Retirement Systems of Minnesota

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Teachers Retirement Association

Path to Long-Term Sustainability

S.F. 2499 / H.F. 2953

Financial Status of TRA

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	77 %	60 %
Current Contributions	11.69 % of pay	11.69 % of pay
Contributions Needed	16.81 % of pay	22.76 % of pay
Contribution Deficiency	(5.12) % of pay	(11.07) % of pay

* Source: Mercer Consulting, FY 09 valuation – EE rate = 5.5%; ER rate = 5.5%

Path to TRA Long-Term Sustainability
SF 2499 / HF 2953

Proposals	**Savings/revenue estimate**
Suspend annual increase for two years (2011-12)	1.0 %
Modify annual increase: 2 percent in 2012 and future years until fund stabilized	1.6 %
Increase contributions: 2% employers, phased in 0.5%/yr, 2011-2014	2.0 %
Increase contributions: 2% employees; phased in 0.5%/yr, 2011-2014	2.0 %
Reduce deferred interest rate to 2%, refund rate to 4% and ELSA rate to 0%	0.4 %
Expected revenue/savings from proposals	**7.0 %**
***Actuarial* value contribution deficiency**	**(5.12 %)**
Resulting *actuarial* value contribution sufficiency after proposals	**1.88 %**
***Market* value contribution deficiency**	**(11.07 %)**
Remaining *market* value contribution deficiency after proposals	**(4.07 %)**

Source: Mercer Consulting Services

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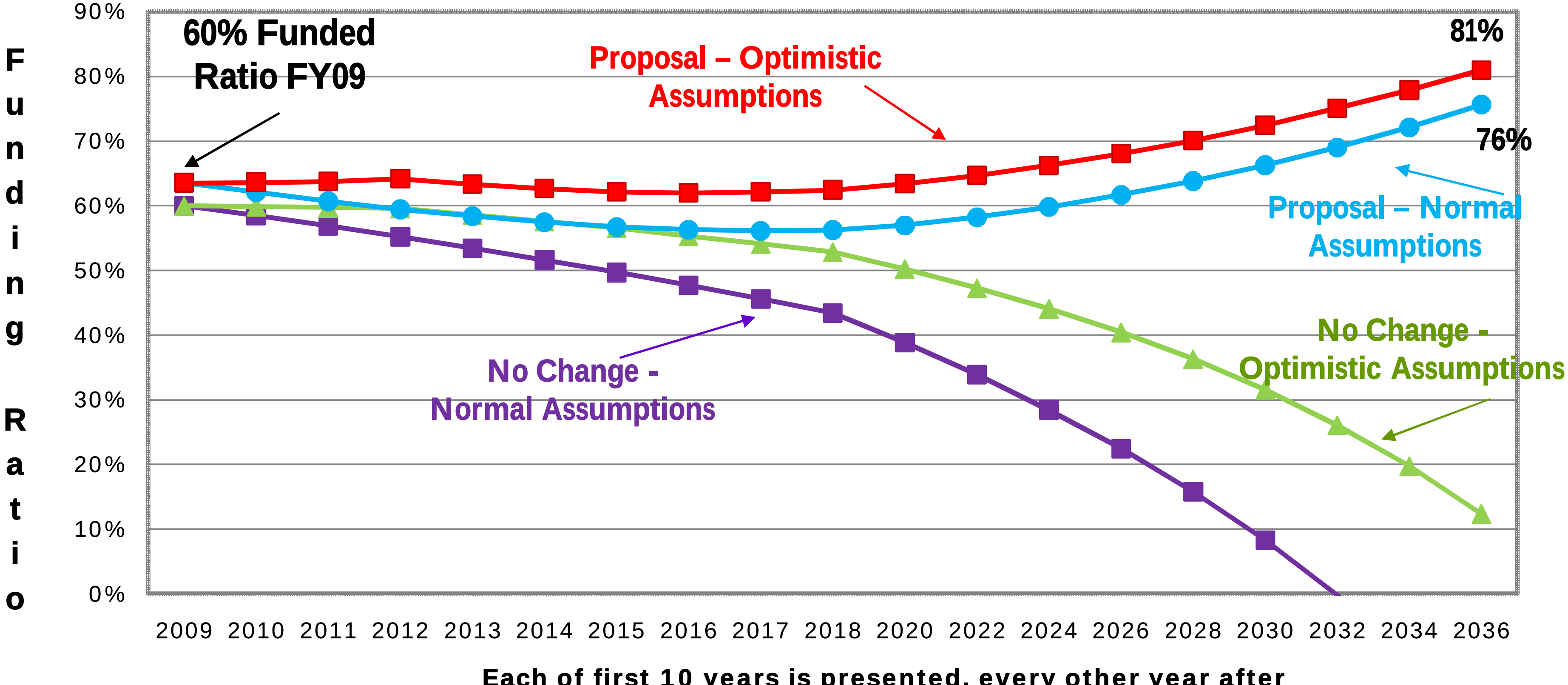
Path to TRA Long-Term Sustainability



