

Materials Related to

Minnesota

Public Pension Plan

Coverage and Funding

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Government Operations of the

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Lawrence A. Martin
Executive Director
Legislative Commission on
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Role and Function of the Legislative Commission on Pensions and Retirement

1. Commission Establishment. There have been five retirement commissions, three which were interim entities and two which were permanent entities, as follows:
 - Legislative Interim Commission to Study Minneapolis Pension Systems (1943-1945)
 - Legislative Interim Commission to Study Public Employee Retirement Systems (1955-1961)
 - Interim Commission on Employee Retirement Systems/Legislative Interim Commission to Study Public Retirement Systems (1963-1967)
 - Legislative Retirement Study Commission (1967-1975)
 - Legislative Commission on Pensions and Retirement (1975-Present)

2. Commission Membership and Staffing.
 - The 1943-1945 Interim Commission was composed of three House members and three Senate members and retained a consulting actuary as the Commission actuary.
 - The 1955-1967 Interim Commission was composed of five House members and five Senate members, generally retained two Commission staff members, and retained a consulting actuary as the Commission actuary.
 - The 1967-1969 Commission was composed of five House members and five Senate members, retained two Commission staff members, and retained a consulting actuary as the Commission actuary.
 - The 1971-2012 Commission was composed of five House members and five Senate members, generally retained 3.5 Commission staff members, and generally retained a consulting actuary as the Commission actuary.
 - The 2013 Commission will be composed of seven House members and seven Senate members, is expected to retain a staff and is expected to retain a consulting actuary as the Commission actuary.

3. Function as Joint Meeting of Pension Subcommittees.
 - During the 1970's and 1980's, the Commission functioned explicitly as a joint meeting of the House Pension Subcommittee of the Governmental Operations Committee and of the Senate Pension Subcommittee of the Governmental Operations Committee.
 - Since the 1980's, the Commission functioned implicitly as the subcommittee on pensions of the respective Governmental Operations committees.

4. Assembly of Omnibus Retirement Bill(s).
 - Since 1994, the Commission has preferred to assemble and recommend to the respective Governmental Operations committees one or more omnibus retirement bills rather than process and recommend individual bills separately to the respective Governmental Operations committees.
 - Despite the function of the Commission as the pension subcommittees acting jointly and assembling omnibus retirement bills, in most legislative sessions since 1994, retirement bills passed by the two houses generally have required consideration by a conference committee drawn from or coincident with the membership of the Commission.

Legislative Commission on Pensions and Retirement

Principles of Pension Policy

I. Preamble

The Legislative Commission on Pensions and Retirement recommends the following statement of principles, which have been developed since 1955, as the basis for evaluating proposed public pension legislation. Problems can be avoided or minimized if a sound set of principles is used as a guideline in developing the various public pension funds and plans.

II. Substantive Principles

A. Purpose of Minnesota Public Pension Plans

1. Minnesota public pension plans exist to augment the Minnesota public employer's personnel and compensation system by assisting in the recruitment of new qualified public employees, the retention of existing qualified public employees, and the systematic out-transitioning of existing public employees at the normally expected conclusion of their working careers or the systematic phasing-out of existing employees who are nearing the normally expected conclusion of their full-time working careers by providing, in combination with federal Social Security coverage, personal savings and other relevant financial sources, retirement income that is adequate and affordable.
2. Minnesota public pension plans should play their appropriate role in providing financial security to public employees in retirement.
3. As Minnesota public employee workforce trends develop, Minnesota public pension plans should be sufficiently flexible to make necessary adaptations.

B. Structure of Minnesota Public Pension Coverage

1. Creation of New Pension Plans
 - a. Minnesota public employers, on their own initiative, without legislative authorization, should not be permitted to establish or maintain new public pension plans, except for volunteer firefighter relief associations.
 - b. New pension plans for volunteer firefighters should be organized on a county or comparable regional basis if possible.
2. Mandatory Public Pension Plan Membership

To the extent possible, membership in a public pension plan should be mandatory for the personnel employed on a recurring or regular basis.
3. Consolidation of Public Pension Plans by a Minnesota Public Employer
 - a. The state, with the second largest number of public employee pension plans in the nation, would benefit from a more rational public pension plan structure.
 - b. The voluntary consolidation of smaller public pension plans should be encouraged, with the development of county or comparable regional public employee pension plans in place of a large number of small local plans to assist in this consolidation if a statewide public pension plan is deemed to be inappropriate.

- c. In a consolidation or merger of public employee pension funds, there should be no loss of current pension benefits by any member of the consolidating or merging funds.
- d. In a consolidation or merger of public employee pension funds, approval of the affected Boards of Trustees or Directors, the members, and the employers of the consolidating or merging funds should be obtained before the consolidation or merger is finalized.

C. Pension Benefit Coverage

1. General Preference for Defined Benefit Plans Over Defined Contribution Plans
 - a. Defined benefit plans, where they currently exist, should remain as the primary retirement coverage for Minnesota public employees.
 - b. Defined contribution plans are particularly appropriate where interstate portability or private sector-public sector portability is a primary consideration of the public employee group, where the public employee group lacks civil service or analogous employment protections, or where the defined contribution plan is a supplemental pension plan.
2. Social Security Coverage

Except for public employees who are police officers or firefighters, coverage by the federal Old Age, Survivors, Disability and Health Insurance (Social Security) Program should be part of the retirement coverage for Minnesota public employees.
3. Equal Treatment Within Pension Plans

There should be equal pension treatment of public employees in terms of the relationship between benefits and contributions.
4. Appropriate Normal Retirement Ages

The normal retirement age should be set in a reasonable relationship to the employability limits of the average public employee and should differentiate between regular public employees and protective and public safety employees.
5. Appropriate Early Retirement Reductions

Public employee pension plans should not subsidize early retirement benefits and, except for appropriately designed early retirement incentive programs, retirement benefits should be actuarially reduced for retirement before any applicable normal retirement age.
6. Uniformity and Equal Benefit Treatment Among Plans

There should be equal pension treatment in terms of the relationship between benefits and contributions among the various plans and, as nearly as practicable, within the confines of plan demographics, retirement benefits and member contributions should be uniform.

7. Adequacy of Benefits at Retirement

- a. Benefit adequacy requires that retirement benefits respond to changes in the economy.
- b. The retirement benefit should be adequate at the time of retirement.
- c. Except for local police or firefighter relief associations, the retirement benefit should be related to an individual's final average salary, determined on the basis of the highest five successive years' average salary unless a different averaging period is designated by the Legislature.
- d. Except for local police or firefighter relief associations, the measure of retirement benefit adequacy should be at a minimum of thirty years service, which would be a reasonable public employment career, and at the generally applicable normal retirement age.
- e. Retirement benefit adequacy must be a function of the Minnesota public pension plan benefit and any Social Security benefit payable on account of Minnesota public employment.

8. Postretirement Benefit Increases

- a. Retirement benefits should be increased during the period of retirement to offset the impact of economic inflation over time in order to maintain a retirement benefit that was adequate at the time of retirement.
- b. The system of periodic post retirement increases should be funded on an actuarial basis.

9. Portability

To the extent feasible, portability should be established as broadly as possible for employment mobile public employees.

10. Purchases of Prior Service Credit

Purchases of public pension plan credit for periods of prior service should be permitted only if it is determined by the Commission:

- that the period to be purchased is public employment or relates substantially to the public employee's career,
- that the purchase payment amount from the member or from a combination of the member and the current or former employer must equal the actuarial liability to be incurred by the pension plan for the benefit associated with the purchase, appropriately calculated, without the provision of a subsidy from the pension plan unless an error or an omission by the pension plan was responsible for the loss of service credit,
- that the purchase payment amount must include a minimum payment by the member of the equivalent member contributions, plus compound interest from the purchase period to the date of payment unless the employer committed a particularly egregious error,
- that the purchase payment is the responsibility of the member, with the current or former employer authorized to pay some or all of the portion of the payment amount in excess of the minimum member payment amount, unless the employer has some culpability in the circumstances giving rise

to the purchase and then a mandatory employer contribution may be imposed, and

- that the purchase must not violate notions of equity.

11. Deadline Extensions and Waivers

Deadline extensions or waivers should be permitted only if, on a case-by-case basis, it is determined that there is a sufficient equitable basis for the extension or waiver, the extension or waiver does not involve broader applicability than the pension plan members making the request, and that the extension or waiver is unlikely to constitute an inappropriate precedent for the future.

12. Vesting Requirement Waivers

Waivers of vesting requirements should be permitted only if, on a case-by-case basis, it is determined that there is a strong equitable argument to grant the waiver for the requesting public employees.

13. Reopening Optional Annuity Elections

Reopenings of optional annuity elections should not be permitted.

14. Benefit Increase Retroactivity

Retroactivity of benefit increases for retirees and other benefit recipients should not be permitted.

15. Repayment of Previously Paid Benefits and Resumptions of Active Member Status

Repayments of previously paid benefits and resumptions of active member status should not be permitted.

16. Duplicate Public Pension Coverage for the Same Employment

Unless supplemental pension plan coverage is involved, public employees should not have coverage by more than one Minnesota public pension plan for the same period of service with the same public employer.

17. Reemployed Annuitant Earnings Limitations

- a. Limitations on the earnings by reemployed annuitants should apply only to the reemployment of an annuitant by an employing unit that is a participating employer in the same public pension plan from which the annuitant is receiving a pension benefit.
- b. Reemployed annuitant earnings limitations should be standardized to the extent possible among the various Minnesota public pension plans.

18. Disability Definitions

The definitions of what constitutes a disability giving rise to a disability benefit should be standardized to the extent possible, recognizing the differences in the hazards inherent in various types of employment.

19. Design of Early Retirement Incentive Programs

- a. Early retirement incentive programs can have a valid role to play in the public sector personnel system.
- b. Early retirement incentive programs should be targeted to situations when a public employer needs to reduce staffing levels beyond normal attrition.

- c. Early retirement incentive programs should be financed appropriately, with the cost of the benefits provided under the early retirement incentive program borne wholly by the same public employer that gains any compensation savings from a staffing level reduction, without any subsidy from the affected public pension plan.
20. Future Pension Coverage for Privatized Public Employees
- Because of applicable federal regulation, employees of public employers that are privatized should not be allowed to continue public pension plan coverage in the future. Privatized public employees should receive adequate replacement pension coverage and a better resolution of this topic should be raised with appropriate federal government officials.
21. Supplemental Pension Plans
- a. Public employees should be encouraged to engage in personal savings for their retirement.
 - b. The state should assist this process by making personal retirement savings opportunities available to public employees.
 - c. Public employers should have an opportunity to elect to provide financial support to established supplemental pension arrangements for their employees.
22. No Intended Ultimate Benefit Diminutions
- a. In recommending benefit plan modifications, the imposition of reductions in overall benefit coverage for existing pension plan members should not be recommended.
 - b. The imposition of a reduction in overall benefit coverage may be imposed for new pension plan members in order to achieve sound pension policy goals.
 - c. A reduction in some aspect or aspects of benefit coverage may be recommended in combination with a proposed benefit increase or benefit increases in implementing sound pension policy goals.
- D. Pension Plan Funding**
1. Equal Pension Financing Burden for Generations of Taxpayers
- There should be utilized a financing method that will distribute total pension costs fairly among the current and future generations of taxpayers and that will discourage unreasonable benefit demands.
2. Actuarial Funding of Pension Benefits
- a. Except for statewide retirement plans with small phasing-out memberships, retirement benefits in Minnesota defined benefit plans should be funded on an actuarial basis.
 - b. The accruing liability for currently earned pension plan service credit, as measured by the actuarially determined level percentage of covered salary entry age normal cost of the defined benefit pension plan, should be funded on a current basis.
 - c. The administrative expenses of the defined benefit pension plan should be funded on a current basis.
- d. Retirement plan accrued liabilities and normal cost should be determined using the entry age normal actuarial cost method.
 - e. Pension plan assets should be valued using a method that approaches market values, but smoothes out short-term volatility.
 - f. Unfunded actuarial accrued liabilities of a defined benefit pension plan, determined by subtracting the actuarial value of assets from the calculated actuarial accrued liability, should be amortized over an extended period of time, but should not exceed thirty years.
 - g. A portion of any amount by which the actuarial value of assets exceed the actuarial accrued liabilities of a defined benefit plan should be recognized as a credit against the normal cost, and the amount of the credit should be calculated in the same manner as if it were an amortization contribution with a 30-year amortization target date.
3. Allocation of Funding Burden Between Members and Employers
- a. The actuarial cost of retirement benefit coverage should be financed on a shared basis between the public employee and the public employer.
 - b. For general public employee retirement plans that are not closed to new members, the employee and employer should make matching contributions to meet the normal cost and the administrative expenses of the defined benefit pension plan. Both the employee and the employer also may be required to share some financial responsibility for funding the amortization requirement of the defined benefit pension plan.
 - c. For general public employee retirement plans that are closed to new members, the employee and employer contributions should be set based on the contribution structure of analogous retirement plans.
 - d. For protective and public safety employees covered by a statewide public pension plan, the employee should pay forty percent of the total actuarial costs of the defined benefit pension plan and the employer should pay sixty percent of the total actuarial costs of the defined benefit pension plan.
 - e. For protective and public safety employees covered by a local relief association, employee and employer contributions should be considered in light of the special circumstances and history unique to that association. Employees should pay an appropriate portion of the normal cost and administrative expenses of the relief association.
 - f. Actuarial reporting laws should be structured to permit easy application and monitoring of any contribution policy.
4. Funding of Postretirement Adjustments
- a. Ad hoc postretirement adjustments should be funded separately from the regular defined benefit public pension plan financing and should not be added to the unfunded actuarial accrued liability of the defined benefit public pension plan.
 - b. Automatic postretirement adjustment mechanisms should be funded on an actuarial basis as part of the actuarial requirements and contribution structure of the defined benefit public pension plan.

5. Appropriate Basis for Actuarial Assumption Changes

- a. Actuarial assumption changes should only be based on the results of the gain and loss analyses in the regular actuarial valuation reports and the results of a periodic experience study.
- b. Actuarial assumption changes should stand on their own merit, and should not be changed solely to improve benefits or to lower contribution rates.

6. Appropriate Basis for Modifying Contribution Rates

Member and employer contribution rates should only be modified based on the trend in total support rate deficiency or sufficiency revealed in the regular actuarial valuation reports.

E. Pension Plan Investments

1. Appropriate Investment of Public Pension Assets

- a. Public pension plan investment authority should be as uniform as is practicable.
- b. Public pension plan investments should be made in accord with the prudent person rule.
- c. Public pension plan investment authority should be further regulated by a list of authorized investment types, which should appropriately differentiate between pension plans based on asset size and investment expertise.
- d. Written investment policies should be maintained for the investment of public pension plan assets.
- e. Public pension plans should regularly report on their investments, including performance.

2. Sole Membership Benefit Dedication of Plan Assets

Recognizing that public pension plan assets exist to defray current and future pension benefit payments, public pension plan assets should be dedicated to the sole benefit of the plan membership in their investment and expenditure.

F. Compliance With Federal Pension Plan Regulation

Consistent with the principles of federalism, dual sovereignty, and comity among governmental entities, public pension plan provisions and administrative operations and activities should attempt to comply with applicable federal pension plan regulation in order to maintain the tax qualified status of public pension plans.

G. Public Pension Plan Fiduciary Responsibility

1. Strong Fiduciary Responsibility Standards

Public pension plan activities should be conducted in accord with strong fiduciary responsibility standards and regulation.

2. Remedies for Fiduciary Breach

Failures to conduct public pension plan activities in accord with the applicable fiduciary responsibility standards and regulation should be subject to appropriate fiduciary breach remedies.

III. Procedural Principles of Pension Policy

A. Adequate Pension Funding

1. Pre-Existing Funding

No proposed increase in pension benefits for any public pension plan should be recommended by the Legislative Commission on Pension and Retirement until there is established adequate financing to cover the pre-increase normal cost, administrative expense, and amortization contribution requirements of the defined benefit public pension plan calculated according to the applicable actuarial reporting law.

2. Funding Increase

No proposed increase in pension benefits for any defined benefit public pension plan should be recommended by the Legislative Commission on Pensions and Retirement unless there is included, in the proposal, adequate financing to meet any resulting increase in the normal cost and amortization contribution requirements of the defined benefit public pension plan that are estimated by the applicable actuary to result from adopting the proposed benefit increase.

B. Preference for General Legislation

No pension legislation of local or special limited application should be recommended by the Legislative Commission on Pensions and Retirement if the purpose and the intent of the proposed legislation would be better served by legislation of general statutory application or if the proposed legislation constitutes a significant departure from previously established uniform pension policy. Pension legislation affecting local police or salaried firefighters may be recommended by the Legislative Commission on Pensions and Retirement in light of any special circumstances that are unique to the relief association.

C. Explicit Application of Principles of Pension Policy

1. Measurement Against Principles

Each proposed change in retirement benefits or financing should be measured by the Legislative Commission on Pension and Retirement against the current principles of pension policy as part of its consideration to insure that there is adherence to sound pension policy.

2. Formal Reporting of Consistency

The Commission's determination concerning compliance with the principles of pension policy should be a part of the Commission's formal report of its recommendations on proposed public pension legislation.

Minnesota Public Pension Plans Growth and Development

- The earliest Minnesota public pension plans were the St. Paul Fire Department Relief Association, incorporated in 1868, the Minneapolis Fire Departmental Relief Association, incorporated in 1874, and the Fergus Falls Fire Department Relief Association, also incorporated in 1874.
- All Minnesota public pension plans established before 1900 were local public safety plans.
- Minnesota public pension plans were created on patchwork basis, generally covering uncovered groups rather than reorganizing existing plan coverage.
- The first general employee retirement plans were teacher retirement plans (Duluth Teachers Retirement Fund Association (DTRFA) in 1910, Minneapolis Teachers Retirement Fund Association (MTRFA) in 1910, St. Paul Teachers Retirement Fund Association (SPTRFA) in 1910, and the Teachers Insurance and Retirement Fund in 1915).
- The first statewide retirement plans were the Teachers Insurance and Retirement Fund in 1915, the State Employees Retirement Association (now MSRS-General) in 1929, and the Public Employees Retirement Association (PERA) in 1931.
- The first retirement plan to default was the Teachers Insurance and Retirement Fund. That plan was replaced by the Teachers Retirement Association (TRA) in 1931.
- The latest retirement plans were established in 1999 (State Fire Marshal Arson Investigator Retirement Plan and the local Government Correctional Retirement Plan) and 2009 (Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan).

- Retirement plan creation, count by decade:

1860s 1	1910s 8	1960s 12
1870s 0	1920s 2	1970s 3
1880s 3	1930s 11	1980s 5
1890s 6	1940s 23	1990s 2
1900s 6	1950s 11	2000s 1

- Some retirement plans have been closed to new entrants, with replacement coverage by another public pension plan or benefit program (St. Paul Teachers Retirement Fund Association (SPTRFA)-Basic Program, Duluth Teachers Retirement Fund Association (DTRFA)-Old Law Program).

Minnesota Public Pension Plans Growth and Development

- Many retirement plans have been merged into another plan:
 - Game Wardens Retirement Plan and State Police Retirement Plan into the State Patrol Retirement Plan;
 - County and Probate Court Judges Retirement Plan, District Court Judges Retirement Plan, and Supreme Court Justices Retirement Plan into the Uniform Judicial Retirement Plan;
 - Attorney General Retirement Plan and State Auditor Retirement Plan into the Elected State Officers Retirement Plan;
 - Supreme Court Clerk Retirement Plan into the Unclassified Employees Retirement Program of the Minnesota State Retirement System (MSRS-Unclassified);
 - St. Paul Bureau of Health Relief Association into the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General);
 - Fridley Paid Firefighters Relief Association, Cloquet Firefighters Relief Association, Eveleth Paid Firefighters Relief Association, Eveleth Police Relief Association, Thief River Falls Police Relief Association, Brooklyn Center Police Relief Association, Moorhead Firefighters Relief Association, and Moorhead Police Relief Association into the Public Employees Police and Fire Retirement Plan (PERA-P&F), 1973-1985;
 - Metropolitan Transit Commission – Transit Operating Division Retirement Plan into the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General);
 - University of Minnesota Police Retirement Plan merged into the Public Employees Police and Fire Retirement Plan (PERA-P&F);
 - 44 local police or paid firefighter relief associations consolidated into the Public Employees Retirement Association 1987-1998 and merged into the Public Employees Police and Fire Retirement Plan (PERA-P&F), 1999;
 - Minneapolis Teachers Retirement Fund Association (MTRFA) merged into the Teachers Retirement Association (TRA);
 - Minneapolis Employees Retirement Fund (MERF) consolidated administratively into the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General); and
 - Minneapolis Firefighters Relief Association, Minneapolis Police Relief Association, Virginia Fire Department Relief Association, and Fairmont Police Relief Association merged into the Public Employees Police and Fire Retirement Plan (PERA-P&F).

Minnesota Public Pension Plans

Defined Benefit Plans and Defined Contribution Plans

Minnesota Defined Benefit Plans

A. Statewide Plans

1. General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General)
2. MSRS Correctional State Employees Retirement Plan (MSRS-Correctional)
3. State Patrol Retirement Plan
4. Judges Retirement Plan
5. Legislators Retirement Plan
6. Elected State Officers Retirement Plan
7. Military Affairs Personnel Retirement Plan
8. Department of Transportation Pilots Retirement Plan
9. State Fire Marshal Division Arson Investigators Retirement Plan
10. General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General)
11. Public Employees Police and Fire Retirement Plan (PERA-P&F)
12. Local Government Correctional Service Retirement Plan (PERA-Correctional)
13. Teachers Retirement Association (TRA)
14. University of Minnesota Faculty Supplemental Retirement Plan
15. Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan (PERA-SVF)

B. Local Plans

1. Duluth Teachers Retirement Fund Association (DTRFA)
2. MERF Division of the Public Employees Retirement Association (PERA-MERF)
3. St. Paul Teachers Retirement Fund Association (SPTRFA)
4. Various volunteer firefighter relief associations

Minnesota Defined Contribution Plans

A. Statewide Plans

1. MSRS Unclassified Employees Retirement Program (MSRS-Unclassified)
2. Higher Education Individual Retirement Account Plan (MnSCU-IRAP)
3. Higher Education Supplemental Retirement Plan (MnSCU-Supplemental)
4. PERA Defined Contribution Retirement Plan
5. Ambulance Service Personnel Longevity Plan
6. University of Minnesota Faculty Retirement Plan

B. Local Plans

1. Hennepin County Supplemental Retirement Plan
2. Various volunteer firefighter relief associations
3. Various Housing and Redevelopment Authority (HRA) retirement plan

Minnesota Public Pension Plans

Establishment

Statewide Pension Plans	Establishment Date
General State Employees Retirement Plan (MSRS-General)	1929
Correctional Employees Retirement Plan (MSRS-Correctional) ¹	1973
Game Wardens Retirement Plan ²	1955
State Police Retirement Plan ³	1961
State Patrol Retirement Plan	1943
Legislators Retirement Plan ⁴	1965
Attorney General Retirement Plan ⁵	1953
State Auditor Retirement Plan ⁵	1955
Elective State Officers Retirement Plan (ESO) ⁵³	1967
Supreme Court Justices Retirement Plan ⁶	1943
District Court Judges Retirement Plan ⁶	1949
Probate and County Court Judges Retirement Plan ⁶	1931
Uniform Judicial Retirement Plan ⁵⁴	1973
Supreme Court Clerk Retirement Plan ⁷	1953
Military Affairs Department Personnel Retirement Plan ⁸	1980
Transportation Department Pilots Retirement Plan ⁸	1982
State Fire Marshal Division Arson Investigator Retirement Plan ⁸	1999
Unclassified State Employees Retirement Program (MSRS-Unclassified) ⁹	1971
Metropolitan Transit Commission-Transit Operating Division Retirement Plan ¹⁰	1944
Public Employees Retirement Plan (PERA-General)	1931
Public Employees Police and Fire Retirement Plan (PERA-P&F) ¹¹	1959
Local Government Correctional Employees Retirement Plan ¹²	1987/1999
PERA Defined Contribution Retirement Plan ¹³	1987
University of Minnesota Police Retirement Plan ¹⁴	1969
Teachers Insurance and Retirement Plan ¹⁵	1915
Teachers Retirement Plan (TRA)	1931
State University and Community College Supplemental Retirement Plan	1965
Individual Retirement Account Plan (IRAP) ¹⁶	1988
Voluntary Statewide Lump Sum Volunteer Firefighter Retirement Plan (PERA-SFV) ⁵⁹	2009
Local General Employee Pension Plans	Establishment Date
Minneapolis Employees Retirement Plan (MERF) ¹⁷	1919
St. Paul Bureau of Health Relief Association ¹⁸	1919
Hennepin County Supplemental Retirement Plan ¹⁹	1969
Duluth Teachers Retirement Plan (DTRFA) ²⁰	1910
Minneapolis Teachers Retirement Plan (MTRFA) ⁵⁸	1910
St. Paul Teachers Retirement Plan (SPTRFA) ²⁰	1910
Local Police and Salaried Firefighters Pension Plans	Establishment Date
Albert Lea Firefighters Relief Association ²¹	1895
Albert Lea Police Relief Association ²²	1943
Anoka Police Relief Association ²³	1948
Austin Firefighters Relief Association ²⁴	1909
Austin Police Relief Association ⁴⁹	1943
Bloomington Firefighters Relief Association ⁵⁵	1947
Bloomington Police Relief Association ²¹	1960
Brainerd Police Relief Association ⁴⁷	1952
Brooklyn Center Police Relief Association ²⁵	1967
Buhl Police Relief Association ²⁶	1957
Chisholm Firefighters Relief Association ²⁷	1907

Minnesota Public Pension Plans

Local Police and Salaried Firefighters Pension Plans	Establishment Date
Chisholm Police Relief Association ²⁷	1931
Cloquet Fire Department Relief Association ²⁸	1941
Columbia Heights Fire Department Relief Association ²⁹	1923
Columbia Heights Police Relief Association ³⁰	1957
Crookston Fire Department Relief Association ³¹	1902
Crookston Police Relief Association ⁵⁶	1948
Crystal Police Relief Association ³²	1961
Duluth Firefighters Relief Association ³²	1887
Duluth Police Relief Association ³³	1905
Eveleth Firefighters Relief Association ³⁴	1935
Eveleth Police Relief Association ³⁴	1935
Fairmont Police Relief Association ⁴⁸	1949
Faribault Fire Department Relief Association ²²	1897
Faribault Police Relief Association ⁴⁷	1948
Fridley Firefighters Relief Association ³⁵	<i>not available</i>
Fridley Police Relief Association ⁵⁰	1966
Gilbert Supplemental Police Pension Plan ³⁶	1957
Hibbing Firefighters Relief Association ³⁷	1914
Hibbing Police Relief Association ³⁷	1930
Mankato Fire Department Relief Association ³⁸	1895
Mankato Police Relief Association ⁵⁷	1947
Minneapolis Fire Department Relief Association ⁵²	1868/1874
Minneapolis Police Relief Association ⁵²	1890
Moorhead Firefighters Relief Association ³⁹	1955
Moorhead Police Relief Association ³⁹	1945
Nashwauk Police Relief Association ⁴⁰	1943
New Ulm Police Relief Association ⁴¹	1949
Red Wing Fire Department Relief Association ²³	1892
Red Wing Police Relief Association ²⁷	1948
Richfield Fire Department Relief Association ⁵⁷	1942
Richfield Police Relief Association ²²	1965
Rochester Fire Department Relief Association ⁴²	1891
Rochester Police Relief Association ³⁸	1939
St. Cloud Fire Department Relief Association ⁴³	1906
St. Cloud Police Relief Association ⁴⁴	1939
St. Louis Park Fire Department Relief Association ³⁷	1948
St. Louis Park Police Relief Association ⁴²	1955
St. Paul Fire Department Relief Association ³²	1868/1885
St. Paul Police Relief Association ²¹	1903
South St. Paul Firefighters Relief Association ²¹	1943
South St. Paul Police Relief Association ⁵⁷	1941
Thief River Falls Police Relief Association ⁴⁵	1941
Virginia Fire Department Relief Association ⁵¹	1931
Virginia Police Relief Association ⁴⁷	1935
West St. Paul Fire Department Relief Association ⁴⁶	1947
West St. Paul Police Relief Association ²¹	1967
Winona Fire Department Relief Association ³⁷	1887
Winona Police Relief Association ⁴²	1914
Local Volunteer Firefighters Pension Plans	Establishment Date
696 volunteer firefighter relief associations as of 11/29/2012 ⁵⁹	various years

Minnesota Public Pension Plans

<u>Employer-Funded Deferred Compensation and Related Plans</u>	<u>Establishment Date</u>
State Deferred Compensation Plan	1971
Prior Lake School District Supplemental Retirement Plan	1967
Bloomington School District Supplemental Retirement Plan	<i>not available</i>
Edina School District Supplemental Retirement Plan	<i>not available</i>
Hopkins School District Supplemental Retirement Plan	<i>not available</i>
Mnnetonka School District Supplemental Retirement Plan	<i>not available</i>
Richfield School District Supplemental Retirement Plan	<i>not available</i>
St. Louis Park School District Supplemental Retirement Plan	<i>not available</i>
Wayzata School District Supplemental Retirement Plan	<i>not available</i>

Notes:

- ¹ Before the 1973 creation of the Correctional Employees Retirement Plan, coverage was provided by the General State Employees Retirement Plan.
- ² Game Wardens Retirement Plan was replaced by the State Police Retirement Plan in 1961.
- ³ State Police Retirement Plan consolidated with the State Patrol Retirement Plan in 1969.
- ⁴ Before the 1965 creation of the Legislators Retirement Plan, coverage was provided by the Public Employees Retirement Plan. The plan was closed to new interests as of July 1, 1997, and existing members were permitted to elect coverage by the Unclassified State Employees Retirement Program.
- ⁵ Coverage was shifted to the Elective State Officers Retirement in 1967.
- ⁶ Coverage limited to judges who first assumed judicial office before January 1, 1974.
- ⁷ Plan was repealed in 1980. Coverage for the membership of the prior plan was transferred to the Unclassified State Employees Retirement Program in 1981, retroactive to the date of initial appointment to employment position.
- ⁸ Before creation of the plan, coverage was provided by the General State Employees Retirement Plan.
- ⁹ Before creation of the program, coverage was provided by the General State Employees Retirement Plan. Program members retain the option to select General State Employees Retirement Plan benefits if the member has at least ten years of state service.
- ¹⁰ The plan was acquired by the Metropolitan Transit Commission from the prior employer, the Twin City Rapid Transit Co. in 1970. The plan consolidated with the General State Employees Retirement Plan in 1978.
- ¹¹ Before creation of the Public Employees Police and Fire Retirement Plan in 1959, coverage was provided by the Public Employees Retirement Plan. In 1999, the various police and salaried firefighter consolidation accounts were merged into this plan.
- ¹² The 1987 plan was not implemented by any of the counties authorized to do so by 1997 and was repealed. A replacement plan was enacted in 1999.
- ¹³ For local government elected officials added to eligibility for coverage by the plan in 1990, coverage is optional and prior coverage, if any, was by the Public Employees Retirement Plan.
- ¹⁴ Before creation of the plan, prior coverage was by the General State Employees Retirement Plan. Plan consolidated into the Public Employees Police and Fire Retirement Plan in 1978.
- ¹⁵ Plan was replaced by the Teachers Retirement Plan.
- ¹⁶ Before creation of the Individual Retirement Account Plan in 1988, coverage was provided by the Teachers Retirement Plan.
- ¹⁷ Plan was closed to new entrants as of June 30, 1979, and was consolidated administratively into PERA in 2010, with total consolidation with PERA-General when the MERF Division becomes 80% funded. Coverage for applicable employees initially hired after June 30, 1979 is provided by the Public Employees Retirement Plan. Administration of the plan was transferred to PERA on June 30, 2010.
- ¹⁸ Plan was closed to new entrants as of December 31, 1969, in favor of the Public Employees Retirement Plan, and short service members and members opting for Social Security coverage were transferred to the Public Employees Retirement Plan. Plan was consolidated into the Public Employees Retirement Plan in 1973.
- ¹⁹ Plan was closed to new entrants and to reemployed former members as of April 14, 1982.
- ²⁰ Plan was authorized in 1909, but not implemented until 1910.
- ²¹ Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1993.
- ²² Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1991.
- ²³ Plan was closed to new entrants in 1973 and consolidated into the Public Employees Police and Fire Plan in 1989.
- ²⁴ Plan was closed to new entrants in 1976 and consolidated into the Public Employees Police and Fire Plan in 1998.
- ²⁵ Plan consolidated into the Public Employees Police and Fire Plan in 1978.
- ²⁶ Plan was closed to new entrants in 1976 and consolidated into the Public Employees Police and Fire Plan in 1987.
- ²⁷ Plan was closed to new entrants in 1973, and consolidated into the Public Employees Police and Fire Plan in 1990.
- ²⁸ Plan consolidated into the Public Employees Police and Fire Plan in 1973.
- ²⁹ Plan was closed to new entrants in 1975 and consolidated into the Public Employees Police and Fire Plan in 1994.
- ³⁰ Plan was closed to new entrants in 1977 and consolidated into the Public Employee Police and Fire Plan in 1994.
- ³¹ Plan consolidated into the Public Employees Police and Fire Plan in 1990.
- ³² Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1992.
- ³³ Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1987.
- ³⁴ Coverage for active members was transferred to the Public Employees Police and Fire Plan in 1977 and plan was converted to city-operated trust fund for benefit recipients.
- ³⁵ Coverage for salaried firefighters was transferred to the Public Employees Police and Fire Plan in 1973; Plan continues as volunteer firefighters relief association.
- ³⁶ Plan coverage was terminated in 1973.

