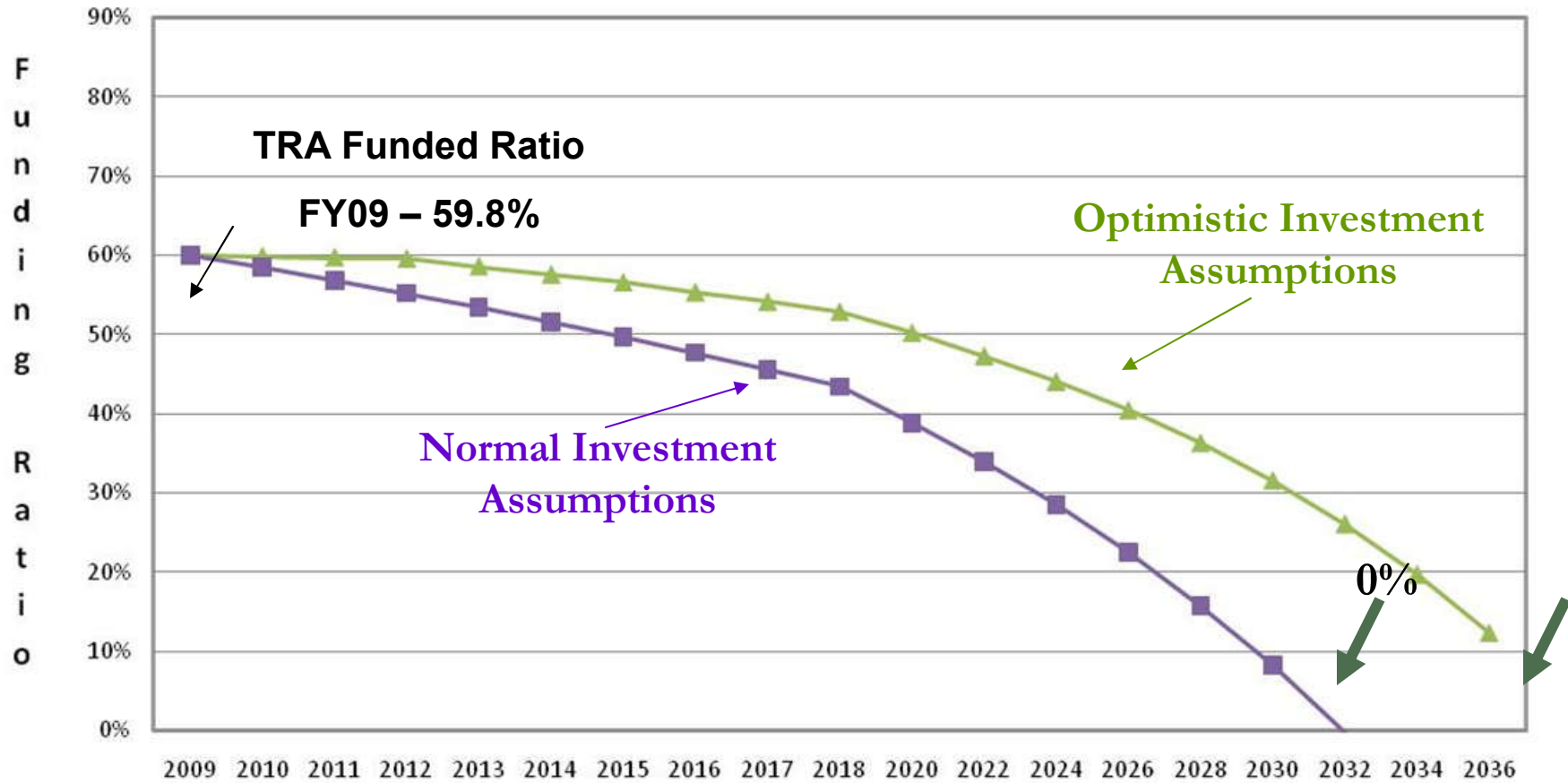
Financial Sustainability Legislation Enacted

Public Employees Retirement Fund
Projection of Funding Status



—▲— 2009 Baseline —■— 2010 Baseline —◆— 2010 Baseline with 15% Return for 2010/2011