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

Green: Current Contributions (11.69%), no changes in contributions/benefits, 11% return for 3 yrs; 9.5% thereafter

Blue: Higher Contributions (15.69%), 2 year COLA suspension with 2% thereafter, reset amortization period in 2016, 8.5% return in all yrs

Red: Higher Contributions (15.69%), 2 year COLA suspension with 2% thereafter, reset amortization period in 2016, 11% return for 3 yrs; 8.5% thereafter

*** Source: Mercer Consulting actuarial projections, 12/16/09, 1/22/10**

Minnesota State Retirement System

Path to Long-Term Sustainability

S.F. 2573/H.F. 2952

Financial Status of MSRS General Plan

Fiscal Year 2009	July 1, 2009 Actuarial Value 30 Year Amortization (5 yr smoothing of investment losses)	July 1, 2009 Market Value 30 Year Amortization (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	85.9 %	65.61%
Current Contributions	10 % of pay	10 % of pay
Contributions Needed**	11.5 % of pay	16.25 % of pay
Contribution Deficiency**	(1.5) % of pay	(6.25) % of pay

•Source: Mercer Consulting, FY 09 annual actuarial valuation – EE rate = 5%; ER rate = 5% (eff. 07/01/10)
** 2010 Legislation to propose 30 year amortization; amounts estimated using FY09 valuation results

Path to Sustainability- MSRS General Plan

Proposals – SF2573/HF2952 **Assumes 30 year amortization**	**Savings/Revenue Estimates** **Immediate Savings**	**Savings/Revenue Estimates** **Future Savings w/ cumulative totals**
Modify annual increase: 2.0 percent for future yrs. *	0.9%	
Initial post-retirement increase delay of six months	0.1%	
Reduce future deferred interest to 2% & decrease refund interest to 4%	0.5%	
Cost Change/adoption of assumption changes	0.9%	
Eliminate interest on re-employed annuitant accounts	--	
Increase vesting from 3 years to 5 years		0.3%
Recognition of post-1989 hires		0.8%
Expected savings/revenue from proposals	**2.40%**	**3.50%**
***Actuarial* value contribution deficiency**	**(1.5)%**	**(1.5)%**
Resulting *actuarial* value contribution sufficiency after proposals	**0.90%**	**2.0%**
Projected *market* value contribution deficiency	**(6.25)%**	**(6.25)%**
Remaining *market* value contribution deficiency after proposals	**(3.85)%**	**(2.75)%**

*** Until 90% funded (Market Value)**

Source: Mercer Consulting Services

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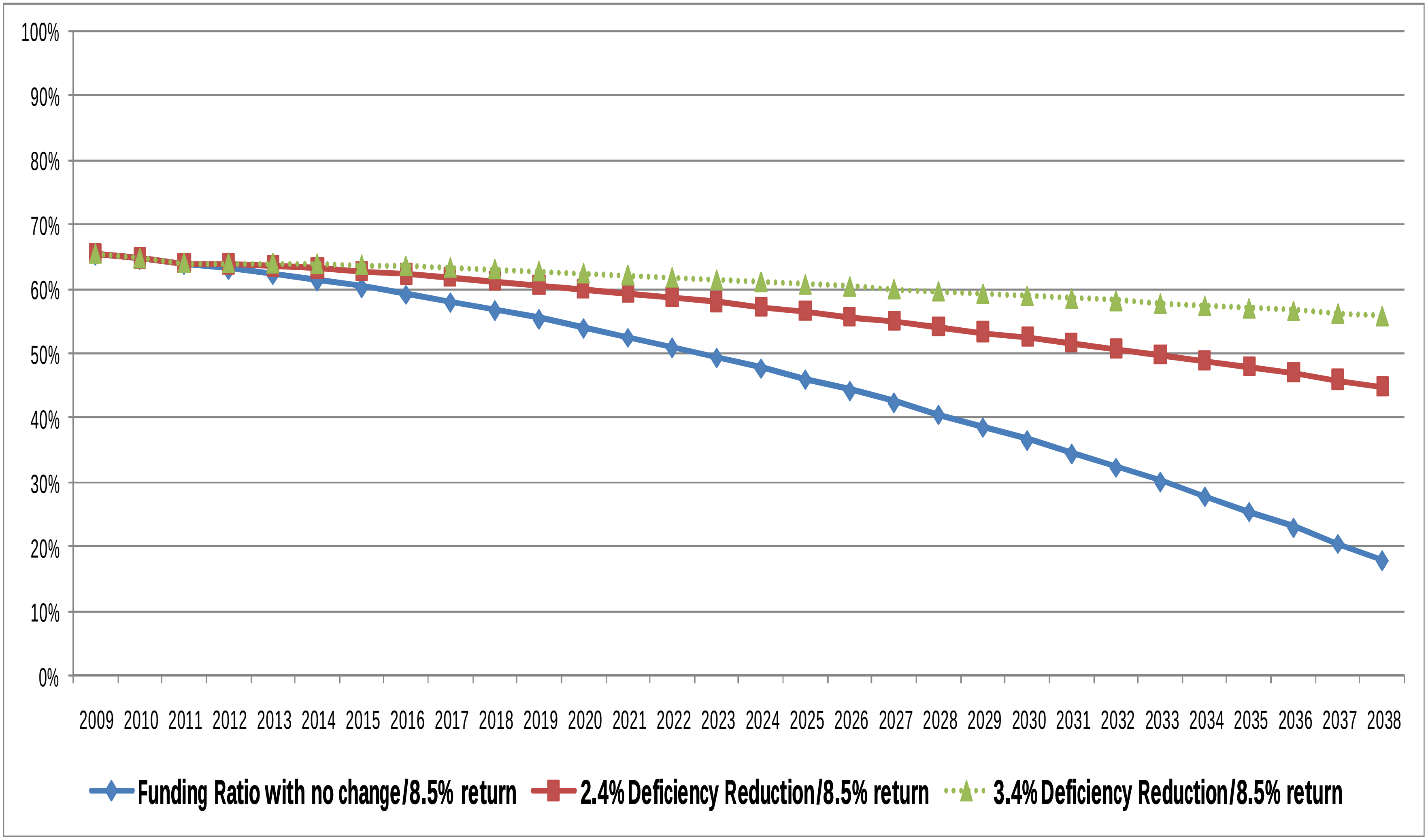
Path to MSRS General Plan long-term sustainability