Minnesota Public Pension Plans

- 37 Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1989.
- 38 Plan was closed to new entrants in 1971 and consolidated into the Public Employees Police and Fire Plan in 1990.
- 39 Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1985.
- 40 Coverage for active members was transferred to the public Employees Police and Fire Plan in 1969 and plan operates as trust fund for benefit recipients.
- 41 Plan was closed to new entrants in 1974 and consolidated into the Public Employee Police and Fire Plan in 1994.
- 42 Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1990.
- 43 Plan was closed to new entrants in 1974 and consolidated into the Public Employees Police and Fire Plan in 1989.
- 44 Plan was closed to new entrants in 1973 and consolidated into the Public Employees Police and Fire Plan in 1997.
- 45 Coverage for active members was transferred to the Public Employees Police and Fire Plan in 1978 and plan was converted to city-operated trust fund for benefit recipients.
- 46 Plan was closed to new entrants as of June 15, 1980, and consolidated into the Public Employees Police and Fire Plan in 1988.
- 47 Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1996.
- 48 Plan was closed to new entrants in 1977 and was consolidated into the Public Employees Police and Fire Plan in 2012.
- 49 Plan was closed to new entrants in 1976 and consolidated into the Public Employees Police and Fire Plan in 1993.
- 50 Plan was closed to new entrants in 1977 and consolidated into the Public Employees Police and Fire Plan in 1993.
- 51 Plan was closed to new entrants in 1974, consolidated with PERA in 2010, and merged into the Public Employees Police and Fire Plan in 2012.
- 52 Plan was closed to new entrants as of June 15, 1980, and was consolidated into the Public Employees Police and Fire Plan in 2011.
- 53 Plan was closed to new entrants as of July 1, 1997. Existing members were permitted to elect coverage by the Unclassified State Employees Retirement Program.
- 54 Judges who reach the service credit maximum in the Judges Retirement Plan are covered by the Unclassified State Employees Retirement Program for future service (employee contribution only).
- 55 The plan covers volunteer firefighters, but because it provides benefits based on the salary of a top grade Bloomington police officer, with post-retirement escalation, the plan is considered to be a salaried firefighter pension plan.
- 56 The plan was closed to new entrants in 1980 and consolidated into the Public Employees Police and Fire Plan in 1998.
- 57 The plan was closed to new entrants in 1980 and consolidated into the Public Employees Police and Fire Plan in 1997.
- 58 The plan was authorized in 1909, but not implemented until 1910, and the plan was consolidated into the Teachers Retirement Association in June 2006.
- 59 The voluntary statewide retirement plan was established in 2009, with fire departments entering coverage as of the January 1 following receipt of a funding requirement determination and receiving municipal approval. Six fire departments entered in 2010, 12 fire departments entered in 2011, 17 fire departments entered in 2012, and 28 fire departments will enter in 2013.

Minnesota Public Pension Plans

Major and Statewide Plans, Funds, and Administrations

<u>Benefit Plan</u>	<u>Benefit Plan Administration</u>	<u>Pension Fund</u>	<u>Investment Authority</u>
General State Employees Retirement Plan	Minnesota State Retirement System	State Employees Retirement Fund	State Board of Investment
Military Affairs Personnel Retirement Plan	Minnesota State Retirement System	State Employees Retirement Fund	State Board of Investment
Transportation Dept. Pilots Retirement Plan	Minnesota State Retirement System	State Employees Retirement Fund	State Board of Investment
State Fire Marshal Division Arson Investigators Retirement Plan	Minnesota State Retirement System	State Employees Retirement Fund	State Board of Investment
Correctional State Employees Retirement Plan	Minnesota State Retirement System	Correctional Employees Retirement Fund	State Board of Investment
State Patrol Retirement Plan	Minnesota State Retirement System	State Patrol Retirement Fund	State Board of Investment
Elective State Officers Retirement Plan	Minnesota State Retirement System	None (State General Fund)	N/A
Unclassified State Employees Retirement Program	Minnesota State Retirement System	Minnesota Supplemental Investment Fund	State Board of Investment
Legislators Retirement Plan	Minnesota State Retirement System	None (State General Fund)	State Board of Investment
Judges Retirement Plan	Minnesota State Retirement System	Judges Retirement Fund	State Board of Investment
Public Employees Retirement Plan	Public Employees Retirement Association	Public Employees Retirement Fund	State Board of Investment
Public Employees Police and Fire Plan	Public Employees Retirement Association	Public Employees Police and Fire Fund	State Board of Investment
Public Employees Local Government Correctional Service Retirement Plan	Public Employees Retirement Association	Local Government Correctional Service Retirement Fund	State Board of Investment
Ambulance Service Personnel Longevity Plan	Emergency Medical Services Regulatory Board	Minnesota Supplemental Investment Fund	State Board of Investment
Teachers Retirement Plan	Teachers Retirement Association	Teachers Retirement Fund	State Board of Investment
MnSCU Supplemental Retirement Plan	Minnesota State Colleges and Universities Board	Minnesota Supplemental Investment Fund & outside investment vehicles	State Board of Investment/ Outside Vendors
MnSCU Individual Retirement Account Plan	Minnesota State Colleges and Universities Board	Minnesota Supplemental Investment Fund & outside investment vehicles	State Board of Investment/ Outside Vendors
Duluth Teachers Retirement Plan	Duluth Teachers Retirement Fund Association	Duluth Teachers Retirement Fund	DTRFA Board
St. Paul Teachers Retirement Plan	St. Paul Teachers Retirement Fund Association	St. Paul Teachers Retirement Fund	SPTRFA Board
MERF Division of PERA	Public Employees Retirement Association	MERF Division account within PERA	State Board of Investment
Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan	Public Employees Retirement Association	PERA-SVF Fund	State Board of Investment

Legal Aspects of Minnesota Public Retirement

General Approach to Public Pension Specification and Regulation

A. Public Employee Retirement Plans Other Than Volunteer Firefighters Relief Associations.

- The entirety of the benefit plan of these retirement plans is specified in statute. Modifications in the retirement benefit plans are effected wholly by legislative enactment for statewide retirement plans or are effected or approved by legislative enactment for the first class city retirement fund associations.
- The statewide retirement plan administrations have authority to issue rules (*see Minnesota Statutes, Sections 352.03, Subdivision 4, Paragraph (a), Clause (3); 353.03, Subdivision 3, Paragraph (a), Clauses (3) and (4); and 354.07, Subdivision 1*). In practice, the statewide retirement plan administrations have issued few rules. The first class city teacher retirement fund associations have authority to adopt articles of incorporation and bylaws (*see Minnesota Statutes, Section 354A.021, Subdivisions 2 and 9*).

B. Volunteer Firefighter Relief Associations

- The entirety of the benefit plan of each of the 700+ volunteer firefighter relief associations is contained in the articles of incorporation and the bylaws of the relief association, adopted by the membership of the relief association and approved by the governing body of the applicable municipality if affecting benefit amounts unless the relief association is fully funded before and after the benefit change.
- The articles of incorporation and the bylaws of a volunteer firefighter relief association are subject to state statute, which specifies certain minimums, such as age for benefit receipt and service for vesting, and specifies certain maximums, such as service pension amounts and ancillary benefit coverage.

Retirement Plan Governing Laws

The provisions of Minnesota Statutes governing Minnesota public retirement coverage and the applicable retirement plan are as follows:

<u>Minnesota Statutes</u>	<u>Retirement Plan</u>
3A	Legislators Retirement Plan (Closed in 1997)
43A (Sec. 43A.34)	Mandatory Retirement for certain State Patrol Plan members
43A (Sec. 43A.345)	1997-1998 Early Retirement Incentive
43A (Sec. 43A.346)	Post Retirement Re-employment Option
69	Fire State Aid program and Police State Aid program
352	Minnesota State Retirement System-General State Employees Retirement Plan (MSRS-General); MSRS-Correctional State Employees Retirement Plan (MSRS-Correctional)
352B	State Patrol Retirement Plan
352C	Elective State Officers Retirement Plan (Closed in 1997)
352D	MSRS-Unclassified State Employees Retirement Program (MSRS- Unclassified)
352F	University of Minnesota Hospital Special Retirement Provisions

Legal Aspects of Minnesota Public Retirement

Minnesota Statutes	Retirement Plan
353	Public Employees Retirement Association-General Employees Retirement Plan (PERA-General); Public Employees Police & Fire Retirement Plan (PERA-P&F)
353A	Local Police & Paid Fire Relief Association Consolidation (Obsolete)
353B	Local Police & Paid Fire Relief Association Consolidation (Obsolete)
353D	Public Employees defined Contribution Retirement Plan
353E	Local Government Correctional Service Retirement Plan (PERA- Correctional)
353F	Privatized Public Hospital and Other Local Governmental Entities Special Retirement Provisions
353G	Voluntary Statewide Lump Sum Volunteer Firefighter Retirement Plan
354	Teachers Retirement Association (TRA)
354A	Duluth Teachers Retirement Fund Association (DTRFA); St. Paul Teachers Retirement Fund Association (SPTRFA)
354B	Minnesota State Colleges & Universities Individual Retirement Plan (MnSCU-IRAP)
354C	Higher Education Supplemental Retirement Plan
354D	State Arts Board, Minnesota Humanities Center, and Minnesota Historical Society Individual Retirement Plan
355	Social Security Coverage Agreements
356	Retirement Systems, Generally
356A	Public Pension Fiduciary Responsibility Act
356B	Public Pension Administration
423A	Police and Fire Amortization, Supplemental Amortization, and Additional Amortization State Aid programs
424A	Volunteer Firefighters Relief Association Retirement Provisions
424B	Volunteer Firefighters Relief Association Consolidation, Dissolution
490	Uniform Judicial Retirement Plan

Status of Minnesota Public Pension Plans as Governmental Entities

- The statewide retirement plan administrations have the status of state agencies, with the Minnesota State Retirement System and the Teachers Retirement Association treated as such historically, without any specific statutory provision governing the topic, and, with the Public Employees Retirement Association, specifically denoted as not being subject to any laws generally applicable to state agencies between 1975 and 1984 (*see Laws 1975, Chapter 102, Section 8*) and specifically denoted as being subject to any laws generally applicable to state agencies since 1985 (*see Minnesota Statutes, Section 353.03, Subdivision 5; Laws 1985, Chapter 11, Section 10*).
- The first class city teacher retirement fund associations are nonprofit corporations under Minnesota Statutes, Chapter 317A.
- Many of the volunteer firefighter relief associations are associated with municipal fire departments, although the relief association is a nonprofit corporation separate from the municipal corporation. A significant minority of volunteer firefighter relief associations are subsidiary corporations of independent nonprofit firefighting corporations, which typically contract with one or several townships or cities.

Legal Aspects of Minnesota Public Retirement

Federal Income Tax Qualification of Minnesota Public Pension Plans

- The statewide Minnesota public pension plans and the first class city teacher retirement fund associations are federal Internal Revenue Code, Section 401 (a) tax exempt retirement plans and trusts and have tax qualification letters from the federal Internal Revenue Service. The first class city teacher retirement fund associations also are tax exempt organizations under federal Internal Revenue Code, Section 501 (c) (11).
- Volunteer firefighter relief associations, akin to public pension plans generally, have been treated historically as if they are tax qualified retirement plans. A generally applicable tax exemption determination from the late 1970's indicates that volunteer firefighter relief associations are tax qualified under federal Internal Revenue Code, Section 501 (c) (4) as organizations that reduce the financial obligations of municipalities. Few volunteer firefighter relief associations have federal Internal Revenue Code, Section 401 (a) tax qualification letters. There has been a recent concentrated effort by the Minnesota State Fire Chiefs Association, the Minnesota Fire Department Association, the Minnesota Area Relief Association Coalition, and the League of Minnesota Cities to resolve a Form 990 filing issue with the federal Internal Revenue Service to retain federal Internal Revenue Code, Section 501 (c) (4) exempt status.

Application of the Public Employees Labor Relations Act

- The Public Employees Labor Relations Act (PELRA) was enacted in 1971 and initially permitted the collective bargaining of retirement benefits and contributions. The 1973 legislation shifting the MSRS-General State Employees Retirement Plan from a career average salary defined benefit retirement plan to a final average salary defined benefit plan and creating the MSRS-Correction State Employees Retirement Plan was an outgrowth of the initial bargaining between the State of Minnesota and AFSCME Council 6.
- In 1973 (Laws 1973, Chapter 635, Section 6,) the definition of "terms and conditions of employment" was amended to exclude retirement contributions and benefits.
- Although members of the Commission who advocated the 1973 PELRA law change with respect to retirement contributions and benefits believed that post-1973 State law prohibited collective bargaining over retirement topics, the American Transit Union continued to bargain with the Metropolitan Transit Commission over the public sector-inherited Twin City Lines Retirement Plan after 1973. In response to a question from the Commission, an Attorney General's opinion in 1978 indicated that the 1973 PELRA amendment simply excluded retirement benefits and contributions from mandatory bargaining items, but did not prohibit parties from jointly voluntarily bargaining on retirement topics.

Legal Aspects of Minnesota Public Retirement

Legal Representation of Minnesota Public Pension Plans

- The statewide retirement plan administrations are represented in legal actions by or against the retirement fund by the State Attorney General. The venue for legal actions against a statewide retirement fund is solely in the Ramsey County district court (*see Minnesota Statutes, Sections 352.03, Subdivision 11; 353.08; and 354.07, Subdivision 3*).
- The first class city teacher retirement fund associations, as nonprofit corporations, retain outside legal counsel, although that legal counsel can request the legal opinion of the State Attorney General under Minnesota Statutes, Section 8.07.
- Volunteer firefighter relief associations that are associated with municipal fire departments can utilize the municipality's legal counsel or, as nonprofit corporations, retain outside legal counsel. Volunteer firefighter relief associations that are subsidiary to nonprofit firefighting corporations can utilize the firefighting corporation's legal counsel or, as nonprofit corporations, can retain outside legal counsel. Legal counsel can request the legal opinion of the State Attorney General under Minnesota Statutes, Section 8.07.

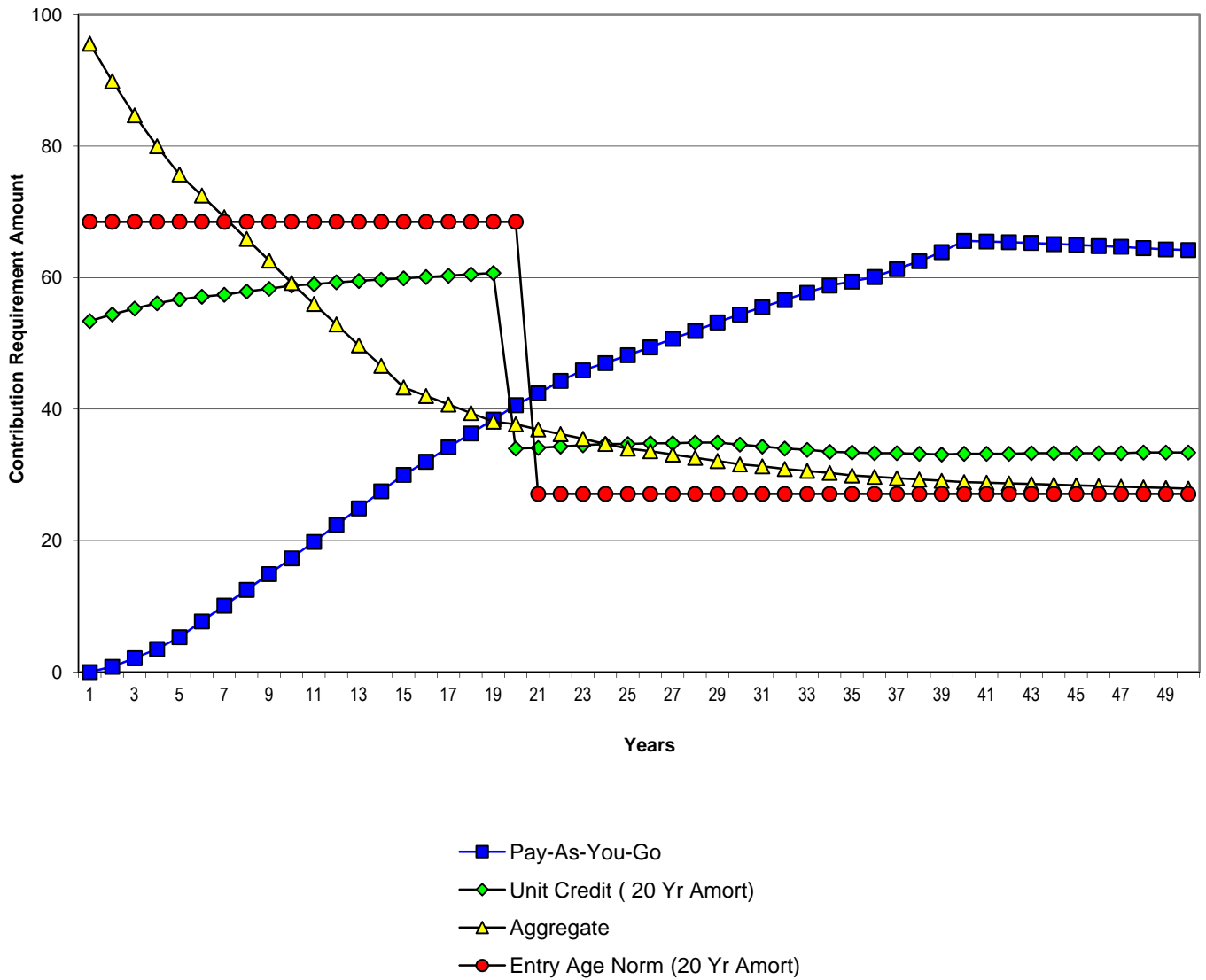
Minnesota Public Pension Plans Actuarial Reporting

- Before 1957, no state law required any actuarial reporting regarding Minnesota public pension plans.
- Regular Minnesota public pension plan actuarial and financial reporting was first required in 1965, with the actuarial valuations prepared by the consulting actuaries retained by the plans.
- Since 1984, actuarial reporting on the major and statewide Minnesota public pension plans has been required to be prepared by a single consulting actuary initially retained by the Legislative Commission on Pensions and Retirement (1984-2003) and subsequently retained jointly by the statewide and major local retirement plan administrations.
- Actuarial reporting requirements and major economic assumptions are largely prescribed in statute. The statutory regulation of actuarial work is augmented by the Standards for Actuarial Work adopted by the Commission. Additional demographic actuarial assumptions are adopted by the plan governing boards, subject to Commission approval.
- Actuarial reporting prepared by the jointly-retained actuary is reviewed or supplemented by the consulting actuaries retained by the various plans.
- The cost for the regular pension plan actuarial reporting prepared by jointly-retained actuary is allocated between the various statewide and major pension plans.
- Actuarial reporting is intended to assess the adequacy of the total non-investment revenue financial support of the pension plan compared with calculated annual actuarial funding requirements of the pension plan, to assess the extent of conformance with the selected budgetary actuarial method for accumulating financial reserves for pension liabilities, and to provide required actuarial disclosure for governmental accounting purposes.

Minnesota Public Pension Plans Nature of Actuarial Funding

- Actuarial funding is a mechanism for:
 1. Determining the magnitude of pension liabilities previously undertaken by a defined benefit pension plan;
 2. Comparing the current pension plan assets reserved for pension purposes with the accrued pension liabilities amassed by a defined benefit pension plan; and
 3. Assessing the adequacy of total annual contribution support to meet the total annual funding requirements of a defined benefit pension plan.
- Actuarial funding differs from non-actuarial pension funding, which is typically represented by current disbursements (pay-as-you-go) funding, as used by the Social Security System historically.
- Many different actuarial funding methods exist and were developed primarily to meet the budgetary needs of a plan sponsor.
- Minnesota utilizes the Entry Age Actuarial Cost Method (or Entry Age Normal Cost Actuarial Cost Method), which emphasizes the determination of a level actuarial cost as a percentage of covered payroll over a plan member's working career.
- Minnesota actuarial reporting produces:
 1. A measure of the magnitude of accrued pension liability: Actuarial Accrued Liability
 2. A pension reserve comparison: Current Assets (actuarial value of assets)
Unfunded Actuarial Accrued Liability
Funding Ratio (assets expressed as a percentage of liabilities)
 3. Measure of contribution adequacy: Funding Requirement
 1. Normal Cost
 2. Administrative Expenses
 3. Supplementary (Amortization) ContributionTotal Actuarial Requirement (1. + 2. + 3.)
Contributions
 4. Member Contributions
 5. Employer Contributions
 6. State Aid or Other Regular FundingTotal Contributions (4. + 5. + 6.)

Pattern of Recognizing Pension Costs Over Time Under Various Funding Methods



Source: Robert Tilove, *Public Employee Pension Funds*, N. Y., Columbia University Press, 1976, pp. 144-145, as adapted from Charles L. Trowbridge, "Fundamentals of Pension Funding," *Transactions, Society of Actuaries*, Vol. 4, 1952

Summary of Actuarial Valuation Results Minnesota Public Employee Retirement Plans

	Total Statewide General Employee Plans 2012		Total Statewide Public Safety Plans 2012		Total Statewide Specialty Plans 2012		Total First Class City Plans 2012		Total Local Police & Paid Fire Plans 2011-2012		Volunteer Fire Plans** 2010		TOTAL ALL PLANS	
Membership														
Active Members	264,186		19,424		342		4,879		117		17,187		306,135	
Service Retirees	141,776		9,398		487		7,338		135		1,455		160,589	
Disabilitants	5,979		1,540		25		171		15		0		7,730	
Survivors	15,180		2,235		183		1,224		21		0		18,843	
Deferred Retirees	72,257		4,614		92		2,186		13		3,292		82,454	
Nonvested Former Members	<u>148,666</u>		<u>3,186</u>		<u>1</u>		<u>2,193</u>		<u>0</u>		<u>0</u>		<u>154,046</u>	
Total Membership	648,044		40,397		1,130		17,991		301		21,934		729,797	
Funded Status														
Accrued Liability	\$52,706,629,000		\$9,475,615,000		\$538,139,950		\$3,017,194,873		\$107,951,877		\$444,827,324		\$66,290,358,024	
Current Assets	<u>\$39,629,060,000</u>		<u>\$7,322,279,000</u>		<u>\$160,421,000</u>		<u>\$1,961,574,425</u>		<u>\$110,822,777</u>		<u>\$439,785,023</u>		<u>\$49,623,942,225</u>	
Unfunded Accrued Liability	\$13,077,569,000		\$2,153,336,000		\$377,718,950		\$1,055,620,448		(\$2,870,900)		\$5,042,301		\$16,666,415,799	
Funding Ratio	75.19%		77.27%		29.81%		65.01%		102.66%		98.87%		74.86%	
Financing Requirements														
Covered Payroll	\$11,811,549,000		\$1,256,871,000		\$41,925,000		\$312,754,110		\$9,069,840		\$0		\$13,432,168,950	
Benefits Payable	\$3,038,259,000		\$483,595,000		\$26,752,000		\$267,303,357		\$4,024,149		\$28,519,543		\$3,848,453,049	
Normal Cost	7.50%	\$886,226,000	18.71%	\$235,184,000	21.69%	\$9,094,000	8.12%	\$25,387,213	26.51%	\$2,404,329		\$25,146,783	8.81%	\$1,183,442,325
Administrative Expenses	<u>0.22%</u>	<u>\$26,240,000</u>	<u>0.15%</u>	<u>\$1,843,000</u>	<u>0.24%</u>	<u>\$100,000</u>	<u>0.57%</u>	<u>\$1,772,288</u>	<u>0.91%</u>	<u>\$82,562</u>		<u>\$4,628,196</u>	<u>0.26%</u>	<u>\$34,666,046</u>
Normal Cost & Expense	7.73%	\$912,466,000	18.86%	\$237,027,000	21.93%	\$9,194,000	8.68%	\$27,159,501	27.42%	\$2,486,891		\$29,774,979	9.07%	\$1,218,108,371
Normal Cost & Expense	7.73%	\$912,466,000	18.86%	\$237,027,000	21.93%	\$9,194,000	8.68%	\$27,159,501	27.42%	\$2,486,891		\$29,774,979	9.07%	\$1,218,108,371
Amortization	<u>7.80%</u>	<u>\$920,751,000</u>	<u>11.06%</u>	<u>\$138,964,000</u>	<u>64.32%</u>	<u>\$26,967,661</u>	<u>26.89%</u>	<u>\$84,087,470</u>	<u>(3.17%)</u>	<u>(\$287,090)</u>		<u>\$5,760,077</u>	<u>8.76%</u>	<u>\$1,176,243,118</u>
Total Requirements	15.52%	\$1,833,217,000	29.91%	\$375,991,000	86.25%	\$36,161,661	35.57%	\$111,246,971	24.25%	\$2,199,801		\$35,535,056	17.83%	\$2,394,351,489
Employee Contributions	6.08%	\$717,870,000	9.07%	\$113,955,000	7.57%	\$3,173,000	6.16%	\$19,276,252	0.00%	\$0		\$0	6.36%	\$854,274,252
Employer Contributions	6.59%	\$777,844,000	13.47%	\$169,245,000	19.83%	\$8,314,000	8.55%	\$26,728,075	20.32%	\$1,843,060		\$13,156,918	7.42%	\$997,131,053
Employer Add'l Cont.	0.00%	\$0	0.92%	\$11,559,000	0.00%	\$0	9.93%	\$31,041,000	0.00%	\$0		\$0	0.32%	\$42,600,000
Direct State Funding	0.18%	\$21,727,000	0.00%	\$0	0.00%	\$0	9.17%	\$28,683,202	3.93%	\$356,741		\$17,077,564	0.51%	\$67,844,507
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0		\$569,548	0.00%	\$569,548
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>		<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	12.85%	\$1,517,441,000	23.45%	\$294,759,000	27.40%	\$11,487,000	33.81%	\$105,728,529	24.25%	\$2,199,801		\$30,804,030	14.61%	\$1,962,419,360
Total Requirements	15.52%	\$1,833,217,000	29.91%	\$375,991,000	86.25%	\$36,161,661	35.57%	\$111,246,971	24.25%	\$2,199,801		\$35,535,056	17.83%	\$2,394,351,489
Total Contributions	<u>12.85%</u>	<u>\$1,517,441,000</u>	<u>23.45%</u>	<u>\$294,759,000</u>	<u>27.40%</u>	<u>\$11,487,000</u>	<u>33.81%</u>	<u>\$105,728,529</u>	<u>24.25%</u>	<u>\$2,199,801</u>		<u>\$30,804,030</u>	<u>14.61%</u>	<u>\$1,962,419,360</u>
Deficiency (Surplus)	2.67%	\$315,776,000	6.46%	\$81,232,000	58.85%	\$24,674,661	1.76%	\$5,518,442	0.00%	\$0		\$4,731,026	3.22%	\$431,932,129

**Source: State Auditor Public Pension Plan Financial and Investment Report (most recent data available)

Summary of Actuarial Valuation Results Statewide General Employee Retirement Plans

	MSRS-General 2012		PERA-General 2012		TRA 2012		Total Statewide General Employee Plans 2012	
Membership								
Active Members		48,207		139,330		76,649		264,186
Service Retirees		26,524		64,472		50,780		141,776
Disabilitants		1,750		3,638		591		5,979
Survivors		3,701		7,425		4,054		15,180
Deferred Retirees		15,702		44,354		12,201		72,257
Nonvested Former Members		<u>5,788</u>		<u>115,287</u>		<u>27,591</u>		<u>148,666</u>
Total Membership		101,672		374,506		171,866		648,044
Funded Status								
Accrued Liability		\$11,083,227,000		\$18,598,897,000		\$23,024,505,000		\$52,706,629,000
Current Assets		<u>\$9,162,301,000</u>		<u>\$13,661,682,000</u>		<u>\$16,805,077,000</u>		<u>\$39,629,060,000</u>
Unfunded Accrued Liability		\$1,920,926,000		\$4,937,215,000		\$6,219,428,000		\$13,077,569,000
Funding Ratio	82.67%		73.45%		72.99%		75.19%	
Financing Requirements								
Covered Payroll		\$2,463,700,000		\$5,201,524,000		\$4,146,325,000		\$11,811,549,000
Benefits Payable		\$552,088,000		\$1,000,644,000		\$1,485,527,000		\$3,038,259,000
Normal Cost	7.17%	\$176,648,000	6.84%	\$355,782,000	8.53%	\$353,796,000	7.50%	\$886,226,000
Administrative Expenses	<u>0.26%</u>	<u>\$6,406,000</u>	<u>0.19%</u>	<u>\$9,883,000</u>	<u>0.24%</u>	<u>\$9,951,000</u>	<u>0.22%</u>	<u>\$26,240,000</u>
Normal Cost & Expense	7.43%	\$183,054,000	7.03%	\$365,665,000	8.77%	\$363,747,000	7.73%	\$912,466,000
Normal Cost & Expense	7.43%	\$183,054,000	7.03%	\$365,665,000	8.77%	\$363,747,000	7.73%	\$912,466,000
Amortization	<u>4.89%</u>	<u>\$120,475,000</u>	<u>7.43%</u>	<u>\$386,473,000</u>	<u>9.98%</u>	<u>\$413,803,000</u>	<u>7.80%</u>	<u>\$920,751,000</u>
Total Requirements	12.32%	\$303,529,000	14.46%	\$752,138,000	18.75%	\$777,550,000	15.52%	\$1,833,217,000
Employee Contributions	5.00%	\$123,185,000	6.25%	\$325,113,000	6.50%	\$269,572,000	6.08%	\$717,870,000
Employer Contributions	5.00%	\$123,185,000	7.25%	\$377,139,000	6.69%	\$277,520,000	6.59%	\$777,844,000
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Direct State Funding	0.00%	\$0	0.00%	\$0	0.52%	\$21,727,000	0.18%	\$21,727,000
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	10.00%	\$246,370,000	13.50%	\$702,252,000	13.71%	\$568,819,000	12.85%	\$1,517,441,000
Total Requirements	12.32%	\$303,529,000	14.46%	\$752,138,000	18.75%	\$777,550,000	15.52%	\$1,833,217,000
Total Contributions	<u>10.00%</u>	<u>\$246,370,000</u>	<u>13.50%</u>	<u>\$702,252,000</u>	<u>13.71%</u>	<u>\$568,819,000</u>	<u>12.85%</u>	<u>\$1,517,441,000</u>
Deficiency (Surplus)	2.32%	\$57,159,000	0.96%	\$49,886,000	5.04%	\$208,731,000	2.67%	\$315,776,000

Summary of Actuarial Valuation Results Statewide Public Safety Retirement Plans

	MSRS-Correctional 2012		State Patrol 2012		PERA-P&F 2012		PERA-Correctional 2012		Total Statewide Public Safety Plans 2012	
Membership										
Active Members		4,276		823		10,865		3,460		19,424
Service Retirees		1,773		733		6,463		429		9,398
Disabilitants		244		48		1,095		153		1,540
Survivors		180		182		1,848		25		2,235
Deferred Retirees		1,180		40		1,303		2,091		4,614
Nonvested Former Members		473		15		971		1,727		3,186
Total Membership		8,126		1,841		22,545		7,885		40,397
Funded Status										
Accrued Liability		\$968,166,000		\$760,955,000		\$7,403,295,000		\$343,199,000		\$9,475,615,000
Current Assets		<u>\$663,713,000</u>		<u>\$554,244,000</u>		<u>\$5,797,868,000</u>		<u>\$306,454,000</u>		<u>\$7,322,279,000</u>
Unfunded Accrued Liability		\$304,453,000		\$206,711,000		\$1,605,427,000		\$36,745,000		\$2,153,336,000
Funding Ratio	68.55%		72.84%		78.31%		89.29%		77.27%	
Financing Requirements										
Covered Payroll		\$212,056,000		\$66,592,000		\$807,180,000		\$171,043,000		\$1,256,871,000
Benefits Payable		\$42,571,000		\$50,007,000		\$386,208,000		\$4,809,000		\$483,595,000
Normal Cost	15.66%	\$33,206,000	21.63%	\$14,404,000	20.56%	\$165,955,000	12.64%	\$21,619,000	18.71%	\$235,184,000
Administrative Expenses	<u>0.27%</u>	<u>\$573,000</u>	<u>0.24%</u>	<u>\$160,000</u>	<u>0.11%</u>	<u>\$888,000</u>	<u>0.13%</u>	<u>\$222,000</u>	<u>0.15%</u>	<u>\$1,843,000</u>
Normal Cost & Expense	15.93%	\$33,779,000	21.87%	\$14,564,000	20.67%	\$166,843,000	12.77%	\$21,841,000	18.86%	\$237,027,000
Normal Cost & Expense	15.93%	\$33,779,000	21.87%	\$14,564,000	20.67%	\$166,843,000	12.77%	\$21,841,000	18.86%	\$237,027,000
Amortization	9.35%	\$19,827,000	20.65%	\$13,751,000	12.70%	\$102,512,000	1.68%	\$2,874,000	11.06%	\$138,964,000
Total Requirements	25.28%	\$53,606,000	42.52%	\$28,315,000	33.37%	\$269,355,000	14.45%	\$24,715,000	29.91%	\$375,991,000
Employee Contributions	8.60%	\$18,237,000	12.40%	\$8,257,000	9.60%	\$77,489,000	5.83%	\$9,972,000	9.07%	\$113,955,000
Employer Contributions	12.10%	\$25,659,000	18.60%	\$12,386,000	14.40%	\$116,234,000	8.75%	\$14,966,000	13.47%	\$169,245,000
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	1.43%	\$11,559,000	0.00%	\$0	0.92%	\$11,559,000
Direct State Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	20.70%	\$43,896,000	31.00%	\$20,643,000	25.43%	\$205,282,000	14.58%	\$24,938,000	23.45%	\$294,759,000
Total Requirements	25.28%	\$53,606,000	42.52%	\$28,315,000	33.37%	\$269,355,000	14.45%	\$24,715,000	29.91%	\$375,991,000
Total Contributions	<u>20.70%</u>	<u>\$43,896,000</u>	<u>31.00%</u>	<u>\$20,643,000</u>	<u>25.43%</u>	<u>\$205,282,000</u>	<u>14.58%</u>	<u>\$24,938,000</u>	<u>23.45%</u>	<u>\$294,759,000</u>
Deficiency (Surplus)	4.58%	\$9,710,000	11.52%	\$7,672,000	7.94%	\$64,073,000	(0.13%)	(\$223,000)	6.46%	\$81,232,000