TRA Projections FY 2009 - if nothing changed



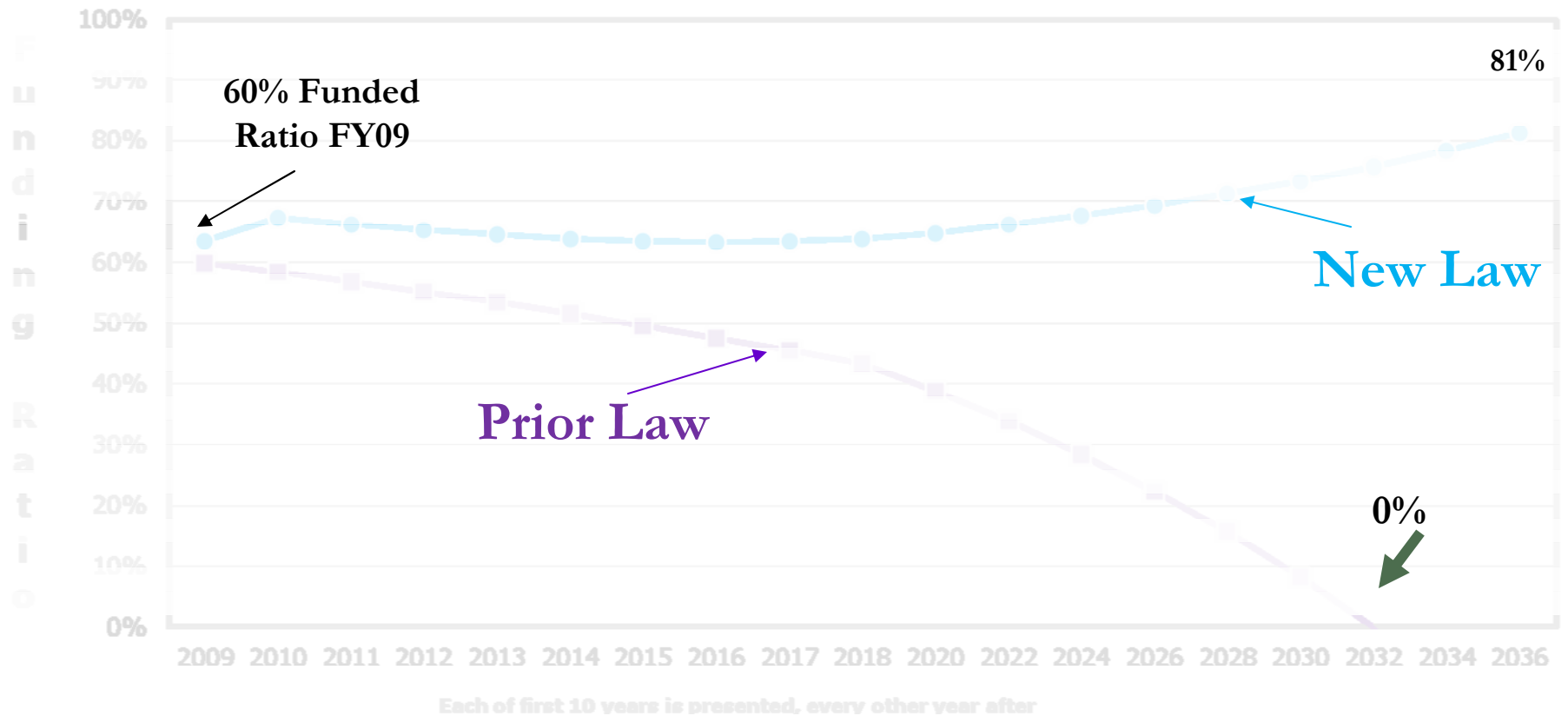
■ *Purple : 8.5% investment return – all years after FY 2009*

▲ *Green : 11% investment return for 3 years after FY 2009; 9.5% for all years after*



TRA Projections FY 2010

Financial Sustainability Legislation Enacted



■ Purple: Current Contributions (11.69%), no changes in contributions/benefits, 8.5% return in all years

● Blue: 2010 Pension bill (higher contributions, 2 year COLA suspension with 2% thereafter, reset amortization period to 30 yrs, 8.5% return in all yrs)

* Source: Mercer Consulting actuarial projections, 8/18/10

Issues update



❑ Legal challenge

- Class action suit filed by retirees claiming contract right to annual increases - hearing held on March 22; proposed orders by each side due to the court by May 13; final decision later in year, appeal likely

❑ Defined contribution (DC)/defined benefit (DB) study

- System directors analyzing DB, DC and alternative designs, report due June 1, 2011
- Actuarial analysis completed on closing plans and moving new hires to defined contribution plan (*assumes contribution rate of 5 percent each member and employer*)
- Draft distributed on April 1 for comments due by May 2 to be incorporated into public comment section of study