Financial Status of MSRS Correctional Fund

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	71.88 %	55.62 %
Current Contributions	20.70 % of pay	20.70 % of pay
Contributions Needed	24.85 % of pay	28.57 % of pay
Contribution Deficiency	(4.15) % of pay	(7.87) % of pay

* Source: Mercer Consulting, FY 09 annual actuarial valuation – EE rate = 8.60%; ER rate = 12.10% eff. 7/1/2010

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Path to Sustainability – MSRS Correctional

Proposals – SF2573/HF2952	Savings/Revenue Estimates Immediate Savings	Savings/Revenue Estimates Future Savings w/ Cumulative Totals
Modify annual increase: 2.0 percent for future yrs. *	1.7%	
Initial post-retirement increase delay of six months	0.1%	
Reduce future deferred interest to 2% & decrease refund interest to 4%	0.3%	
Eliminate interest on re-employed annuitant accounts	--	
Increase the early retirement penalty from 2.4% to 5% for new hires and retirements after July 1, 2015	0.3%	
Increase vesting from 3 years to 10 years		1.0%
Lower retirement formula to 2.2% per year		2.0%
Expected savings/revenue from proposals	**2.4%**	**5.4%**
***Actuarial* value contribution deficiency**	**(4.15)%**	**(4.15)%**
Resulting *actuarial* value contribution sufficiency after proposals	**(1.75)%**	**1.25%**
Projected *market* value contribution deficiency	**(7.87)%**	**(7.87)%**
Remaining *market* value contribution deficiency after proposals	**(5.47)%**	**(2.47)%**