Summary of Actuarial Valuation Results Statewide Specialty Retirement Plans

	Elective State Officers 2012		Judges 2012		Legislators 2012		Total Statewide Specialty Plans 2012	
Membership								
Active Members	0		308		34		342	
Service Retirees	10		190		287		487	
Disabilitants	0		25		0		25	
Survivors	4		99		80		183	
Deferred Retirees	1		17		74		92	
Nonvested Former Members	<u>0</u>		<u>0</u>		<u>1</u>		<u>1</u>	
Total Membership	15		639		476		1,130	
Funded Status								
Accrued Liability	\$8,906,950		\$281,576,000		\$247,657,000		\$538,139,950	
Current Assets	<u>\$0</u>		<u>\$144,898,000</u>		<u>\$15,523,000</u>		<u>\$160,421,000</u>	
Unfunded Accrued Liability	\$8,906,950		\$136,678,000		\$232,134,000		\$377,718,950	
Funding Ratio	0.00%	\$0	51.46%		6.27%		29.81%	
Financing Requirements								
Covered Payroll	\$0		\$40,557,000		\$1,368,000		\$41,925,000	
Benefits Payable	\$492,000		\$18,539,000		\$7,721,000		\$26,752,000	
Normal Cost	\$0	18.18%	\$7,374,000	125.73%	\$1,720,000	21.69%	\$9,094,000	
Administrative Expenses	<u>\$1,000</u>	<u>0.17%</u>	<u>\$69,000</u>	<u>2.21%</u>	<u>\$30,000</u>	<u>0.24%</u>	<u>\$100,000</u>	
Normal Cost & Expense	\$1,000	18.35%	\$7,443,000	127.94%	\$1,750,000	21.93%	\$9,194,000	
Normal Cost & Expense	\$1,000	18.35%	\$7,443,000	127.94%	\$1,750,000	21.93%	\$9,194,000	
Amortization	<u>\$989,661</u>	<u>23.17%</u>	<u>\$9,397,000</u>	<u>1212.06%</u>	<u>\$16,581,000</u>	<u>64.32%</u>	<u>\$26,967,661</u>	
Total Requirements	\$990,661	41.52%	\$16,840,000	1340.00%	\$18,331,000	86.25%	\$36,161,661	
Employee Contributions	\$0	7.52%	\$3,050,000	9.00%	\$123,000	7.57%	\$3,173,000	
Employer Contributions	*	\$0	20.50%	\$8,314,000	* 0.00%	\$0	19.83%	\$8,314,000
Employer Add'l Cont.	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	
Direct State Funding	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	
Other Govt. Funding	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	
Administrative Assessment	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	
Total Contributions	\$0	28.02%	\$11,364,000	9.00%	\$123,000	27.40%	\$11,487,000	
Total Requirements	\$990,661	41.52%	\$16,840,000	1340.00%	\$18,331,000	86.25%	\$36,161,661	
Total Contributions	<u>\$0</u>	<u>28.02%</u>	<u>\$11,364,000</u>	<u>9.00%</u>	<u>\$123,000</u>	<u>27.40%</u>	<u>\$11,487,000</u>	
Deficiency (Surplus)	\$990,661	13.50%	\$5,476,000	1331.00%	\$18,208,000	58.85%	\$24,674,661	
			* Pay-as-you-go Funding		* Terminal Funding			

Summary of Actuarial Valuation Results First Class City Retirement Plans

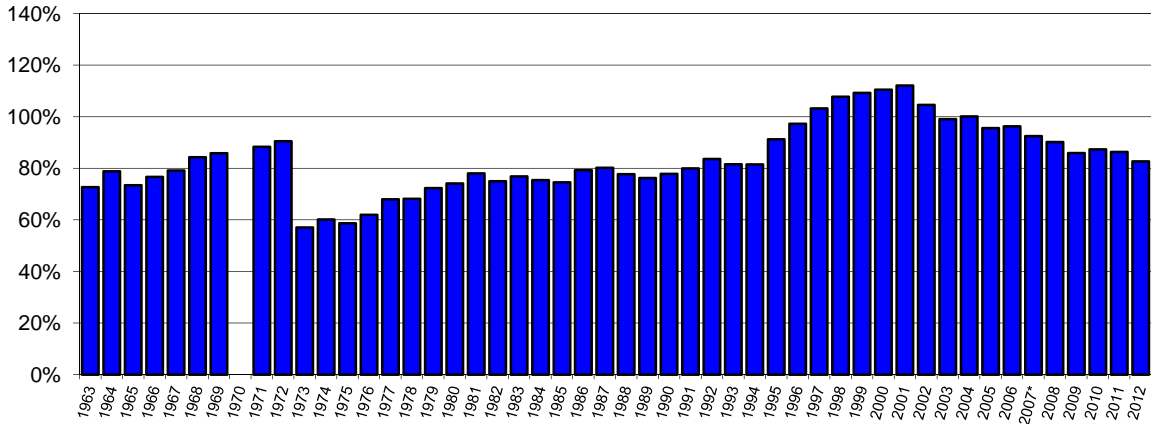
	DTRFA 2012		SPTRFA 2012		MERF Division of PERA 2012		Total First Class City Plans 2012	
<u>Membership</u>								
Active Members		919		3,880		80		4,879
Service Retirees		1,254		2,942		3,142		7,338
Disabilitants		19		29		123		171
Survivors		113		321		790		1,224
Deferred Retirees		284		1,833		69		2,186
Nonvested Former Members		<u>766</u>		<u>1,427</u>		<u>0</u>		<u>2,193</u>
Total Membership		3,355		10,432		4,204		17,991
<u>Funded Status</u>								
Accrued Liability		\$326,243,873		\$1,471,216,000		\$1,219,735,000		\$3,017,194,873
Current Assets		<u>\$206,833,425</u>		<u>\$911,930,000</u>		<u>\$842,811,000</u>		<u>\$1,961,574,425</u>
Unfunded Accrued Liability		\$119,410,448		\$559,286,000		\$376,924,000		\$1,055,620,448
Funding Ratio	63.40%		61.98%		69.10%		65.01%	
<u>Financing Requirements</u>								
Covered Payroll		\$50,973,110		\$256,509,000		\$5,272,000		\$312,754,110
Benefits Payable		\$24,806,357		\$101,788,000		\$140,709,000		\$267,303,357
Normal Cost	6.48%	\$3,305,213	8.39%	\$21,503,000	10.98%	\$579,000	8.12%	\$25,387,213
Administrative Expenses	<u>1.16%</u>	<u>\$591,288</u>	<u>0.31%</u>	<u>\$795,000</u>	<u>7.32%</u>	<u>\$386,000</u>	<u>0.57%</u>	<u>\$1,772,288</u>
Normal Cost & Expense	7.64%	\$3,896,501	8.70%	\$22,298,000	18.30%	\$965,000	8.68%	\$27,159,501
Normal Cost & Expense	7.64%	\$3,896,501	8.70%	\$22,298,000	18.30%	\$965,000	8.68%	\$27,159,501
Amortization	<u>15.36%</u>	<u>\$7,829,470</u>	<u>14.17%</u>	<u>\$36,347,000</u>	<u>757.03%</u>	<u>\$39,911,000</u>	<u>26.89%</u>	<u>\$84,087,470</u>
Total Requirements	23.01%	\$11,725,971	22.87%	\$58,645,000	775.33%	\$40,876,000	35.57%	\$111,246,971
Employee Contributions	6.50%	\$3,313,252	6.02%	\$15,449,000	9.75%	\$514,000	6.16%	\$19,276,252
Employer Contributions	6.79%	\$3,461,075	8.87%	\$22,753,000	9.75%	\$514,000	8.55%	\$26,728,075
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	588.79%	\$31,041,000	9.93%	\$31,041,000
Direct State Funding	1.23%	\$626,202	1.58%	\$4,057,000	455.23%	\$24,000,000	9.17%	\$28,683,202
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	14.52%	\$7,400,529	16.47%	\$42,259,000	1063.53%	\$56,069,000	33.81%	\$105,728,529
Total Requirements	23.01%	\$11,725,971	22.87%	\$58,645,000	775.33%	\$40,876,000	35.57%	\$111,246,971
Total Contributions	<u>14.52%</u>	<u>\$7,400,529</u>	<u>16.47%</u>	<u>\$42,259,000</u>	<u>1063.53%</u>	<u>\$56,069,000</u>	<u>33.81%</u>	<u>\$105,728,529</u>
Deficiency (Surplus)	8.49%	\$4,325,442	6.40%	\$16,386,000	(288.20%)	(\$15,193,000)	1.76%	\$5,518,442

Minnesota Public Pension Plans Funding Progress 1957-2012

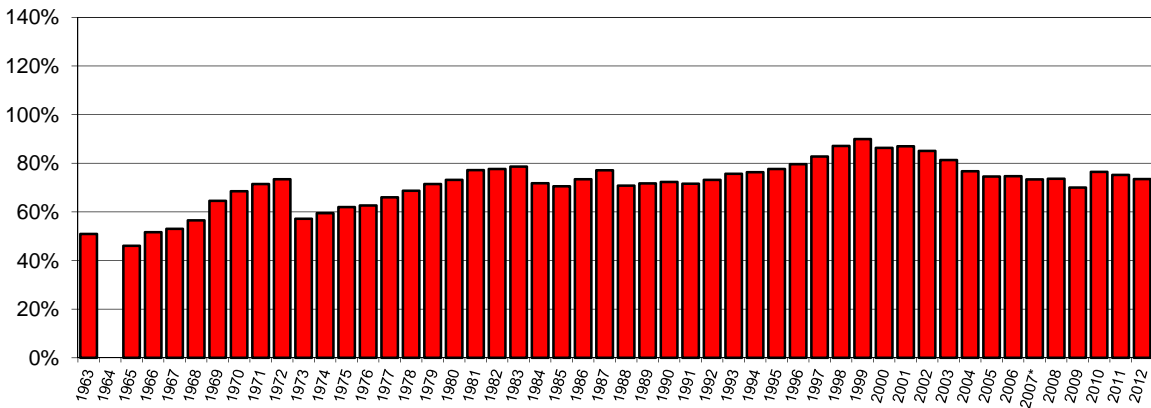
		General State Employees Retirement Plan (MSRS)		MN Three Major Statewide Plans (MSRS, PERA, TRA)		St. Paul Teachers Ret. Fund Assoc. (SPTRFA)		All Minnesota Public Employee Pension Plans	
1957:	Actuarial Accrued Liability		\$69,000,000		\$291,738,421		\$25,190,245		\$564,829,533
	Assets		<u>\$42,300,000</u>		<u>\$107,088,150</u>		<u>\$2,252,483</u>		<u>\$177,900,430</u>
	Unfunded Accrued Liability		\$26,700,000		\$4,341,687,953		\$22,937,762		\$386,929,103
	Funding Ratio	61.30%		36.71%		8.94%		87.17%	
	Normal Cost	6.29%	\$5,289,890	9.03%	\$26,414,703	14.00%	\$1,394,057	9.37%	\$34,192,946
	Expenses	--	--	0.07%	\$193,895	0.00%	\$0	0.05%	\$193,895
	Amortization	<u>1.37%</u>	<u>\$1,152,170</u>	<u>2.51%</u>	<u>\$7,345,006</u>	<u>10.10%</u>	<u>\$1,005,713</u>	<u>3.92%</u>	<u>\$14,306,194</u>
	Financial Requirements	7.66%	\$6,442,060	11.61%	\$33,953,604	24.10%	\$2,399,770	13.34%	\$48,693,035
	Employee Contributions	3.00%	\$2,523,000	5.14%	\$15,024,358	5.00%	\$497,878	5.17%	\$18,881,196
	Employer Contributions	<u>5.00%</u>	<u>\$4,205,000</u>	<u>6.69%</u>	<u>\$19,557,757</u>	<u>8.00%</u>	<u>\$796,604</u>	<u>7.38%</u>	<u>\$26,931,655</u>
	Total Contributions	8.00%	\$6,728,000	11.82%	\$34,582,115	13.00%	\$1,294,482	12.55%	\$45,812,851
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1975:	Actuarial Accrued Liability		\$420,764,087		\$2,277,884,654		\$121,897,799		\$3,406,858,458
	Assets		<u>\$246,896,093</u>		<u>\$1,302,569,785</u>		<u>\$46,833,545</u>		<u>\$1,799,398,021</u>
	Unfunded Accrued Liability		\$173,867,994		\$975,314,869		\$75,064,254		\$1,607,460,437
	Funding Ratio	58.68%		57.18%		38.42%		52.80%	
	Normal Cost	6.91%	\$26,486,233	8.54%	\$139,154,967	10.99%	\$4,644,825	9.92%	\$196,674,000
	Expenses	0.14%	\$536,624	0.13%	\$2,082,370	0.26%	\$111,362	1.50%	\$2,916,000
	Amortization	<u>3.11%</u>	<u>\$11,920,721</u>	<u>4.47%</u>	<u>\$72,838,336</u>	<u>13.49%</u>	<u>\$5,702,656</u>	<u>5.97%</u>	<u>\$118,440,000</u>
	Financial Requirements	10.16%	\$38,943,578	13.14%	\$214,075,672	24.75%	\$10,458,843	17.39%	\$318,030,000
	Employee Contributions	4.00%	\$15,332,117	4.62%	\$75,222,248	8.00%	\$3,381,005	5.02%	\$99,459,000
	Employer Contributions	<u>6.00%</u>	<u>\$22,998,176</u>	<u>6.76%</u>	<u>\$110,080,687</u>	<u>11.34%</u>	<u>\$4,794,011</u>	<u>8.78%</u>	<u>\$174,017,000</u>
	Total Contributions	10.00%	\$38,330,293	11.37%	\$185,302,935	19.34%	\$8,175,016	13.80%	\$273,476,000
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1992:	Actuarial Accrued Liability		\$3,125,299,000		\$16,227,774,000		\$533,865,000		\$21,696,883,910
	Assets		<u>\$2,613,472,000</u>		<u>\$12,916,315,000</u>		<u>\$355,998,000</u>		<u>\$16,182,748,253</u>
	Unfunded Accrued Liability		\$511,827,000		\$3,311,459,000		\$177,867,000		\$5,514,135,657
	Funding Ratio	83.62%		79.59%		66.68%		74.59%	
	Normal Cost	6.58%	\$109,148,514	7.78%	\$484,353,340	12.11%	\$14,869,000	8.95%	\$635,565,597
	Expenses	0.23%	\$3,815,222	0.31%	\$19,385,489	0.75%	\$921,000	0.42%	\$29,673,009
	Amortization	<u>1.46%</u>	<u>\$24,218,363</u>	<u>2.49%</u>	<u>\$155,113,921</u>	<u>6.88%</u>	<u>\$8,446,000</u>	<u>3.37%</u>	<u>\$239,396,412</u>
	Financial Requirements	8.27%	\$137,182,098	10.58%	\$658,852,749	19.74%	\$24,236,000	12.74%	\$904,635,018
	Employee Contributions	4.07%	\$67,512,834	4.38%	\$270,962,404	6.33%	\$7,776,000	4.72%	\$335,020,692
	Employer Contributions	<u>4.20%</u>	<u>\$69,669,264</u>	<u>4.72%</u>	<u>\$358,358,593</u>	<u>8.76%</u>	<u>\$10,755,000</u>	<u>7.28%</u>	<u>\$517,346,923</u>
	Total Contributions	8.27%	\$137,182,098	9.10%	\$629,320,997	15.09%	\$18,531,000	12.00%	\$852,367,615
<hr/>									
2012:	Actuarial Accrued Liability		\$11,083,227,000		\$52,706,629,000		\$1,471,216,000		\$66,290,358,024
	Assets		<u>\$9,162,301,000</u>		<u>\$39,629,060,000</u>		<u>\$911,930,000</u>		<u>\$49,623,942,225</u>
	Unfunded Accrued Liability		\$1,920,926,000		\$13,077,569,000		\$559,286,000		\$16,666,415,799
	Funding Ratio	82.67%		75.19%		61.98%		74.86%	
	Normal Cost	7.17%	\$176,648,000	7.50%	\$886,226,000	8.39%	\$21,503,000	8.81%	\$1,183,442,325
	Expenses	0.26%	\$6,406,000	0.22%	\$26,240,000	0.31%	\$795,000	0.26%	\$34,666,046
	Amortization	<u>4.89%</u>	<u>\$120,475,000</u>	<u>7.80%</u>	<u>\$920,751,000</u>	<u>14.17%</u>	<u>\$36,347,000</u>	<u>8.76%</u>	<u>\$1,176,243,118</u>
	Financial Requirements	12.32%	\$303,529,000	15.52%	\$1,833,217,000	22.87%	\$58,645,000	17.83%	\$2,394,351,489
	Employee Contributions	5.00%	\$123,185,000	6.08%	\$717,870,000	6.02%	\$15,449,000	6.36%	\$854,274,252
	Employer Contributions	5.00%	\$123,185,000	6.59%	\$777,844,000	8.87%	\$22,753,000	7.42%	\$997,131,053
	Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.32%	\$42,600,000
	Direct State Funding	0.00%	\$0	0.18%	\$21,727,000	1.58%	\$4,057,000	0.51%	\$67,844,507
	Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$569,548
	Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>8.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
	Total Contributions	10.00%	\$246,370,000	12.85%	\$1,517,441,000	16.47%	\$42,259,000	14.61%	\$1,962,419,360

Minnesota Public Pension Plans Funded Ratio Over Time (1963-2012)

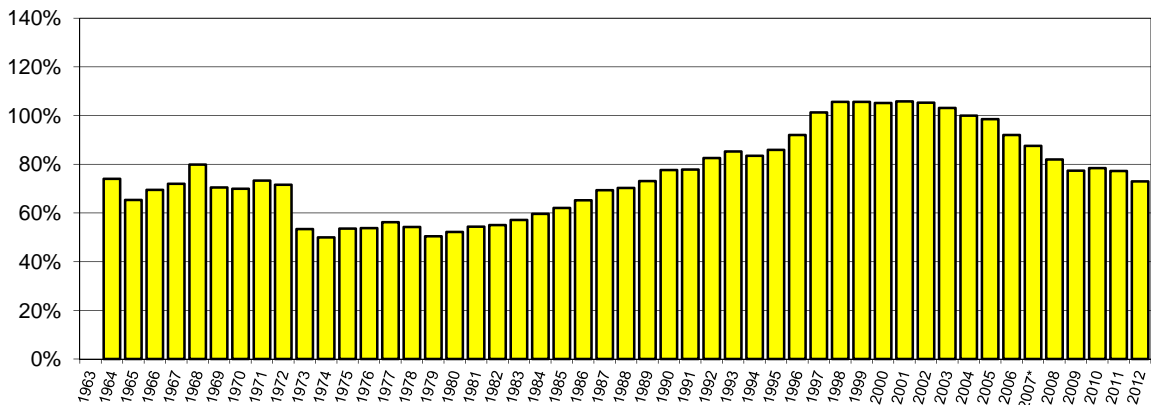
MSRS-General



PERA-General

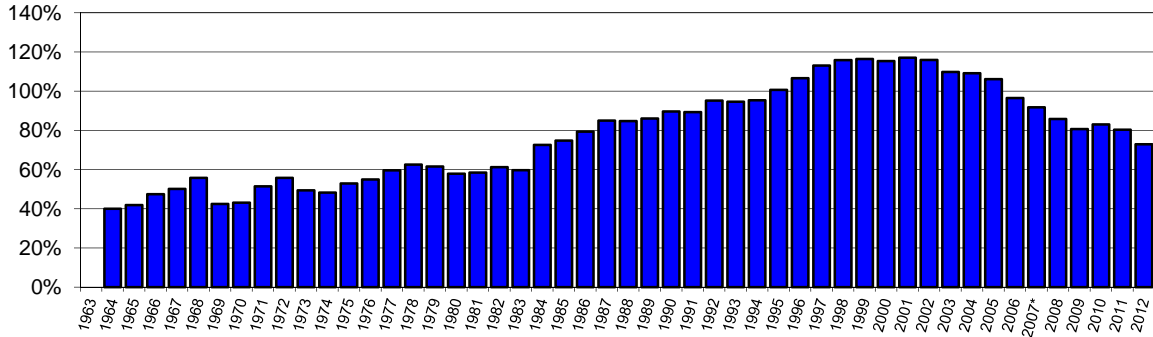


TRA

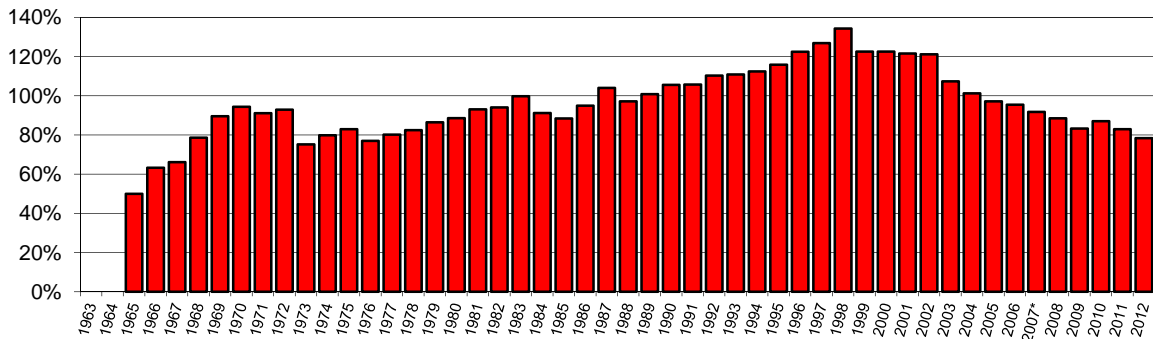


Minnesota Public Pension Plans Funded Ratio Over Time (1963-2012)

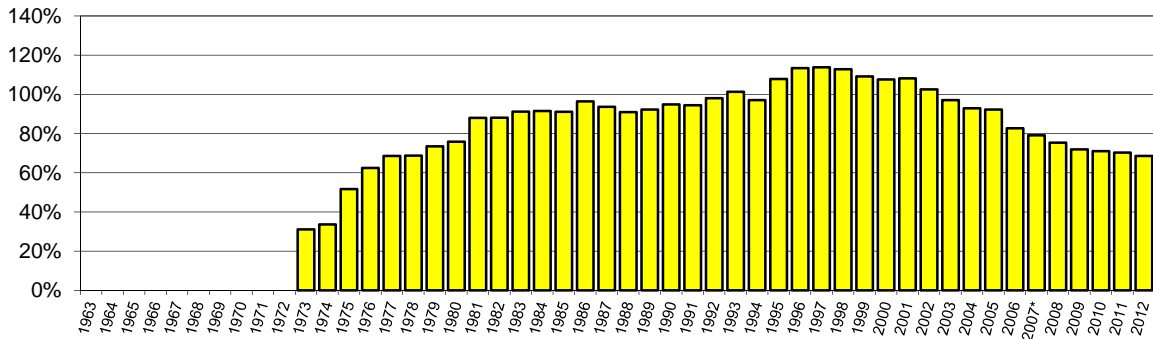
State Patrol



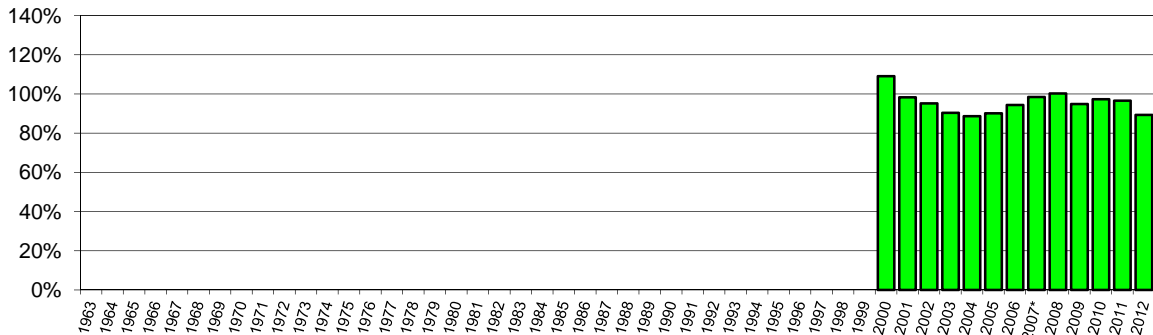
PERA-P&F



MSRS-Correctional

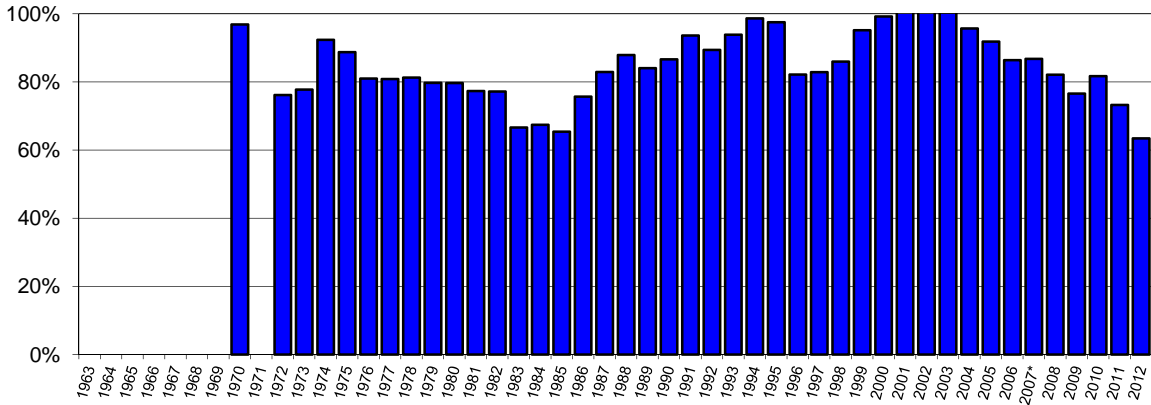


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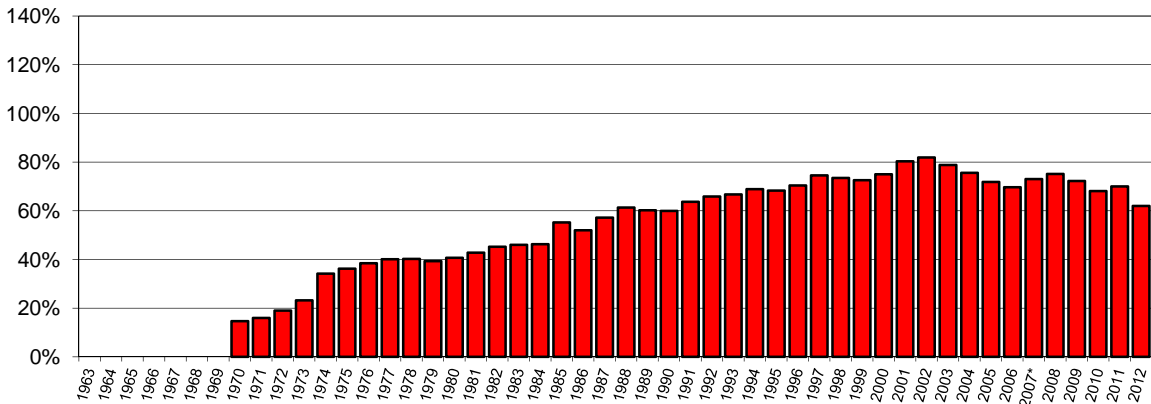


Minnesota Public Pension Plans Funded Ratio Over Time (1963-2012)

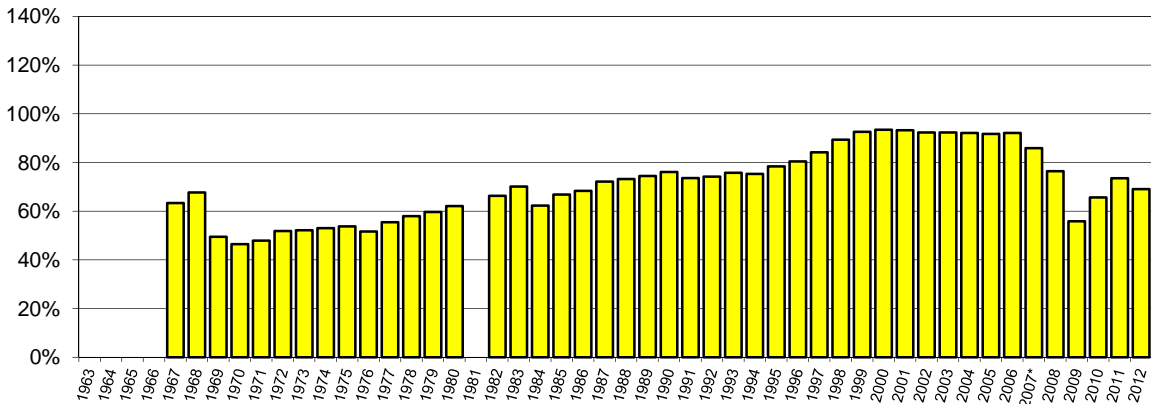
DTRFA



SPTRFA

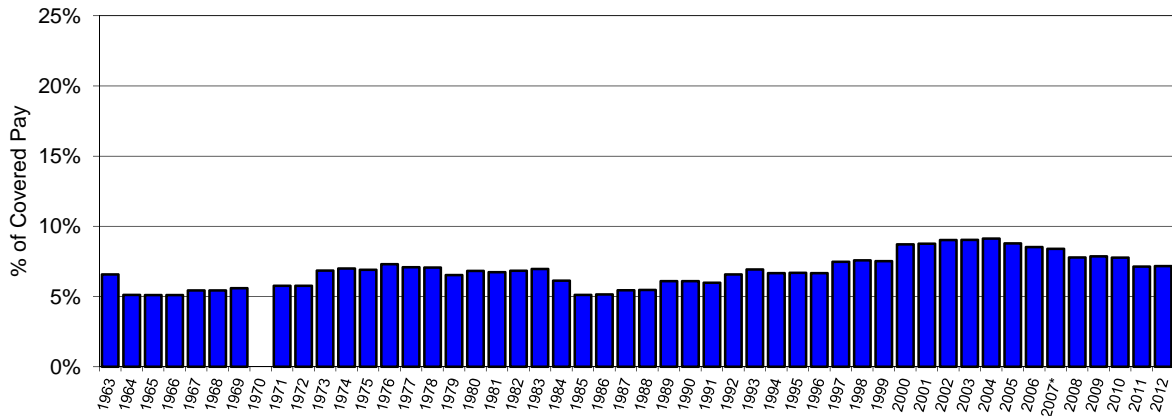


MERF

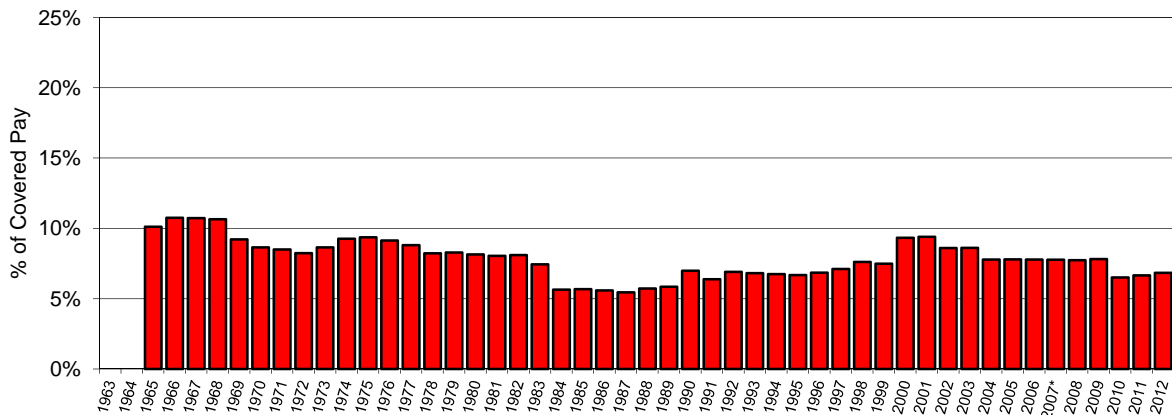


Minnesota Public Pension Plans Normal Cost as a Percentage of Payroll Over Time (1963-2012)

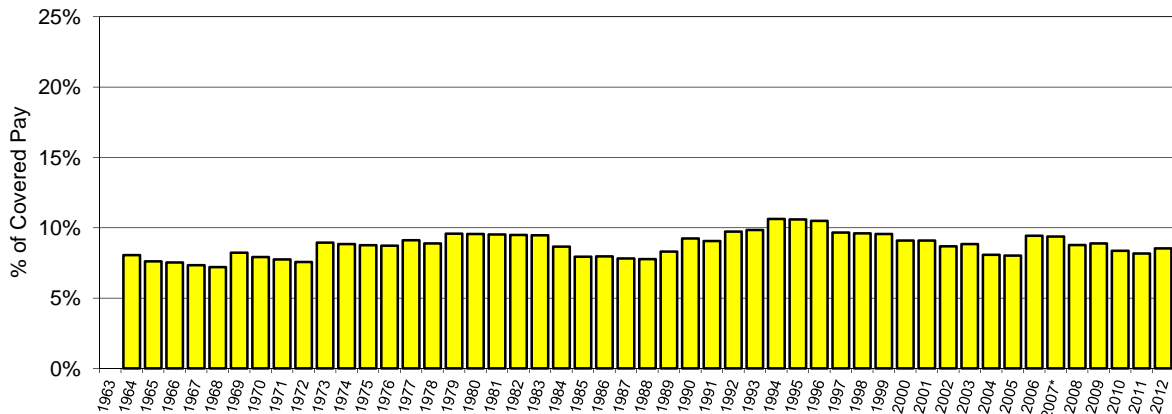
MSRS-General



PERA-General

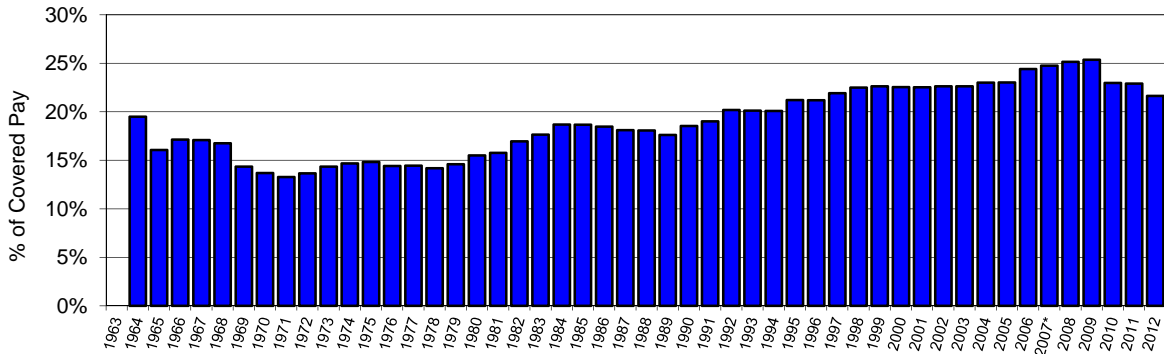


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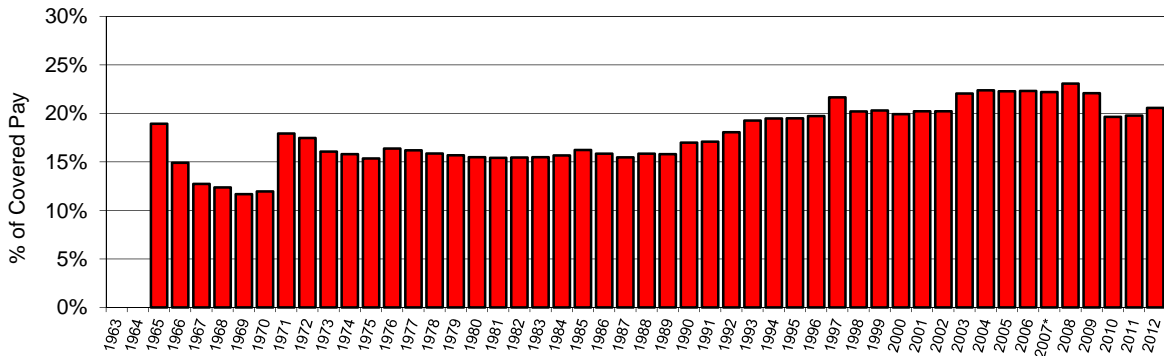