*** Until 90% funded**

Source: Mercer Consulting Services

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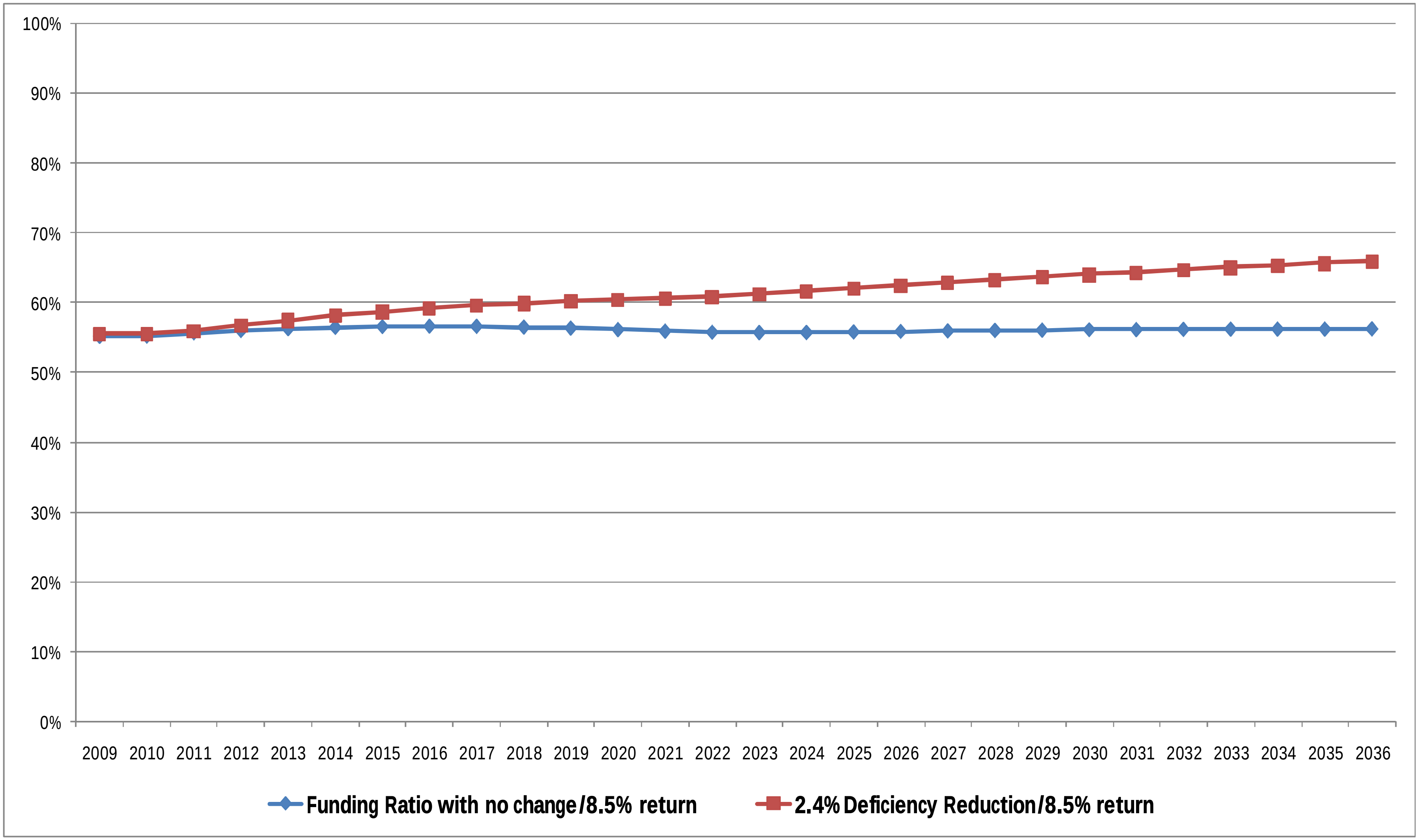
Path to MSRS Correctional Plan long-term sustainability



Financial Status of State Patrol Plan

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	80.58 %	62.05 %
Current Contributions	26.0 % of pay	26.0 % of pay
Contributions Needed	38.16 % of pay	50.21 % of pay
Contribution Deficiency	(12.16) % of pay	(24.21) % of pay

* Source: Mercer Consulting, FY 09 annual actuarial valuation - EE rate = 10.4%; ER rate = 15.6%

Path to Sustainability – State Patrol Plan

Proposals – SF2573/HF2952	**Savings/Revenue Estimates** **Immediate Savings**	**Savings/Revenue Estimates** **Future Savings w/ Cumulative Totals**
Modify annual increase: 2.0 percent for future yrs. *	4.10%	
Initial post-retirement increase delay of six months	0.30%	
Reduce future deferred interest to 2% & decrease refund interest to 4%	0.10%	
Increase contributions (11.2% EE/16.8% ER & 10%ER additional)	12.00%	
Eliminate interest on re-employed annuitant accounts	--	
Increase the early retirement penalty from 1.2% to 2.4% for new hires		0.40%
Increase vesting from 3 years to 5 years		0.10%
Expected savings/revenue from proposals	**16.5%**	**17.0%**
***Actuarial* value contribution deficiency**	**(12.16)%**	**(12.16)%**
Resulting *actuarial* value contribution sufficiency after proposals	**4.34%**	**4.84%**
Projected *market* value contribution deficiency	**(24.21)%**	**(24.21)%**
Remaining *market* value contribution deficiency after proposals	**(7.71)%**	**(7.21)%**

*** Until 90% funded**

Source: Mercer Consulting Services

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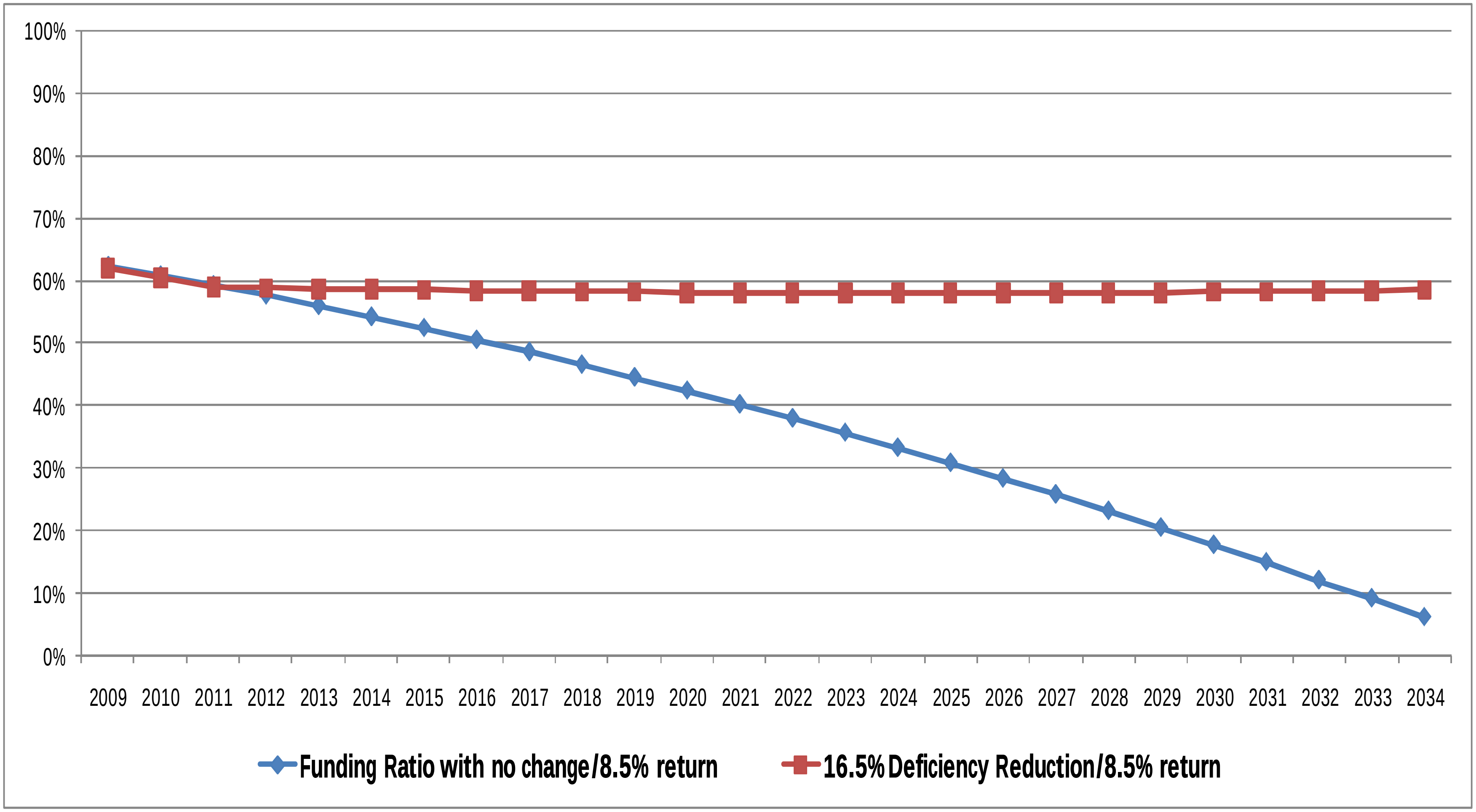
Path to MSRS State Patrol Plan long-term sustainability



Public Employees Retirement Assoc.

Path to Long-Term Sustainability

S.F. 2631/ H.F. 2999

Financial Status of PERA General Fund

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	69.99 %	53.81 %
Current Contributions*	12.88 % of pay	12.88 % of pay
Contributions Needed	15.55 % of pay	19.61 % of pay
Contribution Deficiency	(2.67) % of pay	(6.73) % of pay

*** Employee rate = 6%; Employer rate = 7% (effective 01/01/10)**

Source: Mercer Consulting, FY 09 annual actuarial valuation

Path to Sustainability – PERA General Plan

What do we save if Board's recommendations are adopted?

Proposal - SF 2631/HF 2999	**PERA General (Total payroll approx. $5 B)**
Modify annual increase: 1.0 percent for future yrs. *	3.6 %
Eliminate deferred interest	0.70 %
Increase contributions	0.50 %
Expected savings/revenue from proposals	**4.80 %**
Cost Change/adoption of assumption changes	**(0.60) %**
***Actuarial* value contribution deficiency**	**(2.67) %**
Resulting *actuarial* value contribution sufficiency after proposals	**1.53 %**
Projected *market* value contribution deficiency	**(6.73) %**
Remaining *market* value contribution deficiency after proposals	**(2.53) %**

* Until plan is 90 percent funded.