Minnesota Public Pension Plans Normal Cost as a Percentage of Payroll Over Time (1963-2012)

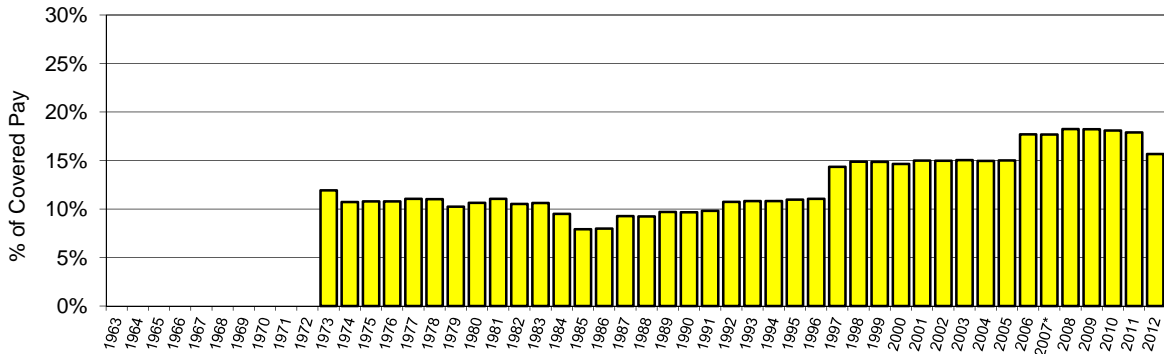
State Patrol



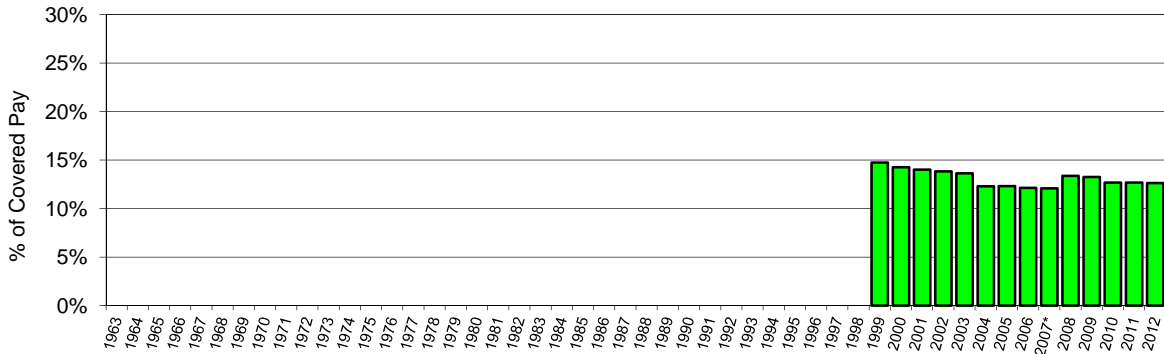
PERA-P&F



MSRS-Correctional

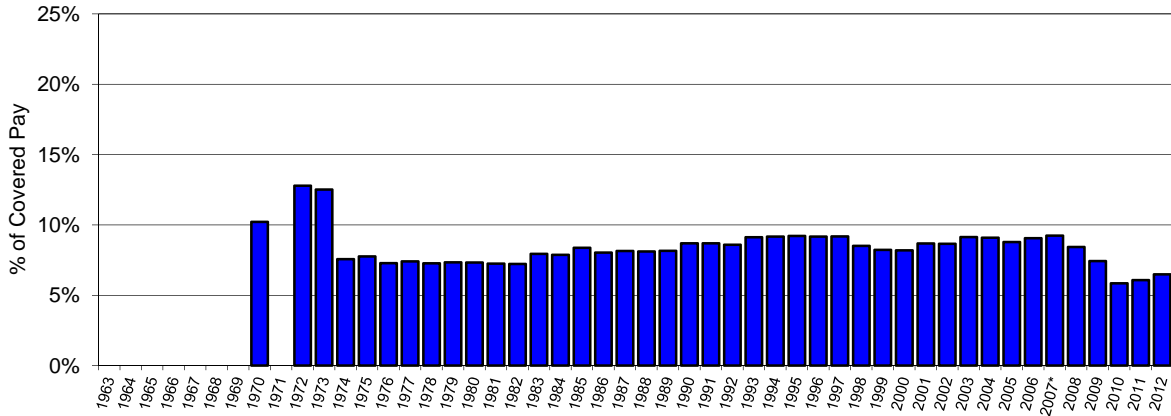


PERA-Correctional

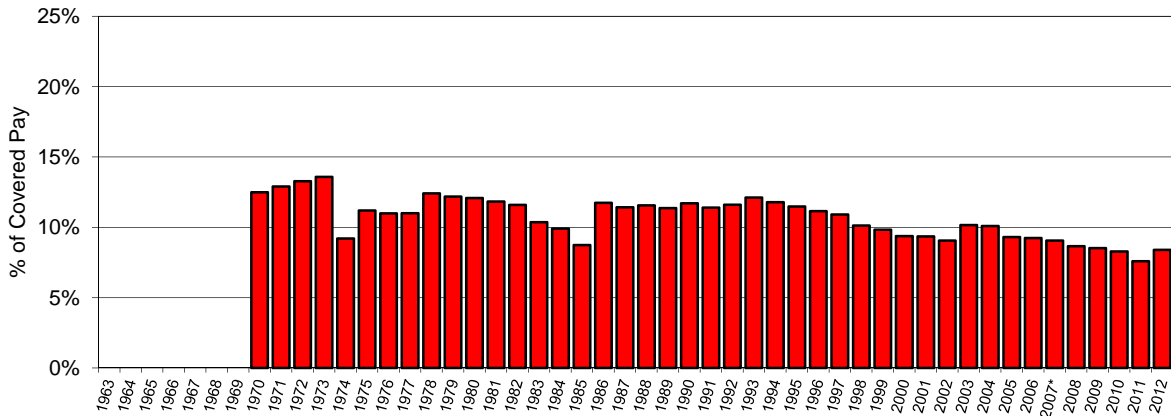


Minnesota Public Pension Plans Normal Cost as a Percentage of Payroll Over Time (1963-2012)

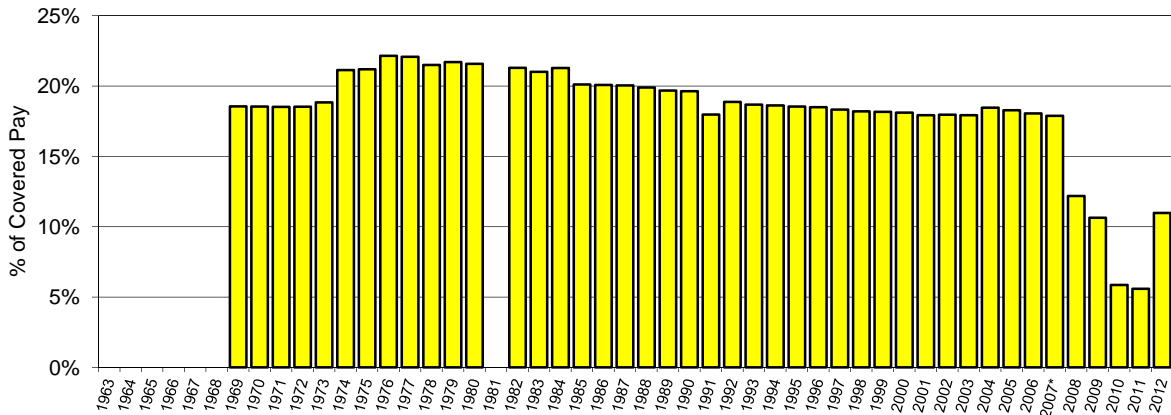
DTRFA



SPTRFA

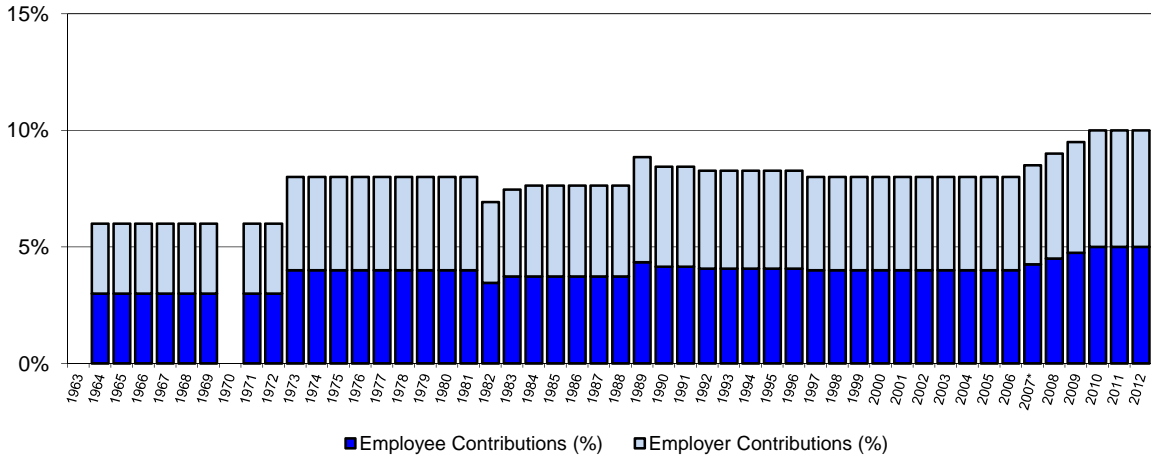


MERF

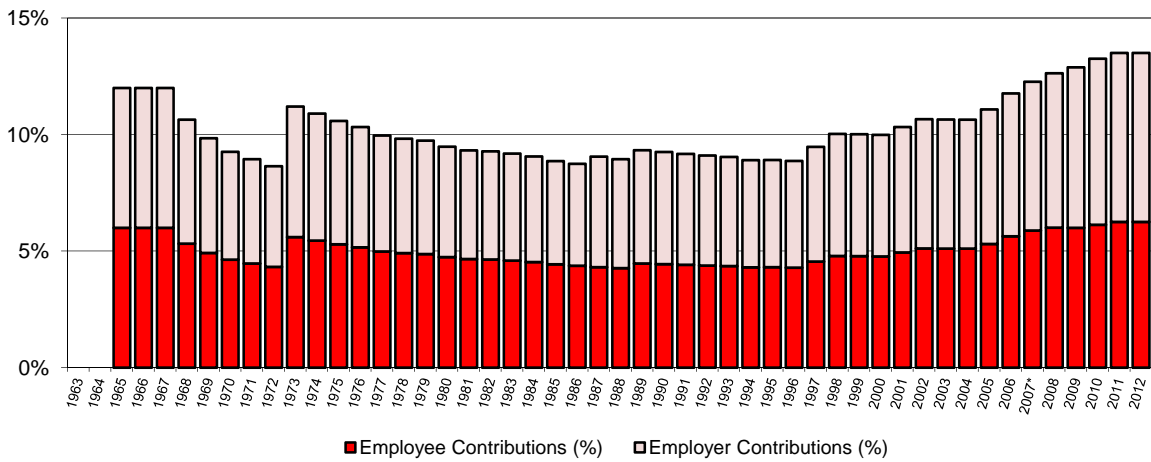


Minnesota Public Pension Plans Employee and Employer Contribution Rates Over Time (1963-2012)

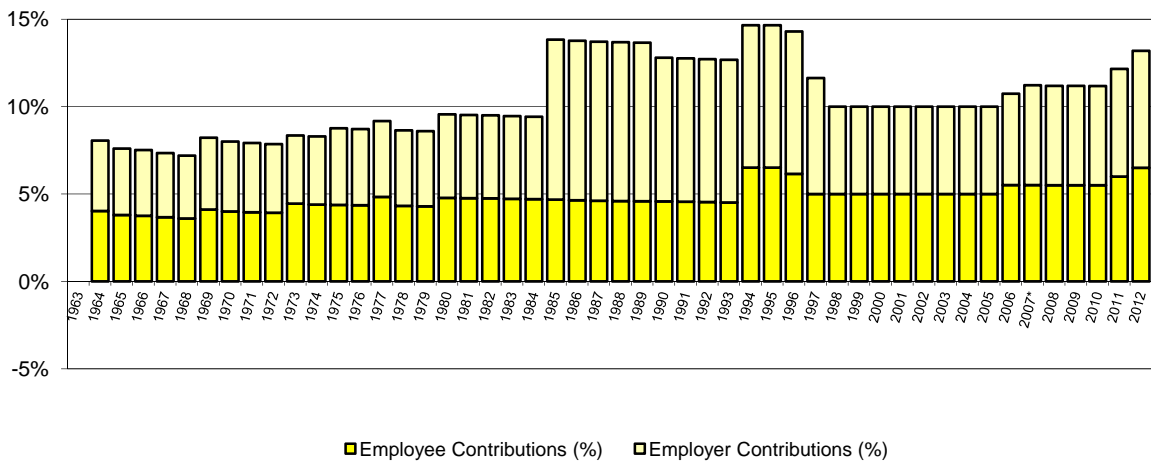
MSRS-General



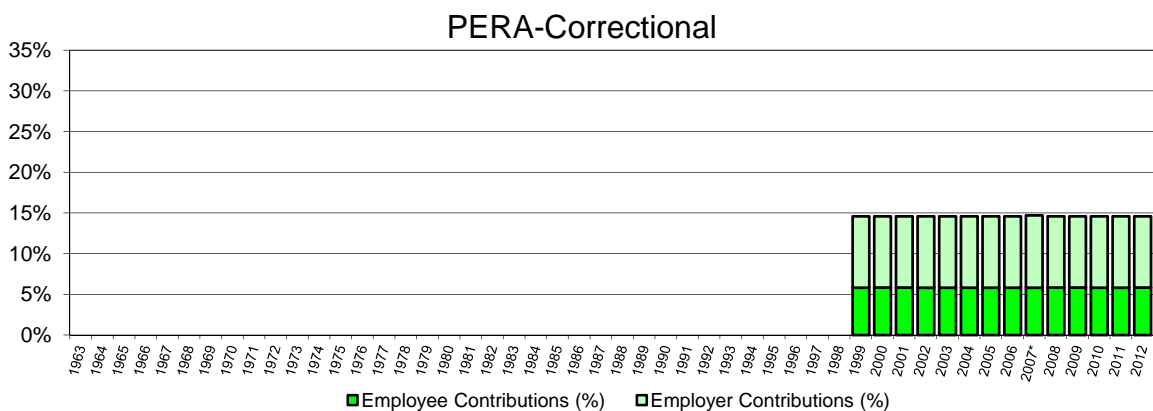
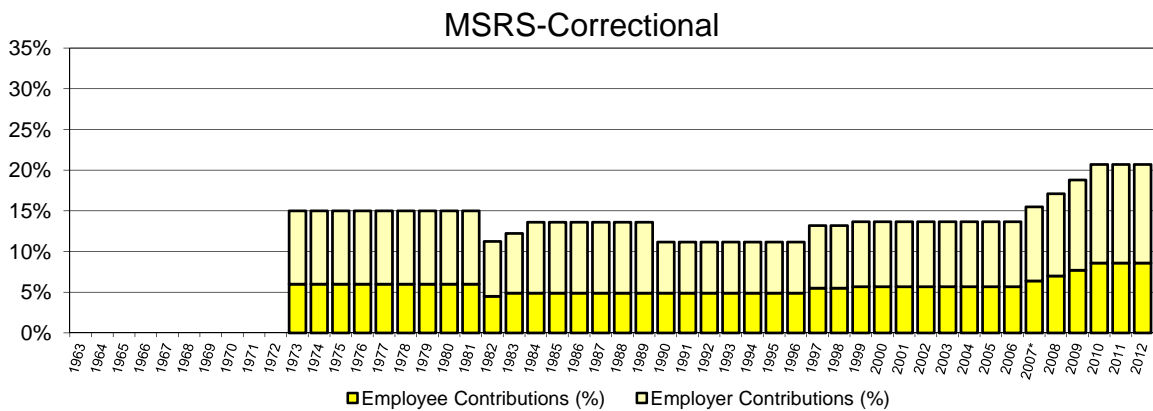
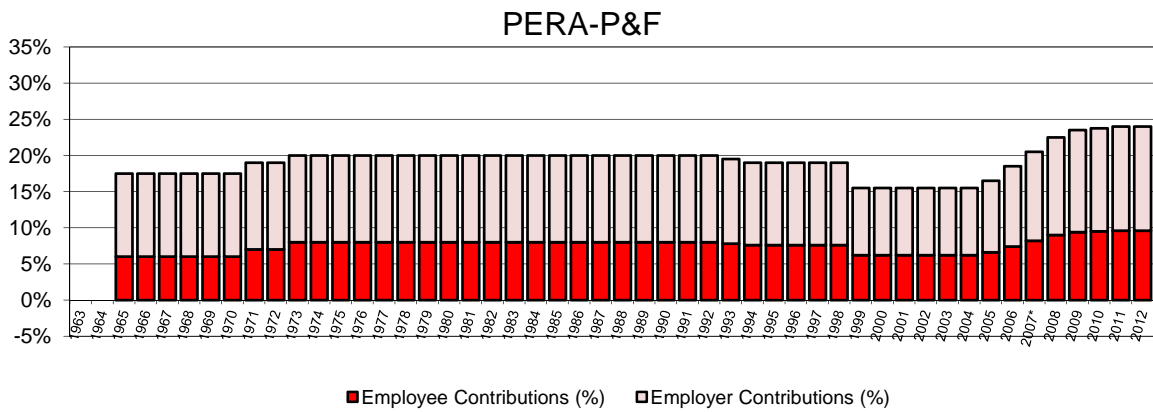
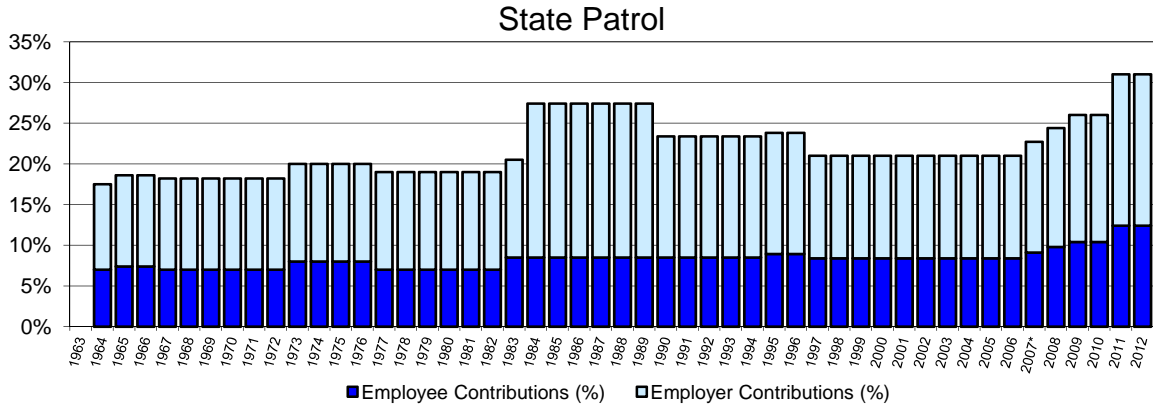
PERA-General



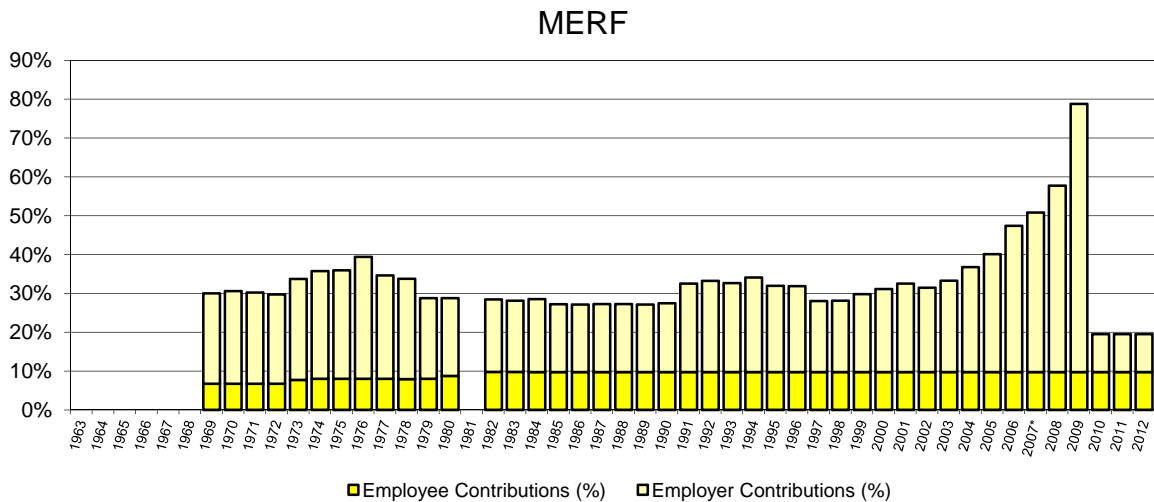
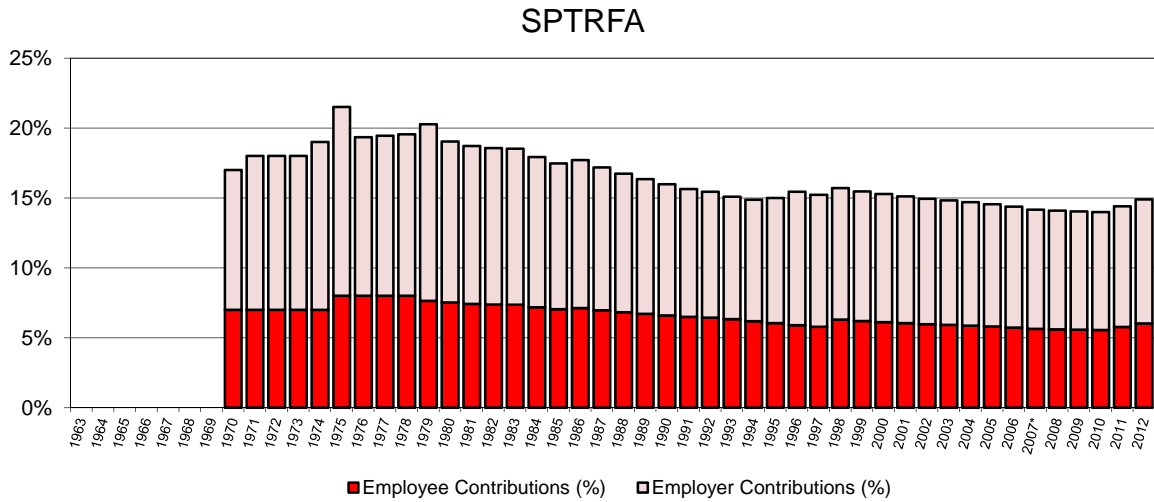
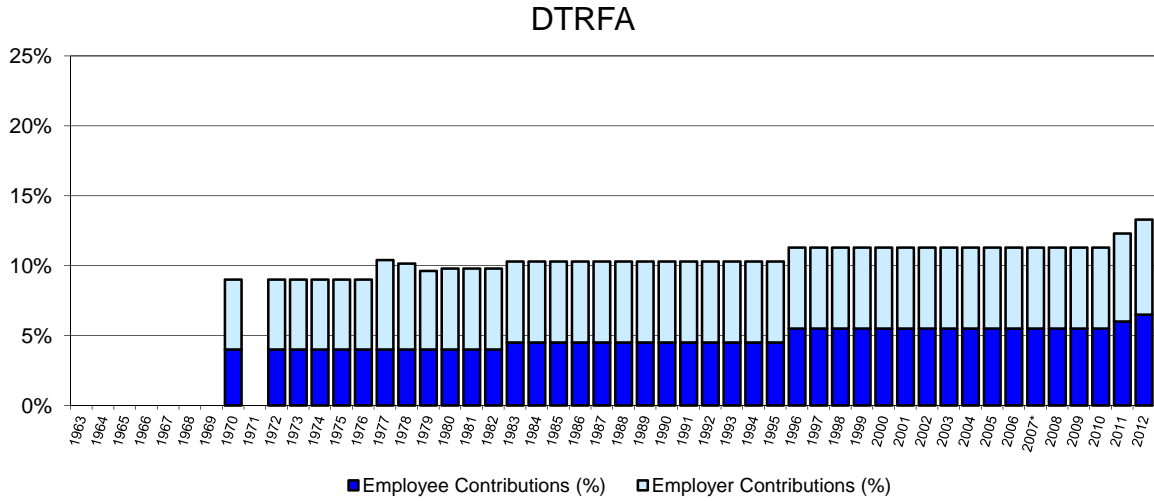
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Minnesota Public Pension Plans Employee and Employer Contribution Rates Over Time (1963-2012)

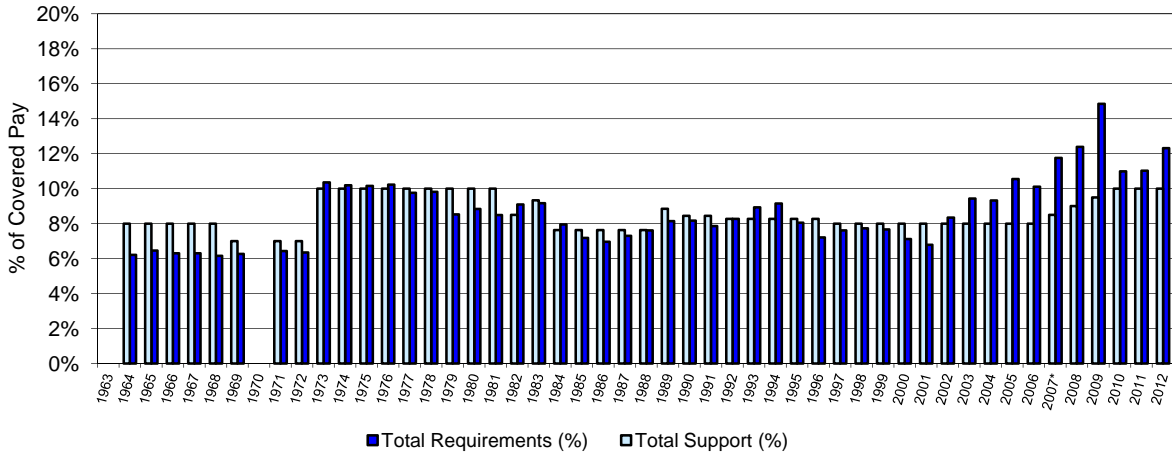


Minnesota Public Pension Plans Employee and Employer Contribution Rates Over Time (1963-2012)

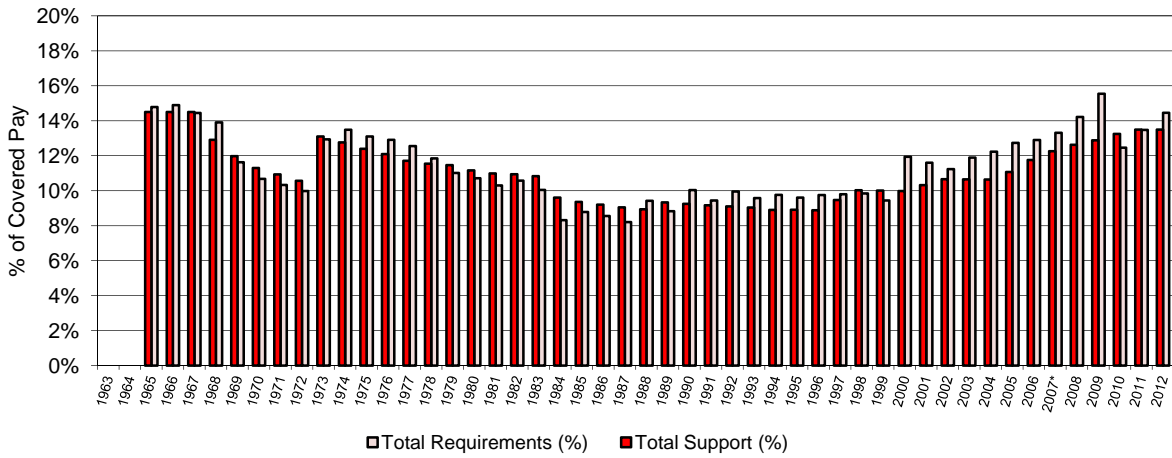


Minnesota Public Pension Plans Total Requirements vs. Total Support Over Time (1963-2012)

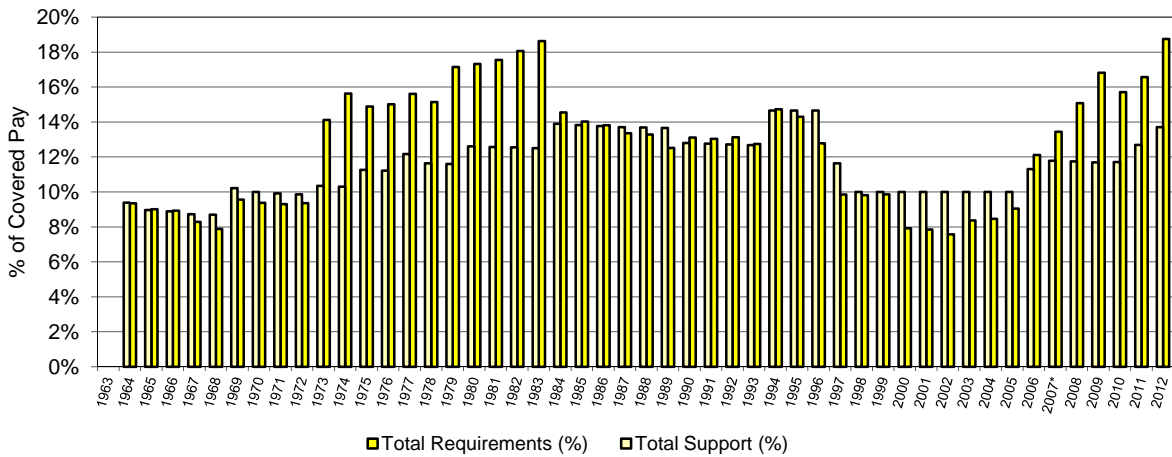
MSRS-General



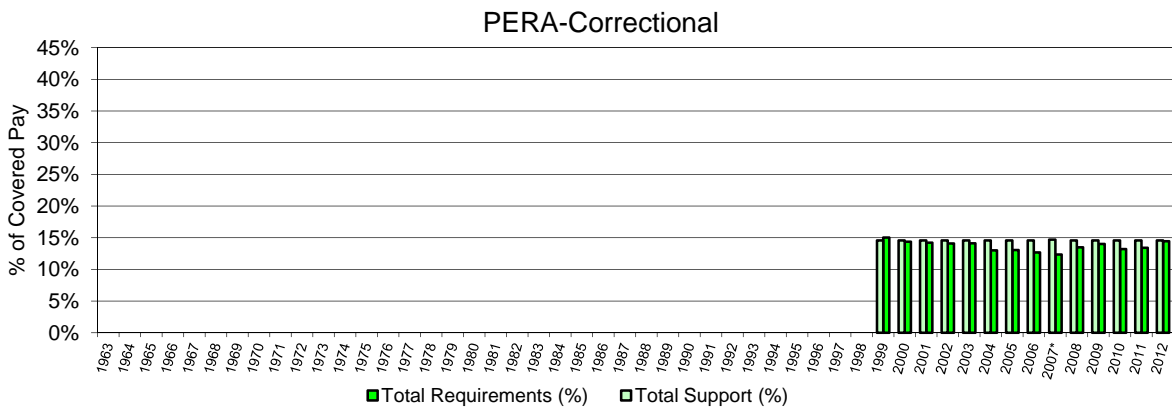
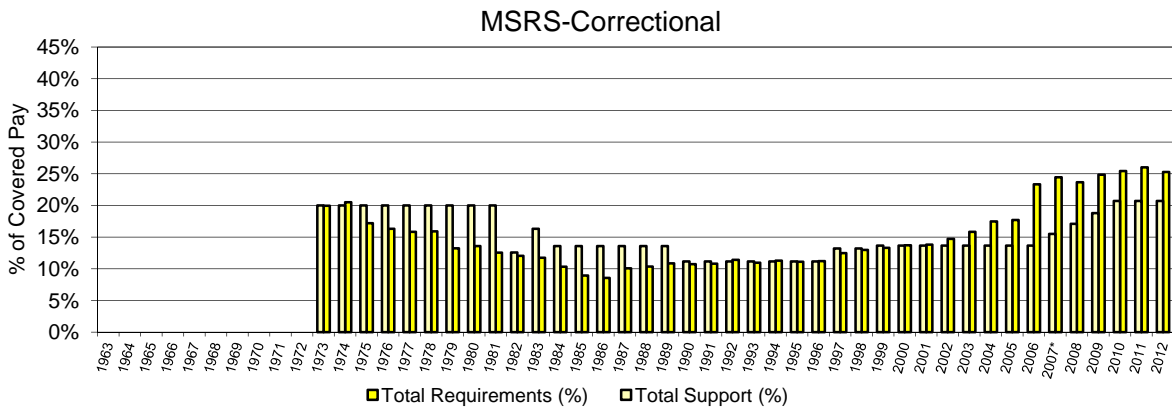
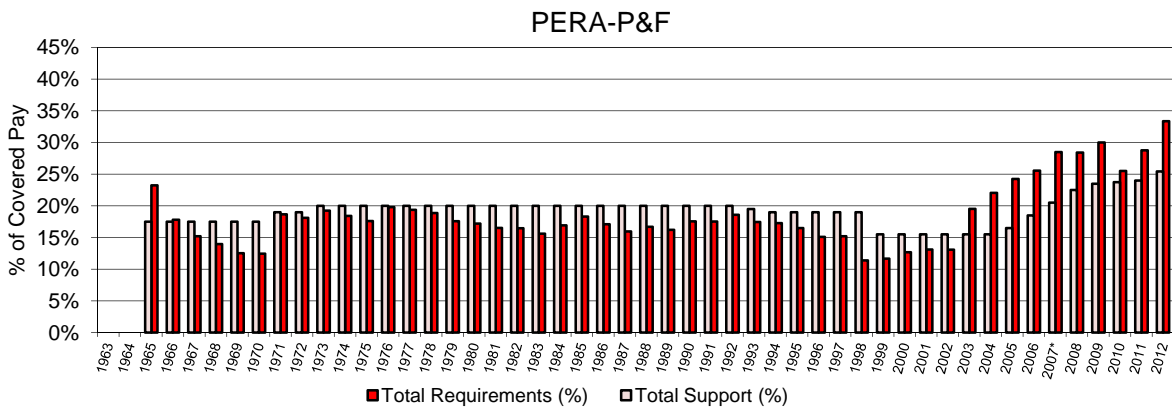
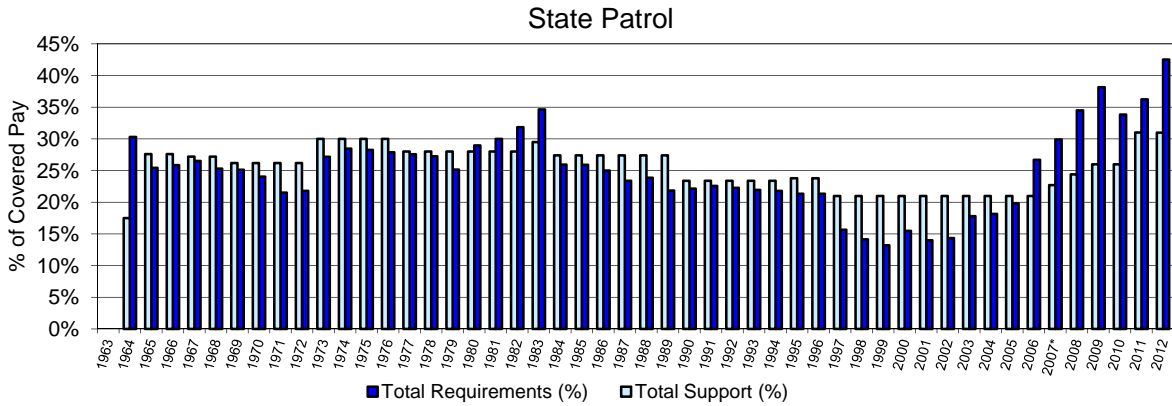
PERA-General