Source: Mercer Consulting Services

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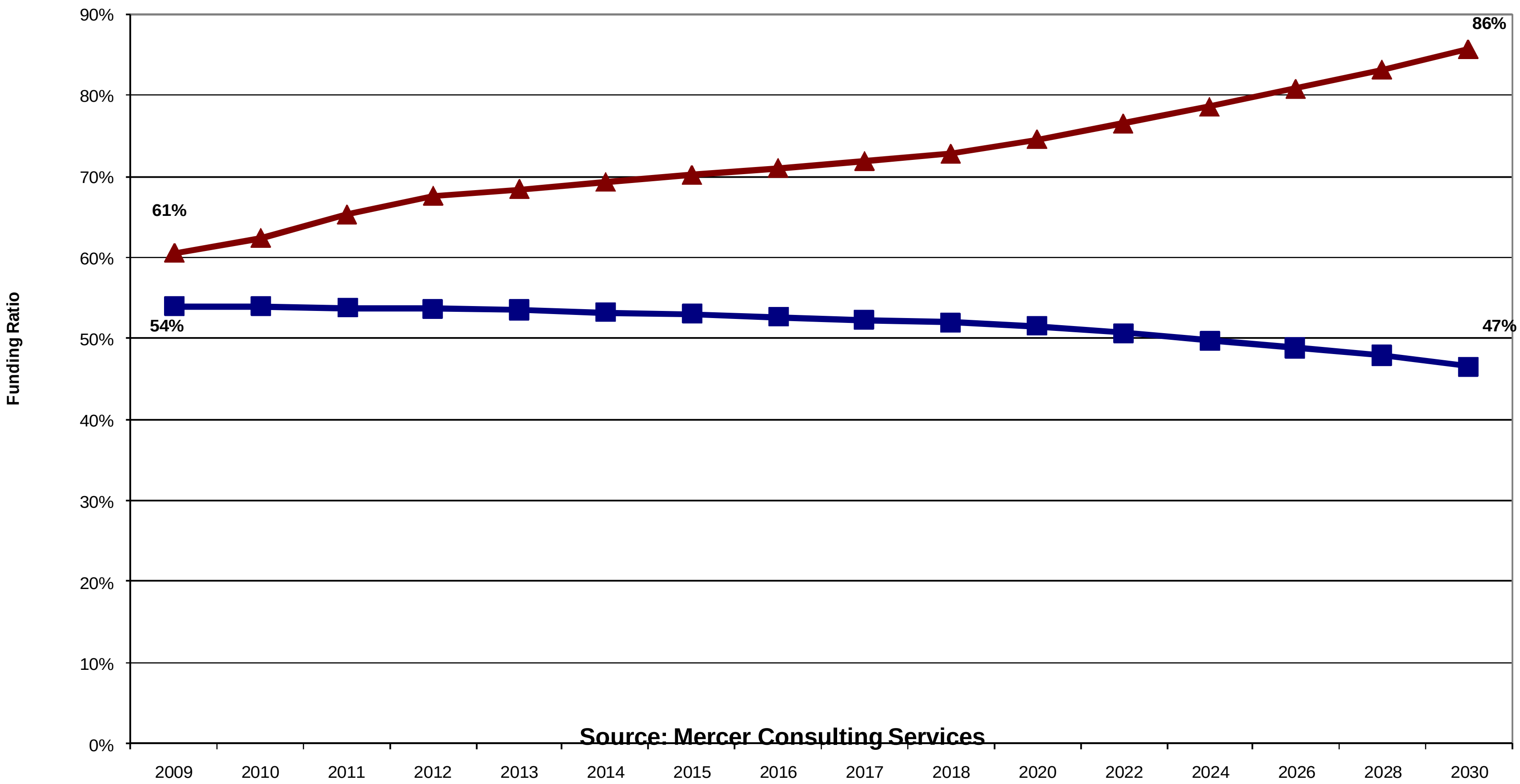
Path to PERA Sustainability – General Plan



Assumes no benefit changes, no contribution increases and 8.5 percent annual return.

Assumes reduction in deficiency of 3.65 percent; contribution increase of 0.5 percent of pay; 11 percent return for three years; 8.5 percent each year thereafter

Financial Status of PERA P&F Fund

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	83.22 %	63.55 %
Current Contributions*	23.50 % of pay	23.50 % of pay
Contributions Needed	29.99 % of pay	39.13 % of pay
Contribution Deficiency	(6.49) % of pay	(15.63) % of pay

*Employee rate = 9.4%; Employer rate = 14.1%

Source: Mercer Consulting, FY 09 annual actuarial valuation

Path to PERA Sustainability – Police & Fire Plan

What do we save if Board's recommendations are adopted?