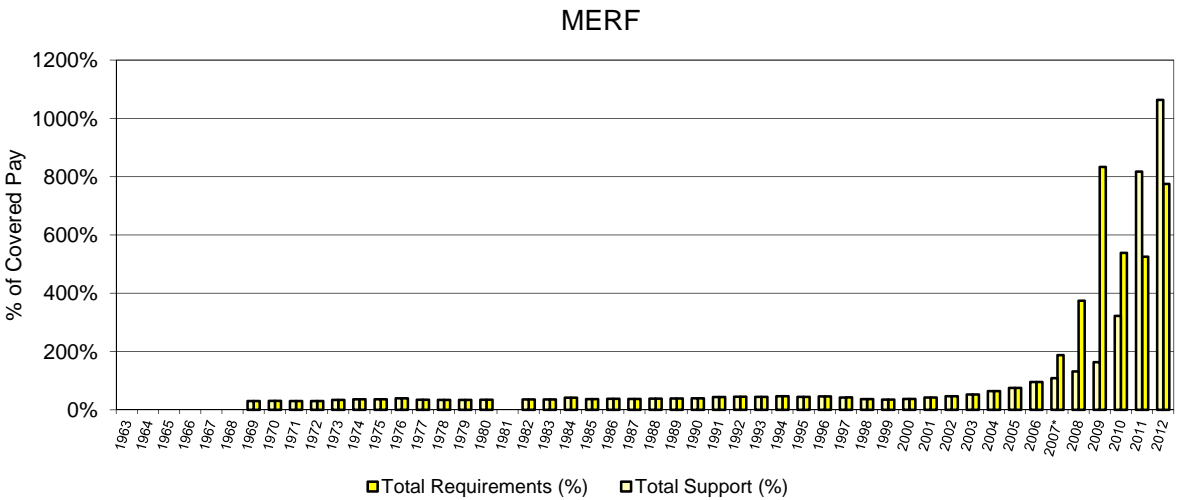
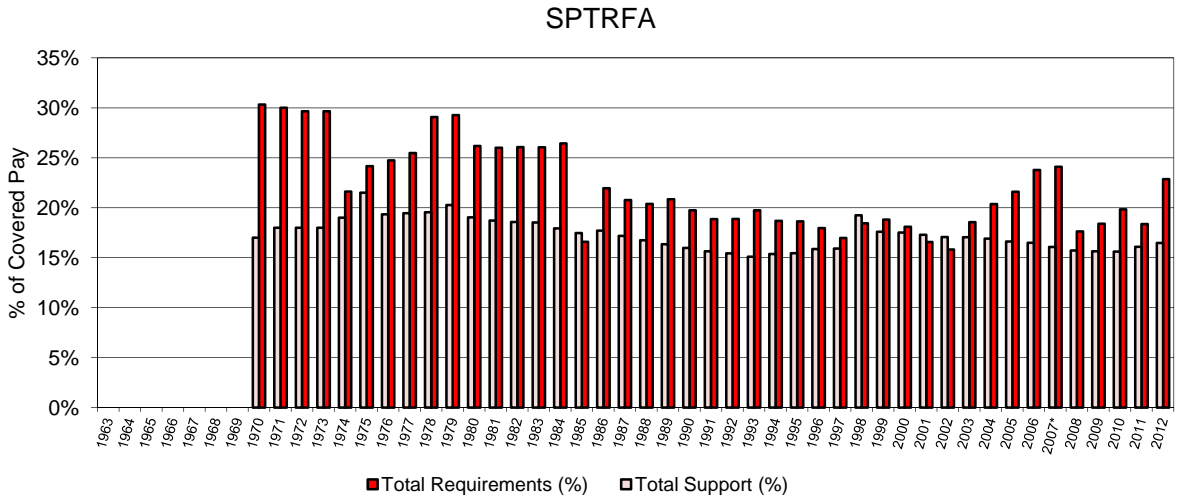
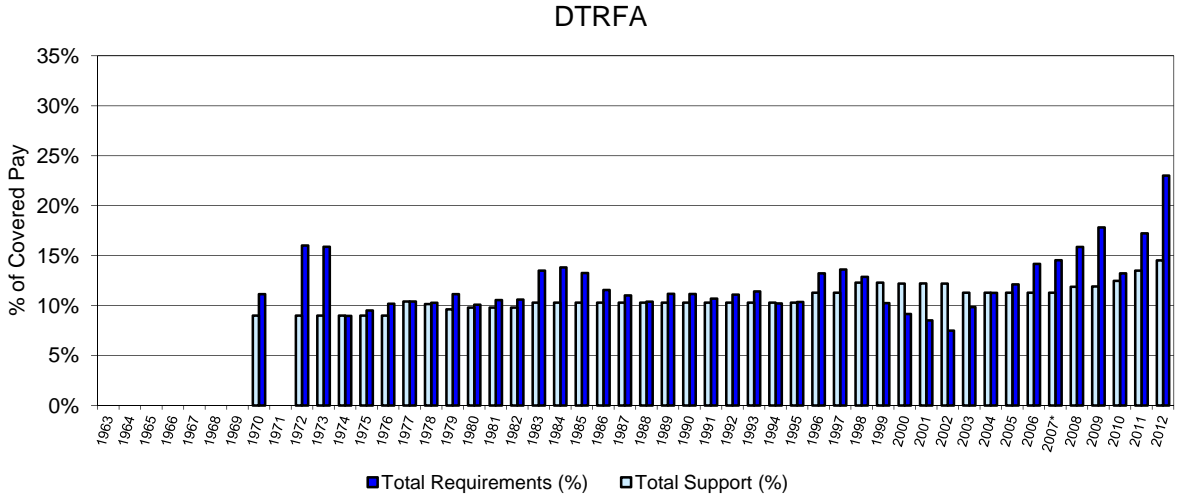
TRA



Minnesota Public Pension Plans Total Requirements vs. Total Support Over Time (1963-2012)

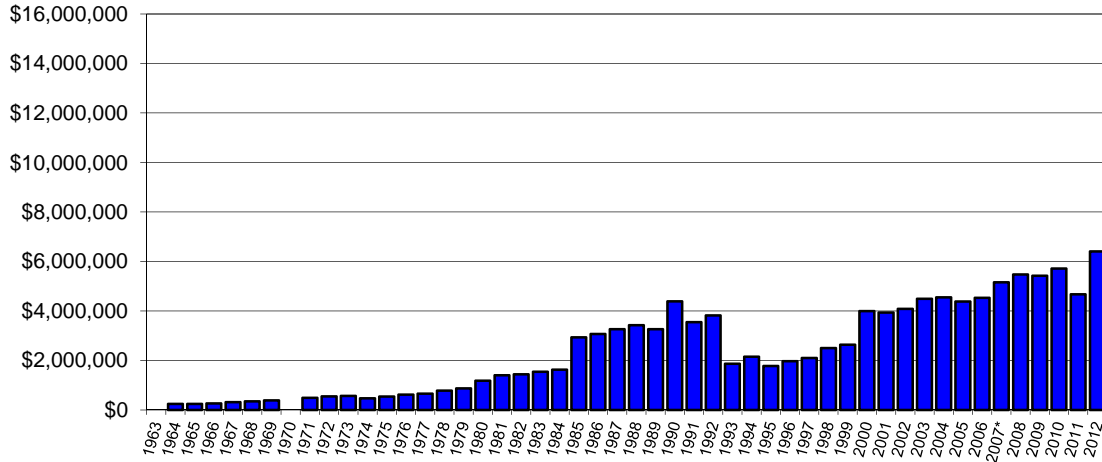


Minnesota Public Pension Plans Total Requirements vs. Total Support Over Time (1963-2012)

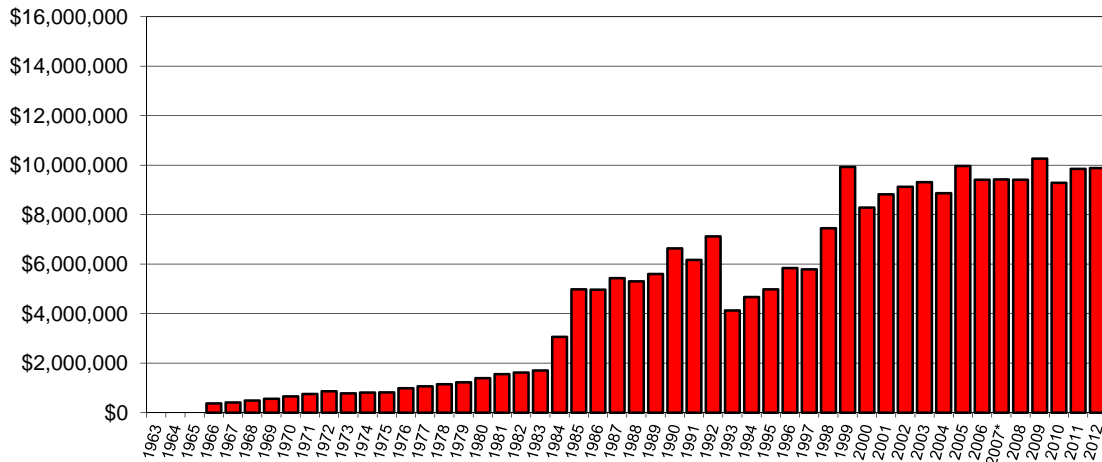


Minnesota Public Pension Plans Administrative Expenses Over Time (1963-2012)

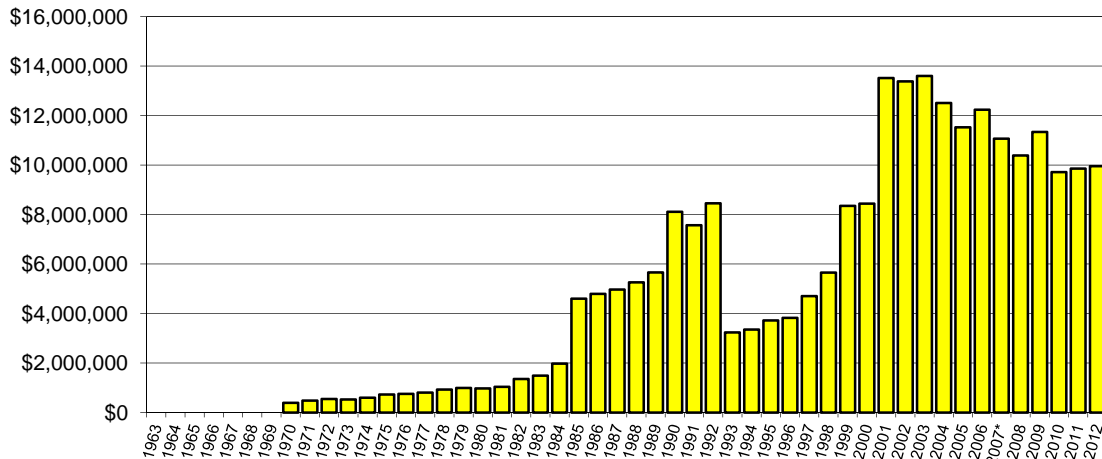
MSRS-General



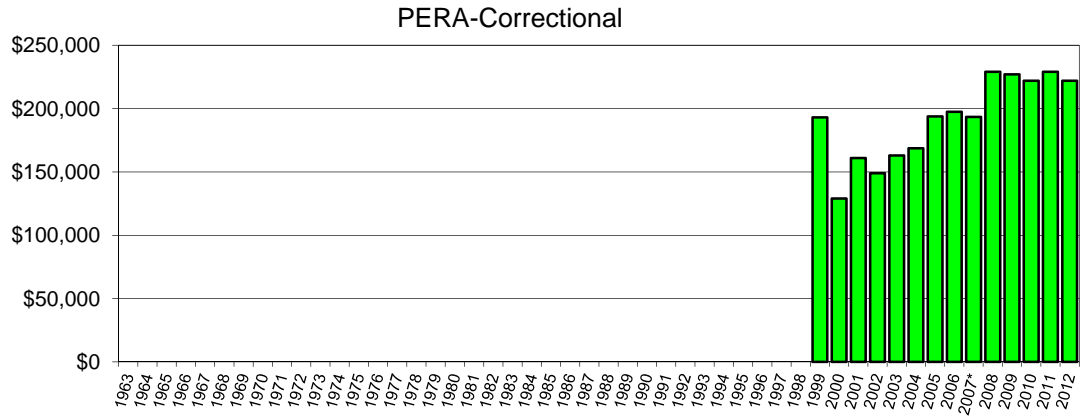
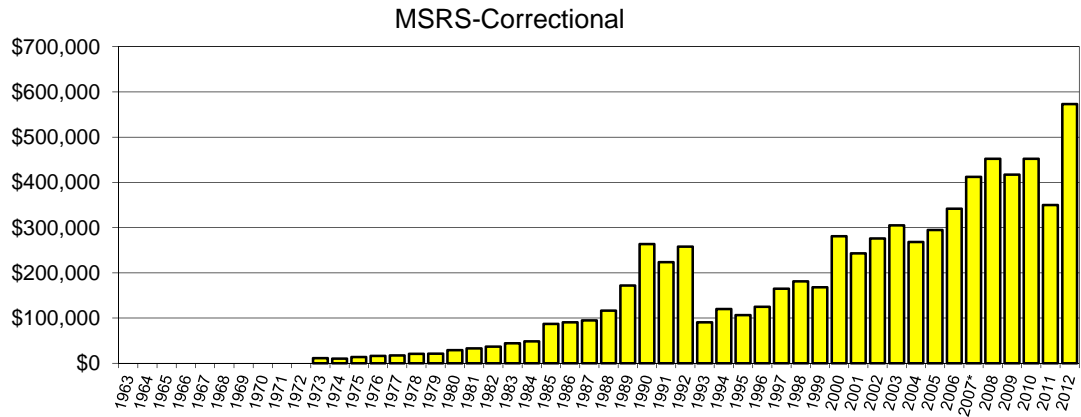
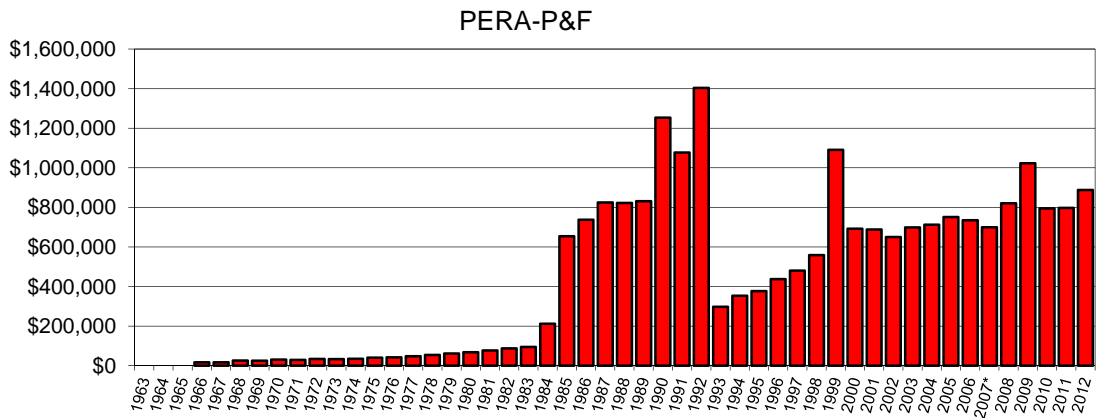
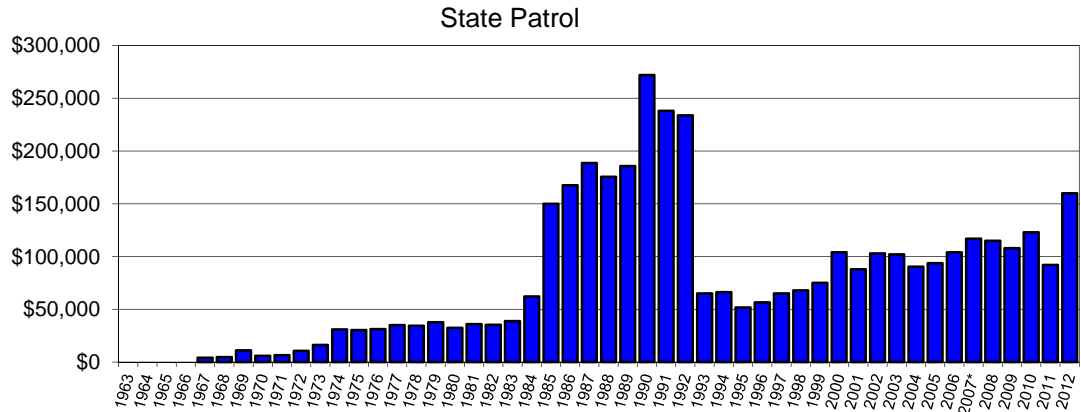
PERA-General



TRA

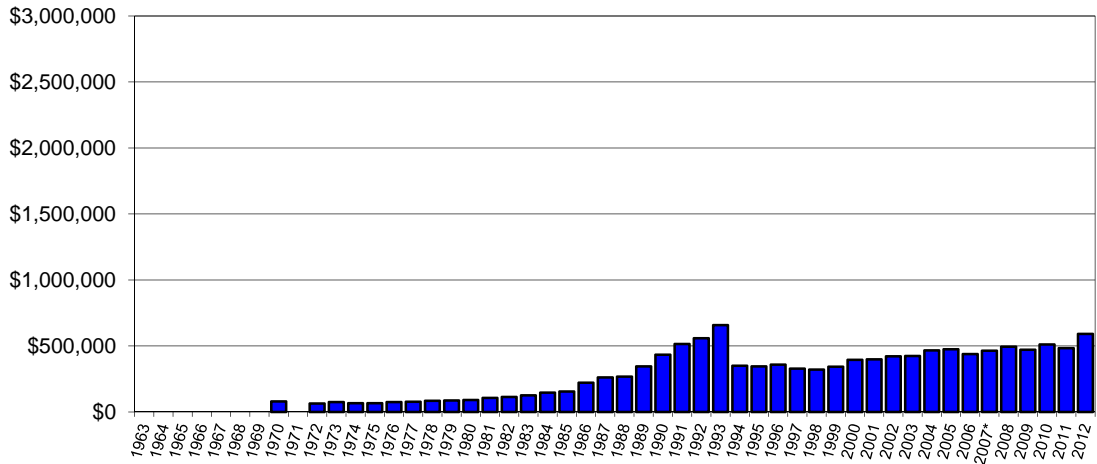


Minnesota Public Pension Plans Administrative Expenses Over Time (1963-2012)

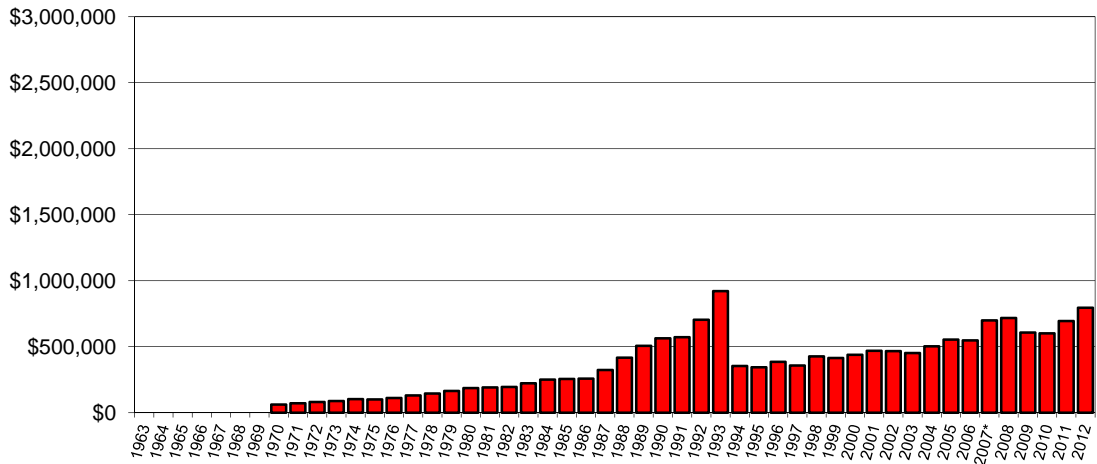


Minnesota Public Pension Plans Administrative Expenses Over Time (1963-2012)

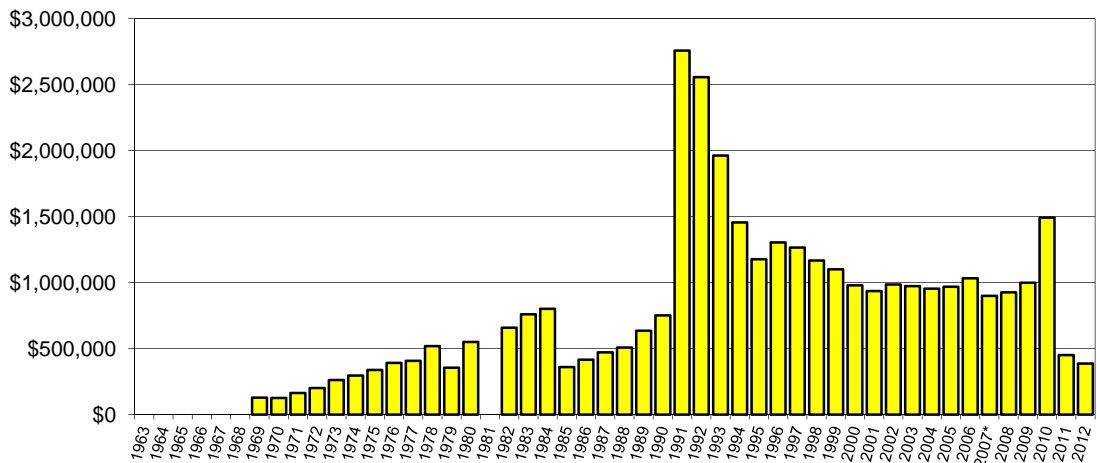
DTRFA



SPTRFA



MERF



Minnesota Defined Benefit Retirement Plans Plan Demographics

ACTIVE MEMBERSHIP

Number of Members

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	45,590	49,576	49,705	47,920	47,125	48,494	48,207
PERA-General	86,312	102,664	126,612	135,560	142,303	140,389	139,330
TRA	<u>58,533</u>	<u>64,324</u>	<u>67,558</u>	<u>70,508</u>	<u>74,552</u>	<u>77,356</u>	<u>76,649</u>
<i>Subtotal</i>	190,435	216,564	243,875	253,988	263,980	266,239	264,186
MSRS-Correctional	1,191	1,416	2,117	3,098	3,607	4,268	4,276
State Patrol Plan	764	788	803	830	831	848	823
PERA-P&F	4,928	6,136	7,380	9,627	10,235	11,002	10,865
P&F Consolidation Accounts	--	287	1,061	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>2,781</u>	<u>3,352</u>	<u>3,521</u>	<u>3,460</u>
<i>Subtotal</i>	6,883	8,627	11,361	16,336	18,025	19,639	19,424
Legislators Plan	201	201	198	173	78	47	34
Elected State Officers Plan	6	6	6	0	0	0	0
Judges Plan	<u>240</u>	<u>262</u>	<u>271</u>	<u>282</u>	<u>295</u>	<u>312</u>	<u>308</u>
<i>Subtotal</i>	447	469	475	455	373	359	342
MERF/ PERA-MERF Division ¹	3,812	2,730	2,036	1,152	462	143	80
DTRFA	1,182	1,553	1,512	1,441	1,164	1,054	919
MTRFA ²	2,758	3,252	4,686	5,777	4,756	-- ²	-- ²
SPTRFA	<u>2,888</u>	<u>3,343</u>	<u>3,742</u>	<u>4,445</u>	<u>4,349</u>	<u>3,749</u>	<u>3,828</u>
<i>Subtotal</i>	6,828	8,148	9,940	11,663	10,269	4,803	4,747

Average Covered Salary

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	\$23,667	\$30,529	\$32,425	\$39,652	\$44,235	\$51,213	\$51,107
PERA-General	16,497	20,203	23,149	26,577	31,840	36,761	37,332
TRA	<u>23,811</u>	<u>30,030</u>	<u>34,416</u>	<u>39,906</u>	<u>45,459</u>	<u>52,324</u>	<u>53,507</u>
<i>Group Average</i>	\$20,462	\$25,486	\$28,161	\$32,744	\$37,899	\$43,915	\$44,538
MSRS-Correctional	\$26,075	\$33,245	\$33,549	\$41,174	\$40,861	\$48,166	\$49,592
State Patrol Plan	33,830	43,684	49,611	62,627	66,356	79,230	80,914
PERA-P&F	28,251	35,206	42,532	51,328	61,144	72,275	74,442
P&F Consolidation Accounts	--	37,928	50,216	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>29,061</u>	<u>38,554</u>	<u>48,479</u>	<u>49,434</u>
<i>Group Average</i>	\$28,494	\$35,749	\$42,076	\$46,186	\$53,124	\$63,070	\$64,791
Legislators Plan	\$22,423	\$31,987	\$36,326	\$34,932	\$40,573	\$41,925	\$40,235
Elected State Officers Plan	61,000	71,270	75,374	--	--	--	--
Judges Plan	<u>64,671</u>	<u>78,862</u>	<u>86,453</u>	<u>99,949</u>	<u>121,832</u>	<u>132,582</u>	<u>131,679</u>
<i>Group Average</i>	\$45,624	\$58,676	\$65,418	\$75,228	\$104,840	\$120,713	\$122,588
MERF/ PERA-MERF Division ¹	\$26,165	\$33,949	\$40,986	\$47,068	\$57,608	\$62,116	\$65,900
DTRFA	\$26,415	\$26,109	\$32,054	\$36,851	\$48,314	\$52,275	\$53,956
MTRFA ²	31,778	38,064	37,233	44,225	48,614	-- ²	-- ²
SPTRFA	<u>26,265</u>	<u>32,869</u>	<u>39,610</u>	<u>42,283</u>	<u>52,384</u>	<u>64,714</u>	<u>65,691</u>
<i>Group Average</i>	\$28,518	\$33,654	\$37,340	\$42,574	\$50,177	\$62,204	\$63,419

¹ MERF administratively consolidated into PERA in 2010

² MTRFA merged into TRA in 2006

Minnesota Defined Benefit Retirement Plans Plan Demographics

ACTIVE MEMBERSHIP

Average Age

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	39.6	40.9	42.7	44.3	46.0	47.0	47.1
PERA-General	42.2	42.6	43.3	44.4	45.8	47.2	47.3
TRA	<u>41.5</u>	<u>42.8</u>	<u>42.9</u>	<u>42.6</u>	<u>43.1</u>	<u>43.5</u>	<u>43.5</u>
<i>Group Average</i>	41.4	42.3	43.1	43.9	45.1	46.1	46.2
MSRS-Correctional	36.0	37.5	38.0	40.3	40.5	41.7	41.6
State Patrol Plan	40.5	40.6	42.3	40.8	41.1	41.8	42.1
PERA-P&F	37.2	37.6	38.4	38.7	39.2	40.0	40.5
P&F Consolidation Accounts	--	45.9	48.1	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>37.5</u>	<u>38.8</u>	<u>40.3</u>	<u>40.7</u>
<i>Group Average</i>	37.4	38.1	39.5	38.9	39.5	40.5	40.8
Legislators Plan	45.6	49.4	49.3	53.8	58.9	63.7	64.3
Elected State Officers Plan	46.2	52.1	52.0	--	--	--	--
Judges Plan	<u>53.2</u>	<u>52.9</u>	<u>53.0</u>	<u>54.4</u>	<u>56.2</u>	<u>57.1</u>	<u>57.4</u>
<i>Group Average</i>	49.7	51.4	51.4	54.2	56.8	58.0	58.1
MERF/ PERA-MERF Division ¹	47.6	48.8	51.0	52.9	55.6	60.1	61.5
DTRFA	43.5	43.2	43.9	44.1	46.4	47.2	47.5
MTRFA ²	44.0	44.7	43.3	42.6	44.5	-- ²	--
SPTRFA	<u>42.9</u>	<u>43.3</u>	<u>43.9</u>	<u>43.1</u>	<u>44.1</u>	<u>45.5</u>	<u>45.0</u>
<i>Group Average</i>	43.4	43.8	43.6	43.0	44.5	45.9	45.5

Average Years of Service

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	8.9	9.6	11.1	11.7	12.7	12.7	12.4
PERA-General	8.1	8.3	8.2	9.0	9.9	11.0	11.1
TRA	<u>11.5</u>	<u>12.3</u>	<u>12.5</u>	<u>11.7</u>	<u>11.7</u>	<u>11.9</u>	<u>12.0</u>
<i>Group Average</i>	9.3	9.8	10.0	10.3	10.9	11.6	11.6
MSRS-Correctional	7.0	8.1	7.2	7.8	7.7	8.4	8.7
State Patrol Plan	13.7	13.8	15.1	12.9	12.6	12.7	12.8
PERA-P&F	9.4	10.1	10.5	11.0	11.3	12.1	12.6
P&F Consolidation Accounts	--	19.7	22.0	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>0.9</u>	<u>3.9</u>	<u>6.4</u>	<u>7.3</u>
<i>Group Average</i>	9.5	10.4	11.3	8.8	9.3	10.3	10.8
Legislators Plan	5.9	8.7	8.0	11.8	16.9	22.0	23.5
Elected State Officers Plan	5.9	10.2	10.3	--	--	--	--
Judges Plan	<u>11.5</u>	<u>10.7</u>	<u>10.6</u>	<u>10.9</u>	<u>11.4</u>	<u>11.1</u>	<u>11.1</u>
<i>Group Average</i>	8.9	9.8	9.5	11.2	12.6	12.5	12.3
MERF/ PERA-MERF Division ¹	15.1	19.0	23.0	26.7	30.1	35.5	38.2
DTRFA	12.0	10.2	10.5	10.5	12.4	12.4	12.7
MTRFA ²	14.4	13.7	9.6	8.4	10.1	-- ²	-- ²
SPTRFA	<u>11.6</u>	<u>11.3</u>	<u>11.2</u>	<u>10.8</u>	<u>10.9</u>	<u>12.3</u>	<u>11.8</u>
<i>Group Average</i>	12.8	12.0	10.3	9.6	10.7	12.3	12.0

¹ MERF administratively consolidated into PERA in 2010

² MTRFA merged into TRA in 2006.