Proposals - SF 2631/HF 2999	**PERA P & F (Total payroll approx: $748M)**
Modify annual increase: 1.0 percent for future yrs. *	8.40 %
Eliminate deferred interest	0.50 %
Increase contributions	0.50 %
Cost Change/adoption of assumption changes	N/A
Expected savings/revenue from proposals	**9.40 %**
***Actuarial* value contribution deficiency**	**(6.49) %**
Resulting *actuarial* value contribution sufficiency after proposals	**2.91 %**
Projected *market* value contribution deficiency	**(15.63) %**
Remaining *market* value contribution deficiency after proposals	**(6.23) %**

* Until plan is 90 percent funded.

Source: Mercer Consulting Services

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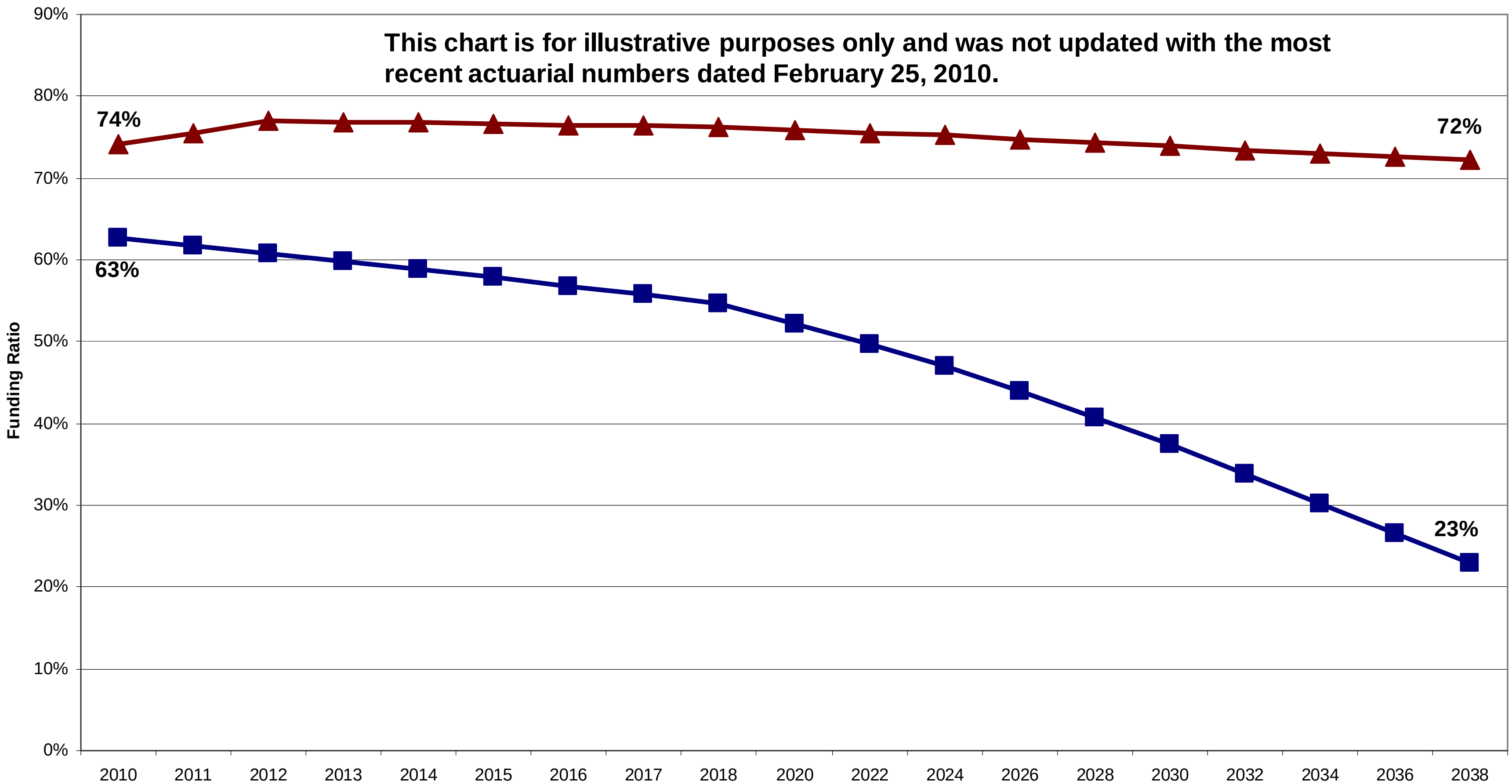
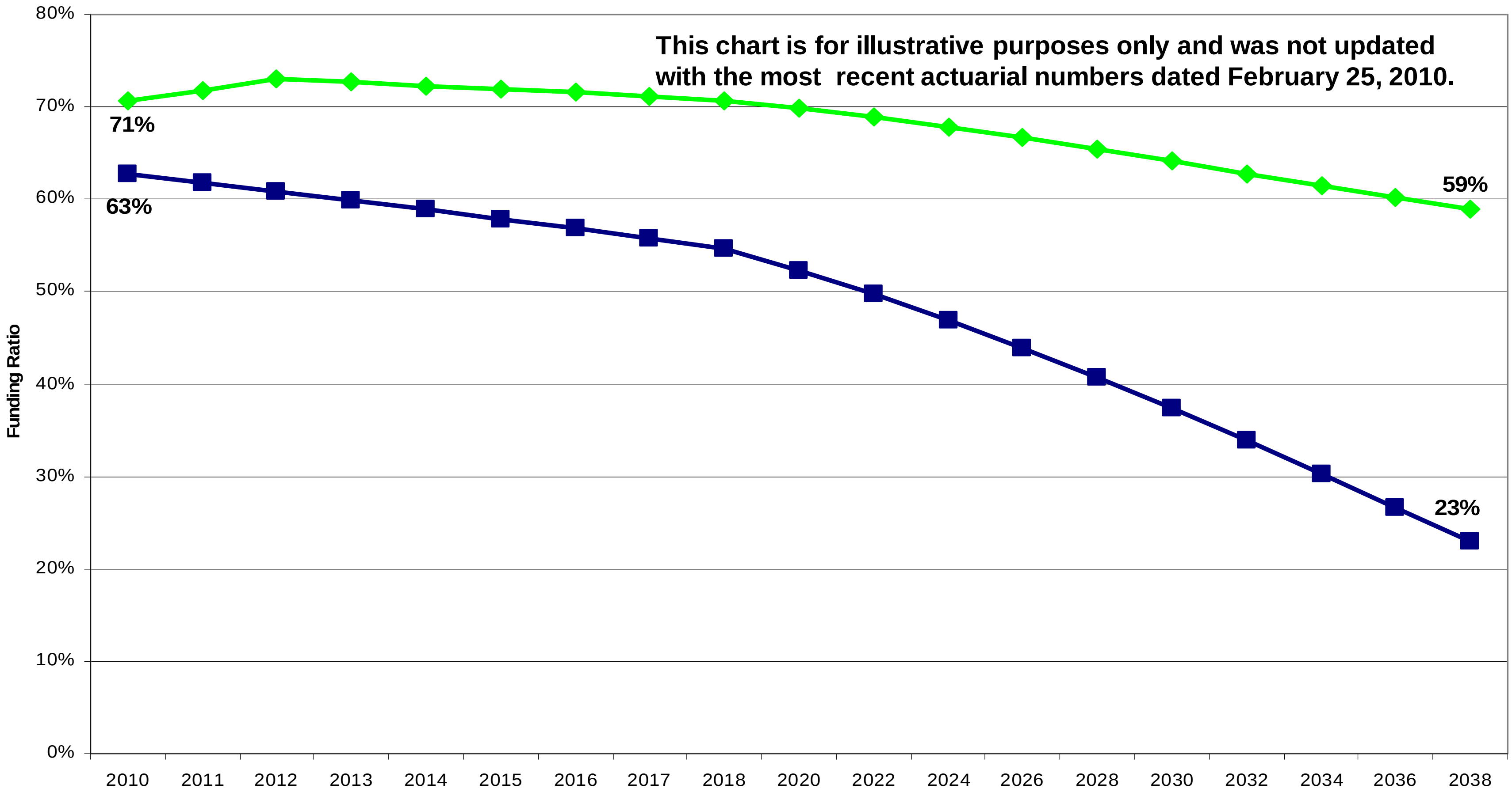
Path to Sustainability – Police & Fire Plan