Minnesota Defined Benefit Retirement Plans Plan Demographics

ACTIVE MEMBERSHIP

Average Member Contribution

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	\$891	\$1,267	\$1,320	\$1,586	\$1,769	\$2,561	\$2,555
PERA-General	732	897	998	1,268	1,688	2,252	2,333
TRA	<u>1,113</u>	<u>1,375</u>	<u>2,240</u>	<u>1,996</u>	<u>2,273</u>	<u>2,878</u>	<u>3,478</u>
<i>Group Average</i>	\$887	\$1,124	\$1,408	\$1,530	\$1,868	\$2,490	\$2,706
MSRS-Correctional	\$1,278	\$1,629	\$1,644	\$2,343	\$2,325	\$4,142	\$4,265
State Patrol Plan	2,876	3,713	4,426	5,260	5,574	8,240	10,033
PERA-P&F	2,260	2,816	3,232	3,182	4,036	6,866	7,146
P&F Consolidation Accounts	--	2,849	3,816	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>1,694</u>	<u>2,248</u>	<u>2,826</u>	<u>2,882</u>
<i>Group Average</i>	\$2,158	\$2,704	\$3,075	\$2,875	\$3,432	\$5,609	\$5,875
Legislators Plan	\$2,020	\$2,881	\$3,268	\$3,145	\$3,652	\$3,354	\$3,621
Elected State Officers Plan	5,500	6,333	6,833	--	--	--	--
Judges Plan	<u>2,671</u>	<u>3,401</u>	<u>5,498</u>	<u>7,996</u>	<u>9,747</u>	<u>9,997</u>	<u>9,902</u>
<i>Group Average</i>	\$2,416	\$3,216	\$4,585	\$6,152	--	\$9,127	\$9,278
MERF/ PERA-MERF Division ¹	\$2,551	\$3,310	\$3,996	\$4,773	\$5,617	\$6,056	\$6,425
DTRFA	\$1,188	\$1,175	\$1,763	\$2,027	\$2,657	\$2,930	\$3,507
MTRFA ²	2,517	2,704	2,295	2,699	2,790	--	--
SPTRFA	<u>1,870</u>	<u>2,136</u>	<u>2,338</u>	<u>2,708</u>	<u>3,002</u>	<u>3,598</u>	<u>3,955</u>
<i>Group Average</i>	\$2,013	\$2,180	\$2,230	\$2,619	\$2,865	\$3,451	\$3,868

Average Employer Contribution

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	\$956	\$1,310	\$1,362	\$1,586	\$1,769	\$2,561	\$2,555
PERA-General	813	972	1,066	1,385	1,837	2,619	2,707
TRA	<u>2,180</u>	<u>2,468</u>	<u>2,804</u>	<u>1,996</u>	<u>2,273</u>	<u>2,972</u>	<u>3,858</u>
<i>Group Average</i>	\$1,267	\$1,494	\$1,608	\$1,593	\$1,949	\$2,711	\$3,013
MSRS-Correctional	\$2,269	\$2,085	\$2,103	\$3,286	\$3,261	\$5,828	\$6,001
State Patrol Plan	6,394	6,500	7,382	7,892	8,361	12,360	15,050
PERA-P&F	3,390	4,225	4,849	4,773	6,053	10,299	11,784
P&F Consolidation Accounts	--	14,924	5,725	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>2,543</u>	<u>3,373</u>	<u>4,242</u>	<u>4,325</u>
<i>Group Average</i>	\$3,529	\$4,437	\$4,598	\$4,270	\$5,102	\$8,330	\$9,321
Legislators Plan	-- ²	-- ³	-- ³	-- ³	-- ³	--	--
Elected State Officers Plan	-- ⁴	-- ⁴	-- ⁴	-- ⁴	-- ⁴	--	--
Judges Plan	<u>-- ³</u>	<u>\$14,393</u>	<u>\$19,018</u>	<u>\$20,489</u>	<u>\$24,976</u>	<u>\$27,179</u>	<u>\$26,994</u>
<i>Group Average</i>	--	--	--	--	--	--	--
MERF/ PERA-MERF Division ¹	\$4,575	\$6,010	\$9,102	\$10,457	\$18,147	\$34,996	\$69,444
DTRFA	\$1,530	\$1,512	\$1,856	\$2,134	\$2,797	\$3,084	\$4,327
MTRFA ²	3,835	3,905	3,650	3,956	4,113	--	--
SPTRFA	<u>2,781</u>	<u>3,004</u>	<u>3,780</u>	<u>4,058</u>	<u>4,531</u>	<u>5,449</u>	<u>6,865</u>
<i>Group Average</i>	\$2,990	\$3,079	\$3,426	\$3,770	\$4,139	\$4,930	\$6,341

¹ MERF administratively consolidated into PERA in 2010

² Plan is terminally funded, meaning that the State contribution is made only upon the retirement of each participant.

³ Plan is funded on a current disbursements or "pay-as-you-go" basis; the state funds the retirement annuities or benefits monthly when they are done.

Minnesota Defined Benefit Retirement Plans Plan Demographics

SERVICE RETIREES

Number of Members

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	10,464	11,810	14,004	16,276	19,202	23,337	26,524
PERA-General	17,277	24,314	31,487	39,940	48,147	59,159	64,472
TRA	<u>12,798</u>	<u>16,133</u>	<u>21,458</u>	<u>29,525</u>	<u>35,779</u>	<u>47,517</u>	<u>50,780</u>
<i>Subtotal</i>	40,539	52,257	66,949	85,741	103,128	130,013	141,776
MSRS-Correctional	309	340	399	616	1,025	1,505	1,773
State Patrol Plan	285	346	401	531	612	684	733
PERA-P&F	765	1,057	1,435	3,991	4,668	5,354	6,463
P&F Consolidation Accounts	--	248	1,349	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>9</u>	<u>113</u>	<u>308</u>	<u>429</u>
<i>Subtotal</i>	1,359	1,991	3,584	5,147	6,418	7,851	9,398
Legislators Plan	108	126	155	210	251	279	287
Elected State Officers Plan	6	3	5	8	11	11	10
Judges Plan	<u>83</u>	<u>105</u>	<u>131</u>	<u>153</u>	<u>163</u>	<u>170</u>	<u>190</u>
<i>Subtotal</i>	197	234	291	371	425	460	487
MERF/ PERA-MERF Division ¹	3,459	3,688	3,657	3,757	3,737	3,360	3,142
DTRFA	562	634	788	937	1,164	1,171	1,254
MTRFA ²	2,153	2,254	2,482	3,033	3,537	--	--
SPTRFA	<u>963</u>	<u>1,111</u>	<u>1,334</u>	<u>1,728</u>	<u>2,214</u>	<u>2,721</u>	<u>2,942</u>
<i>Subtotal</i>	3,678	3,999	4,604	5,698	6,915	3,892	4,196

Average Benefit

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	\$3,784	\$5,891	\$7,898	\$13,103	\$15,624	\$17,383	\$18,160
PERA-General	4,617	6,493	7,696	11,458	12,720	13,332	13,317
TRA	<u>6,680</u>	<u>10,781</u>	<u>15,952</u>	<u>26,617</u>	<u>27,756</u>	<u>26,141</u>	<u>27,210</u>
<i>Group Average</i>	\$5,053	\$7,681	\$10,381	\$16,990	\$18,477	\$18,741	\$19,199
MSRS-Correctional	\$4,966	\$7,306	\$11,592	\$15,619	\$20,496	\$17,999	\$20,812
State Patrol Plan	11,745	19,066	25,865	43,808	51,456	57,180	58,861
PERA-P&F	8,271	13,592	18,613	35,115	41,928	48,027	49,710
P&F Consolidation Accounts	--	17,107	23,377	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>427</u>	<u>2,568</u>	<u>5,376</u>	<u>6,494</u>
<i>Group Average</i>	\$8,248	\$13,908	\$20,447	\$33,618	\$38,721	\$41,395	\$42,765
Legislators Plan	\$6,568	\$8,884	\$11,751	\$17,864	\$20,424	\$21,186	\$22,251
Elected State Officers Plan	13,836	21,009	20,070	26,612	29,088	32,887	34,096
Judges Plan	<u>19,880</u>	<u>27,410</u>	<u>35,855</u>	<u>55,729</u>	<u>61,404</u>	<u>65,893</u>	<u>65,452</u>
<i>Group Average</i>	\$12,398	\$17,352	\$22,745	\$33,668	\$36,365	\$37,988	\$39,348
MERF/ PERA-MERF Division ¹	\$8,598	\$13,258	\$16,463	\$24,148	\$30,396	\$34,583	\$35,536
DTRFA	\$4,044	\$5,027	\$9,581	\$13,853	\$16,740	\$18,876	\$18,527
MTRFA ²	7,384	14,462	18,737	27,928	32,820	--	--
SPTRFA	<u>9,422</u>	<u>12,384</u>	<u>16,523</u>	<u>26,874</u>	<u>31,440</u>	<u>32,562</u>	<u>31,555</u>
<i>Group Average</i>	\$7,407	\$12,389	\$16,528	\$25,294	\$29,671	\$28,304	\$27,662

¹ MERF administratively consolidated into PERA in 2010

² MTRFA merged into TRA in 2006

Minnesota Defined Benefit Retirement Plans Plan Demographics

SURVIVORS

Number of Members

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	537	899	1,313	1,955	2,731	3,414	3,701
PERA-General	3,854	4,414	5,260	6,010	6,650	7,120	7,425
TRA	<u>781</u>	<u>929</u>	<u>1,331</u>	<u>1,912</u>	<u>2,597</u>	<u>3,682</u>	<u>4,054</u>
<i>Subtotal</i>	5,172	6,242	7,904	9,877	11,978	14,216	17,192
MSRS-Correctional	8	15	25	56	104	148	180
State Patrol Plan	109	105	121	157	178	192	182
PERA-P&F	279	347	426	1,205	1,261	1,413	1,848
P&F Consolidation Accounts	--	129	580	--	--	--	--
PERA Local Govt. Correctional	<u>--</u>	<u>--</u>	<u>--</u>	<u>0</u>	<u>8</u>	<u>18</u>	<u>25</u>
<i>Subtotal</i>	396	596	1,152	1,418	1,551	1,771	2,235
Legislators Plan	41	37	61	70	70	80	80
Elected State Officers Plan	3	5	6	5	4	4	4
Judges Plan	<u>52</u>	<u>64</u>	<u>77</u>	<u>82</u>	<u>85</u>	<u>94</u>	<u>99</u>
<i>Subtotal</i>	96	106	144	157	159	178	183
MERF/ PERA-MERF Division ¹	938	942	987	1,056	986	840	790
DTRFA	23	29	46	53	94	105	113
MTRFA ²	140	204	225	254	277	--	--
SPTRFA	<u>112</u>	<u>129</u>	<u>170</u>	<u>213</u>	<u>259</u>	<u>300</u>	<u>321</u>
<i>Subtotal</i>	275	362	441	520	630	405	434

Average Benefit

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	\$2,828	\$4,645	\$6,601	\$11,405	\$14,196	\$15,467	\$15,852
PERA-General	2,574	4,475	6,856	11,382	13,548	15,000	15,098
TRA	<u>5,594</u>	<u>9,150</u>	<u>12,990</u>	<u>21,623</u>	<u>24,348</u>	<u>26,983</u>	<u>26,696</u>
<i>Group Average</i>	\$3,056	\$5,195	\$7,847	\$13,369	\$16,037	\$18,216	\$18,379
MSRS-Correctional	\$5,078	\$4,501	\$5,948	\$8,877	\$10,932	\$11,997	\$12,930
State Patrol Plan	4,454	7,875	13,493	22,137	25,452	29,902	31,362
PERA-P&F	3,886	6,770	10,864	18,867	23,496	26,866	27,986
P&F Consolidation Accounts	--	8,453	11,854	--	--	--	--
PERA Local Govt. Correctional	<u>--</u>	<u>--</u>	<u>--</u>	<u>0</u>	<u>4,188</u>	<u>4,852</u>	<u>6,013</u>
<i>Group Average</i>	\$4,066	\$7,272	\$11,532	\$18,835	\$22,778	\$25,729	\$26,803
Legislators Plan	\$2,437	\$4,242	\$5,537	\$9,539	\$12,708	\$15,798	\$16,881
Elected State Officers Plan	7,451	9,874	11,107	20,446	n/r	23,816	30,733
Judges Plan	<u>9,888</u>	<u>14,502</u>	<u>20,148</u>	<u>33,899</u>	<u>38,772</u>	<u>45,242</u>	<u>47,272</u>
<i>Group Average</i>	\$6,630	\$10,702	\$13,582	\$22,609	\$27,001	\$31,527	\$33,624
MERF/ PERA-MERF Division ¹	\$5,143	\$8,454	\$11,453	\$17,586	n/r	\$29,788	\$30,754
DTRFA	\$2,638	\$3,308	\$7,521	\$11,528	\$13,068	\$16,593	\$16,272
MTRFA ²	5,959	10,046	13,672	21,587	27,048	--	--
SPTRFA	<u>5,501</u>	<u>7,376</u>	<u>10,075</u>	<u>19,865</u>	<u>24,984</u>	<u>27,723</u>	<u>29,779</u>
<i>Group Average</i>	\$5,495	\$8,555	\$11,644	\$19,856	\$24,114	\$24,838	\$26,262

¹ MERF administratively consolidated into PERA in 2010

² MTRFA merged into TRA in 2006

Minnesota Defined Benefit Retirement Plans Plan Demographics

DISABILITANTS

Number of Members

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	695	676	824	1,070	1,434	1,684	1,750
PERA-General	654	708	959	1,397	1,853	2,215	3,638
TRA	<u>223</u>	<u>257</u>	<u>379</u>	<u>509</u>	<u>581</u>	<u>654</u>	<u>591</u>
<i>Subtotal</i>	1,572	1,641	2,162	2,976	3,868	4,553	5,979
MSRS-Correctional	12	9	25	75	150	208	244
State Patrol Plan	13	14	18	22	35	48	48
PERA-P&F	54	89	146	482	686	859	1,095
P&F Consolidation Accounts	--	16	53	--	--	--	--
PERA Local Govt. Correctional	<u>--</u>	<u>--</u>	<u>--</u>	<u>3</u>	<u>59</u>	<u>116</u>	<u>153</u>
<i>Subtotal</i>	79	128	242	582	930	1,231	1540
Legislators Plan	--	--	--	--	--	--	--
Elected State Officers Plan	--	--	--	--	--	--	--
Judges Plan	<u>4</u>	<u>9</u>	<u>7</u>	<u>4</u>	<u>7</u>	<u>27</u>	<u>25</u>
<i>Subtotal</i>	4	9	7	4	7	27	25
MERF/ PERA-MERF Division ¹	261	258	240	213	185	143	123
DTRFA	8	11	7	6	16	19	19
MTRFA ²	47	40	49	20	25	--	--
SPTRFA	<u>28</u>	<u>30</u>	<u>35</u>	<u>23</u>	<u>32</u>	<u>23</u>	<u>29</u>
<i>Subtotal</i>	83	81	91	49	73	42	48

Average Benefit

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	\$2,924	\$4,159	\$5,613	\$9,434	\$11,268	\$12,997	\$13,474
PERA-General	4,911	5,487	6,712	9,077	9,948	10,865	12,252
TRA	<u>7,834</u>	<u>10,759</u>	<u>12,743</u>	<u>19,553</u>	<u>19,440</u>	<u>20,167</u>	<u>19,540</u>
<i>Group Average</i>	\$4,447	\$5,766	\$7,350	\$10,997	\$11,863	\$12,990	\$13,330
MSRS-Correctional	\$5,879	\$5,018	\$11,946	\$13,865	\$16,176	\$17,579	\$18,373
State Patrol Plan	10,397	14,228	20,528	31,589	38,100	42,239	43,807
PERA-P&F	9,030	13,743	17,535	33,378	40,380	44,383	44,206
P&F Consolidation Accounts	--	15,379	21,871	--	--	--	--
PERA Local Govt. Correctional	<u>--</u>	<u>--</u>	<u>--</u>	<u>10,419</u>	<u>13,608</u>	<u>16,299</u>	<u>15,528</u>
<i>Group Average</i>	\$8,776	\$13,387	\$18,130	\$30,677	\$34,692	\$37,124	\$37,251
Legislators Plan	--	--	--	--	--	--	--
Elected State Officers Plan	--	--	--	--	--	--	--
Judges Plan	<u>\$19,669</u>	<u>\$25,781</u>	<u>\$35,158</u>	<u>\$68,229</u>	<u>\$69,576</u>	<u>\$71,212</u>	<u>\$72,347</u>
<i>Group Average</i>	\$19,669	\$25,781	\$35,158	\$68,229	\$69,576	\$72,212	\$72,347
MERF/ PERA-MERF Division ¹	\$6,503	\$9,617	\$12,378	\$18,179	\$22,356	\$25,772	\$26,028
DTRFA	\$3,956	\$6,478	\$11,925	\$11,024	\$15,168	\$13,812	\$14,058
MTRFA ²	7,436	11,832	16,485	35,032	33,816	--	--
SPTRFA	<u>16,640</u>	<u>19,280</u>	<u>23,764</u>	<u>33,018</u>	<u>32,676</u>	<u>26,129</u>	<u>21,332</u>
<i>Group Average</i>	\$10,206	\$13,863	\$18,934	\$31,147	\$29,229	\$20,557	\$18,453

¹ MERF administratively consolidated into PERA in 2010

² MTRFA merged into TRA in 2006

Minnesota Defined Benefit Retirement Plans Plan Demographics

DEFERRED MEMBERS AND INACTIVE MEMBERS

Deferred Retirees – Number of Members

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	940	1,824	5,518	11,125	13,592	15,388	15702
PERA-General	1,863	2,699	7,156	21,495	35,768	45,151	44354
TRA	<u>2,191</u>	<u>1,955</u>	<u>5,103</u>	<u>7,375</u>	<u>9,808</u>	<u>12,756</u>	<u>12201</u>
<i>Subtotal</i>	4,994	6,478	17,777	39,995	59,168	73,295	72257
MSRS-Correctional	30	113	296	419	738	993	1180
State Patrol Plan	21	23	19	24	34	39	40
PERA-P&F	163	128	250	470	927	1,315	1303
P&F Consolidation Accounts	--	3	32	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>0</u>	<u>915</u>	<u>1,895</u>	<u>2091</u>
<i>Subtotal</i>	214	267	597	913	2,614	4,242	4614
Legislators Plan	111	101	141	90	118	88	74
Elected State Officers Plan	5	6	5	4	1	1	1
Judges Plan	<u>7</u>	<u>2</u>	<u>7</u>	<u>9</u>	<u>21</u>	<u>18</u>	<u>17</u>
<i>Subtotal</i>	123	109	153	103	140	107	92
MERF/ PERA-MERF Division ¹	101	97	86	233	174	102	69
DTRFA	50	42	122	172	313	301	284
MTRFA ²	562	519	628	756	1,377	--	--
SPTRFA	<u>36</u>	<u>36</u>	<u>107</u>	<u>243</u>	<u>1,368</u>	<u>1,863</u>	<u>1833</u>
<i>Subtotal</i>	648	597	857	1,171	3,058	2,164	2117

Inactive Members – Number of Members

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2012</u>
MSRS-General	4,957	4,638	5,242	7,772	7,702	6,537	5,788
PERA-General	38,986	7,695	9,683	79,362	100,369	126,027	115,287
TRA	<u>13,628</u>	<u>15,356</u>	<u>16,411</u>	<u>17,833</u>	<u>19,151</u>	<u>23,651</u>	<u>27,591</u>
<i>Group Average</i>	57,271	27,689	31,336	104,967	127,222	156,215	140,666
MSRS-Correctional	79	45	74	163	351	585	473
State Patrol Plan	9	4	5	10	14	14	15
PERA-P&F	350	121	141	626	729	930	971
P&F Consolidation Accounts	--	1	0	--	--	--	--
PERA Local Govt. Correctional	--	--	--	<u>0</u>	<u>906</u>	<u>1,605</u>	<u>1,727</u>
<i>Group Average</i>	438	171	220	799	2,000	3,134	3,186
Legislators Plan	15	3	9	3	2	1	1
Elected State Officers Plan	1	0	0	0	0	0	0
Judges Plan	<u>0</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Group Average</i>	16	4	10	5	2	1	1
MERF/ PERA-MERF Division ¹	197	184	181	0	0	0	0
DTRFA	0	435	561	575	638	721	766
MTRFA ²	60	134	895	1,815	3,604	--	--
SPTRFA	<u>1,770</u>	<u>888</u>	<u>1,066</u>	<u>1,697</u>	<u>1,687</u>	<u>1,419</u>	<u>1,427</u>
<i>Group Average</i>	1,830	1,457	2,522	4,087	5,929	2,140	2,193

¹ MERF administratively consolidated into PERA in 2010

² MTRFA merged into TRA in 2006

Historical Summary of Actuarial Gains and Losses

The following tables show Minnesota public pension plans actuarial experience gains (-), which are reductions in the amount of the plan unfunded actuarial accrued liabilities, and losses (+), which are increases in the amount of the plan unfunded actuarial accrued liabilities, from 1986 to 2000, for the period from 1991 to 2000, for the period 1996 to 2000, for the period 2000 to 2005, and annually after 2005:

Salary Increase Assumption

Plan	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2000-2005	1996-2000	1991-2000	1986-2000
MSRS-General	-82,891,000	-108,331,000	-158,877,000	-22,704,000	-48,586,000	-83,746,773	-79,496,460	-110,958,775	-125,831,000	-344,439,000	-417,563,000
PERA-General	-2,844,924,000	-95,370,000	-169,777,000	-12,262,000	-26,366,000	-101,197,698	-146,764,055	-258,712,679	-366,202,000	-725,461,000	-817,982,000
TRA	<u>-223,645,000</u>	<u>-173,337,000</u>	<u>-297,584,000</u>	<u>-16,554,000</u>	<u>51,254,000</u>			<u>-171,284,000</u>	<u>-442,219,000</u>	<u>-1,188,570,000</u>	<u>-1,326,930,000</u>
Subtotal	-3,151,460,000	-377,038,000	-626,238,000	-51,520,000	-23,698,000	-184,944,471	-226,260,515	-540,955,454	-934,252,000	-2,258,470,000	-2,562,475,000
MSRS-Corr.	3,055,000	-12,936,000	-15,123,000	-3,631,000	-1,540,000	-170,390	-6,102,666	-30,012,270	1,576,000	-5,753,000	-7,241,000
State Patrol	-2,531,000	-9,766,000	-10,626,000	-4,023,000	-4,294,000	215,396	-2,920,024	-15,555,781	701,000	-1,138,000	-6,369,000
PERA-P&F	-63,598,000	-67,490,000	-96,316,000	-1,499,000	-28,253,000	-45,220,100	-29,275,893	-83,690,240	-72,046,000	-141,994,000	-158,834,000
P&F Consol. Accts.	--	--	--	--	--	--	--	--	--	--	--
Loc. Govt. Corr.	<u>-6,202,000</u>	<u>-4,585,000</u>	<u>-5,638,000</u>	<u>-1,372,000</u>	<u>-341,000</u>	<u>-1,070,392</u>	<u>-1,214,136</u>	<u>3,161,896</u>	<u>-926,000</u>	<u>-926,000</u>	<u>-926,000</u>
Subtotal	-69,276,000	-94,777,000	-127,703,000	-10,525,000	-34,428,000	-46,245,486	-39,512,719	-126,096,395	-70,695,000	-149,811,000	-173,370,000
Legislators	-623,000	17,000	-413,000	60,000	-1,225,000			-1,026,000	-5,343,000	-8,495,000	-9,191,000
Elected St. Officers	0	0	0	0	0			0	-236,000	-480,000	-588,000
Judges	<u>-2,837,000</u>	<u>-3,256,000</u>	<u>-3,495,000</u>	<u>-40,000</u>	<u>-2,359,000</u>	<u>-1,551,189</u>	<u>-2,387,694</u>	<u>-414,186</u>	<u>-7,034,000</u>	<u>-17,215,000</u>	<u>-19,710,000</u>
Subtotal	-3,460,000	-3,239,000	-3,908,000	20,000	-3,584,000	-1,551,189	-2,387,694	-1,440,186	-12,613,000	-26,190,000	-29,489,000
MERF	-1,028,000	-645,000	-2,000	-442,861	-1,860,940			2,312,308	-6,148,000	-14,885,000	7,377,000
DTRFA								-4,513,000	-12,305,000	-56,155,000	-62,594,000
MTRFA	--	--	--	--	--	--	--	-45,521,000	22,101,000	3,902,000	-20,052,000
SPTRFA	<u>-12,247,000</u>	<u>-10,866,000</u>	<u>-13,954,000</u>	<u>-5,264,000</u>	<u>-4,868,000</u>			<u>-19,139,000</u>	<u>-20,063,000</u>	<u>-25,499,000</u>	<u>-32,734,000</u>
Subtotal	-12,247,000	-10,866,000	-13,954,000	-5,264,000	-4,868,000	0	0	-69,173,000	-10,267,000	-77,752,000	-115,380,000
Total	-3,237,471,000	-486,565,000	-771,805,000	-67,731,861	-68,438,940	-232,741,146	-268,160,928	-758,418,727	-1,033,975,000	-2,527,108,000	-2,873,337,000

Investment Return Assumption

Plan	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2000-2005	1996-2000	1991-2000	1986-2000
MSRS-General	391,769,000	300,962,000	572,503,000	723,093,000	403,575,000	-187,380,854	55,910,692	1,068,276,456	-1,170,958,000	-1,339,497,000	-1,554,413,000
PERA-General	572,622,000	453,210,000	848,873,000	1,927,455,000	758,806,000	-205,886,745	84,873,894	1,320,656,519	-1,230,517,000	-1,425,328,000	-1,722,945,000
TRA	<u>752,332,000</u>	<u>600,957,000</u>	<u>1,061,858,000</u>	<u>3,078,494,000</u>	<u>1,228,867,000</u>	<u>-378,871,708</u>	<u>146,446,633</u>	<u>1,939,501,853</u>	<u>-437,398,000</u>	<u>-885,311,000</u>	<u>-1,371,667,000</u>
Subtotal	1,716,723,000	1,355,129,000	2,483,234,000	5,729,042,000	2,391,248,000	-772,139,307	287,231,219	4,328,434,828	-2,838,873,000	-3,650,136,000	-4,649,025,000
MSRS-Corr.	24,921,000	18,445,000	36,603,000	48,978,000	34,378,000	-10,188,061	5,282,955	48,773,562	-62,760,000	-70,850,000	-80,384,000
State Patrol	24,438,000	19,651,000	36,437,000	54,220,000	45,173,000	-5,126,728	10,430,339	72,654,915	-82,780,000	-94,355,000	-110,094,000
PERA-P&F	234,741,000	186,982,000	341,851,000	777,619,000	249,139,000	-93,809,595	46,176,197	487,417,212	-656,932,000	-728,195,000	-813,031,000
P&F Consol. Accts.	--	--	--	--	--	--	--	--	--	--	--
Loc. Govt. Corr.	<u>9,938,000</u>	<u>7,224,000</u>	<u>14,428,000</u>	<u>14,741,000</u>	<u>311,000</u>	<u>-5,018,484</u>	<u>-727,013</u>	<u>6,795,194</u>	<u>258,000</u>	<u>258,000</u>	<u>258,000</u>
Subtotal	294,038,000	232,302,000	429,319,000	895,558,000	329,001,000	-114,142,868	61,162,478	615,640,883	-802,214,000	-893,142,000	-1,003,251,000
Legislators	1,247,000	4,639,000	-948,000	8,146,000	4,897,000			1,185,000	2,759,000	4,914,000	6,587,000
Elected St. Officers	0	0	19,115	18,957	22,610			31,000	158,000	301,000	408,000
Judges	<u>5,495,000</u>	<u>4,458,000</u>	<u>8,864,000</u>	<u>7,685,000</u>	<u>14,568,000</u>	<u>-1,600,642</u>	<u>2,737,363</u>	<u>21,756,913</u>	<u>-6,283,000</u>	<u>-7,195,000</u>	<u>-8,761,000</u>
Subtotal	6,742,000	9,097,000	7,935,115	15,849,957	19,487,610	-1,600,642	2,737,363	22,972,913	-3,366,000	-1,980,000	-1,766,000

Historical Summary of Actuarial Gains and Losses

Investment Return Assumption

Plan	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2000-2005</u>	<u>1996-2000</u>	<u>1991-2000</u>	<u>1986-2000</u>
MERF	53,414,000	-115,637,000	47,306,000	270,171,052	115,377,024	4,908,970	11,892,784	55,206,040	-197,268,000	-161,922,000	-210,927,000
DTRFA	28,191,456	22,610,790	29,239,045	26,140,717	-2,165,878	-9,743,992	5,940,799	45,909,548	-48,167,000	-56,883,000	-75,172,000
MTRFA	--	--	--	--	--	--	--	373,335,762	-51,313,000	-115,300,000	-193,272,000
SPTRFA	<u>76,504,000</u>	<u>51,177,000</u>	<u>77,284,000</u>	<u>60,198,000</u>	<u>-28,702,000</u>	<u>-46,420,607</u>	<u>-1,180,976</u>	<u>137,224,270</u>	<u>2,469,000</u>	<u>-24,317,000</u>	<u>-72,740,000</u>
Subtotal	104,695,456	73,787,790	106,523,045	86,338,717	-30,867,878	-56,164,599	4,759,823	556,469,580	-97,011,000	-196,500,000	-341,184,000
Total	2,175,612,456	1,554,678,790	3,074,317,160	6,996,959,726	2,824,245,756	-939,138,446	367,783,667	5,720,176,244	-3,938,732,000	-4,903,680,000	-6,206,153,000

Mortality Assumption

Plan	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2000-2005</u>	<u>1996-2000</u>	<u>1991-2000</u>	<u>1986-2000</u>
MSRS-General	41,442,000	9,174,000	523,000	4,163,000	9,563,000	190,567,865	-1,688,293	-24,927,515	20,780,000	28,867,000	33,554,000
PERA-General	5,446,000	62,521,000	33,391,000	58,995,000	-41,173,000	25,060,644	21,781,524	-24,140,585	-88,292,000	-44,209,000	16,751,000
TRA	<u>8,685,000</u>	<u>-74,936,000</u>	<u>44,520,000</u>	<u>7,566,000</u>	<u>49,721,000</u>			<u>-54,706,000</u>	<u>50,487,000</u>	<u>57,010,000</u>	<u>54,848,000</u>
Subtotal	55,573,000	-3,241,000	78,434,000	70,724,000	18,111,000	215,628,509	20,093,231	-103,774,100	-17,025,000	41,668,000	105,153,000
MSRS-Corr.	-1,058,000	159,000	918,000	-196,000	-3,775,000	2,947,950	24,771,591	-6,746,318	214,000	1,219,000	847,000
State Patrol	3,084,000	3,072,000	-3,672,000	2,575,000	-4,236,000	4,080,438	5,423,933	11,715,516	11,417,000	12,204,000	13,038,000
PERA-P&F	12,792,000	16,038,000	24,019,000	10,528,000	41,222,000	8,126,208	-4,090,833	-23,441,536	10,828,000	15,345,000	23,126,000
P&F Consol. Accts.	--	--	--	--	--	--	--		19,772,778	24,391,165	25,019,484
Loc. Govt. Corr.	<u>88,000</u>	<u>496,000</u>	<u>45,000</u>	<u>-176,000</u>	<u>-381,000</u>	<u>-289,659</u>	<u>173,338</u>	<u>69,966</u>	<u>-2,000</u>	<u>-2,000</u>	<u>-2,000</u>
Subtotal	14,906,000	19,765,000	21,310,000	12,731,000	32,830,000	14,864,937	26,278,029	-18,402,372	42,229,778	53,157,165	62,028,484
Legislators	714,000	989,000	416,000	722,000	1,065,000			100,000	-1,587,000	1,598,000	2,281,000
Elected St. Officers	122,827	90,980	130,927	114,224	104,248			138,000	-314,000	-375,000	-445,000
Judges	<u>2,222,000</u>	<u>1,630,000</u>	<u>1,016,000</u>	<u>3,659,000</u>	<u>2,810,000</u>	<u>4,758,864</u>	<u>2,152,334</u>	<u>1,490,134</u>	<u>1,445,000</u>	<u>6,680,000</u>	<u>6,844,000</u>
Subtotal	3,058,827	2,709,980	1,562,927	4,495,224	3,979,248	4,758,864	2,152,334	1,728,134	-456,000	7,903,000	8,680,000
MERF	-2,928,000	3,140,000	7,297,000	-280,213	2,390,845			12,689,000	10,105,000	9,227,000	7,755,000
DTRFA								-4,691,000	-1,796,000	-595,000	-24,670,000
MTRFA	--	--	--	--	--	--	--	-23,125,000	13,761,000	-19,411,000	-16,618,000
SPTRFA	<u>3,087,000</u>	<u>-2,913,000</u>	<u>1,666,000</u>	<u>482,000</u>	<u>700,000</u>			<u>-6,323,000</u>	<u>-29,103,000</u>	<u>-35,268,000</u>	<u>-38,898,000</u>
Subtotal	3,087,000	-2,913,000	1,666,000	482,000	700,000	0	0	-34,139,000	-17,138,000	-55,274,000	-80,186,000
Total	73,696,827	19,460,980	110,269,927	88,152,011	58,011,093	235,252,310	48,523,594	-141,898,338	17,715,778	56,681,165	103,430,484

Other Actuarial Assumptions

Plan	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2000-2005</u>	<u>1996-2000</u>	<u>1991-2000</u>	<u>1986-2000</u>
MSRS-General	-1,420,000	-3,912,000	-16,607,000	-35,288,000	-19,225,000	178,345,541	-71,210,243	-29,253,329	210,148,000	161,489,000	365,317,000
PERA-General	12,851,000	-110,459,000	-5,827,000	34,954,000	-580,869,000	54,745,501	19,258,463	528,864,239	407,022,000	730,865,000	1,134,284,000
TRA	<u>240,968,000</u>	<u>197,024,000</u>	<u>119,882,000</u>	<u>98,169,000</u>	<u>-45,753,000</u>	<u>-6,572,078</u>	<u>-41,724,091</u>	<u>283,842,942</u>	<u>616,885,000</u>	<u>1,170,772,000</u>	<u>1,445,631,000</u>
Subtotal	252,399,000	82,653,000	97,448,000	97,835,000	-645,847,000	226,518,964	-93,675,871	783,453,852	1,234,055,000	2,063,126,000	2,945,232,000

Historical Summary of Actuarial Gains and Losses

Other Actuarial Assumptions

Plan	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2000-2005	1996-2000	1991-2000	1986-2000
MSRS-Corr.	1,612,000	-428,000	18,486,000	-2,619,000	2,318,000	4,474,443	2,483,954	51,760,096	35,948,000	29,639,000	37,672,000
State Patrol	222,000	-165,000	3,266,000	3,673,000	181,000	-2,580,973	-7,438,387	-13,181,670	12,921,000	-8,901,000	-3,126,000
PERA-P&F	61,172,000	-8,804,000	-11,201,000	10,343,000	-79,796,000	148,110,726	37,038,388	270,058,708	194,138,000	196,059,000	218,207,000
P&F Consol. Accts.	--	--	--	--	--	--	--	--	-134,063,938	-272,790,818	-290,462,162
Loc. Govt. Corr.	-741,000	1,177,000	321,000	2,712,000	1,489,000	3,139,126	895,198	5,653,936	463,000	463,000	463,000
Subtotal	62,265,000	-8,220,000	10,872,000	14,109,000	-75,808,000	153,143,322	32,979,153	314,291,070	109,406,062	-55,530,818	-37,246,162
Legislators	3,252,000	-1,455,000	-439,000	-1,405,000	928,000	-3,456,020	-3,456,020	4,316,743	3,452,000	189,000	2,822,000
Elected St. Officers	-36,348	-4,593	-25,695	-10,166	-59,537	-98,344	-98,344	275,011	65,000	-187,000	158,000
Judges	11,412,000	184,000	-678,000	3,377,000	4,742,000	89,335	737,645	-293,490	7,912,000	3,185,000	7,555,000
Subtotal	14,627,652	-1,275,593	-1,142,695	1,961,834	5,610,463	89,335	-2,816,719	4,298,264	11,429,000	3,187,000	10,535,000
MERF	9,044,000	-3,508,000	22,940,000	54,409,944	20,073,971	2,776,635	14,932,144	59,176,649	62,682,000	70,618,000	114,951,000
DTRFA	4,361,273	3,804,394	1,283,443	-10,572,081	3,615,145	-2,023,843	-525,771	4,459,101	10,542,000	17,842,000	25,548,000
MTRFA	--	--	--	--	--	--	--	24,618,264	22,223,000	59,140,000	115,434,000
SPTRFA	5,122,000	3,731,000	-4,047,000	-3,569,000	-2,647,000	-29,685,327	8,402,689	21,553,200	-17,033,000	-15,000,000	6,235,000
Subtotal	9,483,273	7,535,394	-2,763,557	-14,141,081	968,145	-31,709,170	7,876,918	50,630,565	15,732,000	61,982,000	147,217,000
Total	347,818,925	77,184,801	127,353,748	154,174,697	-695,002,421	350,819,086	-40,704,375	1,211,850,400	1,433,304,062	2,143,382,182	3,180,688,838

Total Experience Gains and Losses

Plan	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2000-2005	1996-2000	1991-2000	1986-2000
MSRS-General	348,900,000	197,893,000	397,542,000	669,264,000	345,327,000	97,785,779	-96,484,304	677,622,837	-1,065,861,000	-1,493,580,000	-1,573,105,000
PERA-General	-2,254,005,000	309,902,000	706,660,000	2,009,142,000	110,398,000	-227,278,298	-20,850,174	1,566,667,494	-1,277,989,000	-1,464,133,000	-1,389,892,000
TRA	778,340,000	549,708,000	928,676,000	3,167,675,000	1,284,089,000	-385,443,786	104,722,542	1,997,354,795	-212,245,000	-846,099,000	-1,198,118,000
Subtotal	-1,126,765,000	1,057,503,000	2,032,878,000	5,846,081,000	1,739,814,000	-514,936,305	-12,611,936	4,241,645,126	-2,556,095,000	-3,803,812,000	-4,161,115,000
MSRS-Corr.	28,530,000	5,240,000	40,884,000	42,532,000	31,381,000	-2,936,058	26,435,834	52,448,070	-25,022,000	-45,745,000	-49,106,000
State Patrol	25,213,000	12,792,000	25,405,000	56,445,000	36,824,000	-3,411,867	5,495,861	55,632,980	-57,741,000	-92,190,000	-106,551,000
PERA-P&F	245,107,000	126,726,000	258,353,000	796,991,000	182,312,000	17,207,239	49,847,859	650,344,144	-524,012,000	-658,785,000	-730,532,000
P&F Consol. Accts.	--	--	--	--	--	--	--	--	-114,291,160	-248,399,653	-265,442,678
Loc. Govt. Corr.	3,083,000	4,312,000	9,156,000	15,905,000	1,078,000	-3,239,409	-872,613	15,680,992	-207,000	-207,000	-207,000
Subtotal	301,933,000	149,070,000	333,798,000	911,873,000	251,595,000	7,619,905	80,906,941	774,106,186	-721,273,160	-1,045,326,653	-1,151,838,678
Legislators	4,590,000	4,190,000	-1,384,000	7,523,000	5,665,000	0	-3,456,020	4,575,743	-719,000	-1,794,000	2,499,000
Elected St. Officers	86,479	86,387	124,347	123,015	67,321	0	-98,344	444,011	-327,000	-741,000	-467,000
Judges	16,292,000	3,016,000	5,707,000	14,681,000	19,761,000	1,696,368	3,239,648	9,012,371	-3,960,000	-14,545,000	-14,072,000
Subtotal	20,968,479	7,292,387	4,447,347	22,327,015	25,493,321	1,696,368	-314,716	14,032,125	-5,006,000	-17,080,000	-12,040,000
MERF	58,502,000	-116,650,000	77,541,000	323,857,922	135,980,900	7,685,605	26,824,928	113,840,997	-130,629,000	-96,962,000	-80,844,000
DTRFA	32,552,729	26,415,184	30,522,488	15,568,636	1,449,267	-11,767,835	5,415,028	41,164,649	-51,726,000	-95,791,000	-136,888,000
MTRFA	--	--	--	--	--	--	--	317,308,026	6,772,000	-71,669,000	-114,508,000
SPTRFA	72,466,000	41,129,000	60,949,000	51,847,000	-35,517,000	-76,105,934	7,221,713	133,316,470	-63,730,000	-100,084,000	-138,137,000
Subtotal	105,018,729	67,544,184	91,471,488	67,415,636	-34,067,733	-87,873,769	12,636,741	491,789,145	-108,684,000	-267,544,000	-389,533,000
Total	-640,342,792	1,164,759,571	2,540,135,835	7,171,554,573	2,118,815,488	-585,808,196	107,441,958	5,635,413,579	-3,521,687,160	-5,230,724,653	-5,795,370,678



Minnesota Public Pension Plans

Post-Retirement Annual Percent Increase¹ and Increase in the Consumer Price Index²

Effective <i>Jan 1:</i>	CPI ² %	MSRS Plans		PERA Plans			TRA ⁸ %	MTRFA ⁹ %	DTRFA ¹⁰ %	SPTRFA ¹¹ %
		All but SP ³ %	State Patrol ⁴ %	All but P&F ⁵ %	P&F ⁶ %	MERF ⁷ %				
2013	N/A	2.00	1.50	1.00	1.50	--	2.00	--	0.00	1.00
2012	3.6	2.00	1.50	1.00	1.00	--	0.00	--	0.00	1.00
2011	2.1	2.00	1.50	1.00	1.00	--	0.00	--	0.00	0.00
2010	-0.7	2.50		2.50		0.00	2.50	--	2.00	0.00
2009	4.1	2.500 ¹²		2.500 ¹²		3.50	2.500 ¹²	--	2.24	2.50
2008	2.9	2.500		2.500		2.66868	2.500	--	5.30	2.30
2007	3.2	2.500		2.500		3.50	2.500	--	2.00	2.00
2006	3.5	2.500		2.500		2.59039	2.500	2.00	2.00	2.00
2005	2.6	2.500		2.500		3.17372	2.500	2.00	2.00	2.00
2004	2.2	2.103		2.103		2.10347	2.103	2.00	2.00	2.00
2003	1.4	0.7450		0.7450		0.74456	0.7450	2.00	2.00	2.00
2002	2.7	4.4935		4.4935		5.34299	4.4935	2.31	5.25	3.70
2001	3.5	9.5342		9.5342		10.50999	9.5342	8.81	10.2391	7.6723
2000	2.2	11.1436		11.1436		10.2275	11.1436	9.67	9.0275	9.2619
1999	1.3	9.8254		9.8254		8.0432	9.8254	7.33	7.0125	7.2145
1998	2.3	10.0876		10.0876		6.6680	10.0876	7.28	6.3407	7.00
1997	2.9	8.0395		8.0395		3.9500	8.0395	6.23	5.6315	--
1996	2.9	6.3954		6.3954		3.5950	6.3954	3.85	4.6424	--
1995	2.5	3.9850		3.9850		3.1440	3.9850	2.13	--	--
1994	2.8	6.0170		6.0170		3.8240	6.0170	4.50	--	--
1993	2.9	4.5530		4.5530		5.9840	4.5530	--	--	--
1992	4.1	4.2950		4.2950		0.0000	4.2950	--	--	--
1991	5.2	5.1000		5.1000		5.0790	5.1000	--	--	--
1990	4.8	4.0400		4.0400		6.9180	4.0400	--	--	--
1989	4.0	6.9180		6.9180		5.93591	6.9180	--	--	--
1988	3.6	8.0540		8.0540		9.37158	8.0540	--	--	--
1987	1.6	9.7920		9.7920		7.5890	9.7920	--	--	--
1986	3.5	7.9000		7.9000		8.7160	7.9000	--	--	--
1985	3.5	6.9050		6.9050		7.3370	6.9050	--	--	--
1984	3.0	7.4990		7.4990		10.77	7.4990	--	--	--
1983	6.0	6.8530		6.8530		9.17	6.8530	--	--	--
1982	10.3	7.4360		7.4360		--	7.4360	--	--	--
1981	13.4	3.2090		3.2090		--	3.2090	--	--	--
1980	11.4	0.00		0.00		--	0.00	--	--	--
1979	7.7	0.00		0.00		--	0.00	--	--	--
1978	6.5	4.00		4.00		--	4.00	--	--	--

¹ Note: These increases are permanent increases to retiree annuities.

² Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) annual average percent change, December to December.

³ 2010 MSRS-General, Correctional, Judges, Legislators, and Elective State Officers plans provisions: reduced from 2.5% to 2.0%, restored when 90% funded on Market Value of Assets.

⁴ 2010 State Patrol Plan provisions: reduced from 2.5% to 1.5%, restored when 90% funded on Market Value of Assets.

⁵ 2010 PERA-General and PERA-Correctional provisions: reduced from 2.5% to 1.0%, restored when 90% funded on Market Value of Assets; rate reduced if fund later declines from 90% funded.

⁶ 2010 PERA-P&F provisions: reduced from 2.5% to 1.0% for 2011-2012, then equal to previous fiscal year CPI, not to exceed 1.5%, until 90% funded on Market Value of Assets, then not to exceed 2.5%; rate reduced if fund later declines from 90% funded.

⁷ MERF was merged into PERA in 2010; MERF Division members receive the same post-retirement adjustment as PERA-General members.

⁸ 2010 TRA provisions: suspended for 2011-2012; in 2013 reduced from 2.5% to 2.0%, restored when 90% funded on Market Value of Assets.

⁹ MTRFA was merged into TRA in 2006; former MTRFA members receive the TRA post-retirement adjustment. MTRFA first paid a post retirement adjustment under the new system on 1/1/94.

¹⁰ 2010 DTRFA provisions: 0% when under 80% funded on Market Value of Assets, 1% if 80-90% funded on Market Value, 2% when 90%+ funded on Market Value; when 90% funded on Actuarial Value of Assets moves to inflation match up to 5%. DTRFA first paid a post retirement adjustment under the new system on 1/1/96.

¹¹ 2011 SPTRFA provisions: transitional 1% until 80% funded and 2% until 90% funded; when 90%+ funded moves to inflation match up to 5%. Suspended for 2011.

SPTRFA first paid a post retirement adjustment under the new system on 1/1/98.

¹² The Minnesota Post Retirement Investment Fund (MPRIF) was abolished and merged with the respective active member funds on 6/30/09.

**Various Minnesota Public Pension Funds:
Total Portfolio Time-Weighted Calendar Year Rates of Return**

Cal. Year	State Board of Investment		MTRFA	DTRFA	SPTRFA	MERF
	Basic Fund	Post Fund				
1990	-0.7%	5.0%	-2.5%	3.2%	4.6%	-5.9%
1991	26.3%	19.6%	25.0%	22.0%	19.8%	13.3%
1992	6.8%	8.0%	8.2%	6.5%	7.2%	8.8%
1993	12.2%	11.6%	12.3%	12.8%	11.3%	13.7%
	Combined Fund					
1994	-0.4%		0.1%	0.2%	0.3%	1.2%
1995	25.5%		25.0%	25.5%	26.2%	23.4%
1996	15.3%		13.6%	13.4%	12.6%	12.9%
1997	21.5%		15.5%	15.5%	19.6%	18.5%
1998	16.1%		14.2%	11.1%	12.0%	15.7%
1999	16.5%		21.5%	29.4%	13.6%	15.5%
2000	-2.8%		-6.0%	-1.6%	-0.2%	-1.3%
2001	-6.0%		-7.7%	-4.7%	-1.4%	-6.2%
2002	-11.6%		-16.2%	-12.8%	-9.6%	-11.3%
2003	23.1%		22.8%	28.1%	27.0%	25.2%
2004	12.4%		10.2%	10.6%	14.1%	12.8%
2005	9.9%		5.7%	7.6%	9.9%	7.3%
2006	14.6%		--	14.7%	15.6%	14.8%
2007	9.5%		--	6.6%	8.1%	7.2%
2008	-26.2%		--	-35.1%	-28.2%	-28.1%
2009	20.3%		--	19.2%	22.4%	26.5%
2010	14.4%		--	16.0%	13.7%	--
2011	1.5%		--	-0.7%	-1.26%	--
2012	13.7%		--	<i>Not available</i>	13.4%	--

**Impact of 2010 Omnibus Retirement Bill
on Minnesota Defined Benefit Retirement Plans
and Other Unfunded Actuarial Accrued Liability Changes**

Plan	Plan Year Beginning UAAL \$	Interest Oblig., Norm. Cost, & Contrib. \$	Changes Related to:				UAAL Changes Related to:		Plan Year End Date UAAL \$
			Actuarial Assumption Gain or Loss:				Benefit Plan Amend. \$	Act. Assump. Changes \$	
			Salary Increase \$	Investment Return \$	Retiree Mortality \$	Other \$			
MSRS-General	1,482,359,000	97,818,000	(158,877,000)	572,503,000	523,000	(16,607,000)	(650,404,000)	(23,635,000)	1,303,680,000
PERA-General	5,640,926,000	233,639,000	(169,777,000)	848,873,000	33,391,000	5,827,000	(2,764,179,000)	236,917,000	4,053,963,000
TRA	5,232,394,000	351,879,000	(297,584,000)	1,061,858,000	44,520,000	119,882,000	(1,692,109,000)	(62,352,000)	4,758,488,000
<i>Subtotal</i>	12,355,679,000	683,336,000	(626,238,000)	2,483,234,000	78,434,000	109,102,000	(5,106,692,000)	150,930,000	10,116,131,000
MSRS-Corr.	230,911,000	20,848,000	(15,123,000)	36,663,000	918,000	18,486,000	(45,480,000)	0	247,223,000
State Patrol	140,833,000	12,383,000	(10,626,000)	36,437,000	(3,672,000)	3,266,000	(62,472,000)	0	116,149,000
PERA-P&F	1,056,419,000	85,265,000	(96,316,000)	341,851,000	24,019,000	(11,201,000)	(624,704,000)	0	775,333,000
PERA-Corr.	11,806,000	497,000	(5,638,000)	14,428,000	45,000	321,000	(14,611,000)	0	6,848,000
<i>Subtotal</i>	1,439,969,000	118,993,000	(127,703,000)	429,379,000	21,310,000	10,872,000	(747,267,000)	0	1,145,553,000
Legislators	61,768,000	3,448,000	(413,000)	(948,000)	416,000	(439,000)	(4,417,000)	0	59,415,000
Elect. State Officers	3,672,786	(159,315)	0	19,115	130,927	(25,695)	(69,631)	0	3,568,187
Judges	94,695,000	3,948,000	(3,495,000)	8,864,000	1,016,000	(678,000)	(8,499,000)	0	95,851,000
<i>Subtotal</i>	160,135,786	7,236,685	(3,908,000)	7,935,115	1,562,927	(1,142,695)	(12,985,631)	0	158,834,187
MERF Div. of PERA	670,966,000	27,392,000	(2,000)	(47,306,000)	7,297,000	(22,944,000)	0	(193,285,000)	442,118,000
DTRFA	85,555,895	5,475,645	N/R	29,239,035	N/R	(1,283,443)	(61,646,473)	0	57,340,659
SPTRFA	404,360,000	17,777,000	(13,954,000)	77,284,000	1,666,000	(4,047,000)	(17,846,000)	4,945,000	470,185,000
<i>Subtotal</i>	489,915,895	23,252,645	(13,954,000)	106,523,035	1,666,000	(5,330,443)	(79,492,473)	4,945,000	527,525,659
<i>Grand Total</i>	14,445,699,681	832,818,330	(771,803,000)	3,027,071,150	102,972,927	113,500,862	(5,946,437,104)	155,875,000	11,948,043,846

UAAL = unfunded actuarial accrued liability

Change in Minnesota Defined Benefit Retirement Plan Normal Cost Components 2009-2010

Retirement Plan	Retirement Benefit		Disability Benefit		Survivor Benefit		Deferred Retirement		Refunds		Total Normal Cost	
MSRS-General												
2009	5.61%	\$138,712,000	0.45%	\$11,268,000	0.26%	\$6,351,000	0.90%	\$22,530,000	0.69%	\$17,230,000	7.86%	\$196,091,000
2010	<u>5.91%</u>	<u>\$146,695,000</u>	<u>0.41%</u>	<u>\$10,138,000</u>	<u>0.20%</u>	<u>\$5,070,000</u>	<u>0.68%</u>	<u>\$16,944,000</u>	<u>0.57%</u>	<u>\$14,180,000</u>	<u>7.77%</u>	<u>\$193,027,000</u>
Change	+0.30%	+\$7,983,000	-0.04%	-\$1,130,000	-0.06%	-\$1,281,000	-0.22%	-\$5,586,000	-0.12%	-\$3,050,000	-0.09%	-\$3,064,000
PERA-General Basic												
2009	5.61%	\$83,000	0.34%	\$5,000	0.20%	\$3,000	3.51%	\$52,000	0.00%	\$0	9.66%	\$143,000
2010	<u>3.10%</u>	<u>\$38,000</u>	<u>0.19%</u>	<u>\$3,000</u>	<u>0.22%</u>	<u>\$3,000</u>	<u>2.30%</u>	<u>\$28,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>5.81%</u>	<u>\$72,000</u>
Change	-2.51%	-\$45,000	-0.15%	-\$2,000	+0.02%	\$0	-1.21%	-\$24,000	0.00%	\$0	-3.85%	-\$71,000
PERA-General Coord.												
2009	5.77%	\$296,100,000	0.37%	\$18,978,000	0.13%	\$6,900,000	1.54%	\$78,835,000	0.00%	\$0	7.81%	\$400,813,000
2010	<u>4.90%</u>	<u>\$252,925,000</u>	<u>0.29%</u>	<u>\$15,247,000</u>	<u>0.15%</u>	<u>\$7,515,000</u>	<u>1.16%</u>	<u>\$59,767,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>6.50%</u>	<u>\$335,454,000</u>
Change	-0.87%	-\$43,175,000	-0.08%	-\$3,731,000	+0.02%	+\$615,000	-0.38%	-\$19,068,000	0.00%	\$0	-1.31%	-\$65,359,000
TRA Basic												
2009	11.38%	\$498,000	0.50%	\$22,000	0.39%	\$17,000	3.15%	\$138,000	0.41%	\$18,000	15.83%	\$693,000
2010	<u>10.12%</u>	<u>\$351,000</u>	<u>0.46%</u>	<u>\$16,000</u>	<u>0.41%</u>	<u>\$14,000</u>	<u>1.86%</u>	<u>\$64,000</u>	<u>0.38%</u>	<u>\$13,000</u>	<u>13.23%</u>	<u>\$458,000</u>
Change	-1.26%	-\$147,000	-0.04%	-\$6,000	+0.02%	-\$3,000	-1.29%	-\$74,000	-0.03%	-\$5,000	-2.60%	-\$235,000
TRA Coordinated												
2009	7.05%	\$285,055,000	0.20%	\$8,212,000	0.09%	\$3,540,000	0.98%	\$39,726,000	0.55%	\$22,353,000	8.87%	\$358,886,000
2010	<u>6.83%</u>	<u>\$276,210,000</u>	<u>0.17%</u>	<u>\$6,921,000</u>	<u>0.08%</u>	<u>\$3,232,000</u>	<u>0.56%</u>	<u>\$22,628,000</u>	<u>0.72%</u>	<u>\$29,025,000</u>	<u>8.36%</u>	<u>\$338,016,000</u>
Change	-0.22%	-\$8,845,000	-0.03%	-\$1,291,000	-0.01%	-\$308,000	-0.42%	-\$17,098,000	+0.17%	+\$6,672,000	-0.51%	-\$20,870,000
MSRS-Correctional												
2009	13.27%	\$27,660,000	2.34%	\$4,877,000	0.33%	\$677,000	1.73%	\$3,603,000	0.55%	\$1,153,000	18.22%	\$37,970,000
2010	<u>12.45%</u>	<u>\$25,614,000</u>	<u>3.38%</u>	<u>\$6,946,000</u>	<u>0.31%</u>	<u>\$634,000</u>	<u>1.58%</u>	<u>\$3,241,000</u>	<u>0.37%</u>	<u>\$753,000</u>	<u>18.09%</u>	<u>\$37,188,000</u>
Change	-0.82%	-\$2,046,000	+1.04%	+\$2,069,000	-0.02%	-\$43,000	-0.15%	-\$362,000	-0.18%	-\$400,000	-0.13%	-\$782,000
State Patrol												
2009	21.54%	\$14,519,000	2.19%	\$1,478,000	1.08%	\$728,000	0.46%	\$312,000	0.10%	\$66,000	25.37%	\$17,103,000
2010	<u>19.54%</u>	<u>\$13,124,000</u>	<u>1.96%</u>	<u>\$1,319,000</u>	<u>0.99%</u>	<u>\$665,000</u>	<u>0.41%</u>	<u>\$274,000</u>	<u>0.08%</u>	<u>\$55,000</u>	<u>22.98%</u>	<u>\$15,437,000</u>
Change	-2.00%	-\$1,395,000	-0.23%	-\$159,000	-0.09%	-\$63,000	-0.05%	-\$38,000	-0.02%	-\$11,000	-2.39%	-\$1,666,000
PERA-P&F												
2009	16.83%	\$132,430,000	2.89%	\$22,727,000	0.87%	\$6,875,000	1.48%	\$11,671,000	0.00%	\$0	22.07%	\$173,703,000
2010	<u>15.17%</u>	<u>\$120,636,000</u>	<u>2.62%</u>	<u>\$20,779,000</u>	<u>0.77%</u>	<u>\$6,154,000</u>	<u>1.09%</u>	<u>\$8,675,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>19.65%</u>	<u>\$156,244,000</u>
Change	-1.66%	-\$11,794,000	-0.27%	-\$1,948,000	-0.10%	-\$721,000	-0.39%	-\$2,996,000	0.00%	\$0	-2.42%	-\$17,459,000

Change in Minnesota Defined Benefit Retirement Plan Normal Cost Components 2009-2010

Retirement Plan	Retirement Benefit		Disability Benefit		Survivor Benefit		Deferred Retirement		Refunds		Total Normal Cost	
PERA-Correctional												
2009	8.58%	\$14,818,000	1.88%	\$3,254,000	0.32%	\$550,000	2.48%	\$4,282,000	0.00%	\$0	13.26%	\$22,904,000
2010	<u>8.45%</u>	<u>\$14,421,000</u>	<u>1.82%</u>	<u>\$3,111,000</u>	<u>0.39%</u>	<u>\$660,000</u>	<u>2.02%</u>	<u>\$3,450,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>12.68%</u>	<u>\$21,642,000</u>
Change	-0.13%	-\$397,000	-0.06%	-\$143,000	+0.07%	+\$110,000	-0.46%	-\$832,000	0.00%	\$0	-0.58%	-\$1,262,000
Legislators												
2009	17.95%	\$370,000	0.00%	\$0	0.87%	\$18,000	0.00%	\$0	0.05%	\$1,000	18.87%	\$389,000
2010	<u>12.75%</u>	<u>\$252,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.67%</u>	<u>\$13,000</u>	<u>0.63%</u>	<u>\$12,000</u>	<u>0.85%</u>	<u>\$17,000</u>	<u>14.90%</u>	<u>\$294,000</u>
Change	-5.20%	-\$118,000	0.00%	\$0	-0.20%	-\$5,000	+0.63%	+\$12,000	+0.80%	+\$16,000	-3.97%	-\$95,000
Judges												
2009	15.18%	\$6,321,000	1.10%	\$457,000	1.23%	\$511,000	0.00%	\$0	0.01%	\$6,000	17.52%	\$7,295,000
2010	<u>14.92%</u>	<u>\$6,172,000</u>	<u>1.05%</u>	<u>\$433,000</u>	<u>1.07%</u>	<u>\$442,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.06%</u>	<u>\$25,000</u>	<u>17.10%</u>	<u>\$7,072,000</u>
Change	-0.26%	-\$149,000	-0.05%	-\$24,000	-0.16%	-\$69,000	0.00%	\$0	+0.05%	+\$19,000	-0.42%	-\$223,000
DTRFA												
2009	6.22%	\$3,444,520	0.12%	\$69,123	0.15%	\$80,861	0.93%	\$514,444	0.00%	\$0	7.42%	\$4,108,948
2010	<u>4.79%</u>	<u>\$2,691,988</u>	<u>0.10%</u>	<u>\$58,079</u>	<u>0.12%</u>	<u>\$65,708</u>	<u>0.84%</u>	<u>\$472,223</u>	<u>0.00%</u>	<u>\$0</u>	<u>5.85%</u>	<u>\$3,287,998</u>
Change	-1.43%	-\$752,532	-0.02%	-\$11,044	-0.03%	-\$15,153	-0.09%	-\$42,221	0.00%	\$0	-1.57%	-\$820,950
SPTRFA Basic												
2009	11.17%	\$928,000	0.34%	\$28,000	0.13%	\$11,000	1.88%	\$156,000	0.00%	\$0	13.52%	\$1,123,000
2010	<u>10.42%</u>	<u>\$644,000</u>	<u>0.30%</u>	<u>\$18,000</u>	<u>0.11%</u>	<u>\$7,000</u>	<u>2.31%</u>	<u>\$142,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>13.14%</u>	<u>\$811,000</u>
Change	-0.75%	-\$284,000	-0.04%	-\$10,000	-0.02%	-\$4,000	+0.43%	-\$14,000	0.00%	\$0	-0.38%	-\$312,000
SPTRFA Coordinated												
2009	6.98%	\$17,052,000	0.13%	\$309,000	0.16%	\$395,000	1.10%	\$2,679,000	0.00%	\$0	8.37%	\$20,435,000
2010	<u>6.49%</u>	<u>\$15,831,000</u>	<u>0.11%</u>	<u>\$277,000</u>	<u>0.14%</u>	<u>\$347,000</u>	<u>1.42%</u>	<u>\$3,469,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>8.16%</u>	<u>\$19,924,000</u>
Change	-0.49%	-\$1,221,000	-0.02%	-\$32,000	-0.02%	-\$48,000	+0.32%	+\$790,000	0.00%	\$0	-0.21%	-\$511,000
MERF Div. of PERA												
2009	5.22%	\$566,361	2.42%	\$262,127	0.82%	\$89,180	1.35%	\$146,137	0.82%	\$88,869	10.63%	\$1,152,674
2010	<u>2.49%</u>	<u>\$221,000</u>	<u>1.48%</u>	<u>\$131,000</u>	<u>0.20%</u>	<u>\$18,000</u>	<u>1.69%</u>	<u>\$150,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>5.86%</u>	<u>\$520,000</u>
Change	-2.73%	-\$345,361	-0.94%	-\$131,127	-0.62%	-\$71,180	+0.34%	+\$3,863	-0.82%	-\$88,869	-4.77%	-\$632,674

Impact of 2010 Contribution Increases and Comparison of Member and Employer Sharing of Retirement Plan Actuarial Costs

Plan/Year	Normal Cost ¹ (NC)	Admin. Expense ¹ (AdmEx)	NC & AdmEx ¹	Amort. Req. ²	Total Actuarial Req. ²	Contributions			Normal Cost/Admin. Expense			Total Actuarial Requirements		
						Member Contrib. ¹	Employer Contrib. ¹	Contribution (Sufficiency) /Deficiency ²	Member Contrib. Share	Employer Contrib. Share	Contrib. Deficiency Portion	Member Contrib. Share	Employer Contrib. Share	Contrib. Deficiency Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
MSRS-General														
2009	7.86%	0.22%	8.08%	16.51%	24.59%	4.75%	4.75%	15.09%	58.8%	41.2%	--	19.3%	19.3%	61.4%
2010	7.77%	0.23%	8.00%	5.90%	13.90%	5.00%	5.00%	3.90%	62.5%	37.5%	--	36.0%	36.0%	28.0%
2011	7.14%	0.19%	7.33%	3.70%	11.03%	5.00%	5.00%	1.03%	68.21%	31.79%	--	45.33%	45.33%	9.34%
2012	7.17%	0.26%	7.43%	4.89%	12.32%	5.00%	5.00%	2.32%	67.29%	32.71%	--	40.58%	40.58%	18.83%
PERA-General														
2009	7.82%	0.20%	8.02%	11.59%	19.61%	6.00%	6.88%	6.73%	74.8%	15.2%	--	30.6%	35.1%	34.3%
2010	6.50%	0.18%	6.68%	9.89%	16.57%	6.13%	7.13%	3.34%	91.8%	8.2%	--	37.0%	43.0%	20.0%
2011	6.65%	0.19%	6.84%	6.63%	13.47%	6.25%	7.25%	(0.03%)	93.98%	6.02%	--	46.40%	53.82%	(0.22%)
2012	6.84%	0.19%	7.03%	7.43%	14.46%	6.25%	7.25%	0.96%	88.90%	11.10%	--	43.22%	50.14%	6.64%
TRA														
2009	8.88%	0.28%	9.16%	10.23%	19.39%	5.50%	5.69%	7.69%	60.0%	40.0%	--	28.4%	29.3%	42.3%
2010	8.36%	0.24%	8.60%	8.46%	17.06%	5.50%	5.68%	5.35%	64.0%	36.0%	--	32.2%	33.3%	34.5%
2011	8.17%	0.24%	8.41%	8.16%	16.57%	6.00%	6.69%	3.88%	71.34%	28.66%	--	36.21%	40.37%	23.42%
2012	8.53%	0.24%	8.77%	9.98%	18.75%	6.50%	7.21%	5.04%	74.12%	25.88%	--	34.67%	38.45%	26.88%
MSRS-Corr														
2009	18.22%	0.20%	18.42%	10.15%	28.57%	7.70%	11.10%	9.77%	41.8%	58.2%	--	27.0%	38.9%	34.1%
2010	18.09%	0.22%	18.31%	9.38%	27.69%	8.60%	12.10%	6.99%	47.0%	53.0%	--	31.1%	43.7%	25.2%
2011	17.89%	0.17%	18.06%	7.94%	26.00%	8.60%	12.10%	5.30%	47.62%	52.38%	--	33.08%	46.54%	20.38%
2012	15.66%	0.27%	15.93%	9.35%	25.28%	8.60%	12.10%	4.58%	53.99%	46.01%	--	34.02%	47.86%	18.12%
State Patrol														
2009	25.37%	0.16%	25.53%	24.69%	50.21%	10.40%	15.60%	24.21%	40.7%	59.3%	--	20.7%	31.0%	48.3%
2010	22.98%	0.18%	23.16%	17.88%	41.04%	10.40%	15.60%	15.04%	44.9%	55.1%	--	25.3%	38.0%	36.7%
2011	22.91%	0.14%	23.05%	13.20%	36.25%	12.40%	18.60%	5.25%	53.80%	46.20%	--	34.21%	51.31%	14.48%
2012	21.63%	0.24%	21.87%	20.65%	42.52%	12.40%	18.60%	11.52%	56.70%	43.30%	--	29.16%	43.74%	27.09%
PERA-P&F														
2009	22.07%	0.13%	22.20%	16.92%	39.13%	9.40%	14.10%	15.63%	42.3%	51.7%	--	24.0%	36.0%	40.0%
2010	19.65%	0.10%	19.75%	11.20%	30.95%	9.50%	14.25%	7.20%	48.1%	51.9%	--	30.7%	46.0%	23.3%
2011	19.77%	0.10%	19.87%	8.91%	28.78%	9.60%	14.40%	4.78%	48.31%	51.69%	--	33.36%	50.03%	16.61%
2012	20.56%	0.11%	20.67%	12.70%	33.37%	9.60%	15.83%	7.94%	46.44%	53.56%	--	28.77%	47.44%	23.79%

¹ Number is expressed as a percentage of covered payroll of the applicable retirement plan.

² Number is based on the actuarial results using a market value of assets and is expressed as a percentage of covered payroll of the applicable retirement plan.