Assumes 2009 market value funded ratio carries to July 1, 2010 and earns 8.5 percent for entire period through 2038 with no benefit modifications and no contribution rate increases implemented.

Assumes and 11 percent return for FY 2010 through 2012, with 8.5 percent each year thereafter and includes 0.5 percent contribution rate increase, 1.0 percent retiree adjustments, eliminates augmentation, increases vesting, etc.

MPPOA / MPFF Proposal: Senate File 2672



Assumes 2009 market value funded ratio carries to July 1, 2010 and earns 8.5 percent for entire period through 2038 with no benefit modifications and no contribution rate increases implemented.

Assumes and 11 percent return for FY 2010 through 2012, with 8.5 percent each year thereafter and includes 0.5 percent contribution rate increase, 1.5 percent retiree adjustments, eliminates augmentation, increases vesting, etc.

Financial Status of PERA Correctional Fund

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	94.85 %	72.93 %
Current Contributions*	14.58 % of pay	14.58 % of pay
Contributions Needed	14.03 % of pay	16.77 % of pay
Contribution Deficiency	0.55 % of pay	(2.19) % of pay

Note: based on actuarial estimates dated February 25, 2010, the change in the retiree adjustment to 1 percent and elimination of augmentation is estimated to save the plan 3.50 percent of pay.

*Employee rate = 5.83%; Employer rate = 8.75%

Source: Mercer Consulting, FY 09 annual actuarial valuation