Impact of 2010 Contribution Increases and Comparison of Member and Employer Sharing of Retirement Plan Actuarial Costs

Plan/Year						Contributions			Normal Cost/Admin. Expense			Total Actuarial Requirements		
	Normal Cost ¹ (NC)	Admin. Expense ¹ (AdmEx)	NC & AdmEx ¹	Amort. Req. ²	Total Actuarial Req. ²	Member Contrib. ¹	Employer Contrib. ¹	Contribution (Sufficiency) /Deficiency ²	Member Contrib. Share	Employer Contrib. Share	Contrib. Deficiency Portion	Member Contrib. Share	Employer Contrib. Share	Contrib. Deficiency Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
PERA-Corr														
2009	13.26%	0.13%	13.39%	0.64%	14.03%	5.83%	8.75%	(0.55%)	43.5%	56.5%	--	34.8%	52.2%	(3.92%)
2010	12.68%	0.13%	12.81%	0.40%	13.21%	5.83%	8.75%	(1.37%)	45.5%	54.5%	--	38.33%	66.24%	(10.37%)
2011	12.68%	0.13%	12.81%	0.61%	13.42%	5.83%	8.75%	(1.16%)	45.5%	54.5%	--	43.44%	65.20%	(8.64%)
2012	12.64%	0.13%	12.77%	1.68%	14.45%	5.83%	8.75%	(0.13%)	45.65%	54.35%	--	40.35%	60.43%	(0.90%)
Judges														
2009	17.52%	0.08%	17.60%	18.70%	36.30%	7.30%	20.50%	8.50%	41.5%	58.5%	--	20.1%	56.5%	23.4%
2010	17.10%	0.10%	17.20%	17.26%	34.46%	7.22%	20.02%	7.22%	42.0%	58.0%	--	21.0%	58.1%	20.9%
2011	17.23%	0.08%	17.31%	15.84%	33.15%	7.48%	20.50%	5.17%	43.41%	56.59%	--	22.56%	61.84%	15.60%
2012	18.18%	0.17%	18.35%	23.17%	41.52%	7.52%	20.50%	13.50%	40.98%	59.02%	--	18.11%	49.37%	32.52%
Legislators														
2009	18.87%	1.21%	20.09%	318.15%	338.23%	8.98%	--	329.26%	44.7%	--	55.3%	2.7%	--	97.3%
2010	14.90%	1.34%	16.24%	343.19%	359.43%	9.00%	--	350.43%	55.4%	--	44.6%	2.5%	--	97.5%
2011	17.79%	1.10%	18.89%	492.62%	511.51%	9.00%	--	502.51%	50.59%	--	49.41%	1.76%	--	98.24%
2012	125.73%	2.21%	127.94%	1,212.06%	1,340.00%	9.00%	--	1,331.00%	7.03%	--	92.97%	0.67%	--	99.33%
DTRFA														
2009	7.42%	0.88%	8.27%	20.64%	28.91%	5.50%	6.42%	16.99%	66.5%	33.5%	--	19.0%	22.2%	58.8%
2010	5.85%	0.91%	6.76%	13.55%	20.31%	5.50%	6.98%	7.83%	81.4%	18.6%	--	27.1%	34.4%	38.5%
2011	6.07%	0.89%	6.96%	10.27%	17.23%	6.00%	7.50%	3.73%	86.21%	13.79%	--	34.82%	43.53%	21.65%
2012	6.49%	1.16%	7.65%	15.36%	23.01%	6.50%	8.02%	8.49%	84.97%	15.03%	--	28.25%	34.85%	36.90%
SPTRFA														
2009	8.52%	0.24%	8.76%	15.52%	24.28%	5.58%	10.06%	8.64%	63.7%	36.3%	--	23.0%	41.4%	35.6%
2010	8.28%	0.24%	8.52%	15.80%	24.32%	5.56%	10.04%	8.72%	65.3%	34.7%	--	22.9%	41.3%	35.8%
2011	7.59%	0.29%	7.88%	10.49%	18.37%	5.78%	10.32%	2.27%	73.35%	26.65%	--	31.46%	56.18%	12.36%
2012	8.39%	0.31%	8.70%	14.17%	22.87%	6.02%	10.45%	6.40%	69.20%	30.80%	--	26.32%	45.69%	27.98%
MERF Div. of PERA														
2009	10.63%	9.21%	19.84%	837.41%	857.25%	9.75%	153.41%	694.09%	49.1%	50.9%	--	1.1%	17.9%	81.0%
2010	5.86%	16.80%	22.66%	516.11%	536.76%	9.75%	312.46%	216.55%	43.0%	57.0%	--	1.8%	58.2%	40.0%
2011	5.59%	6.66%	12.25%	513.25%	525.50%	9.75%	807.57%	(291.82%)	79.59%	20.41%	--	1.86%	153.68%	(55.53%)
2012	10.98%	7.32%	18.30%	757.03%	775.33%	9.75%	1,053.78%	(288.20%)	53.28%	46.72%	--	1.26%	135.91%	(37.17%)

Some Problem/Issue Areas Related to Minnesota Public Pensions

A. Inadequate Defined Benefit Plan Contribution Rates.

1. **Brief Background Information.** Under Commission Pension Policy Principles and longstanding practice, Minnesota defined benefit public pension plans other than volunteer firefighter relief associations are contributory plans, meaning that the funding requirement of the benefit plan is shared between the plan membership and participating employing units. Private sector defined benefit pension plans tend to be non-contributory plans, meaning that the employer/plan sponsor has total responsibility to fund the plan.

The funding requirement of Minnesota defined benefit plans is made up of three parts, the plan's normal cost, the plan's administrative expenses, and the plan's amortization requirement. Normal cost under the Entry Age Normal Actuarial Method used in Minnesota is the level percentage of covered pay figure calculated by the actuary that represents the average funding charge for active members for pension coverage. The administrative expenses are the costs of operating the plan without the inclusion of most investment expenses, which generally are netted against investment income. The amortization requirement is the debt service charge on the pension plan's unfunded actuarial accrued liability, which is a measure of past departures from full concurrent funding practices.

The Commission's policy on the allocation of pension funding costs differs between general employees and public safety employees, because of the greater employment risks of public safety employment and greater pension costs of those plans. For general public employees, under the Commission policy, the employee and employer should make matching contributions to meet the normal cost and the administrative expenses of the defined benefit pension plan and both the employee and the employer may be required to share some financial responsibility for funding the amortization requirement of the defined benefit pension plan. For protective and public safety employees covered by a statewide public pension plan, the employee should pay forty percent of the total actuarial costs of the defined benefit pension plan and the employer should pay sixty percent of the total actuarial costs of the defined benefit pension plan.

2. **Current Contribution Deficiencies.** Of the various statewide and major local retirement plans, all plans other than the MERF Division of the Public Employees Retirement Association (PERA-MERF), and the Local Government Correctional Employees Retirement Plan of the Public Employees Retirement Association (PERA-Correctional) have a contribution deficiency when the total actuarial cost requirements are compared with the total retirement plan support. If the economic recovery continues to proceed at a very modest rate and if the investment markets remain anemic, contribution increases, benefit downsizing for active and retired members, or both, will be needed to stabilize the financing of the Minnesota defined benefit retirement plans.

B. Appropriate Approach to Providing Public Sector Pension Benefits.

1. **Brief Background Information.** The public sector at large and Minnesota in particular relies to a greater extent on defined benefit retirement plans than does the private sector nationally or in Minnesota.

Defined benefit retirement plans are an alternative to defined contribution plans. Retirement plans are categorized based on which of two potential variables (benefit levels or funding levels) is fixed. Defined benefit retirement plans utilize a formula, typically salary-related, to specify a

Some Problem/Issue Areas Related to Minnesota Public Pensions

certain level of benefits, leaving the funding of the plan as the variable. Defined contribution retirement plans, such as Individual Retirement Accounts (IRAs), 403(b) tax-sheltered annuities, and 401(k) plans, fix the level of the funding of retirement coverage, leaving the eventual retirement benefit variable because it is dependent on a number of factors.

The choice between defined benefit plans and defined contribution plans is not a choice between good and bad or right and wrong, but is a choice between competing valuable attributes. Defined benefit plans, for long-term employees, are more likely to produce an adequate benefit because it is benefit oriented, but also may produce unexpected future costs for the employer if assumptions about future economic and demographic experience are not matched. Defined contribution plans, for short duration employees, are more flexible and more portable, but do not provide sufficient benefit coverage for groups of employees, such as public safety employees, who face enhanced employment casualty risks.

2. Current Utilization of Defined Contribution Plan Coverage. Defined contribution plan coverage in Minnesota applies to the following groups of public employees:
 - Legislators and constitutional officers first elected after 1997;
 - Most legislative staff and State agency and department heads (with defined benefit plan option for long-term employees);
 - All University of Minnesota faculty;
 - Most Minnesota State Colleges and Universities System faculty since 1989 (State university and community college faculty) or since 1994 (technical college faculty);
 - Local elected officials elected since 2001;
 - Local government physicians and some ambulance or rescue squad personnel; and
 - Volunteer firefighters in 86 communities (13% of municipalities and 13% of all volunteer firefighters).

3. Desire or Need to Replicate Private Sector Benefit Practices. Defined contribution retirement plan coverage has been proposed for Minnesota public employees based, in whole or in part, on the reflection of a desire or a need to replicate private sector practices. Defined benefit pension coverage in the private sector and corresponding funding burdens have plagued “legacy” airlines, such as Northwest Airlines, and heavy industrial firms, such as Ford Motor Company.

Replication of private sector compensation and benefit practices is not currently part of the pension policy principles of the Legislative Commission on Pensions and Retirement, which express a preference for defined benefit plan coverage absent circumstances that make defined contribution plan coverage more appropriate and declares the purpose of public pension coverage to augment the public sector personnel and compensation system in assisting recruitment, retention, and career-end out-transitioning by providing retirement income, including Social Security, that is adequate and affordable.

Some Problem/Issue Areas Related to Minnesota Public Pensions

C. Disparity in Defined Benefit Plan Accrual Rates and Normal Retirement Ages.

1. **Brief Background Information.** In a defined benefit retirement plan, a retirement annuity is calculated, in part, utilizing benefit accrual rates, and is first payable in full at the normal retirement age or ages.

The benefit accrual rate is the percentage of the final average covered salary that is earned with each additional year of service rendered.

The normal retirement age is the earliest age at which a retirement annuity is payable without a reduction for an early commencement of the benefit.

2. **Current Disparities in Benefit Accrual Rates.** The principal disparity in benefit accrual rates between general employee retirement plans with Social Security coverage is between TRA and MSRS-General, PERA-General, DTRFA, and SPTRFA, where TRA has a benefit accrual rate in the level benefit tier of 1.9% of final average salary per year of service credit for years after July 1, 2006, and the other retirement plans have a benefit accrual rate of 1.7% of final average salary per year of service credit for all past and all future years.

Additionally, there is a long-standing disparity in benefit accrual rates between the Judges Retirement Plan and the other general employee retirement plans with Social Security coverage, with the Judges Retirement Plan benefit accrual rates set at 2.7% per year of service for pre-July 1, 1980, service and 3.2% per year of service for post-June 30, 1980, service while most other general employee plans have benefit accrual rates of 1.7% and 1.9%.

For public safety plans, the plans covering licensed police officers, the State Patrol Retirement Plan and the Public Employees Police and Fire Retirement Plan (PERA-P&F), provide a consistent benefit accrual rate set at 3.00% per year of service credit. The plans covering correctional officers, where the public pension plan benefit supplements Social Security benefits, the benefit accrual rates are smaller than those public safety plans without Social Security coverage, with differing benefit accrual rates. The MSRS-Correctional plan has a 2.4% per year of service benefit accrual rate for members first employed before July 1, 2010, and a 2.2% per year of service benefit accrual rate for members first employed after June 30, 2010, and the PERA-Correctional plan has a 1.9% per year of service credit benefit accrual rate.

Before 1997, when there was a benefit accrual rate disparity between TRA and the other general employee retirement plans, that disparity was a factor that led to the enactment of benefit improvement legislation in 1997 (see Laws 1997, Chapter 233) that provided uniform benefit accrual rates among those retirement plans.

3. **Current Disparities in Normal Retirement Ages.** There is a disparity between coverage groups within the general employee retirement plans with respect to the applicable normal retirement age. Members of MSRS-General, PERA-General, TRA, DTRFA, and SPTRFA who first became pension plan members before July 1, 1989, are covered by the "Rule of 90" normal retirement age, where long service plan members may retire with full benefits at any age when the sum of attained age and accrued service credit totals 90. Post-June 30, 1989, entrants of these plans have no early normal retirement age access before age 66.

Although the actuarial valuation active member census information is sufficiently imprecise to determine the exact percentage of the portion of the membership who became plan members

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after June 30, 1989, at least three-quarters of the applicable plan memberships are excluded from the "Rule of 90" benefit tier coverage.

D. Future of Minnesota Local Retirement Plans.

1. **Brief Background Information.** Although Minnesota utilizes statewide retirement plans to cover a large portion of the State's public workforce, Minnesota has a large number of local retirement plans, largely as a function of the numerous volunteer firefighter relief associations.

Over the 1960s, 1970s, and 1980s, the Legislature reduced the number of local pension plans providing primary retirement coverage to public employees, chiefly by phasing-out all of the local police and paid firefighter relief associations and by enabling the consolidation of the local police and paid firefighter relief associations into PERA-P&F. Also placed on a phase-out basis during this period was MERF and also consolidated into a statewide pension plan during this period was the St. Paul Bureau of Health Relief Association. In 2009, a statewide lump-sum volunteer firefighter retirement plan, administered by PERA, was established and, as of January 1, 2013, covers 63 volunteer fire departments and has \$7.1 million in retirement plan assets.

2. **Administrative Issues.** The Duluth Teachers Retirement Fund Association (DTRFA) and the St. Paul Teachers Retirement Fund Association (SPTRFA) both serve school districts with recent enrollment declines (from 10,263 in 2006-2007 to 9,045 in 2010-2011 and from 42,426 in 2006-2007 to 40,091 in 2010-2011, respectively) and falling active membership numbers that may indicate the appropriateness of at least an administrative consolidation with a larger retirement plan administration. The complexity of operating a local volunteer firefighter relief association and a generational change in relief association administrators appears to be a primary motivating factor in the number of municipal fire departments considering shifting to the voluntary statewide lump-sum volunteer firefighter retirement plan.
3. **Funding/Coverage Issues.** With the full consolidation of the Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA in 2006 and an administrative consolidation of MERF into PERA in 2010, a policy question arises about the future with respect to DTRFA and SPTRFA. Both DTRFA and SPTRFA have declining funding ratios and growing contribution deficiencies, although neither plan has reached the significant level of financial and administrative problems that typified MTRFA immediately before the 2006 consolidation and MERF before the 2010 consolidation. Some change may be appropriate, either using the MERF model (phase-out of its active membership and administrative consolidation into a statewide retirement plan (PERA)), or using the MTRFA model (consolidation into a statewide retirement plan (TRA)) to resolve the situation of these plans.

E. Actuarial Value of Pension Fund Assets.

1. **Brief Background Information.** For actuarial valuation and annual financial reporting purposes, Minnesota public pension plan assets are valued in a manner that is not solely the market value of the applicable securities.

Initially, in the 1950s and 1960s actuarial and financial reporting laws, pension plan assets were valued at their book (initial security purchase) value. In 1984 (Laws 1984, Chapter 564), the value of Minnesota pension plan assets for actuarial and financial reporting purposes was changed to an actuarial value of assets, defined as book value plus or minus one-third of the difference between book value and market value.

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In 2000 (Laws 2000, Chapter 461, Article 1, Section 3), the actuarial value of pension plan assets definition was revised upon the recommendation of the consulting actuary retained by the Legislative Commission on Pensions and Retirement, based on the current market value, but adjusted upward or downward based on portions of the difference between the actuarially expected increase in the asset value and the actual market value change over a five-year period. The intent of the actuarial value definition is to eliminate short-term market value fluctuations out of the ongoing asset value figures.

2. Comparison of Market Value and Actuarial Value of Pension Plan Assets. The following compares the actuarial value of assets and the market value of assets for the various statewide and major local Minnesota defined benefit retirement plans for June 30, 2010, 2011, and 2012:

Retirement Plan	2010		2011		2012	
	Actuarial Value	Market Value	Actuarial Value	Market Value	Actuarial Value	Market Value
MSRS-General	896,039,100	7,692,531,000	9,130,011,000	9,197,664,000	9,162,301,000	9,098,097,000
PERA-General	13,126,993,000	11,338,582,000	13,455,753,000	13,616,622,000	13,661,682,000	13,577,653,000
TRA	17,323,146,000	14,917,240,000	17,132,393,000	17,297,392,000	16,805,077,000	16,686,105,000
MSRS-Correctional	603,863,000	525,245,000	637,027,000	646,582,000	663,713,000	659,523,000
State Patrol Plan	567,211,000	488,870,000	563,046,000	568,279,000	554,244,000	549,956,000
PERA-P&F	5,188,339,000	4,453,737,000	5,274,602,000	5,317,032,000	5,797,868,000	5,772,047,000
PERA-Correctional	242,019,000	211,368,000	274,704,000	280,031,000	306,454,000	305,408,000
Judges	144,728,000	126,201,000	145,996,000	148,504,000	144,898,000	144,086,000
MERF Division	844,033,000	844,033,000	910,987,000	910,987,000	842,811,000	842,811,000
DTRFA	255,308,913	192,402,546	235,071,973	213,367,995	206,833,425	194,552,931
SPTRFA	1,001,444,000	815,307,000	972,718,000	951,664,000	911,930,000	883,517,000
Total	40,193,124,013	41,605,516,546	48,732,308,973	49,148,124,995	49,057,811,425	48,713,755,931

Using an actuarial value of assets rather than the market value of assets for a pension plan apparently is not uncommon among public pension plans and complies with generally accepted accounting principles under Government Accounting Standards Board pronouncements. Using a smoothing method that shaves off short-term market volatility is particularly advantageous from a policy perspective if the pension plan funding procedures immediately translate actuarial results into modified employer contribution amounts in the following year, where short-term value changes would produce highly variable contribution levels year to year. In Minnesota, this is no longer a consideration for statewide or major local retirement plans. The use of a smoothing mechanism may be sensible policy where the smoothing period reflects the actual pattern of market volatility, which tends to be either less than one year or longer than five years based on long-term stock market return data from Ibbotson Associates. Even if the smoothing period matches market cycles, an actuarial value of pension assets definition does nothing more than delay the recognition of actual market changes, both up and down.

F. Unfunded Actuarial Accrued Liability Level Percentage of Pay Amortization.

1. Brief Background Information. When pension plan actuarial accrued liabilities exceed pension plan assets, the plan has an unfunded actuarial accrued liability, which represents the cumulative total of past departures from sound full funding practices, such as past actuarial experience losses, past insufficient contributions, past benefit increases, or a combination of the three. If a retirement plan has an unfunded actuarial accrued liability, sound pension funding practices

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require that the unfunded actuarial accrued liability be paid or amortized over a reasonable period of time, optimally related to the remaining working lifetime of the plan's active membership.

The amortization of pension plan unfunded actuarial accrued liabilities depend on the amortization period, measured by the amortization target date, and on whether the amortization contribution is calculated as a level dollar amount or as a level percentage of covered pay.

In Minnesota, amortization contribution requirements are calculated as part of the actuarial valuation process under Minnesota Statutes, Section 356.215, Subdivision 11, but only MERF and local police and fire relief association future contribution amounts are required to change in the following year as a consequence of that actuarial work. For all other Minnesota defined benefit retirement plans, the amortization contribution requirement is advisory, used by the Legislative Commission on Pensions and Retirement and the Legislature to set member and employer contribution rates.

Since 1984, Minnesota has used a level percentage of covered payroll amortization requirement rather than the prior level dollar amortization requirement and has reset the amortization target date on several occasions, usually with an amortization period of no longer than 30 years.

2. Impact of Level Percentage of Covered Pay Amortization. The level percentage of covered pay amortization procedure provides potential contribution rate stability over time when compared to the level dollar amortization period over time, but has the effect of deferring much of the actual payments to reduce the principal amount of the unfunded actuarial accrued liability to the second half of the amortization period, with early period payments that are less than the full amount of interest on the unfunded actuarial accrued liability and with the unfunded actuarial accrued liability actually increasing in amount by design during the early portion of the amortization period.

The following compares the amortization factor used by each retirement plan for the July 1, 2012, actuarial valuations with the pre-retirement interest rate of 8.5%, which in every case is less than full interest for the 2013 plan year:

	<u>Amortization Factor</u>	<u>8.5 Interest</u>
MSRS-General	0.06271715	0.085
PERA-General	0.07827753	0.085
TRA	0.06653393	0.085
MSRS-Correctional	0.06512335	0.085
State Patrol	0.06652283	0.085
PERA-P&F	0.06385341	0.085
PERA-Correctional	0.07821472	0.085
Judges	0.06875284	0.085
DTRFA	0.06556771	0.085
SPTRFA	0.06498822	0.085

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G. Extent of Active vs. Passive Investment Strategies.

1. **Brief Background Information.** Pension plans accumulate large amounts of assets to offset the liabilities undertaken by the plans and to avail themselves of investment income for a considerable portion of ultimate benefit payments rather than plan contributions. Pension plans are institutional investors and can follow an active investment strategy, a passive investment strategy, or can utilize each strategy for a portion of the total portfolio.

Active management is simply an attempt to “beat” the market as measured by a particular benchmark of index by utilizing one or more strategies for identifying investment securities or opportunities that provide above-average prospects for investment return. Passive management, or indexing, is an investment management approach based on investing in exactly the same securities, in the same proportions, as an index because of a belief that it is difficult to beat the market and a belief that when the market is beaten, it is a function of luck rather than skill.

Of the various larger Minnesota public pension plans, active management appears to be utilized to some degree. Active management strategies have the advantages of utilizing investment experts, of having the potential of significant returns, of allowing investment managers to take defensive actions when market downturns are evident. The disadvantages of active investment strategies are higher investment fees and expenses, higher potential for mistakes to be made, and greater potential for manager style to diminish performance. Passive investment strategies have the advantages of reduced investment fees and expenses and of a reduced time commitment to investment decision making. The disadvantages of passive investment strategies are the extent that investment performance is dictated by the index and the unavailability of potential defensive actions when market shifts are detected.

2. **Portfolio Mix.** Whether active or passive investment strategies are employed, the investment portfolio mix will have a significant impact on investment performance. The investment portfolio mix is the extent of utilization of domestic equity securities, international equity securities, debt securities, cash and cash equivalents, and alternative investments.
3. **Investment Management Style.** Within the portfolio mix, pension plan assets are invested using a particular management style, active, passive, or enhanced passive or semi-passive.

An active management style invests in specific individual stocks or bonds in different proportions with the intention of earning a higher rate of return than the applicable index, attempting to earn more than the index, but running the risk that the investor can also earn less. Management fees are highest with this style.

A passive management style invests in specific individual stocks or bonds in the same proportion as those individual stocks or bonds are reflected in some benchmark index, with the result that the investor generally will earn the index rate less management fees. This style has the lowest management fees.

An enhanced passive or semi-passive management style generally invests close to an index, but with selected deviations in an attempt to earn a higher rate of return. Management fees under this style will be higher than the passive management style, but generally should be less than the active management style.

Over the past 20 years, the State Board of Investment has made the greatest use of the active management style in investing Minnesota public pension plan assets, followed by the semi-passive style, and the passive style.

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While the active management style can produce higher investment returns than the semi-passive or passive management styles, after the deduction of investment expenses, historically, most active money managers apparently do not exceed the applicable indices consistently. If active investment management produces erratic and inconsistent results, the investment authority may have a special burden to justify a significant utilization of that style.

4. Number of Managers. The utilization of an active investment management style can also involve a significant number of money managers.

The State Board of Investment, over the past 20 years, has made extensive use of external managers, with a minority portion of its invested assets managed internally, and reportedly views itself as a manager of investment managers.

H. State Aid Programs Dedicated to Pension Funding.

1. Brief Background Information. Because state and local government in Minnesota is an employment-intensive endeavor and because pension coverage is a consistent feature of Minnesota governmental employment, government at all levels in Minnesota has the burden of funding a significant portion of that pension coverage.

This cost burden of Minnesota public pension plan coverage has led to the creation of state aid programs directly related to pension plan funding and pension costs are a factor in generalized state aid programs.

The direct state aid programs related to public pensions, by year of creation, are as follows:

- Fire State Aid, 1885 (Laws 1885, Ch. 187).
- Teachers Retirement Association (TRA) Employer State Contribution, 1915 (Laws 1915, Ch. 199).
- First Class City Fire Insurance Surcharge, 1934 (Extra Session Laws 1934, Ch. 53).
- Police state aid, 1971 (Laws 1971, Ch. 695)
- Minneapolis Employees Retirement Fund (MERF) State Contribution, 1979 (Laws 1979, Ch. 303, Art. 6, Sec. 9).
- Local Police and Paid Fire Amortization Aid, 1980 (Laws 1980, Ch. 607, Art. XV, Sec. 5).
- Local Police and Paid Fire Supplemental Amortization Aid, 1984 (Laws 1984, Ch. 564, Sec. 48).
- Volunteer Fire Supplemental Benefit Reimbursement, 1988 (Laws 1988, Ch. 719, Art. 19, Sec. 22).
- Pre-1974 MERF Retiree Supplemental State Contribution, 1991 (Laws 1991, Ch. 345, Art. 4, Sec. 5).
- Ambulance Service Personnel Longevity Award and Incentive State Aid, 1993 (First Special Session Laws 1993, Ch. 1, Art. 1, Sec. 1).
- Minneapolis Teachers Retirement Fund Association (MTRFA)/St. Paul Teachers Retirement Fund Association (SPTRFA) Matching State Aid, 1993 (Laws 1993, Ch. 357, Sec. 3-4).
- Additional Local Police and Paid Fire State Aid, 1995 (Laws 1995, Ch. 262, Art. 4, Sec. 1).
- Minimum Volunteer Fire State Aid, 1996 (Laws 1996, Ch. 438, Art. 4, Sec. 2).
- MTRFA/SPTRFA Redirected State Aid, 1996 (Laws 1996, Ch. 438, Art. 4, Sec. 9).
- MTRFA/SPTRFA Additional Direct State Aid, 1997 (Laws 1997, Ch. 233, Art. 3, Sec. 4).
- Public Employees Retirement Association (PERA) Covered Employer State Aid, 1997 (Laws 1997, Ch. 233, Art. 1, Sec. 14-15).

The indirect state aid programs, where the aid proceeds can be used to pay employer retirement plan contributions, but where no specific portion of the aid is allocated to pension contributions, are state education aid, into which the TRA employer state contribution was folded, local government state aid, and state transportation aids.

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2. Amount of Direct State Pension Aids FY 2006-2017. The following are the actual amounts of the direct state pension aids for Fiscal Years 2006-2013 and projected for Fiscal Years 2014-2017:

	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Actual FY 2011
	<i>(all numbers in thousands)</i>					
Fire State Aid	\$30,436	\$32,358	\$30,122	\$27,973	\$25,945	\$28,215
1 st Class City Fire Insurance Surcharge	1,606	1,606	1,606	1,606	1,606	1,606
Police State Aid ¹	47,641	48,267	53,590	59,434	65,411	67,737
MERF ²	8,065	9,000	9,000	9,000	9,000	9,000
Local Police & Paid Fire Amortization Aid	2,616	1,978	1,978	1,978	1,978	1,978
Local Police & Paid Fire Supplemental Amortization Aid	750	750	750	750	750	750
Supplemental Volunteer Firefighter Reimbursement	486	486	486	486	486	486
MTRFA 1993 Aid	2,472	2,486	2,500	2,500	2,500	2,500
Redistribution of Amortization Aid ³	1,436	1,436	1,436	1,436	1,436	1,436
Additional Local Police & Paid Fire Amortization Aid	8,284	4,843	4,843	4,843	4,843	0
MTRFA 1997 Aid	13,298	13,300	13,300	13,300	13,300	13,300
DTRFA/SPTRFA 1997 Aid	2,969	2,967	2,967	2,967	2,967	2,967
PERA Pension Aid	14,568	14,560	14,560	14,560	14,560	14,560
Totals	<u>\$134,627</u>	<u>\$134,037</u>	<u>\$137,138</u>	<u>\$140,833</u>	<u>\$144,782</u>	<u>\$144,535</u>

	Actual FY 2012	Nov. '12 Forecast FY 2013	Nov. '12 Forecast FY 2014	Nov. '12 Forecast FY 2015	Nov. '12 Forecast FY 2016	Nov. '12 Forecast FY 2017
	<i>(all numbers in thousands)</i>					
Fire State Aid	\$31,450	\$30,598	\$31,456	\$32,346	\$33,220	\$34,227
1 st Class City Fire Insurance Surcharge	1,659	1,614	1,659	1,706	1,755	1,806
Police State Aid ⁴	49,229	47,896	49,238	50,633	52,098	53,577
MERF ⁵	22,750	22,750	22,750	22,750	22,750	22,750
Local Police & Paid Fire Amortization Aid	731	1,753	1,753	1,753	1,753	1,753
Local Police & Paid Fire Supplemental Amortization Aid	524	1,000	1,000	1,000	1,000	1,000
Supplemental Volunteer Firefighter Reimbursement	671	670	670	670	670	670
MTRFA 1993 Aid	2,500	2,500	2,500	2,500	2,500	2,500
Redistribution of Amortization Aid ⁶	2,077	2,077	2,077	2,077	2,077	2,077
Additional Local Police & Paid Fire Amortization Aid	0	0	0	0	0	0
MTRFA 1997 Aid	12,954	12,954	12,954	12,954	12,954	12,954
DTRFA/SPTRFA 1997 Aid	3,173	3,173	3,173	3,173	3,173	3,173
PERA Pension Aid	\$14,328	\$14,317	\$14,317	\$14,317	\$14,317	\$14,317
Totals	<u>142,046</u>	<u>141,302</u>	<u>143,547</u>	<u>145,879</u>	<u>148,267</u>	<u>150,804</u>

¹ "Excess" police state aid is the funding source for local police and paid fire additional amortization state aid and for the ambulance service personnel longevity award and incentive state aid.

² MERF state aid is now payable to the MERF Division of PERA.

³ Local police and paid firefighter amortization state aid and local police and paid firefighter supplemental amortization state aid are the funding sources for the minimum volunteer fire state aid and for the 1996 MTRFA and SPTRFA state aid.

⁴ "Excess" police state aid is the funding source for local police and paid fire additional amortization state aid and for the ambulance service personnel longevity award and incentive state aid.

⁵ MERF state aid is now payable to the MERF Division of PERA.

⁶ Local police and paid firefighter amortization state aid and local police and paid firefighter supplemental amortization state aid are the funding sources for the minimum volunteer fire state aid and for the 1996 MTRFA and SPTRFA state aid.

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All of the various state aid programs are funded ultimately from the state General Fund. The MERF state aid, the 1993 and 1997 MTRFA state aid, and the 1997 and SPTRFA state aid, approximately 20% of the total amount of the state pension aids, is within the jurisdiction of the House and Senate State Government Finance Divisions. The balance, approximately 80% of the total amount of state pension aids, is within the jurisdiction of the House and Senate Taxes Committees.

A number of policy questions can be raised with respect to the state involvement in pension plan funding, including the use of the state general fund as the appropriate source of all state pension aids, the appropriateness of dedicated funding rather than biennial appropriations for some aid programs, the adequacy of the qualification requirements for some aid programs, the adequacy of current aid applications or reporting, the disposition of funds upon aid disqualification, the manner in which the aid is allocated, the permissible uses for state aid, the extent of disclosure about state aid distributions, and the appropriate termination date or dates for various state aid programs.

I. Appropriate Manner for the State to Obtain Actuarial Information.

1. **Brief Background Information.** Actuarial information was first required from the state's various public employee retirement plans in 1957 (Special Session Laws 1957, Chapter 11), with regular actuarial reporting by the state's largest retirement plans mandated in 1965 (Laws 1965, Chapters 359 and 751), extended to the Minneapolis Employees Retirement Fund (MERF) and the first class city teacher retirement fund associations in 1969 (Laws 1969, Chapter 289), and extended to monthly benefit volunteer firefighter relief associations in 1971 (Laws 1971, Chapter 261).

Until 1985, each Minnesota public pension plan utilized its own consulting actuary or actuarial firm to prepare the actuarial report of the plan, with the Legislative Commission on Pensions and Retirement retaining a consulting actuary to review the actuarial reporting by the plan-retained consulting actuaries.

In 1985, as a result of Laws 1984, Chapter 564, Section 43, the responsibility for the preparation of the actuarial reporting for statewide and major local retirement plans was shifted to a single consulting actuary retained by the Legislative Commission on Pensions and Retirement. The various retirement plans responded to this change by continuing to retain actuarial consultants to review the work product of the Commission-retained consulting actuary.

In 2004 (Laws 2004, Chapter 223, Section 7), largely as a result of Legislative Commission on Pensions and Retirement budgetary constraints, the responsibility for retaining the consulting actuary to prepare the regular actuarial reporting was transferred from the Legislative Commission on Pensions and Retirement to the various statewide and major local retirement plan administrators acting jointly.

In 2008 (Laws 2008, Chapter 349, Article 10, Sections 7 and 9), the requirement that the various statewide retirement and major local retirement plans utilize a single, jointly selected consulting actuary was eliminated, each pension system was allowed to retain its own consulting actuary, and the Commission was permitted to retain its own consulting actuary to review and audit the work of the pension systems' consulting actuaries.

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2. Appropriate Manner for Obtaining Actuarial Information. The goals in acquiring actuarial information undoubtedly include accuracy, consistency with professional and legal standards, timeliness, responsiveness, and compatibility. Each of the three actuarial services arrangements has had departures from some or all of these goals. Before 1985, the Commission was very concerned about accuracy and about consistency with legal standards and requirements among the actuaries retained by the various retirement plans. After 1984, with the centralization of actuary services into one consulting actuary, with retirement plans initially were concerned about accuracy, timeliness, responsiveness, and compatibility. Although some of those concerns diminished over time, the concerns never were fully ameliorated. After 2004, the budgetary constraints of the Commission were addressed in the provision of actuarial services, but the retirement plan administrators were not accustomed to acting jointly in retaining a consulting actuary, and timeliness, accuracy, and compliance issues have arisen with the consulting actuary retained under this procedure. The 2008 change to revert to the pre-1985 practice of utilizing separate consulting actuarial firms by the various pension systems has potentially increased responsiveness in the actuarial services, but has not advanced consistency, compatibility, or timeliness. The retention of a reviewing and auditing consulting actuary by the Pension Commission after 2008 is an attempt to address consistency and compatibility, but the practice is so new that actual results remain to be assessed and the double retention of consulting actuaries is expensive.

If there is sufficient interest by the Commission and other relevant legislative committees, the appropriate manner for structuring the retention of actuarial services for the state may be considered and addressed.